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)

ANNOUNCEMENT OF RESULTS FOR THE FIRST HALF OF 2010 AND SUMMARY OF 2010 INTERIM REPORT

1 IMPORTANT NOTICE

1.1 The board of directors (the "Board") and supervisory committee of the Company and its directors (the "Directors"), supervisors and senior management warrant that there is no false representation and misleading statement in or material omission from this report and jointly and severally accept responsibilities for the truthfulness, accuracy and completeness of the content contained herein.

This interim report summary is extracted from the interim report, the full text of which has been published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn). Investors should carefully read the full text of the interim report for details.

1.2 All Directors of the Company attended the Board meetings.

1.3 The interim financial statements of the Company are unaudited, but have been reviewed and approved for issuance by the Independent Audit Committee of the Board.

1.4 Mr. Song Jianming, the Chairman of the Company, Ms. Song Fei, the Chief Financial Controller, and Ms. Chen Jing, the Head of Finance Department, warrant the authenticity and completeness of the financial statements set out in the 2010 interim report.

2 COMPANY PROFILE

2.1 Basic information

Stock abbreviation	*ST Luoyang Glass	Luoyang Glass
Stock code	600876	1108
Place of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange")

	Secretary to the Board	Securities affairs representative
Name	Song Fei	Zhang Kefeng
Correspondence address	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang City, Henan Province, the PRC	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang City, Henan Province, the PRC
Telephone	86-379-63908507	86-379-63908629
Facsimile	86-379-63251984	86-379-63251984
E-mail	lbjtsf@163.com	lyzkf@163.com

2.2 Major financial data and indicators (prepared in accordance with the PRC Accounting Standards and Regulations) (unaudited)

2.2.1 Major accounting data and financial indicators

(Unit: RMB)

	As at 30 June 2010	As at 31 December 2009	Increase/ (decrease) as at 30 June 2010 from the beginning of the year *(%)*
Total assets	1,391,143,473.62	1,485,214,615.77	-6.33
Owners' equity (or shareholders' equity)	37,737,422.48	34,678,917.62	8.82
Net assets per share attributable to shareholders of the listed company *(RMB/share)*	0.075	0.069	8.7

	Reporting period (January-June)	Corresponding period last year	Increase/ (decrease) for this reporting period from the corresponding period last year *(%)*
Operating profit	12,705,791.08	-96,647,755.60	N/A
Total profit	13,045,809.14	-95,991,760.83	N/A
Net profit attributable to shareholders of the listed company	3,058,504.86	-87,348,916.47	N/A
Net profit attributable to shareholders of the listed company after non-recurring items	2,851,149.20	-113,005,499.12	N/A
Basic earnings per share *(RMB)*	0.006	-0.175	N/A
Earnings per share after non-recurring items-basic *(RMB)*	0.006	-0.226	N/A
Earnings per share-diluted *(RMB)*	0.006	-0.175	N/A
Weighed average return on net assets *(%)*	8.45	-47.09	Increased by 55.54 percentage points
Net cash flow generated from operating activities	-20,396,146.16	-21,178,515.44	3.69
Net cash flow generated from operating activities per share *(RMB)*	-0.041	-0.042	2.38

Note 1 From the end of the Reporting Period to the publication date of this report, there were no changes in share capital of the Company.

2.2.2 Non-recurring items and their amounts

(Unit: RMB)

Non-recurring item	**Amount**
Profit/(loss) on disposal of non-current assets	34,232.19
Government subsidies through profit/(loss) for the reporting period	—
Profit/(loss) from debt restructuring	644,140.26
Other non-operating income and expenses	-338,314.18
Effect of non-recurring profit/(loss) on profit/(loss) attributable to minority interest	9,183.38
Effect of income tax	-141,885.99
Total	207,355.66

2.2.3 Differences between the PRC Accounting Standards and International Financial Reporting Standards (IFRS)

(Unit: RMB)

	PRC Accounting Standards	**IFRSs**
Net profit	3,058,504.86	3,674,518.62
Net assets	37,737,422.48	6,485,773.42

Explanations of the difference	The reason for the major difference: the land use right disclosed under the PRC Accounting Standards is measured at fair value, with revaluation surplus of the land use right (allocated by the holding company at nil consideration) through assessment. But under IFRS, cost model is adopted, which represents the cost of such land as nil and causes differences in both cost and amortization. Under the PRC Accounting Standards, the revaluation surplus was reflected directly as shareholders' equity through fair value, but IFRS adopts cost mode, which does not confirm revaluation surplus, therefore it does not recognise the revaluation surplus as shareholders' equity or other items.

3 CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

3.1 Changes in share capital

☐ Applicable ☑ Not Applicable

3.2 Particulars of the top 10 shareholders, top 10 holders of circulating shares or shares not subject to trading moratorium

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage	Total number of shares held	Number of shares held subject to trading moratorium	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	49.56%	247,794,998	—	Nil
China Luoyang Float Glass (Group) Company Limited	State-owned legal person	35.80%	179,018,242	—	179,018,242
Zhang Shuxia (張淑霞)	Domestic individuals	0.71%	3,551,521	—	Nil
Investchina Xinyatai (Henan) Investment Management Limited	Domestic corporations	0.697%	3,484,520	—	Nil
Wang Jingsi (王靜思)	Domestic individuals	0.50%	2,509,451	—	Nil
Chen Zhongjian (陳中建)	Domestic individuals	0.438%	2,190,520	—	Nil
Zhu Yu (朱煜)	Domestic individuals	0.410%	2,048,778	—	Nil
Guo Donglin (郭冬臨)	Domestic individuals	0.241%	1,203,534	—	Nil
Investchina Xinyatai (Shenzhen) Investment Management Limited	Domestic corporations	0.239%	1,197,307	—	Nil
Zhang Jinyi	Domestic individuals	0.233%	1,162,730	—	Nil

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

Name of shareholder	Number of shares not subject to trading moratorium	Type of shares
HKSCC Nominees Limited	246,998,998	Overseas listed foreign shares
China Luoyang Float Glass(Group) Company Limited	179,018,242	Ordinary shares denominated in RMB
Zhang Shuxia(張淑霞)	3,551,521	Ordinary shares denominated in RMB
Investchina Xinyatai (Henan) Investment Management Limited	3,484,520	Ordinary shares denominated in RMB
Wang Jingsi(王靜思)	2,509,451	Ordinary shares denominated in RMB
Chen Zhongjian(陳中建)	2,190,520	Ordinary shares denominated in RMB
Zhu Yu(朱煜)	2,048,778	Ordinary shares denominated in RMB
Guo Donglin(郭冬臨)	1,203,534	Ordinary shares denominated in RMB
Investchina Xinyatai (Shenzhen) Investment Management Limited	1,197,307	Ordinary shares denominated in RMB
Zhang Jinyi	1,162,730	Ordinary shares denominated in RMB

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

Notes:

1. HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there were any single shareholders of H shares who held 10% or above of the Company's total share capital.

2. Save as disclosed above, as at 30 June 2010, there were no persons who have any interests or short position in any shares or underlying shares in the equity derivatives of the Company that is recorded in the register of interest kept under section 336 of the Securities and Futures Ordinance;

3.3 Changes in controlling shareholder and ultimate controller of the Company

☐ Applicable ☑ Not Applicable

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in shareholdings of directors, supervisors and senior Management

☐ Applicable ☑ Not Applicable

4.2 Equity interests of the Company held by Directors, chief executives, supervisors and other senior management members of the Company during the reporting period

As at 30 June 2010, none of the Directors, supervisors, chief executives or other senior management members of the Company had any interest or short position in the underlying shares or debentures in the shares, equity derivatives of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Hong Kong Ordinance)) which was required to be entered into the register of interest maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance; or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

5. REPORT OF THE BOARD

Business Review for the First Half Year

In the first half of the year, the Company actively executed overall deployment by CNBMG and CLFG. Through implementing lean management, stabilizing production, intensifying marketing, strengthening technological renovation, adjusting structure and optimizing investment, the Company achieved a turnaround from loss-making with production and operation continuing to grow in a steady course.

Prepared in accordance with the PRC Accounting Rules & Regulations, operating income for the reporting period increased by RMB88,049,900 or 21.34% over same period last year; Operating profit increased by RMB109,353,500 over same period last year. For the above reasons, net profit attributable to the Company increased by RMB90,407,400 over same period last year.

5.1 Principal operations by industry and product

(Unit: RMB)

By industry or product	Operating income	Operating cost	Gross profit margin *(%)*	Increase/ (decrease) in operating income as compared with the corresponding period last year *(%)*	Increase/ (decrease) in operating cost as compared with the corresponding period last year *(%)*	Increase/ (decrease) in gross profit margin as compared with the corresponding period last year *(%)*
Float flat glass	403,731,842.57	312,686,000.48	22.55	20.69	-7.32	Increased by 23.40 percentage points

Among the figure mentioned, the connected transaction in relation to the sale of products and provision of services by the Company to its controlling shareholder and its subsidiaries amounted to approximately RMB32,747,197.24 during the reporting period

5.2 Principal operations by region

(Unit: RMB)

Regions	Operating income	Increase/(decrease) as compared with the corresponding period last year *(%)*
Domestic	395,609,920.12	20.28
Export	8,121,922.45	44.75

5.3 Reasons for material changes in principal operation and its structure

☐ Applicable ☑ Not Applicable

5.4 Reasons for material changes in the profitability of principal operation (gross profit margin) as compared with last year

☑ Applicable ☐ Not Applicable

Mainly due to the rise in selling price of products.

5.5 Analysis of the material changes in profit constituents as compared with last year

☑ Applicable ☐ Not Applicable

(1) Operating income and gross profit margin increased as selling price of products increased.

(2) Sales tax and surcharge increased by 76.63% over same period last year due to increase in value-added tax over same period last year.

(3) Finance costs decreased by 73.55% from same period last year because the Company signed interest-free repayment agreement with three banks which reduced our interest expenses.

(4) Investment income for the period decreased by 100% from same period last year because the Company disposed certain equity interest and received dividend from relevant entities during the same period last year.

(5) Non-operating income decreased by 33.77% from same period last year because income from debt restructuring decreased from same period last year.

(6) Income tax expenses increased by 100% over same period last year because subsidiaries of the Company recorded profit for the period.

5.6 Use of raised proceeds

5.6.1 Utilisations of raised proceeds

☐ Applicable ☑ Not Applicable

5.6.2 Modification of corresponding projects

☐ Applicable ☑ Not Applicable

5.7 Amendments to the Board's business plan for the 2nd half of the year

☐ Applicable ☑ Not Applicable

5.8 Forecast on the accumulative profit for the period from beginning of the year to the end of next reporting period to be positive or to have any significant changes from the corresponding period of last year and relevant reasons.

☐ Applicable ☑ Not Applicable

5.9 Explanation of the Board on the "non-standard audit opinion" issued by auditors for the reporting period

☐ Applicable ☑ Not Applicable

5.10 Explanation of the Board on the "non-standard audit report" issued by auditors for the previous year

☑ Applicable ☐ Not Applicable

For the matters involved in the "non-standard opinion" given by auditors in previous year, the Board of the Company has adopted relevant measures to maintain its capacity as an ongoing concern during the reporting period.

5.11 Liquidity and capital resources (prepared under IFRS)

As at 30 June 2010, the Group had cash and cash equivalents of RMB20,957,293.12, including US dollar deposits of RMB715,354.49 (as at 31 December 2009: RMB18,917.53), HK dollar deposits of RMB6,244.46 (as at 31 December 2009: RMB6,301.89), and Euro deposits of RMB4.96 (as at 31 December 2009: RMB5.88), representing a total decrease of RMB12,231,224.69 from RMB33,188,517.81 as at 31 December 2009. Cash flow of the Group mainly came from sales revenue and proceeds from financing activities during the reporting period which was mainly used as working capital and for repayment of bank loan and interests.

5.12 Loans (prepared under IFRS)

As at 30 June 2010, the total amount of loans of the Group was RMB761,249,775.84, which includes a foreign currency loan of RMB4,286,999.84 (original amount: Euro 518,316.99). All loans bear interest rates based on China statutory working capital loan interest rate and the floating rates determined by Organization for Economic Cooperation and Development. The Group did not contract for any financial instrument as hedging vehicle.

5.13 Capital commitment (prepared under IFRS)

The Group's capital commitment as at 30 June 2010 totalled RMB953,000.

5.14 Gearing ratio was 120.03% for the period; Gearing ratio for last year was 212.52% (prepared under IFRS).

5.15 Pledge of assets of the Group (prepared under IFRS)

As at 30 June 2010, the Group's assets of RMB45,300,000 (31 December 2009: assets of RMB220,780,560.46 pledged to secure bills payable and short term loans) was pledged to secure bills payable of the Group.

5.16 Contingent liability (prepared under IFRS).

A supplier claimed RMB1,818,000 against the Group for default in goods sales payment. Such amount represent possible loss for the Group after taking into account the litigation outcome that could be reasonably estimated by the management based on legal opinions, and has been fully reflected in consolidated statements of financial position. If outcome of litigation is unable to be reasonably estimated or the management think it is unlikely to incur losses, provisions would not be made.

5.17 Business Outlook for the second half of 2010

1. Analysis on the internal and external environment in the second half year

(1) Positive factors:

(i) The favourable general economic climate will persist as the State endeavours to maintain its GDP growth target of 8 per cent. The demand for float glass will be supported by the deepening of urbanization and the new rural construction to be in full swing as well as the continued stable growth in the automobile industry. Besides, the enforced use of energy-efficient glass arising from the State's more stringent policies on energy saving and environmental protection, will also bolstered the demand for glass to some extent.

(ii) Support from CNBMG Glass Company and CLFG will be further enhanced. The establishment of the glass business platform indicates CNBMG set to consolidate its glass business with an aim to strengthening and expanding the float glass business.

(iii) The Company's production capacity has been expanded step by step with a healthy production and operation.

(2) Negative factors:

(i) The oversupply condition will persist as the production capacity in glass industry keeps increasing. The first half year saw as many as 24 additional production lines (including newly-built production lines and those which resumed production). The total production capacity is expected to increase 14% from the previous year to 685 million weight cases by the end of the year.

(ii) Growth in real estate and automobile industries, the major consumer of glass, will slowdown. As the government has introduced a series of regulatory policies to curb the rapidly rising home prices, the growth of real estate will certainly slowdown. Accordingly, the glass industry will be adversely impacted to some extent by such decline in market demand. As the sales of automobiles decreased in the second quarter and car inventories increased, future demand for glass from automobile industry is expected to be at a stable phase.

(iii) The withdrawal of export tax rebate on float glass by the State on 15 July will have adverse impact on the export of flat glass.

(iv) The environmental cost for glass enterprises will increase along with the increasing regulatory efforts in energy saving and emission reduction in the industry.

(v) The old kilns of certain production lines of the Company will see instability in output and quality, leading to increase in consumption.

2. Countermeasures

(1) Enhance management on production and craftsmanship to improve output, stabilize quality and reduce consumption and cost

(i) Further strengthen the control of production process and refine craftsmanship management and techniques with a view to stabilizing output, improving quality and reducing consumption.

(ii) Put on-going emphasis on production safety with focus on kiln inspection.

(iii) Stick to market orientation and optimize product mix to improve product competitiveness and enhance corporate image

(2) Strengthen marketing management and seize business opportunities in a dynamic manner; Increase selling prices to seek more profit according to market conditions

(i) Ordinary glass: Continue to implement differentiated product and marketing strategies based on accurate market research so as to make the best of the advantages of the Company's coloured glass.

(ii) Ultra thin glass: Produce and sell more high value-added products including the 1.1mm, 0.7mm, 0.55mm and 0.5mm glasses in seizing the opportunity arising from the recovery and expansion of downstream ITO electronic glass market.

(iii) Strengthen the construction of marketing team and enhance incentive and restraint mechanisms so as to improve the overall calibre of the marketing team.

(3) Ensure procurement quality and reduce procurement cost through intensifying management on procurement of raw materials and fuel so as to provide reliable support to production.

First, we will increase bidding procurement and price comparing purchase and put more efforts in control of bidding process so as to reduce procurement cost. Second, we will purchase bulk stone materials from local suppliers to reduce transportation and packaging costs. Third, we will strengthen the process management on incoming materials to ensure the quality and quantity of incoming materials and reject non-compliant batches. Four, we will actively seek alternative materials to reduce cost. Finally, we will maintain a sound supplier database with a supplier sorting mechanism.

(4) Refine management, tamp foundation, enhance internal strength and improve profit through good management

(i) Continue the improvement to overall operation. Inspiring staff's enthusiasm to improve operation and enhance staff cohesion through their participation in operation improvement activities.

(ii) Put more efforts in promoting benchmarking management. An analysis system on discrepancy data is to be set up with the planned targets, the design compliance, the best historical level and the industrial advanced levels as benchmarks, aiming at realizing the connection in benchmarking management between various economic units. Improvement measures will be formulated based on the discrepancies and reasons found through comparison and analysis of the benchmarks of various subsidiaries.

(iii) Control cost at each point and strictly control expenditures with focus on cost management.

First, we will strictly control non-manufacturing expenses. We will put office expenses, travel expenses, consumables and entertainment charges under effective control by stringent budget and approval procedures.

Second, costs will be carefully broken down into workshops, teams and individuals so as to stringently control cost at each link.

Third, we will enforce weekly and daily cost accounting so that we could timely and duly identify, control and correct various factors that affect out cost.

(iv) 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, reduce operating cost, debt-related risk and capital risks, enhance the level and efficiency of capital management and reduce capital cost.

(v) Enhance internal control and risk management so as to ensure standardized operation.

The Comprehensive Risk Management Measures and the Internal Control Management Measures will be strictly implemented so that the production and operation activities of the Company could be under effective control. The operation management and risk prevention capacities of the Company will be enhanced to promote standardized operation and healthy sustainable growth.

(vi) Make full use of idle assets and make realization of idle assets in an appropriate manner.

(5) Speed up project progress to enhance market competitiveness.

First, we are to accelerate the relocation of the float glass production line (600T/D) and strive to complete the relocation as soon as possible.

Second, we are to continue the combustion test for petroleum coke added with coal powder and speed up the implementation of the grinding system.

Third, we will push forward the implementation of the Xinjiang Project as scheduled.

Finally, we will conduct the coal bed gas test at Longfei Company

6 SIGNIFICANT EVENTS

6.1 Acquisition, disposal and reorganisation of assets

6.1.1 Acquisition of assets

☐ Applicable ☑ Not Applicable

6.1.2 Disposal of assets

☐ Applicable ☑ Not Applicable

6.1.3 Progress of asset reorganisation or acquisition or disposal of asset and their influences on operating results and financial position for the reporting period following the publishment of relevant report or announcement.

☐ Applicable ☑ Not Applicable

6.2 Guarantee

☑ Applicable ☐ Not Applicable

Unit: RMB

External guarantees provided by the Company (excluding guarantees to controlled subsidiaries)

Guarantees provided to	Amount of guarantee
Nil	
Total amount of guarantee provided during the reporting period	—
Balance of guarantee at the end of the reporting period *(A)*	—

Guarantee provided by the Company to its controlled subsidiaries

Total amount of guarantee provided by the Company to its subsidiaries during the reporting period	—
Balance of guarantee provided by the Company to its subsidiaries at the end of the reporting period *(B)*	55,000,000

Total guarantees provided by the Company (including guarantees to subsidiaries)

Total amount of guarantee *(A+B)*	55,000,000
Total amount of guarantees as a percentage to net assets	145.74%
Including:	
Amount of guarantee provided to shareholders, the de facto controller and its related parties *(C)*	—
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% *(D)*	—
Total amount of guarantee over 50% of the net assets *(E)*	—
Total amount of above 3 guarantees *(C+D+F)*	—

6.3 Non-operating debts due to or from connected parties

☐ Applicable ☑ Not Applicable

6.4 Material litigation and arbitration

☐ Applicable ☑ Not Applicable

6.5 Other significant events and analysis on their effects and solutions

6.5.1 Securities Investment

☐ Applicable ☑ Not Applicable

6.5.2 Equity interests in non-listed financial institutions

☑ Applicable ☐ Not Applicable

Unit: RMB

Name of Company	Initial investment cost *(RMB)*	Name of shares held	Shareholding percentage *(%)*	Book value at the end of the period *(RMB)*
Sanmenxia Urban Credit and Cooperatives Co., Ltd (三門峽市城市信用社股份有限公司)	7,000,000.00		4.99	7,000,000.00
Yanshi Rural Credit and Cooperatives (偃師農村信用合作聯社)	410,000.00		0.67	410,000.00
Sub-total	7,410,000.00			7,410,000.00

6.5.3 Undertaking on trading moratorium for newly acquired shares in 2010 made by shareholders with 5% or above shareholding.

☐ Applicable ☑ Not Applicable

6.6 The Company will not propose dividend for the first half of 2010 nor transfer capital reserve into share capital.

6.7 Risk of exchange rate fluctuations

The Group's assets, liabilities and transactions are denominated in Renminbi. Meanwhile, given the Group's small export volume, fluctuations in foreign exchange rate do not have material impacts on the Group.

6.8 Independent Audit Committee

The Company's independent audit committee, management and external auditor have reviewed the accounting principles and practices and discussed matters relating to financial statements including reviewing the Interim Financial Report prepared under the IAS.

6.9 Code on Corporate Governance Practice

The Directors of the Company are of view that the Group has complied with the Code on Corporate Governance Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the six months ended 30 June 2010.

6.10 Purchase, sale and redemption of securities

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

6.11 Compliance with the Model Code

Having made specific enquires to all Directors, the Company confirmed all Directors have complied with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on Hong Kong Stock Exchange ("Listing Rules") throughout the six months ended 30 June 2010. In respect of the securities transactions by the Directors, the code of conduct adopted by the Company is no less exacting than the abovementioned code.

7 FINANCIAL STATEMENTS

7.1 Opinion of Auditing

Financial Report ☑ Unaudited ☐ Audited

7.2 Financial statements

7.2.1 Financial statements prepared under the PRC accounting standards and regulations

For details please refer to the A share interim report dated 27 August 2010 which was published on the website of the Shanghai Stock Exchange (www.sse.com.cn).

7.2.2 Financial statements prepared under IFRS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

(EXPRESSED IN RENMINBI)

	Note	**Six months ended 30.6.2010**	Six months ended 30.6.2009
		RMB'000	*RMB'000*
Turnover	4	**499,678**	409,339
Cost of sales		**(408,148)**	(415,744)
Gross profit/(loss)		**91,530**	(6,405)
Other operating income	5	**1,842**	3,087
Other operating expenses		**(631)**	(2,372)
Selling expenses		**(20,307)**	(14,293)
Administrative expenses		**(50,054)**	(62,733)
Profit/(loss) from operations		**22,380**	(82,716)
Net finance costs	6(a)	**(8,719)**	(32,060)
Investment income	6(b)	**—**	18,195
Share of net profit of an associate		**—**	1,552
Profit/(loss) before income tax	6(c)	**13,661**	(95,029)
Income tax expense	7	**(10,252)**	—
Profit/(loss) and total comprehensive income/(loss) for the period		**3,409**	(95,029)

Attributable to:			
Equity shareholders of the Company		**3,675**	(86,366)
Non-controlling interests		**(266)**	(8,663)
		3,409	(95,029)
Basic earnings/(loss) per share *(in RMB: Yuan)*	9	**0.01**	(0.17)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AT 30 JUNE 2010

(EXPRESSED IN RENMINBI)

	Note	**At 30.6.2010** *RMB'000*	At 31.12.2009 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**762,017**	792,490
Construction in progress		**33,637**	17,723
Intangible assets		**10,115**	10,878
Lease prepayments		**32,433**	32,881
Interests in associates		**1,562**	1,128
Other investments		**7,410**	7,410
Investment deposit		**—**	1,030
Deposits with a non-bank financial institution		**35,000**	35,000
		882,174	898,540

CURRENT ASSETS			
Inventories		**173,520**	154,834
Trade and bills receivables	10	**136,083**	100,558
Other receivables	11	**105,124**	76,863
Income tax recoverable		**2,243**	2,710
Pledged deposits with banks		**45,300**	192,800
Cash and cash equivalents		**20,957**	33,189
Restricted bank balances		**124**	—
		483,351	560,954
CURRENT LIABILITIES			
Trade and bills payables	12	**346,465**	470,518
Other payables	13	**236,651**	237,809
Bank and other loans	14	**391,392**	735,971
Income tax payable		**6,588**	—
		981,096	1,444,298
NET CURRENT LIABILITIES		**(497,745)**	(883,344)
TOTAL ASSETS LESS CURRENT LIABILITIES		**384,429**	15,196
NON-CURRENT LIABILITIES			
Bank and other loans	14	**369,858**	4,824
Deferred income		**3,462**	3,692
		373,320	8,516
NET ASSETS		**11,109**	6,680

CAPITAL AND RESERVES			
Share capital	15	**500,018**	500,018
Share premium		**538,132**	538,132
Reserves	16	**(45,873)**	(45,873)
Accumulated losses	16	**(985,791)**	(989,466)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**6,486**	2,811
NON-CONTROLLING INTERESTS		**4,623**	3,869
TOTAL EQUITY		**11,109**	6,680

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

(EXPRESSED IN RENMINBI)

	Attributable to equity shareholders of the Company						
	Share capital	**Share premium**	**Reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1.1.2009	500,018	540,028	(45,873)	(796,314)	197,859	28,852	226,711
Total comprehensive loss for the period	—	—	—	(86,366)	(86,366)	(8,663)	(95,029)
Disposal of a subsidiary	—	—	—	—	—	(2,609)	(2,609)
Acquisition of additional interest in a subsidiary	—	—	—	(25,193)	(25,193)	(12,823)	(38,016)
Capital contribution in a subsidiary by a non-controlling shareholder	—	—	—	—	—	980	980
At 30.6.2009	500,018	540,028	(45,873)	(907,873)	86,300	5,737	92,037
At 1.1.2010	500,018	538,132	(45,873)	(989,466)	2,811	3,869	6,680
Total comprehensive income/(loss) for the period	—	—	—	3,675	3,675	(266)	3,409
Capital contribution in a subsidiary by a non-controlling shareholder	—	—	—	—	—	1,020	1,020
At 30.6.2010	500,018	538,132	(45,873)	(985,791)	6,486	4,623	11,109

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2010

(EXPRESSED IN RENMINBI)

	Six months ended 30.6.2010 *RMB'000*	Six months ended 30.6.2009 *RMB'000*
Net cash flows (used in)/generated from operating activities	**(167,298)**	41,062
Net cash flows used in investing activities	**(4,219)**	(2,876)
Net cash flows generated from/(used in) financing activities	**159,285**	(92,141)
Net decrease in cash and cash equivalents	**(12,232)**	(53,955)
Cash and cash equivalents at 1 January	**33,189**	64,578
Cash and cash equivalents at 30 June	**20,957**	10,623

1. BASIS OF PREPARATION

Luoyang Glass Company Limited (the "Company") is a company incorporated in the People's Republic of China (the "PRC"). This interim financial report is unaudited, but has been reviewed by Audit Committee of the Company. It was authorised for issuance on 27 August 2010.

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" adopted by the International Accounting Standards Board ("IASB").

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and operating results of the Company and its subsidiaries ("the Group") since 31 December 2009. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the IASB. IFRSs include all applicable IFRS, IAS and related interpretations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as previously reported information does not constitute the Group's annual financial statements for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2009 are available from the Company's registered office. The independent auditor has expressed an unqualified opinion with an explanatory paragraph in respect of the fundamental uncertainty about going concern assumption on those financial statements in their report dated 30 March 2010.

Notwithstanding that the Group had net current liabilities at 30 June 2010, the directors of the Company are of the opinion that the Group is able to continue as a going concern and to meet their obligations as and when they fall due having regard to the followings:-

(i) the banking facilities of approximately RMB666,250,000 available to the Group granted by various banks were fully utilised at 30 June 2010. Approximately RMB296,392,000 of these banking facilities will expire one year after the end of financial position date. The directors of the Company are in ongoing negotiations with the Group's banks to seek their ongoing support to the Group; and

(ii) continuing financial support received from China Luoyang Float Glass Group Company Limited ("CLFG"), the controlling shareholder, together with China National Building Material Group Corporation ("CNBMG"), the holding company of controlling shareholder.

The directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, it is appropriate that these unaudited condensed consolidated financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

A number of new or revised standards, amendments and interpretations are effective for the financial year beginning on 1 January 2010. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2009.

In the current interim period, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs").

IFRSs (Amendments)	Improvements to IFRS 1 and IFRS 5 as a part of Improvements to IFRSs issued in 2008
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IAS 39 (Amendments)	Eligible Hedged Items
IFRS 1 (Revised)	Additions Exemptions for First-time Adopters
IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transaction
I(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[5]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 32 (Amendments)	Classification of Right Issues[1]
IFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[4]
I(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
I(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 January 2013

[5] Effective for annual periods beginning on or after 1 January 2011 or 1 July 2011, as appropriate

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's financial statements.

3. SEGMENT REPORTING

The Group has adopted IFRS 8 "Operating Segments" with effective from 1 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

Segments results

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

For the period ended 30 June 2010

	Float sheet glass	Silicon powder	Elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
REPORTABLE SEGMENT TURNOVER				
External turnover	484,682	14,996	—	499,678
REPORTABLE SEGMENT RESULTS	22,526	396	—	22,922
Unallocated expenses				(542)
Net finance costs				(8,719)
Profit before income tax				13,661

For the period ended 30 June 2009

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
REPORTABLE SEGMENT TURNOVER				
External turnover	403,556	5,783	—	409,339
REPORTABLE SEGMENT RESULTS	(81,838)	(557)	—	(82,395)
Unallocated expenses				(321)
Net finance costs				(32,060)
Net investment income				18,195
Share of net profit of an associate				1,552
Loss before income tax				(95,029)

4. 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.

5. OTHER OPERATING INCOME

	Six months ended 30.6.2010 *RMB'000*	Six months ended 30.6.2009 *RMB'000*
Waiver of debts	**644**	907
Government grants	**231**	231
Net gain on disposal of property, plant and equipment	**71**	—
Others	**896**	1,949
	1,842	3,087

6. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30.6.2010 *RMB'000*	Six months ended 30.6.2009 *RMB'000*
Profit/(loss) before income tax is arrived at after (charging)/crediting:-		
(a) Net finance costs:		
Interest income	**1,433**	2,203
Interest on borrowings	**(9,690)**	(32,551)
Net foreign exchange gain	**777**	347
Other financing charges	**(1,239)**	(2,059)
	(8,719)	(32,060)

(b) Net investment income:

Loss on disposal of interest in a subsidiary	—	(716)
Gain on disposal of interest in an associate	—	18,899
Others	—	12
	—	18,195

(c) Other items:-

Cost of inventories	**(408,148)**	(415,744)
Depreciation	**(36,603)**	(41,269)
Reversal of write-down of inventories	**5,382**	532
Amortisation of intangible assets	**(746)**	(746)
Amortisation of lease prepayments	**(247)**	(232)
Loss on disposal of property, plant and equipment	**(23)**	—
Loss on disposal of construction in progress	**(13)**	—

7. INCOME TAX EXPENSE

	Six months ended 30.6.2010	Six months ended 30.6.2009
	RMB'000	*RMB'000*
PRC enterprise income tax	**10,252**	—

The provision for PRC enterprise income tax is calculated at 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.

8. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2010 (2009: Nil).

9. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the six months ended 30 June 2010 of RMB3,675,000 (2009: loss of RMB86,366,000) and 500,018,000 (2009: 500,018,000) shares in issue during the period.

No diluted earnings per share is calculated as there are no dilutive potential shares for the periods.

10. TRADE AND BILLS RECEIVABLES

	At 30.6.2010	At 31.12.2009 (Audited)
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**65,322**	62,969
— subsidiaries of the controlling shareholder company	**2,897**	16,624
	68,219	79,593
Less: Allowance for impairment of doubtful debts	**45,422**	45,422
	22,797	34,171
Bills receivables	**113,286**	66,387
	136,083	100,558

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

	At 30.6.2010 *RMB'000*	At 31.12.2009 (Audited) *RMB'000*
Within one year	**129,943**	93,459
Between one and two years	**6,107**	7,066
Between two and three years	**33**	33
	136,083	100,558

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

11. OTHER RECEIVABLES

	At 30.6.2010 *RMB'000*	At 31.12.2009 (Audited) *RMB'000*
Amount due from the controlling shareholder company	**7,821**	7,017
Amounts due from subsidiaries of the controlling shareholder Company	**6,503**	3,419
Advance payments, accounts receivables and prepayments	**145,945**	121,572
	160,269	132,008
Less: Allowances for impairment of doubtful debts	**55,145**	55,145
	105,124	76,863

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

12. TRADE AND BILLS PAYABLES

	At 30.6.2010	At 31.12.2009 (Audited)
	RMB'000	*RMB'000*
Trade payables		
— third parties	**300,902**	296,248
— subsidiaries of the controlling shareholder company	**263**	270
	301,165	296,518
Bills payables	**45,300**	174,000
	346,465	470,518

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

	At 30.6.2010	At 31.12.2009 (Audited)
	RMB'000	*RMB'000*
Due within 1 month or on demand	**346,465**	470,518

13. OTHER PAYABLES

	At **30.6.2010** *RMB'000*	At 31.12.2009 (Audited) *RMB'000*
Amount due to the controlling shareholder company	**—**	2
Amounts due to subsidiaries of the controlling shareholder company	**890**	890
Accrued expenses, other payables and receipts in advance	**235,761**	236,917
	236,651	237,809

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

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

14. BANK AND OTHERS LOANS

	Note	At **30.6.2010** *RMB'000*	At 31.12.2009 (Audited) *RMB'000*
Secured loans from a controlling shareholder company	(b), (c)	**95,000**	95,000
Unsecured bank loans		**4,000**	4,000
Secured bank loans	(a), (c)	**662,250**	641,795
		761,250	740,795

Note:-

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

(i) Assets

	At 30.6.2010	At 31.12.2009 (Audited)
	RMB'000	*RMB'000*
Plant, machinery and equipment	**—**	27,981

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

(b) The secured loans from a controlling shareholder company were entrusted loans, which were guaranteed by CLFG.

(c) As at 30 June 2010, secured loans from a controlling shareholder company of RMB45,000,000 (2009: RMB45,000,000) and certain secured bank loans of RMB5,363,000 (2009: RMB6,363,000) granted to the Group were overdue.

The bank and other loans are repayable as follows:-

	At **30.6.2010**	At 31.12.2009 (Audited)
	RMB'000	*RMB'000*
Within one year		
— short-term loans	**390,963**	735,463
— current portion of long-term loans	**429**	508
	391,392	735,971
Between one and two years	**11,409**	508
Between two and five years	**75,158**	1,523
After five years	**283,291**	2,793
	369,858	4,824
	761,250	740,795

15. SHARE CAPITAL

	At 30.6.2010		At 31.12.2009 (Audited)	
	Shares'000	***RMB'000***	*Shares'000*	*RMB'000*
REGISTERED, ISSUED AND PAID-UP CAPITAL:				
STATE-OWNED LEGAL PERSON SHARES OF RMB1.00 EACH				
At the beginning and the end of the period/year	**179,018**	**179,018**	179,018	179,018
DOMESTIC LISTED SHARES ("A SHARES") OF RMB1.00 EACH				
At the beginning and the end of the period/year	**71,000**	**71,000**	71,000	71,000
OVERSEAS LISTED SHARES ("H SHARES") OF RMB1.00 EACH				
At the beginning and the end of the period/year	**250,000**	**250,000**	250,000	250,000
	500,018	**500,018**	500,018	500,018

16. RESERVES

	Statutory surplus reserve	Excess over share capital	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1.1.2009	61,076	(106,949)	(796,314)	(842,187)
Acquisition of additional interest in a subsidiary	—	—	(25,193)	(25,193)
Total comprehensive loss for the period	—	—	(86,366)	(86,366)
At 30.6.2009	61,076	(106,949)	(907,873)	(953,746)
At 1.1.2010	61,076	(106,949)	(989,466)	(1,035,339)
Total comprehensive income for the period	—	—	3,675	3,675
At 30.6.2010	61,076	(106,949)	(985,791)	(1,031,664)

17. CAPITAL COMMITMENTS

At 30 June 2010, the Group had the following capital commitments:-

	At 30.6.2010	At 31.12.2009 (Audited)
	RMB'000	*RMB'000*
Contracted for — construction project	**953**	4,619

18. CONTINGENT LIABILITIES

The Group has received a claim from a supplier of approximately RMB1,818,000, being the total amount of outstanding principal of goods supplied, which has been included in the condensed consolidated statement of financial position for the probable losses to the Group on the claim when management can reasonably estimate the outcome of the lawsuit taking into account of the legal advice. No provision has been made for any outcome of the lawsuit cannot be reasonably estimated or management believes the outflow of resources is not probable.

19. RELATED PARTY TRANSACTIONS

(a) Details of the related party transactions are presented in explanatory note 7 of the interim financial report prepared under PRC Accounting Rules and Regulations. The financial data presented are the same as those prepared under IFRSs.

The key management personnel remuneration are as follows:-

	Six months ended 30.6.2010	Six months ended 30.6.2009
	RMB'000	*RMB'000*
Directors and supervisors	**542**	321
Senior management	**—**	45
	542	366

(b) Transactions with other state-owned enterprises

The Group is a state-owned entity and operates in an economic regime currently predominated by state-owned entities. Apart from transactions with CNBMG and CLFG and their affiliates, the Group conducts a majority of its business activities with entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "state-owned entities") in the ordinary course of business. These transactions, which include sales and purchase of goods and ancillary materials, rendering and receiving services, purchase of property, plant and equipment and obtaining finance, are carried out at terms similar to those that would be entered into with non-state-owned entities and have been reflected in the financial statements. The management believes that it has provided meaningful disclosure of related party transactions as summarised above.

(c) Employee retirement benefits

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

7.3 Notes to the financial statements:

7.3.1 Explanations, reasons and amount of correction in respect of changes in accounting policies, accounting estimates or accounting errors

☐ Applicable ☑ Not Applicable

7.3.2 Explanations and amount of correction in respect of significant changes in the scope of consolidation for financial statements

☐ Applicable ☑ Not Applicable

7.3.3 Notes to relevant events for any non-standard unqualified opinion

☐ Applicable ☑ Not Applicable

7.4 Material differences in the Group's financial statements prepared under the PRC accounting standards and regulations and those under IFRS

(1) Effects of material differences between the PRC accounting standards and regulations and IFRS on net profit/(loss) of the Group are analysed as follows:

	Six months ended 30 June 2010 *RMB'000*	Six months ended 30 June 2009 *RMB'000*
Profit/(loss)attributable to shareholders under the PRC Accounting Standards and Regulations	**3,059**	(87,349)
Differences:		
— Amortisation of revaluation of land use rights	**385**	385
— Government grants	**231**	231
— Others	**—**	367
Profit/(loss) attributable to equity shareholders of the Company under IFRSs	**3,675**	(86,366)

(2) Differences in shareholders' equity recorded in the Group's financial statements prepared under the PRC accounting standards and regulations and those under IFRS:

	30 June 2010	31 December 2009 (audited)
	RMB'000	*RMB'000*
Shareholders' funds under the PRC Accounting Standards and Regulations	**37,738**	34,679
Differences:		
— Gain on disposal of land use right	**34,657**	34,657
— Gain on disposal of a subsidiary	**15,834**	15,834
— Amortisation of revaluation of land use rights	**(75,397)**	(75,782)
— Government grants	**(2,493)**	(2,724)
— Difference in accounting for consolidation	**2,722**	2,722
— Others	**(6,575)**	(6,575)
Total equity attributable to equity shareholders of the Company under IFRSs	**6,486**	2,811

By order of the Board
LUOYANG GLASS COMPANY LIMITED
Song Jianming
Executive Director

Luoyang, the PRC
27 August 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 Director: Mr. Guo Yimin, Mr. Zhao Yuanxiang and Mr. Zhang Chengong; and four independent non-executive Directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun.