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洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED

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

(Stock Code: 1108)

RESULTS ANNOUNCEMENT AND SUMMARY ANNUAL REPORT OF 2009

1 IMPORTANT NOTICE

1.1 The board (the "Board") of directors ("Directors"), the Supervisory Committee, the Directors, supervisors and senior management of Luoyang Glass Company Limited (the "Company") warrant that there are no false representation and misleading statement in or material omission from in this report and jointly and severally accept responsibilities for the truthfulness, accuracy and completeness of the content contained herein. This summary of the annual report is extracted from the full text of the annual report. Investors should read the full text of the annual report for a thorough understanding of its content.

1.2 All Directors attended the Board meeting.

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

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

2 COMPANY PROFILE

2.1 Basic Information

Stock name	ST Luobo	Luoyang Glass
Stock code	600876	1108
Place of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Registered address and office address	No.9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC	
Postal code	471009	
International website of the Company	http://www.zhglb.com	
E-mail	gfbgs@clfg.com	

2.2 Contact person and method

	Company Secretary	Securities Affairs Representative
Name	Ms. Song Fei	Mr. Zhang Kefeng
Correspondence Address	Secretary Office of the Board, Luoyang Glass Company Limited, No.9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province	Secretary Office of the Board, Luoyang Glass Company Limited, No.9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province
Telephone number	86-379-63908588, 63908507	86-379-63908629
Facsimile number	86-379-63251984	86-379-63251984
E-mail	lbjtsf@163.com	lyzkf@163.com

3 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Major Accounting Data (Unless otherwise stated, the following figures are prepared in accordance with the PRC Accounting Standards)

Unit: RMB

	2009	2008	Increase/ (decrease) of the year over last year *(%)*	2007
Operating income	**972,949,859.17**	1,322,532,854.82	(26.43)	1,508,756,180.44
Total loss for the year	**(171,666,551.34)**	(37,209,125.73)	361.36	(73,009,423.96)
Net profit/(loss) attributable to shareholders of the listed company	**(167,456,263.00)**	12,783,782.14	N/A	(95,343,480.67)
Loss excluding less extraordinary profit or (loss) attributable to equity shareholders the Company	**(154,617,713.88)**	(245,984,788.36)	(37.14)	(110,186,360.07)
Net cash flow from operating activities	**(82,566,656.61)**	(47,722,300.79)	(73.01)	(10,720,925.72)

	As at 31 December 2009	As at 31 December 2008	Percentage change over last year	As at 31 December 2007
Total assets	**1,485,214,615.77**	2,003,149,707.07	(25.86)	2,039,580,095.59
Shareholders' equity	**34,678,917.62**	229,156,045.71	(84.87)	216,372,263.57

3.2 Major Financial Indicators

	2009	2008	Increase/ (decrease) of the year over last year *(%)*	2007
Basic earnings/(loss) per share *(RMB)*	**(0.335)**	0.026	N/A	(0.19)
Diluted earnings/(loss) per share *(RMB)*	**(0.335)**	0.026	N/A	(0.19)
Basic earnings/(loss) per share less extraordinary profit or loss *(RMB)*	**(0.309)**	(0.49)	(37.14)	(0.22)
Return on net assets fully amortized *(%)*	**(482.88)**	5.58	N/A	(44.06)
Weighted average return on net assets *(%)*	**(115.15)**	5.74	N/A	(36.11)
Return on net assets fully amortized less extraordinary profit or loss *(%)*	**(445.86)**	(107.34)	Decreased by 338.52 percentage points	(50.92)
Weighted return on net assets fully amortized less extraordinary profit or loss *(%)*	**(106.32)**	(110.42)	Decreased by 4.1 percentage points	(41.73)
Net operating cash flow per share *(RMB)*	**(0.165)**	(0.095)	73.01	(0.02)

	As at 31 December, 2009	As at 31 December, 2008	Percentage change over last year *(%)*	As at 31 December, 2007
Net assets per share attributable to shareholders of the listed company *(RMB)*	**0.069**	0.458	(84.93)	0.433

Non-recurring items

☑ Applicable ☐ Not applicable

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

Items accounted at fair value

☐ Applicable ☑ Not applicable

3.3 Differences between the PRC and overseas accounting standards

☑ Applicable ☐ Not applicable

	PRC Accounting Standards	IFRSs
Net loss attributable to equity shareholders of the Company	(167,456,263.00)	(166,225,000.00)
Equity attributable to the equity shareholders of the Company	34,678,917.62	2,811,000.00

Description of differences: Please refer to the following for details of the significant differences between the annual financial report of the Group prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs.

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

	2009	2008
	RMB'000	*RMB'000*
(Loss)/profit attributable to shareholders under the PRC Accounting Rules and Regulations	**(167,456)**	12,783
Differences:-		
— Gain on disposal of land use rights	**—**	34,657
— Gain on disposal of a subsidiary	**—**	15,834
— Amortisation of revaluation of land use rights	**769**	1,500
— Government grants	**462**	461
— Difference in accounting for reused packing materials	**—**	(7,616)
— Others	**—**	(3,579)
(Loss)/profit attributable to equity shareholders of the Company under IFRSs	**(166,225)**	54,040

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

	2009	2008
	RMB'000	*RMB'000*
Shareholders' funds under the PRC Accounting Rules and Regulations	**34,679**	229,156
Differences:-		
— Gain on disposal of land use rights	**34,657**	34,657
— Gain on disposal of a subsidiary	**15,834**	15,834
— Amortisation of revaluation of land use rights	**(75,783)**	(76,552)
— Government grants	**(2,723)**	(3,186)
— Difference in accounting for consolidation	**2,721**	3,653
— Difference in accounting for reused packing materials	**—**	871
— Others	**(6,574)**	(6,574)
Total equity attributable to equity shareholders of the Company under IFRSs	**2,811**	197,859

4 CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

4.1 Changes in share capital

Unit: Share

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

Changes in shares subject to trading moratorium

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

4.2 Particulars of the top ten shareholders and top ten holders of circulating shares

Unit: share

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

Shareholdings of the top 10 shareholders

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

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

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

Explanation of 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）published by the Shanghai Stock Exchange among the top ten shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other holders of circulating shares.

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

4.3 Controlling shareholders and de facto controller

4.3.1 Changes of controlling shareholders and de facto controller

☐ Applicable ☑ Not applicable

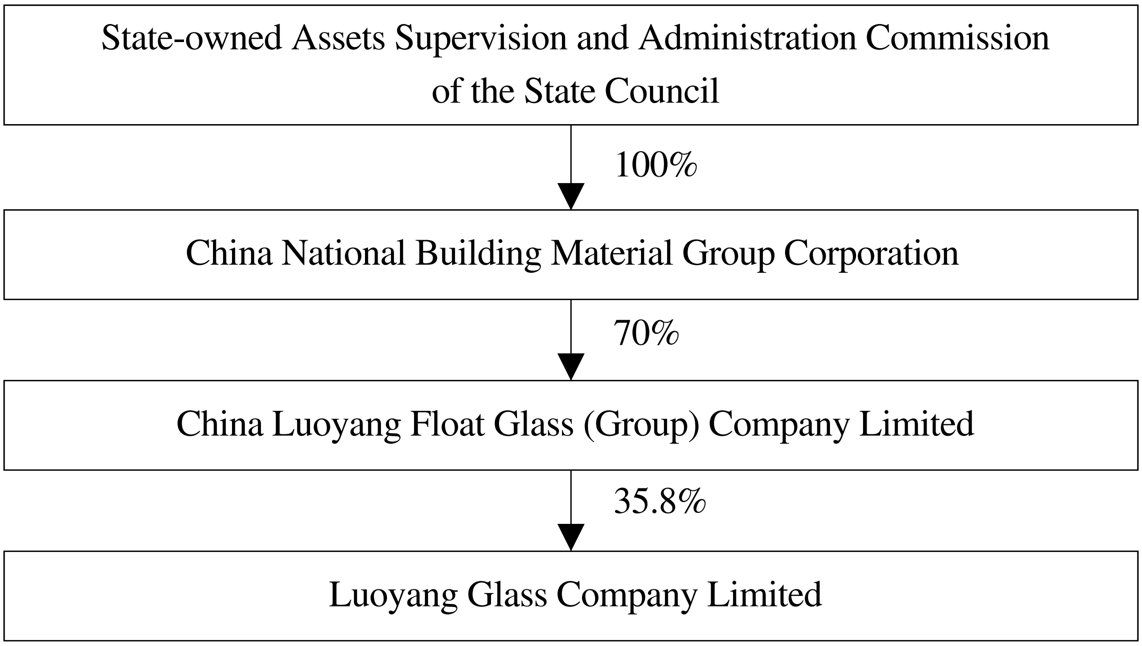
4.3.2 Particulars of the controlling shareholder and de facto controller

China Luoyang Float Glass (Group) Company Limited ("CLFG"), the controlling shareholder, was established in April 1991 and its legal representative is Zhu Leibo. Its registered capital is RMB1,286.74 million and its shareholders include China National Building Material Group Corporation ("CNBMG"), Luoyang Assets Management Company, China Hua Rong Assets Management Company, China Changcheng Assets Management Company, China Dongfang Assets Management Company, China Xinda Assets Management Company and China Xinxing Construction Material (Group) Company holding 70%, 10.27%, 8.55%, 5.44%, 3.10%,1.94% and 0.7% of shares respectively. Its principal activities include production and sales of float glass, imports and exports of processing technology of glass and internal business, design and subcontracting of engineering works, labour export and other businesses.

Information of the de facto controller of the Company

CNBMG was established in 1984 and its legal representative is Song Zhiping. Its registered capital is RMB3,723,038,000. The Company is principally engaged in the development, wholesale and retail of construction material (including steel products and wood products, but only purchased by and supplied to those enterprises which are directly under and supplied by the system), raw materials and productive technology equipment as well as the supply of sedan in the plan of the system; undertaking designs and construction of housing, factory and decoration involving new construction materials.

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



5 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

5.1 Changes in shareholdings and remuneration of directors, supervisors and senior Management

Number of A shares held in the interest of individuals

Name	Position	Sex	Age	Commencing date of term of office	Ceasing date of term of office	Shareholding at the beginning of the year *(share)*	Shareholding at the end of the year *(share)*	Reason for change	Total remuneration received from the Company during the reporting period *(RMB0'000)*	Whether received remuneration from corporate shareholders or other connected parties
Gao Tianbao	Former Chairman	M	51	2007-09-10(Director)	2009-08-13	0	0	N/A	17.76	No
Cao Mingchun	Former Executive Director General Manager	M	47	2007-09-10(Director) 2008-04-14(General Manager)	2009-08-13	0	0	N/A	14.51	Yes
Xie Jun	Former Executive Director Deputy General Manager	M	43	2007-09-10(Director) 2007-07-24 (Deputy General Manager)	2009-08-13	0	0	N/A	14.51	Yes
Song Jianming	Chairman	M	53	2008-06-30 (Director) 2009-05-27(Chairman)	2012-05-18	0	0	N/A	19.37	No
Ni Zhisen	Executive Director General Manager	M	38	2009-05-27(General Manager) 2009-09-28(Director)	2012-05-18	0	0	N/A	8.8	No
Song Fei	Executive Director Chief Financial Controller, Secretary to the Board	F	47	2008-04-14 (Chief Financial Controller) 2008-06-30 (Director) 2008-12-11 (Secretary to the Board)	2012-05-18	0	0	N/A	14.68	No
Cheng Zonghui	Executive Director & Deputy General Manager	M	47	2007-07-24 (Deputy General Manager) 2009-9-28 (Director)	2012-05-18	0	0	N/A	12.97	No
Shen Anqin	Non-executive Director	M	60	2007-09-10	2012-05-18	0	0	N/A	4	Yes
Bao Wenchun	Non-executive Director	M	56	2009-05-18	2012-05-18	0	0	N/A	2.67	Yes
Guo Yimin	Non-executive Director	M	45	2009-09-28	2012-05-18	0	0	N/A	1	Yes

Xi Shengyang	Former independent Director	M	54	2006-04-10	2009-05-18	0	0	N/A	2	No
Guo Aimin	Independent Director	M	54	2006-04-10	2012-05-18	0	0	N/A	4	No
Zhang Zhanying	Independent Director	M	52	2006-04-10	2012-05-18	0	0	N/A	4	No
Huang Ping	Independent Director	M	41	2009-05-18	2012-05-18	0	0	Nil	2.67	No
Dong Jiachun	Independent Director	M	53	2009-09-28	2012-05-18	0	0	N/A	1	No
Ge Tieming	Former independent Director	M	64	2007-09-10	2009-05-16	0	0	N/A	4	No
Ren Zhenduo	Chairman of the Supervisory Committee	M	45	2007-09-10 (Supervisor), 2007-09-12 (Chairman of the Supervisory Committee)	2012-05-18	0	0	N/A	2	Yes
Li Jingyi	Former independent Supervisor	F	56	2006-04-10	2009-05-18	0	0	N/A	1	No
He Baofeng	Independent Supervisor	M	38	2007-09-10	2012-05-18	0	0	N/A	2	No
Yao Wenjun	Supervisor	F	41	2007-09-10	2012-05-18	0	0	N/A	2	Yes
Guo Hao	Independent Supervisor	M	52	2009-05-18	2012-05-18	0	0	N/A	1.33	No
Lu Junfeng	Employee Supervisor	M	41	2007-09-10	2012-05-18	0	0	N/A	5.09	No
Ip Pui Sum	Company Secretary	M	50	2008-08-06	2012-05-18	0	0	N/A	HK$120,000	No
To Wai Kum	Former Qualified Accountant	F		2008-08-06	2009-05-18	0	0	N/A	HK$52,000	No

Note: (1) Save as disclosed above, as at 31 December 2009, none of the Directors, Supervisors and senior management of the Company had any interest nor short position in the underlying shares or debentures in the shares, equity derivatives of the Company or its associated corporations (within the meaning as defined in Part XV of the "Securities and Futures Ordinance" (Chapter 571 of the Laws of Hong Kong)) which was required to be entered in the register of interest kept by the Company pursuant to section 352 of the "Securities and Futures Ordinance"; or required to be notified to the Company or Hong Kong Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Companies".

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

(3) Total remuneration above amounted to approximately RMB1.58 million under the PRC Accounting Standards.

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

6 REPORT OF THE DIRECTORS

6.1 Management Discussion and Analysis

Business Review

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

Overall operation of the Company during the reporting period

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

According to the PRC Accounting Standards, in 2009, the operating revenue of the Group was RMB972,949,900, representing a decrease of 26.43% from the corresponding period last year. Loss before tax totalled RMB171,666,600, representing an increase of loss of 361.36% over the corresponding period last year. Net loss attributable to shareholders of the Company was RMB167,456,300, while the Company recorded a net profit attributable to the Company's shareholder of RMB12,783,800 over the corresponding period last year. Basic loss per share was RMB0.34. According to the IFRSs, the loss before tax of the Group totalled RMB170,435,000 in 2009, while the Group recorded a profit before tax of RMB3,142,000 over the corresponding period last year. Net loss attributable to shareholders of the Company amounted to RMB166,225,000, while the Company recorded a net profit attributable to the Company's shareholder of RMB54,040,000 over the corresponding period last year. Basic loss per share attributable to shareholders of the Company in 2009 was RMB0.33. Net loss after non-recurring items attributable to shareholders of the Company in accordance with the PRC Accounting Standards was RMB154,618,000 for 2009, representing a decrease of 37.14% (net loss after non-recurring items attributable to shareholders of the Company in accordance with the IFRSs was RMB154,618,000 for 2009), showing a noticeable improvement in operation as compared to last year.

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

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

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

6.2 Statement of the principal operations by industries and products (prepared in accordance with the PRC Accounting Standards)

By industry or products	Operating Income *(RMB)*	Cost of operation *(RMB)*	Profit margin of operations *(%)*	Increase/ (decrease) of income from operations as compared to last year *(%)*	Increase/ (decrease) of cost of operations as compared to last year *(%)*	Increase/ decrease of operating profit margin as compared to last year
Float glass	790,010,280.89	679,671,987.29	13.97	(30.09)	(40.96)	Increased from (1.86)% to 13.97%

6.3 Principal operations by regions (Prepared in accordance with the PRC Accounting Standards)

Regions	Operating income *(RMB)*	Increase/ (decrease) of operating income as compared to last year *(%)*
Domestic	777,579,514.33	(29.42)
Exports	12,430,766.56	(56.24)

6.4 Top 5 Suppliers and Top 5 Customers (Prepared in accordance with the PRC Accounting Standards)

Total purchase from top 5 suppliers *(RMB)*	176,778,877.87	**Percentage in total purchase**	37.11%
Total sales to the top 5 customers *(RMB)*	294,888,296.70	**Percentage in total sales**	30.31%

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

6.5 Composition of cash flow

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

6.6 Analysis on items of accounts with movements over 30% (Prepared in accordance with the PRC Accounting Standards)

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

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

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

(4) Other receivables as at the end of the reporting period decreased by 74.34% from the beginning of the reporting period, mainly due to the receipt of the remaining RMB120,000,000.00 due from Luoyang Land Reserves Coordination Centre in respect of the disposal of land and buildings erected thereon during the reporting period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.7 Analysis of the operation results of the major subsidiaries and investee companies (Prepared in accordance with the PRC Accounting Standards)

Company name	Nature of business	Major products	Registered capital *(RMB)*	Total assets *(RMB)*	Net assets *(RMB)*	Net profit *(RMB)*
CLFG Lougmen Glass Company Limited	Production and sales	Ultra thin glass	20,000,000.00	124,053,867.91	-179,383,258.68	-51,927,686.07
CLFG Luoyang Longhai Electric Glass Company Limited	Production and sales	Ultra thin glass	60,000,000.00	238,651,851.41	23,843,057.25	4,894,007.84
CLFG Luoyang Longhao Glass Company Limited	Production and sales	Float glass	50,000,000.00	321,983,500.64	49,883,707.37	12,645,233.90
CLFG Longfei Glass Company Limited	Production and sales	Float glass	74,080,000.00	146,215,411.59	-27,153,488.72	-43,604,551.24
CLFG Luoyang Longxiang Glass Company Limited	Production and sales	Float glass	50,000,000.00	139,391,983.43	25,424,212.04	6,898,341.77
Yinan Mineral Products Co., Ltd.	Production and sales	Silica sand raw materials	28,000,000.00	41,395,165.52	5,728,697.83	-1,888,238.58
Luoyang Luobo Industrial Co., Ltd.	Sales of products	Glass and raw materials and fuel	5,000,000.00	27,250,259.23	4,154,172.43	-264,983.57
Dengfeng CLFG Silicon Company Limited	Production and sales	Silica sand raw materials	3,000,000.00	6,011,647.41	2,281,647.41	-413,426.30
CLFG Processed Glass Company Limited	Production and sales	Processing glass	181,495,607.50	175,566,407.76	-112,420,827.25	-61,188,930.82
Luoyang Jingxin Ceramic Co., Ltd.	Production and sales	Inner wall tile	41,945,000.00	127,308,794.38	-54,869,947.51	-1,796,164.87
CLFG Minerals Products Co., Ltd.	Production and sales	Silica sand raw materials	30,960,000.00	29,344062.52	-11,784,340.47	-3,035,128.83

6.8 Use of the proceeds from share issue

☐ Applicable ☑ Not applicable

Change of projects

☐ Applicable ☑ Not applicable

6.9 Projects not funded by proceeds from share issue

☐ Applicable ☑ Not applicable

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

☑ Applicable ☐ Not applicable

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

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

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

PKF Certified Public Accountants also presented their auditors' reports with an explanatory paragraph but without qualifying the 2009 financial statements (prepared under the IFRSs) of the Company. The auditors draw their attention to the Company's and Group's assumption of going concern as the basis in preparing the financial statements and considered the validity of which depends on certain factors.

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

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

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

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

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

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

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

According to the IFRSs, the net loss attributable to owners of the parent company in 2009 was RMB166.23 million. Taking into account the loss of RMB796.31 million in the beginning of the year and other increase of RMB26.93 million for the period, accumulated loss was RMB989.47 million. As a result, the Company does not recommend profit distribution for 2009 or any transfer of capital reserve to share capital.

According to the PRC Accounting Standards, the net loss attributable to owners of the parent company for 2009 was RMB167.46 million. Taking into account loss of RMB1,249.97 million in the beginning of the year and other decrease of RMB3.21 million for the period, accumulated loss was RMB1,414.22 million. As a result, the Company does not recommend profit distribution for 2009 or any transfer of capital reserve to share capital.

6.12 Profit during the reporting period of the Company without forwarding proposal of cash profit distribution

☐ Applicable ☑ Not applicable

Future Development Prospect

1. Environment analysis

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

Positive factors

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

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

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

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

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

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

(2) Glass capacity growth is likely to be curbed

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

Negative factors

(1) Difficulties in cost control

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

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

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

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

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

2. Business Plan for 2010

The followings are our target economic indicators:

Consolidated revenue: RMB1,099.9192 million

Production-sales ratio: 115.61%

Costs as a percentage to sales revenue: 96.12%

3. Countermeasures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) Speed up project progress to enhance market competitiveness

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

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

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

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

(6) Speed up the disposal of idle assets.

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

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

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

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

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

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

(3) Financial Risks:

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

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

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

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

7. SIGNIFICANT EVENTS

7.1 Acquisition of assets

☑ Applicable ☐ Not applicable

Parties to the transaction or final controller	Assets acquired	Date of acquisition	Price of the asset acquisition	Net profit contributed to the listed company from the date of acquisition to the end of the year	Net profit contributed by the asset to the Company from the beginning of the year to the end of the year (applicable to business combination involving enterprises under common control)	Whether a connected transaction (if yes, please elaborate the pricing principle)	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred
China Luoyang Float Glass (Group) Company Limited	10% equity interest in CLFG Longfei Glass Co., Ltd ("Longfei")	2009.12.16	0	(21,287,775.1)		Yes (appraised value)	Yes	Yes
China Luoyang Float Glass (Group) Company Limited	20% equity interest in CLFG Luoyang Longhai Electronic Glass Co., Ltd ("Longhai")	2009.12.16	941,425.28	33,216,078.21		Yes (appraised value)	Yes	Yes
China Luoyang Float Glass (Group) Company Limited	20% equity interest in CLFG Luoyang Longhao Glass Co., Ltd ("Longhao")	2009.12.16	7,300,356.93	17,859,805.08		Yes (appraised value)	Yes	Yes
CLFG Longfei Glass Co., Ltd	60% equity interest in CLFG Longxiang Glass Co., Ltd ("Longxiang")	2009.01.01	38,016,444.70	6,898,341.77		No	Yes	Yes

7.2 Disposal of assets

☑ Applicable ☐ Not applicable

Unit: RMB

Counterparty	Assets disposed	Date of disposal	Consideration	Net profit contributed by the asset to the Company since the beginning of the year to the date of disposal	Profit (loss) from the disposal	Whether a connected transaction (if so, state the basis of pricing)	Whether entitlement of assets concerned are completely transferred	Whether the creditors' and debtors' concerned are completely transferred
Valley County Bada Mining Co., Ltd	66.67% equity interests in Luoshen Company	19 February 2009	RMB4,500,000.00	—	RMB(716,361.48)	No	Yes	Yes
Henan Zhenglong Coal Co., Ltd.	37% equity interests in CLFG Finance Company	30 March 2009	RMB140,111,937.64	RMB1,552,278.90	RMB18,899,058.16	Yes (appraised value)	Yes	Yes
Chenzhou Xinbada Glass Co.,Ltd. (郴州新八達玻璃有限公司)	72.65% equity interests in Chenzhou Bada Glass Co., Ltd.	21 May 2009	RMB1,000,000.00	—	RMB1,000,000	No	Yes	Yes

7.3 Material guarantees (Prepared in accordance with the PRC Accounting Standards)

☑ Applicable ☐ Not applicable

Unit: RMB

Guarantees provided by the Company (excluding guarantees to controlling subsidiaries)

Guarantee provided	Date of occurrence (agreement execution date)	Amount of guarantee	Type of guarantee	Performance term of guarantee	Whether completed or not	Whether related party guarantee
Nil						

Total amount of guarantees provided by the Company	Nil
Balance of guarantees at the end of the reporting period	Nil
Guarantees provided by the Company to its controlling subsidiaries	
Total amount of guarantees provided by the Company to its controlling subsidiaries	55,000,000.00
Balance of guarantees provided by the Company to its controlling subsidiaries at the end of the reporting period	55,000,000.00
Total guarantees provided by the Company (including guarantees to controlling subsidiaries)	
Total amount of guarantees	55,000,000.00
Total amount of guarantees as a percentage to the Company's net assets	158.60%

Including:

Amount of guarantees provided to shareholders, the de facto controller and its related parties	—
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70%	55,000,000.00
Total amount of guarantee over 50% of the net assets	37,660,541.19
Total amount of above 3 guarantees	55,000,000.00

7.4 Material related parties transactions (Prepared in accordance with the Listing Rules of Shanghai Stock Exchange)

7.4.1 Related parties transactions relating to day-to-day operations

☑ Applicable ☐ Not applicable

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

7.4.2 Creditor rights and debts with related parties (Prepared in accordance with the Listing Rules of Shanghai Stock Exchange)

☐ Applicable ☑ Not applicable

7.5 Designated financial management

☐ Applicable ☑ Not applicable

7.6 Performance of undertakings

☑ Applicable ☐ Not applicable

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

In the reporting period, CNBMG, the de facto controller of the Company has complied with the undertaking set out in the (Acquisition Report on Luoyang Glass Company Limited) to "avoid competition among the industry and reduce and restrict connected transactions".

7.7 Material litigation and arbitration

☐ Applicable ☑ Not applicable

7.8 Explanations on other significant events and influence therefrom and solution thereon

7.8.1 Securities investment

☐ Applicable ☑ Not applicable

7.8.2 Particulars of the Company's shareholding in other listed companies

☐ Applicable ☑ Not applicable

7.8.3 The Company's shareholding in non-listed financial enterprises (Prepared in accordance with the PRC Accounting Standards)

☑ Applicable ☐ Not applicable

Name of investee	Initial investment cost *(RMB)*	Shareholding percentage *(%)*	Book value at the end of the period *(RMB)*	Earnings for the period *(RMB)*	Accounting item	Source of shares
Yanshi Rural Credit and Cooperatives	410,000.00	0.67	410,000.00	—	—	Original Investment
Sanmenxia Urban Credit and Cooperatives Co., Ltd	7,000,000.00	4.99	7,000,000.00	—	—	Original Investment
China Luoyang Float Glass (Group) Company Limited	111,000,000.00	37.00	—	1,552,278.90	Investment Income	Original Investment

7.8.4 Trading of securities of other listed companies

☐ Applicable ☑ Not applicable

7.9 Resumption of trading of the Company's H shares

On 31 July 2009, the Company published an announcement regarding resumption of trading in the Company's H shares on 31 July, 2009. The trading in H shares of the Company was resumed on Hong Kong Stock Exchange after nearly three years of suspension of trading.

7.10 Repurchase, sale and redemption of shares

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

7.11 Overdue deposits

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

7.12 Pre-emptive Rights

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

7.13 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.

7.14 Compliance with the (Code on Corporate Governance Practices)

The Company has been in compliance with the provisions of the (Code on Corporate Governance Practices) throughout year 2009.

7.15 Audit Committee

In accordance with internal compliance and Rule 3.21 of the Listing Rules, the Company has established an audit committee ("Audit Committee"), comprising three independent non-executive directors. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2009.

7.16 Final Dividends

The Board did not recommend a declaration of final dividend (2008: nil) for the year ended 31 December 2009 on the meeting held on 30 March 2010.

7.17 POST BALANCE SHEET EVENTS

(a) On 4th June, 2005, CLFG and Longhai entered into a sale and purchase agreement of machinery with a third party, Shanghai Kai Yuan Air Separation Technology Development Co., Ltd. ("Kai Yuan"). Kai Yuan failed to collect the outstanding amount from CLFG and Longhai and thus instigated legal actions with the Court of Shanghai. The outstanding amount included cost of machinery of RMB1,817,500 and interest expenses of RMB327,000 for the period from 10th February, 2007 to 31st October, 2009. The case is still being processed by the Court.

(b) On 4th August, 2005, Longfei entered into a sale and purchase agreement of machinery with a third party, Kai Yuan. Kai Yuan failed to collect the outstanding amount from Longfei and thus instigated legal actions with the Court of Shanghai. The outstanding amount included cost of machinery of RMB680,000 and interest expenses of RMB111,000 for the period from 16th May, 2007 to 31st October, 2009. The case is still being processed by the Court.

(c) On 31st December, 2009, the Company owed to Henan Baoshuo Tar Chemical Industry Company Limited ("Henan Baoshuo") payments in the sum of RMB11,888,000. Henan Baoshuo supplied fuel oil to the Company and failed to collect the outstanding amount from the Company and thus instigated legal actions with the Intermediate People's Court of Luoyang on 15th January, 2010. The parties to the legal proceedings reached a settlement on 29th January, 2010. According to the Civil Mediation Paper (2010) Luo Min Li Chu Zi No.1, the parties agreed that the Company would settle the outstanding amount of RMB11,888,000 by way of installments before 31st January, 2012. The litigation cost of RMB47,000 was charged and settled by Henan Baoshuo.

8 REPORT OF THE SUPERVISORY COMMITTEE

(I) Work of the Supervisory Committee

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

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

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

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

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

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

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

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

   During the reporting period, the Supervisory Committee, following the laws and regulations, supervised the convening procedures of general meetings and board meetings, resolutions, the Board's implementation of the general meeting's resolutions, senior management's performance of their duties and the Company's internal control. The Supervisory Committee is of the opinion that the Board of Directors has standardized operation in accordance with the PRC Company Law, Articles of Associations of the Company and relevant laws and regulations. Directors and senior management executed their duties within their terms of reference.

   No violation of any laws, regulations and the Articles of Association of the Company or action detrimental to the Company's interests were found.

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

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

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

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

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

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

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

9. FINANCIAL REPORT

9.1 Domestic Auditors' Report

Financial Report	☐ Unaudited	✓ Audited
Auditors' Opinion	☐ Standard unqualified opinions	✓ Non-standard opinion

For details please refer to the A share 2009 annual report dated 30 March, 2010 which was published on the website of the Shanghai Stock Exchange.

9.2 Consolidated and the Company's balance sheets and income statements, presented for comparison, and cash flow statements for the year prepared under the PRC Accounting Standards.

For details please refer to the A share 2009 annual report dated 30 March, 2010 which was published on the website of the Shanghai Stock Exchange.

9.3 Specific explanations on changes in accounting policies, accounting estimations and accounting methods as compared with the annual report last year.

☐ Applicable ✓ Not applicable

9.4 Significant accounting errors, amount of correction, the reason and impact

☐ Applicable ☑ Not applicable

9.5 Specific explanation on changes in consolidation scope as compared with the annual report last year.

☐ Applicable ☑ Not applicable

9.6 Audited financial statements prepared under the IFRSs

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

(Expressed in Renminbi)

	Note	**2009**	2008
		RMB'000	*RMB'000*
Turnover	2	**972,412**	1,314,946
Cost of sales		**(848,656)**	(1,334,633)
Gross profit/(loss)		**123,756**	(19,687)
Other operating income	3	**5,693**	243,892
Other operating expenses		**(2,907)**	(10,288)
Selling expenses		**(35,789)**	(40,359)
Administrative expenses		**(221,861)**	(160,881)
(Loss)/profit from operations		**(131,108)**	12,677
Net finance costs		**(60,062)**	(85,791)
Net investment income		**19,183**	70,388
Share of net profit of an associate		**1,552**	5,868
(Loss)/profit before income tax	4	**(170,435)**	3,142
Income tax (expense)/credit	5	**(1,781)**	2,651
(Loss)/profit for the year		**(172,216)**	5,793
Total comprehensive (loss)/income for the year		**(172,216)**	5,793

	Note	2009 RMB'000	2008 RMB'000
Attributable to:-			
Equity shareholders of the Company	6	**(166,225)**	54,040
Non-controlling interests		**(5,991)**	(48,247)
(Loss)/profit for the year		**(172,216)**	5,793
Basic (loss)/earnings per share (in RMB : Yuan)	8	**(0.33)**	0.11

Consolidated Statement of Financial Position

As at 31st December, 2009

(Expressed in Renminbi)

	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**792,490**	923,256
Construction in progress	**17,723**	11,761
Intangible assets	**10,878**	12,370
Lease prepayments	**32,881**	34,004
Interests in associates	**1,128**	120,906
Other investments	**7,410**	7,410
Investment deposit	**1,030**	40,430
Deposits with a non-bank financial institution	**35,000**	35,000
	898,540	1,185,137

	Note	2009	2008
		RMB'000	*RMB'000*
CURRENT ASSETS			
Inventories		**154,834**	252,016
Trade and bills receivables	9	**100,558**	99,581
Other receivables		**76,863**	160,667
Income tax recoverable		**2,710**	4,481
Pledged deposits with banks		**192,800**	201,636
Cash and bank balances		**33,189**	64,578
Restricted bank balances		**—**	9,809
		560,954	792,768
CURRENT LIABILITIES			
Trade and bills payables	10	**470,518**	627,266
Other payables		**237,809**	220,107
Bank and other loans		**735,971**	894,411
		1,444,298	1,741,784
NET CURRENT LIABILITIES		**(883,344)**	(949,016)
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,196**	236,121
NON-CURRENT LIABILITIES			
Bank and other loans		**4,824**	5,256
Deferred income		**3,692**	4,154
		8,516	9,410
NET ASSETS		**6,680**	226,711

	2009	2008
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**500,018**	500,018
Share premium	**538,132**	540,028
Reserves	**(45,873)**	(45,873)
Accumulated losses	**(989,466)**	(796,314)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**2,811**	197,859
NON-CONTROLLING INTERESTS	**3,869**	28,852
TOTAL EQUITY	**6,680**	226,711

1. RECENTLY ISSUE ACCOUNTING STANDARDS

(a) Initial application of new and revised IFRSs

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

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

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

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

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

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

(b) IFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1st July, 2009

[2] Effective for annual periods beginning on or after 1st January, 2010

[3] Effective for annual periods beginning on or after 1st February 2010

[4] Effective for annual periods beginning on or after 1st July, 2010

[5] Effective for annual periods beginning on or after 1st January, 2011

[6] Effective for annual periods beginning on or after 1st January, 2013

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

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

2. TURNOVER

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

3. OTHER OPERATING INCOME

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

Note:-

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

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

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

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

4. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2009	2008
	RMB'000	*RMB'000*
(a) Net finance costs:-		
Interest on bank loans and other borrowings repayable within 5 years	**(58,552)**	(75,870)
Interest income	**3,967**	6,918
Net foreign exchange loss	**(110)**	(277)
Bank charges	**(5,367)**	(16,562)
	(60,062)	(85,791)

	2009	2008
	RMB'000	*RMB'000*

(b) Net investment income:-

	2009 RMB'000	2008 RMB'000
Gain on disposal of an other investment	**1,000**	—
Gain on disposal of an associate	**18,899**	—
(Loss)/gain on disposal of interest in a subsidiary	**(716)**	70,377
Dividend income from other investments	**—**	11
	19,183	70,388

	2009	2008
	RMB'000	*RMB'000*
(c) Share of net profit of an associate	**1,552**	5,868

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

	2009 RMB'000	2008 RMB'000
Wages and salaries	**(68,950)**	(71,246)
Contributions to defined contribution plan	**(19,951)**	(20,297)
	(88,901)	(91,543)

	2009	2008
	RMB'000	*RMB'000*

(e) Other items:-

	2009	2008
Cost of inventories sold	**(848,656)**	(1,334,633)
Depreciation	**(83,126)**	(100,606)
Net (impairment loss)/reversal of impairment loss of		
— trade receivables	**(2,033)**	597
— other receivables	**(235)**	(44)
— property, plant and equipment	**(3,535)**	(8,130)
— construction in progress	**(2,795)**	(121)
Write-down of inventories	**(12,597)**	(35,212)
Reversal of write-down of inventories	**29,591**	691
(Loss)/gain on disposal of property, plant and equipment	**(42,468)**	33,982
Auditors' remuneration	**(2,100)**	(2,100)
Amortisation of intangible assets	**(1,492)**	(1,477)
Amortisation of lease prepayments	**(901)**	(850)

5. INCOME TAX EXPENSE/(CREDIT)

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

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

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

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

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

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

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

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

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

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

6. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The (loss)/profit attributable to equity shareholders of the Company includes a loss of RMB140,311,000 (2008 : profit of RMB109,713,000) which has been dealt with in the financial statements of the Company.

7. DIVIDENDS

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

8. BASIC (LOSS)/EARNINGS PER SHARE

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

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

9. TRADE AND BILLS RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables				
— third parties	**62,969**	72,806	**51,282**	60,265
— subsidiaries of the controlling shareholder company	**16,624**	64,603	**16,039**	62,642
	79,593	137,409	**67,321**	122,907
Less : Allowances for impairment of doubtful debts	**45,422**	45,265	**44,316**	42,576
	34,171	92,144	**23,005**	80,331
Bills receivable	**66,387**	7,437	**94,295**	3,787
	100,558	99,581	**117,300**	84,118

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

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**17,978**	79,892	**13,005**	71,451
Between 1 month and 1 year	**75,481**	19,016	**98,333**	12,667
Between 1 and 2 years	**7,066**	630	**5,962**	—
Between 2 and 3 years	**33**	43	**—**	—
	100,558	99,581	**117,300**	84,118

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

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

At 31st December, 2009, the Group's and the Company's trade and bills receivables of RMB82,580,000 (2008 : RMB19,689,000) and RMB104,295,000 (2008 : RMB12,667,000) respectively were past due but not impaired. These receivables relate to a number of independent customers that have a good track record with the Group and the Company. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

At 31st December, 2009, the Group's and the Company's trade and bills receivables of RMB45,422,000 (2008 : RMB45,265,000) and RMB44,316,000 (2008 : RMB42,576,000) respectively were individually determined to be fully impaired. The individually impaired receivables related to customers that were in financial difficulties and the directors assessed that such debts were not expected to be recovered. The Group does not hold any collateral over these balances. The ageing analysis of these trade and bills receivables is as follows:-

	The Group		**The Company**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Between 1 and 2 years	**2,228**	436	**1,740**	—
Between 2 and 3 years	**32**	769	**—**	—
More than 3 years	**43,162**	44,060	**42,576**	42,576
	45,422	45,265	**44,316**	42,576

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1st January	**45,265**	45,862	**42,576**	42,914
Impairment loss recognised/ (reversed)	**2,033**	(597)	**1,740**	(338)
Deconsolidation due to disposal of a subsidiary	**(1,876)**	—	**—**	—
At 31st December	**45,422**	45,265	**44,316**	42,576

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

	The Group		The Company	
	2009	2008	**2009**	2008
	'000	*'000*	***'000***	*'000*
United States Dollars	**907**	1,069	**413**	413

10. TRADE AND BILLS PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables				
— third parties	**296,248**	408,452	**196,138**	262,211
— subsidiaries of the controlling shareholder company	**270**	3,114	**7**	—
	296,518	411,566	**196,145**	262,211
Bills payable	**174,000**	215,700	**139,500**	40,000
	470,518	627,266	**335,645**	302,211

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

	The Group		The Company	
	2009	2008	**2008**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due within 1 month or on demand	**470,518**	627,266	**335,645**	302,211

11. SEGMENT REPORTING

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

Principal activities are as follows:-

Float sheet glass business — production and sales of float sheet glass

Silicon powder business — manufacturing, selling and distribution of silicon powder

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

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

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

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

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

(a) Segments results, assets and liabilities

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

For the year ended 31st December, 2009

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

Assets and liabilities

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

For the year ended 31st December, 2009

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

For the year ended 31st December, 2008

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

Assets and liabilities

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

For the year ended 31st December, 2009

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

(b) Geographic information

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

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

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

12. POST BALANCE SHEET EVENTS

(a) On 4th June, 2005, CLFG and Longhai entered into a sale and purchase agreement of machinery with a third party, Shanghai Kai Yuan Air Separation Technology Development Co., Ltd. ("Kai Yuan"). Kai Yuan failed to collect the outstanding amount from CLFG and Longhai and thus instigated legal actions with the Court of Shanghai. The outstanding amount included cost of machinery of RMB1,817,500 and interest expenses of RMB327,000 for the period from 10th February, 2007 to 31st October, 2009. The case is still being processed by the Court.

(b) On 4th August, 2005, Longfei entered into a sale and purchase agreement of machinery with a third party, Kai Yuan. Kai Yuan failed to collect the outstanding amount from Longfei and thus instigated legal actions with the Court of Shanghai. The outstanding amount included cost of machinery of RMB680,000 and interest expenses of RMB111,000 for the period from 16th May, 2007 to 31st October, 2009. The case is still being processed by the Court.

(c) On 31st December, 2009, the Company owed to Henan Baoshuo Tar Chemical Industry Company Limited ("Henan Baoshuo") payments in the sum of RMB11,888,000. Henan Baoshuo supplied fuel oil to the Company and failed to collect the outstanding amount and thus instigated legal actions with the Intermediate People's Court of Luoyang on 15th January, 2010. The parties to the legal proceedings reached a settlement on 29th January, 2010. According to the Civil Mediation Paper (2010) Luo Min Li Chu Zi No.1, the parties agreed that the Company would settle the outstanding amount of RMB11,888,000 by way of installments before 31st January, 2012. The litigation cost of RMB47,000 was charged and settled by Henan Baoshuo.

By order of the Board
Luoyang Glass Company Limited
Song Jianming
Chairman

Luoyang, the PRC
30 March 2010

As at the date of this announcement, the Board comprises four executive Directors: Mr. Song Jianming, Ms. Song Fei, Mr. Ni Zhisen and Mr. Cheng Zonghui; three non-executive Directors: Mr. Shen Anqin, Mr. Bao Wenchun and Mr. Guo Yimin; and four independentnon-executive Directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun.