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 2011 AND SUMMARY OF 2011 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 2011 interim report.

## 2 COMPANY PROFILE

### 2.1 Basic information

| | | |
|---|---|---|
| Stock abbreviation | 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 2011 | As at 31 December 2010 | Increase/ (decrease) as at 30 June 2011 from the beginning of the year |
|---|---|---|---|
| Total assets | 1,438,947,694.36 | 1,439,514,723.66 | -0.04 |
| Owners' equity (or shareholders' equity) | 188,971,959.32 | 115,555,651.36 | 63.53 |
| Net assets per share attributable to shareholders of the listed company *(RMB/share)* | 0.3779 | 0.2311 | 63.52 |

| | Reporting period (January-June) | Corresponding period last year | Increase/ (decrease) for this reporting period from the corresponding period last year *(%)* |
|---|---|---|---|
| Operating profit | -4,965,745.54 | 12,705,791.08 | N/A |
| Total profit | 67,787,042.17 | 13,045,809.14 | 419.61 |
| Net profit attributable to shareholders of the listed company | 73,416,307.96 | 3,543,259.99 | 1,972.00 |
| Net profit attributable to shareholders of the listed company after non-recurring items | 1,052,254.28 | 3,335,904.33 | -68.46 |
| Basic earnings per share *(RMB)* | 0.1468 | 0.0071 | 1,967.61 |
| Basic earnings per share after non-recurring items *(RMB)* | 0.0021 | 0.0067 | -68.66 |
| Diluted earnings per share *(RMB)* | 0.1468 | 0.0071 | 1,967.61 |
| Weighted average return on net assets *(%)* | 48.22 | 3.71 | Increased by 44.51 percentage points |
| Net cash flow from operating activities | -63,107,475.34 | -20,396,146.16 | 209.41 |
| Net cash flow from operating activities per share *(RMB)* | -0.1262 | -0.0408 | 209.31 |

*Note 1* From the end of the Reporting Period to the publication date of this report, there was no change in the 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, including write-off of provision for asset impairment | 69,741,733.59 |
| Government subsidies (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to gains and losses for the period | 3,005,362.23 |
| Profit/(loss) from debt restructuring | 864,044.78 |
| Other non-operating income and expenses other than the aforesaid items | -858,352.89 |
| Effect of minority interests | 96,451.58 |
| Effect of income tax | -485,185.61 |
| Total | 72,364,053.68 |

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

*(Unit: RMB)*

| | **PRC Accounting Standards** | **IFRSs** |
|---|---|---|
| Net profit | 73,416,307.96 | 99,310,000 |
| Net assets | 188,971,959.32 | 162,709,000 |

| | |
|---|---|
| **Explanations of the difference** | The reason for the major difference: |

1. 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.

   As the Company disposed the land use right of the land at No. 9 Tang Gong Zhong Lu, the difference between the net assets attributable to the Company prepared under the PRC Accounting Standards and under the IFRSs respectively was narrowed.

2. The PRC Accounting Standards require retrospective adjustment be made to the portion of subsidiaries' excess losses borne by minority shareholders in proportion to their contributions. However, under the IFRSs, adjustment to the portion of excess losses to be borne by minority shareholders in proportion to their contributions would be prospectively applied, and no adjustment would be made to opening balances. Such difference of accounting treatments in respect of the excess losses led to a difference of RMB-21,521,930.15 between net assets attributable to the Company under the PRC Accounting Standards and under the IFRSs respectively.

# 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

| | |
|---|---|
| Total number of shareholders as at the end of the reporting period | There were 27,257 shareholders of the Company in total, including 53 holders of H shares and 27,204 holders of A 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 | 49.60% | 248,012,998 | 0 | Unknown |
| China Luoyang Float Glass (Group) Company Limited | State-owned legal person | 31.80% | 159,018,242 | 0 | 159,018,242 (pledged) |
| Li Ru | Domestic individuals | 0.130% | 648,000 | 0 | Unknown |
| Fang Caixia | Domestic individuals | 0.120% | 598,805 | 0 | Unknown |
| Chen Hong | Domestic individuals | 0.117% | 582,614 | 0 | Unknown |
| Liu Yongsheng | Domestic individuals | 0.101% | 503,037 | 0 | Unknown |
| Liang Li | Domestic individuals | 0.092% | 460,000 | 0 | Unknown |
| Liu Xiaoping | Domestic individuals | 0.091% | 453,500 | 0 | Unknown |
| Zhao Yumei | Domestic individuals | 0.085% | 424,672 | 0 | Unknown |
| Chen Lihang | Domestic individuals | 0.077% | 383,000 | 0 | Unknown |

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

| Name of shareholder | Number of shares not subject to trading moratorium held | Type of shares |
|---|---|---|
| HKSCC Nominees Limited | 248,012,998 | Overseas listed foreign shares |
| China Luoyang Float Glass (Group) Company Limited | 159,018,242 | Ordinary shares denominated in RMB |
| Li Ru | 648,000 | Ordinary shares denominated in RMB |
| Fang Caixia | 598,805 | Ordinary shares denominated in RMB |
| Chen Hong | 582,614 | Ordinary shares denominated in RMB |
| Liu Yongsheng | 503,037 | Ordinary shares denominated in RMB |
| Liang Li | 460,000 | Ordinary shares denominated in RMB |
| Liu Xiaoping | 453,500 | Ordinary shares denominated in RMB |
| Zhao Yumei | 424,672 | Ordinary shares denominated in RMB |
| Chen Lihang | 383,000 | 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》）issued by CSRC 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 2011, 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 of Hong Kong.

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

☑ Applicable ☐ Not Applicable

Mr. Lu Junfeng, supervisor of the Company, submitted a resignation letter on 18 April 2011, stating that he would like to resign from his position as a supervisor of the Company, with effect from 18 April 2011.

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

As at 30 June 2011, none of the Directors, supervisors, chief executives or other senior management members of the Company had any interest or short position in the shares, underlying shares of equity derivatives, or debentures of the Company or its associated corporations (within the meaning of 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 which was required to be notified to the Company and The Stock Exchange of Hong Kong Limited 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, with the support and assistance of CNBMG, CBM Glass and CLFG, the Company managed to overcome various adverse factors such as the recession in float glass market, rising raw material and fuel prices, and staff agitation as a result of integration of human resources. In order to fulfill its annual targets, the Company implemented refined management to explore internal potentials; kept close eyes on the raw material and end products markets to seize business opportunities, and strengthened production technology management to maintain production efficiency. Meanwhile, the Company accelerated the relocation of head office and disposal of idle assets, enhanced internal control and risk monitoring and reinforced the foundation for development; and integrated human resources to resolve historical issues and get rid of the fetters on development. Accordingly, the Company was able to maintain stable operation and recorded profit during the period.

According to the PRC according standard, revenue for the reporting period amounted to RMB516,776,700, representing an increase of 3.23% over the corresponding period last year; operating loss was RMB4,965,700, compared to operation profit of RMB12,705,800 of the corresponding period last year. Although the Company's three principal expenses for the reporting period decreased by 24.70% from the corresponding period last year, product cost saw a considerable increase due to the rising prices of raw materials and fuel, which led to a decrease in product profit and an increase in operating loss. Net profit for the reporting period increased by 1,923.69% over the corresponding period last year, which was mainly attributable to the gains from disposal of land to the government and disposal of certain fixed assets during the period.

## 5.1 Principal operations by industry and product

| By industry or product | Operating income | Year-on-year increase/decrease (%) | Operating cost | Year-on-year increase/decrease (%) | Gross profit margin (%) | Year-on-year increase/decrease (%) |
|---|---|---|---|---|---|---|
| Float glass | 469,603,479.36 | 20.80 | 427,409,122.78 | 40.00 | 8.99 | Decreased by 12.47 percentage points |
| Silica sand | 13,393,134.23 | -10.69 | 6,692,377.37 | -9.40 | 50.03 | Decreased by 0.71 percentage point |

Among the figures 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 RMB54,866,025.64 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 | 474,896,421.2 | 20.04 |
| Export | 8,100,192.4 | -0.27 |

## 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

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

☑ Applicable ☐ Not Applicable

(1) Financial costs decreased by 65.85% as compared with the corresponding period last year, which was mainly due to the interest-free treatments granted to the Company by six banks.

(2) Non-operating income increased by RMB73,098,300 or 10,850.61% as compared with the corresponding period last year, which was mainly attributable to the gains from disposal of land to the government and disposal of certain fixed assets during the reporting 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

**5.11 Liquidity and capital resources (prepared under IFRS)**

As at 30 June 2011, the Group had cash and cash equivalents of RMB31,524,000, including US dollar deposits of RMB121,000 (as at 31 December 2010: RMB123,000) and HK dollar deposits of RMB6,000 (as at 31 December 2010: RMB6,000). The total cash and cash equivalents increased by RMB11,316,000 as compared with RMB20,208,000 as at 31 December 2010. Cash inflows of the Group mainly came from sales revenue, consideration of disposal of land to the government and disposal of certain fixed assets as well as proceeds from financing activities during the reporting period, which were mainly used as working capital and for repayment of bank loan and interests.

**5.12 Loans (prepared under IFRS)**

As at 30 June 2011, the total amount of loans of the Group was RMB682,067,000, which includes a foreign currency loan of RMB4,367,000 (original currency: Euro). All loans bear interest at the China statutory loan rates with certain upward adjustments.

**5.13 Capital commitment (prepared under IFRS)**

The Group's capital commitment as at 30 June 2011 totalled RMB20,387,000.

**5.14 Gearing ratio was 876% for the period; Gearing ratio for last year was 2,098% (prepared under IFRS).**

## 5.15 Cash and cash equivalents (prepared under IFRS)

As at 30 June 2011, the Group had cash and cash equivalents of RMB31,524,000.

## 5.16 Business Outlook for the second half of 2011

### *1. Analysis for the second half of the year*

(1) The basic positioning of the macro economic policy for 2011 can be described as "proactive, stable, prudent and flexible". The credit scale of banks will be contained, and enterprises will encounter greater financing difficulties while financing costs will rise further.

(2) The construction or plans for the construction of float glass production lines has not been contained in the PRC. Another 18 production lines are expected to commence operation this year. Imbalance between supply and demand is expected.

(3) Due to the combined effect of such factors as polices on energy saving and emission reduction, anticipated revaluation of Renminbi, political turmoil in oil-exporting countries, and imported inflation, the prices of major raw materials and fuels (such as heavy oil, coal, and stone materials) are expected to remain at high levels, or reach new height. The cost of glass production is expected to rise.

(4) With the phase-out of the incentive policy for auto consumption, the growth rate of car sales for 2011 will slow down. However, as the base number of car owned per capita in the PRC is quite low (less than 4%), the growth rate of China's auto market in 2011 is expected to stay around 14%, and the demand for auto glass will keep rising.

(5) Though the government's effort to rein in the real estate industry hasn't loosened, with frequent release of measures to constrain rocketing housing prices in large- and mid-sized cities, the determination and vigour of the Ministry of Housing and Urban-Rural Development in increasing subsidized housing are unprecedented; it is planned to build 10 million suites of subsidized apartments in 2011. All this, together with the steady and faster urbanization process, will somehow prop up the demands for glass products.

### 2. *Countermeasures*

(1) Innovate mechanism, enhance management, and increase operation efficiency.

(i) Learn from the practices of CNBMG and other well-performing domestic enterprises, implement reconstruction and innovation of organizational structure, compensation system and the performance assessment system so as to make our organizational structure better adapted to corporate development and maximally utilize the potential of all types of talents through improved compensation and performance assessment systems.

(ii) Innovate the administration and control mode, establish new operation mechanism, reinforce performance assessment, and motivate internal initiatives.

(iii) Enhance internal control, ensure compliant operations, and prevent operational risks.

(iv) Implement comprehensive budget management and strictly control various costs.

(v) Organize and implement centralized management of accounts and capital to enhance financial accounting management and capital operation efficiency.

(2) Accelerate disposal of idle assets so as to reduce losses and enhance benefits.

(3) Achieve quality enhancement and consumption reduction through technological innovation and boost core competitiveness.

(i) Step up promotion and application of technological achievements in production lines to develop, perfect and promote new innovations through practice and turn the productivity of technologies into profit.

(ii) Strengthen production management for high quality, high output and low consumption to boost products competitiveness.

(iii) Carry out safety education and implement safe production to ensure zero accidents.

(iv) Vigorously promote energy saving and emission reduction, realize low-carbon economy, and fulfil corporate social responsibility.

(4) Strengthen marketing and sales, exploit the market for ultra-white and ultra-thin glass, lower procurement costs and boost sustainable profitability.

(i) For common float glass products, the Company will continue the products differentiation strategy to avoid homogeneous competition.

(ii) For ultra thin glass products, the Company will further consolidate and expand market shares, narrow the gap between homemade products and imported products in order to provide a strong support for its profit growth.

(iii) For ultra-white and ultra-thin glass products, the Company will attach great importance to publicity, marketing planning and promotion to enter the market as quickly as possible, foster a favourable image for the ultra-white and ultra-thin glass, and continually improve its production-sales ratio.

(iv) Lower procurement costs by leveraging the bulk raw material centralized procurement platform of CBM Glass, and achieve optimal cost-effectiveness to provide strong support to production.

(5) Advance projects development on a scientific basis, and optimize capital structure of the Company for sustained growth.

(6) Use the corporate culture of CNBMG as guidelines, take a people-oriented approach for corporate solidarity and build a first-rate team.

(i) By means of planned training and going out for learning, continuously enhance managerial staff's abilities in learning, innovation, leadership and market responding so as to better meet the Company's demands for talents in corporate development and technological progress.

(ii) Boost the professionalism of staff towards their jobs through the launch of the "Do a good job" activities, encourage them to have better understanding of their own function and the group as a whole and inspire sense of responsibility so as to increase enterprise cohesion.

(iii) Launch education programs under the theme of "responsibility, speed and quality", and implement the work methods of "refinement, devotion, accuracy and innovation" among all the staff.

(iv) Pay close attention to staff's livelihood, and establish a support mechanism for economically-strapped staff and a scientific and sound salary increase mechanism, aiming to the establish a harmonious enterprise.

# 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

(1) As requested by the government of Luoyang City for the purpose of planning and development, Luoyang Land Reserve Consolidation and Rehabilitation Center (hereinafter referred to as Luoyang Land Centre) entered into the agreement with the Company for acquisition of the remaining 264.41 mu land use rights and the assets and facilities on the ground, which are situated at the core protection area for the cultural relics of Luoyang city of the Sui and Tang Dynasties (No. 9 Tang Gong Zhong Lu). On 31 January 2011, the Company and the Luoyang Land Centre entered into the Acquisition Agreement of State-owned Land Use Right in Luoyang, pursuant to which the Company would sell the use right of a 264.41 mu land (including assets and facilities on the ground) to the municipal government of Luoyang at a consideration of RMB177.90 million. On 18 March 2011, the Company received the first instalment of RMB110 million of the land payment. Total gain on the land disposal deal was RMB61.5343 million.

(2) On 13 May 2011, the Company, by way of auction and tender, sold the original float No.2 production line assets (furnaces, equipments for the primary system, raw material system, nitrogen and hydrogen system) to the Blast Branch of Luoyang Construction Engineering Group Co., Ltd.* (洛陽建工集團有限公司爆破分公司) and Henan Shenhe Industrial Group Co., Ltd.* (河南神和實業集團有限公司) respectively for considerations of RMB4 million and RMB9 million.

*6.1.3 Subsequent events*

On 4 July 2011, the Company sold the original float No.3 production line assets to Xingtai Tianfeng Zhihe Renewable Resources Recycling Co., Ltd.* (邢臺天峰治合再生資源回收有限公司) at a bid price of RMB6.76 million.

***6.1.4 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 | Date (Signing date of agreement) | Amount of guarantee | Type of guarantee | Performance term of guarantee | Whether completed or not | Whether related party guarantee |
|---|---|---|---|---|---|---|
| Nil | | | | | | |

| | |
|---|---|
| Total amount of guarantee provided during the reporting period | — |
| Total 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 to its controlled subsidiaries during the reporting period | — |
| Balance of guarantee provided to its controlled subsidiaries at the end of the reporting period (B) | 15,150,000.00 |

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

| | |
|---|---|
| Total amount of guarantee (A+B) | 15,150,000.00 |
| Total amount of guaranties as a percentage to the Company's net assets | 8.02% |
| 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) | 15,150,000.00 |
| Total amount of guarantee over 50% of the net assets (E) | — |
| Total amount of the above 3 guarantees (C+D+E) | 15,150,000.00 |

## 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)* | Shareholding percentage *(%)* | Book value at the end of the period *(RMB)* |
|---|---|---|---|
| Sanmenxia Commercial Bank Company Limited* (三門峽市商業銀行股份有限公司) | 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 Performance of undertakings of shareholders and its de facto controller holding 5% or more of share capital of the Company*

☑ Applicable ☐ Not Applicable

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

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

**6.6 The Company will not propose dividend for the first half of 2011 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 and having reviewed the Interim Financial Report as at 30 June 2011 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 2011.

**6.10 Repurchase, sale and redemption of securities**

During the reporting period, the Company and its subsidiaries did not repurchase, 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 2011. 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 29 August 2011 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 30TH JUNE, 2011*
*(EXPRESSED IN RENMINBI)*

| | *Note* | **Six months ended 30.6.2011** ***RMB'000*** | Six months ended 30.6.2010 *RMB'000* |
|---|---|---|---|
| Turnover | 4 | **516,019** | 499,678 |
| Cost of sales | | **(465,806)** | (408,148) |
| Gross profit | | **50,213** | 91,530 |
| Other operating income | 5 | **100,423** | 1,842 |
| Other operating expenses | | **(238)** | (631) |
| Selling expenses | | **(17,377)** | (20,307) |
| Administrative expenses | | **(36,363)** | (50,054) |

| | Note | **Six months ended 30.6.2011** *RMB'000* | Six months ended 30.6.2010 *RMB'000* |
|---|---|---|---|
| Profit from operations | | **96,658** | 22,380 |
| Net finance costs | 6(a) | **(2,977)** | (8,719) |
| Profit before income tax | 6(b) | **93,681** | 13,661 |
| Income tax expense | 7 | **(11,253)** | (10,252) |
| Profit and total comprehensive income for the period | | **82,428** | 3,409 |
| Attributable to : | | | |
| Equity shareholders of the Company | | **99,310** | 3,675 |
| Non-controlling interests | | **(16,882)** | (266) |
| | | **82,428** | 3,409 |
| Basic earnings per share *(in RMB : Yuan)* | 9 | **0.20** | 0.01 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

*AT 30TH JUNE, 2011*

*(EXPRESSED IN RENMINBI)*

| | Note | At **30.6.2011** ***RMB'000*** | At 31.12.2010 (Audited) *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **671,993** | 671,646 |
| Construction in progress | | **45,278** | 61,370 |
| Intangible assets | | **9,841** | 10,586 |
| Exploration and evaluation assets | | **1,128** | 1,128 |
| Lease prepayments | | **54,599** | 55,293 |
| Interests in associates | | **—** | — |
| Other investments | | **7,410** | 7,410 |
| | | **790,189** | 807,433 |
| **CURRENT ASSETS** | | | |
| Inventories | | **238,839** | 202,066 |
| Trade and bills receivables | 10 | **106,193** | 94,827 |
| Other receivables | 11 | **186,300** | 83,745 |
| Amount due from an associate | | **131** | — |
| Income tax recoverable | | **1,607** | 5,127 |
| Pledged deposits with banks | | **100,000** | 113,000 |
| Cash and cash equivalents | | **31,524** | 20,208 |
| | | **664,594** | 518,973 |
| Assets classified as held for sale | | **2,175** | 90,703 |
| | | **666,769** | 609,676 |

| | Note | At 30.6.2011 RMB'000 | At 31.12.2010 (Audited) RMB'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 12 | **432,797** | 448,324 |
| Other payables | 13 | **183,791** | 186,103 |
| Amount due to an associate | | **—** | 1,493 |
| Deferred income - within one year | | **1,215** | — |
| Bank and other loans | 14 | **40,585** | 24,319 |
| | | **658,388** | 660,239 |
| **NET CURRENT ASSETS/ (LIABILITIES)** | | **8,381** | (50,563) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **798,570** | 756,870 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank and other loans | 14 | **641,482** | 690,080 |
| Deferred income | | **11,100** | 3,230 |
| | | **652,582** | 693,310 |
| **NET ASSETS** | | **145,988** | 63,560 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 15 | **500,018** | 500,018 |
| Reserves | 16 | **(337,309)** | (436,619) |
| **TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY** | | **162,709** | 63,399 |
| NON-CONTROLLING INTERESTS | | **(16,721)** | 161 |
| TOTAL EQUITY | | **145,988** | 63,560 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2011*

*(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 1.1.2010 | 500,018 | 540,028 | (74,696) | (962,539) | 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 | 540,028 | (74,696) | (958,864) | 6,486 | 4,623 | 11,109 |
| At 1.1.2011 | 500,018 | 540,028 | (76,055) | (900,592) | 63,399 | 161 | 63,560 |
| Total comprehensive income/(loss) for the period | — | — | — | 99,310 | 99,310 | (16,882) | 82,428 |
| At 30.6.2011 | 500,018 | 540,028 | (76,055) | (801,282) | 162,709 | (16,721) | 145,988 |

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2011*

*(EXPRESSED IN RENMINBI)*

| | **Six months ended 30.6.2011** | Six months ended 30.6.2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Net cash flows used in operating activities | **(61,490)** | (167,298) |
| Net cash flows generated from/(used in) investing activities | **109,784** | (4,219) |
| Net cash flows (used in)/generated from financing activities | **(36,978)** | 159,285 |
| Net increase/(decrease) in cash and cash equivalents | **11,316** | (12,232) |
| Cash and cash equivalents at 1st January | **20,208** | 33,189 |
| Cash and cash equivalents at 30th June | **31,524** | 20,957 |

## 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 29th August, 2011.

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 31st December, 2010. 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 2010 annual financial statements.

The financial information relating to the financial year ended 31st December, 2010 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 31st December, 2010 are available from the Company's registered office. The independent auditor has expressed an unqualified opinion on those financial statements in their report dated 28th March, 2011.

## 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 1st January, 2011. 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 31st December, 2010.

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

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

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

| | |
|---|---|
| IFRS 9 | Financial Instruments |
| Amendments to IAS 12 | Deferred Tax: Recovery of Underlying Assets |
| Amendments to IAS 32 | Classification of Right Issues |
| Amendments to IFRS 7 | Disclosures - Transfers of Financial Assets |
| IFRS 10 | Consolidated Financial Statements |
| IFRS 11 | Joint Arrangements |
| IFRS 12 | Disclosures of Interests in Other Entities |
| IFRS 13 | Fair Value Measurement |
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income |
| IAS 19 (Revised 2011) | Employee Benefits |
| IAS 27 (Revised 2011) | Separate Financial Statements |
| IAS 28 (Revised 2011) | Investments in Associates and Joint Ventures |

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". For management purposes, the Group is organised into two operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows :-

| | | |
|---|---|---|
| Float sheet glass business | — | production and sales of float sheet glass; and sales of raw materials for production of float sheet glass |
| Silicon powder business | — | manufacturing, selling and distribution of silicon powder |

### Segments results

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

### For the period ended 30th June, 2011

| | Float sheet glass | Silicon powder | Elimination | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **REPORTABLE SEGMENT TURNOVER** | | | | |
| External turnover | 502,626 | 13,393 | — | 516,019 |
| **REPORTABLE SEGMENT RESULTS** | 5,898 | 805 | — | 6,703 |
| Unallocated income | | | | 90,433 |
| Unallocated expenses | | | | (478) |
| Net finance costs | | | | (2,977) |
| Profit before income tax | | | | 93,681 |

**For the period ended 30th June, 2010**

| | Float sheet glass<br>*RMB'000* | Silicon powder<br>*RMB'000* | Elimination<br>*RMB'000* | Total<br>*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 |

## 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 30.6.2011 *RMB'000* | Six months ended 30.6.2010 *RMB'000* |
|---|---|---|
| Waiver of debts | **864** | 644 |
| Government grants | **3,236** | 231 |
| Gain on disposal of non-current assets held for sales | **47,964** | — |
| Net gain on disposal of lease prepayments and property, plant and equipment | **47,519** | 71 |
| Others | **840** | 896 |
| | **100,423** | 1,842 |

## 6. PROFIT BEFORE INCOME TAX

| | Six months ended 30.6.2011 *RMB'000* | Six months ended 30.6.2010 *RMB'000* |
|---|---|---|
| Profit before income tax is arrived at after (charging)/crediting :- | | |
| (a) Net finance costs : | | |
| Interest income | **3,186** | 1,433 |
| Interest on borrowings | **(3,241)** | (9,690) |
| Net foreign exchange (loss)/gain | **(409)** | 777 |
| Other financing charges | **(2,513)** | (1,239) |
| | **(2,977)** | (8,719) |

| | Six months ended 30.6.2011 *RMB'000* | Six months ended 30.6.2010 *RMB'000* |
|---|---|---|
| (b) Other items :- | | |
| Cost of inventories | **(465,806)** | (408,148) |
| Depreciation | **(33,643)** | (36,603) |
| Impairment loss on inventories | **(400)** | — |
| Reversal of write-down of other receivables | **5,148** | — |
| Reversal of write-down of inventories | **—** | 5,382 |
| Amortisation of intangible assets | **(746)** | (746) |
| Amortisation of lease prepayments | **(363)** | (247) |
| Loss on disposal of property, plant and equipment | **—** | (23) |
| Loss on disposal of construction in progress | **—** | (13) |

## 7. INCOME TAX EXPENSE

| | Six months ended 30.6.2011 *RMB'000* | Six months ended 30.6.2010 *RMB'000* |
|---|---|---|
| PRC enterprise income tax | **11,253** | 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.

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

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

## 8. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 30th June, 2011 (2010 : Nil).

## 9. BASIC EARNINGS 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 30th June, 2011 of RMB99,310,000 (2010: RMB3,675,000) and 500,018,000 (2010 : 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<br>**30.6.2011**<br><br>***RMB'000*** | At<br>31.12.2010<br>(Audited)<br>*RMB'000* |
|---|---|---|
| Trade receivables | | |
| — third parties | **62,770** | 60,178 |
| — subsidiaries of the controlling shareholder company | **35,111** | 27,206 |
| | **97,881** | 87,384 |
| Less: Allowance for impairment of doubtful debts | **46,088** | 46,088 |
| | **51,793** | 41,296 |
| Bills receivables | **54,400** | 53,531 |
| | **106,193** | 94,827 |

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

| | At<br>**30.6.2011**<br><br>***RMB'000*** | At<br>31.12.2010<br>(Audited)<br>*RMB'000* |
|---|---|---|
| Within one year | **101,824** | 79,566 |
| Between one and two years | **1,650** | 12,787 |
| Between two and three years | **1,103** | 2,474 |
| Over three years | **1,616** | — |
| | **106,193** | 94,827 |

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

## 11. OTHER RECEIVABLES

| | At 30.6.2011 RMB'000 | At 31.12.2010 (Audited) RMB'000 |
|---|---|---|
| Amount due from the controlling shareholder company | **8,072** | 20,685 |
| Amounts due from subsidiaries of the controlling shareholder company | **2,767** | 4,497 |
| Advance payments, other receivables and prepayments | **225,816** | 114,066 |
| | **236,655** | 139,248 |
| Less: Allowances for impairment of doubtful debts | **50,355** | 55,503 |
| | **186,300** | 83,745 |

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 **30.6.2011** *RMB'000* | At 31.12.2010 (Audited) *RMB'000* |
|---|---|---|
| Trade payables | | |
| — third parties | **292,114** | 299,955 |
| — the controlling shareholder company | **9** | — |
| — subsidiaries of the controlling shareholder company | **674** | 369 |
| | **292,797** | 300,324 |
| Bills payables | **140,000** | 148,000 |
| | **432,797** | 448,324 |

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

| | At **30.6.2011** *RMB'000* | At 31.12.2010 (Audited) *RMB'000* |
|---|---|---|
| Within one year | **378,617** | 334,582 |
| Between one and two years | **6,592** | 28,284 |
| Between two and three years | **21,836** | 67,854 |
| Over three years | **25,752** | 17,604 |
| | **432,797** | 448,324 |

## 13. OTHER PAYABLES

| | **At 30.6.2011** | At 31.12.2010 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Amount due to the controlling shareholder company | **52** | 156 |
| Amounts due to subsidiaries of the controlling shareholder company | **5,166** | 2,082 |
| Accrued expenses, other payables and receipts in advance | **178,573** | 183,865 |
| | **183,791** | 186,103 |

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 **30.6.2011** *RMB'000* | At 31.12.2010 (Audited) *RMB'000* |
|---|---|---|---|
| Unsecured loans from a controlling shareholder company | (a) | **24,950** | 48,600 |
| Unsecured bank loans | | **55,150** | 4,000 |
| Secured bank loans | (b) | **601,967** | 661,799 |
| | | **682,067** | 714,399 |

*Notes :-*

(a) The unsecured loans from a controlling shareholder company were entrusted loans; and

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

The bank and other loans are repayable as follows :-

| | At **30.6.2011** *RMB'000* | At 31.12.2010 (Audited) *RMB'000* |
|---|---|---|
| Within one year | | |
| — short-term loans | **40,100** | 23,863 |
| — current portion of long-term loans | **485** | 456 |
| | **40,585** | 24,319 |

| | **At 30.6.2011** | At 31.12.2010 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Between one and two years | **485** | 456 |
| Between two and five years | **3,397** | 49,969 |
| Over five years | **637,600** | 639,655 |
| | **641,482** | 690,080 |
| | **682,067** | 714,399 |

## 15. SHARE CAPITAL

| | **At 30.6.2011** | | At 31.12.2010 (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 of the period/year | **159,018** | **159,018** | 179,018 | 179,018 |
| Decrease as a result of revised shares reform | **—** | **—** | (20,000) | (20,000) |
| At end of the period/year | **159,018** | **159,018** | 159,018 | 159,018 |

| | **At 30.6.2011** | | At 31.12.2010 (Audited) | |
|---|---|---|---|---|
| | ***Shares'000*** | ***RMB'000*** | *Shares'000* | *RMB'000* |
| **DOMESTIC LISTED SHARES ("A SHARES") OF RMB1.00 EACH** | | | | |
| At the beginning of the period/year | **91,000** | **91,000** | 71,000 | 71,000 |
| Increase as a result of revised shares reform | **—** | **—** | 20,000 | 20,000 |
| At end of the period/year | **91,000** | **91,000** | 91,000 | 91,000 |
| **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

| | Share premium | Statutory surplus reserve | Excess over share capital | Other reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1.1.2010 | 540,028 | 61,076 | (106,949) | (28,823) | (962,539) | (497,207) |
| Total comprehensive income for the period | — | — | — | — | 3,675 | 3,675 |
| At 30.6.2010 | 540,028 | 61,076 | (106,949) | (28,823) | (958,864) | (493,532) |
| At 1.1.2011 | 540,028 | 61,076 | (106,949) | (30,182) | (900,592) | (436,619) |
| Total comprehensive income for the period | — | — | — | — | 99,310 | 99,310 |
| At 30.6.2011 | 540,028 | 61,076 | (106,949) | (30,182) | (801,282) | (337,309) |

## 17. CAPITAL COMMITMENTS

At 30th June, 2011, the Group had the following capital commitments :-

| | **At 30.6.2011** | At 31.12.2010 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contracted for | | |
| — construction project | **19,806** | 21,001 |
| — upgrade accounting system | **581** | 775 |
| | **20,387** | 21,776 |

## 18. CONTINGENT LIABILITIES

At 30th June, 2011, the Group has received numerous claims from various parties, being most suppliers total approximately RMB 9,239,000, being the total amount of outstanding principal of goods supplied interest accrued and costs on indemnity basis, 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 30.6.2011** | Six months ended 30.6.2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Directors and supervisors | **479** | 542 |
| Senior management | **412** | 284 |
| | **819** | 826 |

(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.

## SIGNIFICANT DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS OF THE GROUP PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING RULES AND REGULATIONS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") - (UNAUDITED)

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

| | **Six months ended 30.6.2011** | Six months ended 30.6.2010 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit attributable to shareholders under the PRC Accounting Rules and Regulations | **73,416** | 3,059 |
| Differences :- | | |
| — Gain on disposal of land use rights | **25,663** | — |
| — Amortisation of revaluation of land use rights | **—** | 385 |
| — Government grants | **231** | 231 |
| Profit attributable to equity shareholders of the Company under IFRSs | **99,310** | 3,675 |

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

| | **At 30.6.2011** | At 31.12.2010 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Shareholders' funds under the PRC Accounting Rules and Regulations | **188,972** | 115,556 |
| Differences :- | | |
| — Gain on disposal of land use right | **60,320** | 34,657 |
| — Gain on disposal of a subsidiary | **15,834** | 15,834 |
| — Amortisation of revaluation of land use rights | **(75,014)** | (75,014) |
| — Government grants | **(2,031)** | (2,262) |
| — Difference in accounting for non-controlling interests | **(21,520)** | (21,520) |
| — Difference in accounting for consolidation | **2,722** | 2,722 |
| — Others | **(6,574)** | (6,574) |
| Total equity attributable to equity shareholders of the Company under IFRSs | **162,709** | 63,399 |

## 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

| | **Net profit attributable to the Company** | | Net assets attributable to the Company | |
|---|---|---|---|---|
| | **January-June 2011** | **January-June 2010** | Closing Balance | Opening Balance |
| Under PRC Accounting Standards | **73,416,307.96** | **3,543,259.99** | 188,971,959.32 | 115,555,651.36 |
| Item and amount as adjust in accordance with IFRS | | | | |
| — Gains on sales of use right of land | **25,662,985.65** | | 60,320,265.27 | 34,657,279.62 |
| — Gains on disposal of subsidiary | | | 15,833,763.66 | 15,833,763.66 |
| — Amortization of re-appraisal value of use rights of land | | **385,244.76** | -75,011,850.10 | -75,011,850.10 |
| — Government subsidy | **230,768.91** | **230,769.00** | -2,031,623.42 | -2,262,392.33 |
| — Difference arising from consolidation under different accounting standards | | | 2,721,957.50 | 2,721,957.50 |
| — Equity differences caused by the excess loss of a subsidiary under different accounting standards | | **-484,755.13** | -21,521,930.15 | -21,521,930.15 |
| — Others | | | -6,575,000.00 | -6,575,000.00 |
| Under IFRS | **99,310,062.52** | **3,674,518.62** | 162,707,542.08 | 63,397,479.56 |

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

Luoyang, the PRC
29 August 2011

*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.*

* *For identification purposes only*