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洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED

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

(Stock Code: 1108)

SUMMARY ANNUAL REPORT OF 2011

1 IMPORTANT NOTICE

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

This summary of the annual report is extracted from the annual report, the full text of which has been published on http://www.sse.com.cn and http://www.zhglb.com. Investors should carefully read the full text of the annual report for details.

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

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

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

2 COMPANY PROFILE

2.1 Basic Information

Stock name	Luoyang Glass	Luoyang Glass
Stock code	600876	01108
Place of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

2.2 Contact person and method

	Secretary to the Board
Name	Ms. Song Fei
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
Telephone	86-379-63908588, 63908507
Facsimile	86-379-63251984
E-mail	lbjtsf@163.com

3 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial information disclosed in the announcement is generally prepared in accordance with the PRC GAAP except for the specific sections.

3.1 Major Accounting Data

Unit: RMB

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

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

3.2 Major Financial Indicators

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

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

3.3 Extraordinary items

☑ Applicable ☐ Not applicable

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

3.4 Differences between the PRC GAAP and IFRSs

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

Explanations of the difference	The reason for the major difference:

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

2. The PRC GAAP 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, as a result, a difference of RMB21,521,930.15 was incurred.

4 SHAREHOLDINGS OF SHAREHOLDERS AND ILLUSTRATION OF CONTROLLING RELATIONSHIP

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

Unit: share

Total number of shareholders as at the end of 2011	There were 23,726 shareholders of the Company in total, including 22,671 holders of A shares and 55 holders of H shares.	Total number of shareholders as at the end of the month preceding the publication date of this annual report	There were 23,727 shareholders of the Company in total, including 22,671 holders of A shares and 56 holders of H shares.

Shareholdings of the top 10 shareholders

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

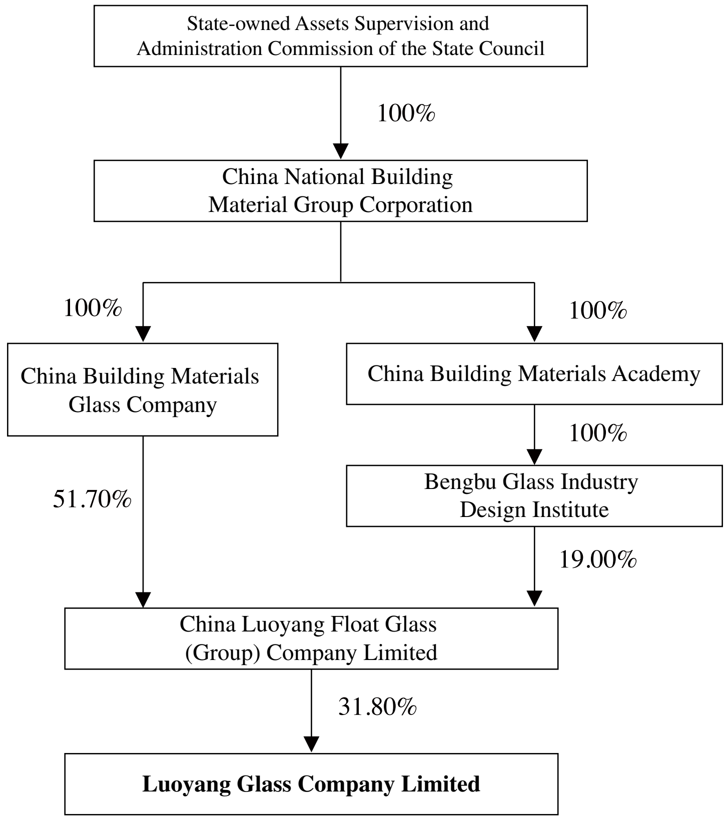
Shareholdings of the top 10 holders of shares not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium held	Type of shares
HKSCC Nominees Limited	247,960,998	Overseas listed foreign shares
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB
Zhang Lixin	1,313,344	Ordinary shares denominated in RMB
Feng Ruolei	795,600	Ordinary shares denominated in RMB
Lin Huiping	666,100	Ordinary shares denominated in RMB
Li Ru	648,000	Ordinary shares denominated in RMB
Chen Hong	565,614	Ordinary shares denominated in RMB
Yao Xuan	472,516	Ordinary shares denominated in RMB
Wang Changqiu	434,793	Ordinary shares denominated in RMB
Zhao Yumei	424,672	Ordinary shares denominated in RMB

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 China Luoyang Float Glass (Group) Company Limited and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other shareholders of circulating shares.

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



5 REPORT OF THE DIRECTORS

5.1 Summary of Management Discussion and Analysis

5.1.1 Overall operation of the Company during the reporting period

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

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

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

5.1.2 In 2011, major measures taken by the Company include:

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

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

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

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

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

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

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

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

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

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

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

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

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

4) Lowering costs by taking various measures concurrently.

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

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

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

1) Implementing safe production objectives management. The Company put forth the "000320" control objective (i.e. zero heavy casualty accident, zero occupational death accident, serious injury accident rate≤0.3%, and injury rate per 1000 people≤2.0%), divide up indicators among all immediate entities (including tier-2 companies) based on the Company's general control objectives and executed objectives management. The head of each entity, as the chief responsible person thereof, entered into the Safe Production Accountability Contract with the Company, and each accountable entity split safety objectives further among workshops and even individual employees to determine safety accountability by level.

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

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

(7) Steadily pressing ahead with staffing streamlining

In accordance with the "Placement Plan for Employees of China Luoyang Float Glass (Group) Company Limited" (《中國洛陽浮法玻璃集團有限責任公司職工安置方案》), and based on actual conditions of the Company, the Company formulated the 2011 Plan of Luoyang Glass Company Limited for Employees Placement and Employment Through Competition (《洛陽玻璃股份有限公司2011年職工安置及競爭上崗方案》) for appropriate placement of surplus staff, and implemented employment through competition company-wide in March 2011.

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

5.1.3 Statement of the principal operations by industries and products

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

5.1.4 Principal operations by regions

Regions	Revenue from principal operations *(RMB'000)*	Increase/decrease of revenue from principal operations as compared with last year *(%)*
PRC	813,227,895.78	-15.45
Exports	12,246,681.33	-15.81

5.1.5 Top 5 suppliers and top 5 customers

Total purchase from top 5 suppliers *(RMB)*	154,044,437.63	**Percentage in total purchase**	23.21%
Total sales to the top 5 customers *(RMB)*	264,557,366.54	**Percentage in total sales**	28.73%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.2 Outlook on the Company's Future Development

5.2.1 Analysis of the future situation

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

Demand from downstream industries:

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

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

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

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

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

5.3 Business Plan for 2012

Output of float glass: 3,266,900 boxes

Sales: 5,859,100 boxes

Operating revenue: RMB791,686,200

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

5.4 Countermeasures

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

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

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

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

3) Strengthen benchmarking management and further reduce cost.

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

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

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

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

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

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

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

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

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

(4) Press ahead with projects development.

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

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

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

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

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

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

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

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

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

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

(4) Exchange rate risks:

As the amount of foreign exchange transactions of the Group was insignificant, exchange rate fluctuations would not have material impact on the Group.

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

5.5 Profit Distribution or Proposal for Transfer of Capital Reserve

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

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

5.6 Repurchase, Sale and Redemption of Shares

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

5.7 Compliance with the Code on Corporate Governance Practices

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

5.8 Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual report.

6. FINANCIAL REPORT

6.1 There was no change in the accounting policies or accounting estimates during the reporting period.

6.2 There was no correction of errors for the previous period during the reporting period.

6.3 There was no change in the scope of consolidation compared with the latest annual report.

6.4 For details of the consolidated and the Company's balance sheets, income statements, cash flow statements and changes in owners' equity for the year prepared under PRC Accounting Standards, please refer to the 2011 annual report published on the website of the Shanghai Stock Exchange on 27 March 2012.

6.5 Audited financial statements prepared under the International Financial Reporting Standards ("IFRSs")

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2011
(EXPRESSED IN RENMINBI)

	Note	**2011** *RMB'000*	2010 *RMB'000*
Turnover	4	**917,308**	1,167,044
Cost of sales		**(819,238)**	(936,412)
Gross profit		**98,070**	230,632
Other operating income	5	**139,478**	80,210
Other operating expenses		**(1,558)**	(672)
Selling expenses		**(34,126)**	(40,685)
Administrative expenses		**(160,755)**	(180,564)
Profit from operations		**41,109**	88,921
Net finance costs	6(a)	**(12,053)**	(14,705)
Net investment income	6(b)	**—**	—
Profit before income tax	6	**29,056**	74,216
Income tax expense	7	**(20,564)**	(18,356)
Profit for the year		**8,492**	55,860
Total comprehensive income for the year		**8,492**	55,860
Attributable to			
Equity shareholders of the Company		**38,459**	61,947
Non-controlling interests		**(29,967)**	(6,087)
Profit for the year		**8,492**	55,860
Basic earnings per share *(in RMB : Yuan)*	9	**0.08**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2011

(EXPRESSED IN RENMINBI)

	Note	**2011** *RMB'000*	2010 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**626,922**	671,646
Construction in progress		**22,134**	61,370
Intangible assets		**9,062**	10,586
Exploration and evaluation assets		**1,128**	1,128
Lease prepayments		**56,497**	55,293
Interests in associates		**—**	—
Other investments		**7,410**	7,410
		723,153	807,433
CURRENT ASSETS			
Inventories		**214,582**	202,066
Trade and bills receivables	10	**113,125**	94,827
Other receivables		**130,400**	83,745
Amount due from an associate		**1,232**	—
Income tax recoverable		**2,243**	5,127
Pledged deposits with banks		**193,000**	113,000
Restricted bank balances		**208**	—
Cash and bank balances		**40,930**	20,208
		695,720	518,973
Assets classified as held for sale		**23,411**	90,703
		719,131	609,676

	Note		
CURRENT LIABILITIES			
Trade and bills payables	11	**531,380**	448,324
Other payables		**144,541**	186,103
Amount due to an associate		**—**	1,493
Bank and other loans		**72,355**	24,319
Deferred income		**5,729**	—
Income tax payable		**3,175**	—
		757,180	660,239
NET CURRENT LIABILITIES		**(38,049)**	(50,563)
TOTAL ASSETS LESS CURRENT LIABILITIES		**685,104**	756,870
NON-CURRENT LIABILITIES			
Bank and other loans		**598,691**	690,080
Deferred income		**12,321**	3,230
		611,012	693,310
NET ASSETS		**74,092**	63,560
CAPITAL AND RESERVES			
Share capital		**500,018**	500,018
Reserves	12	**(399,092)**	(436,619)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**100,926**	63,399
NON-CONTROLLING INTERESTS		**(26,834)**	161
TOTAL EQUITY		**74,092**	63,560

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 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
Acquisition of additional interests in a subsidiary	—	—	(1,359)	—	(1,359)	1,359	—
Capital contribution in a newly incorporated subsidiary by non-controlling shareholders	—	—	—	—	—	1,020	1,020
Total comprehensive income/(loss) for the year	—	—	—	61,947	61,947	(6,087)	55,860
At 31.12.2010 and 1.1.2011	500,018	540,028	(76,055)	(900,592)	63,399	161	63,560
Acquisition of additional interests in a subsidiary	—	—	(932)	—	(932)	(328)	(1,260)
Capital contribution in a subsidiary by non-controlling shareholders	—	—	—	—	—	3,300	3,300
Total comprehensive income/(loss) for the year	—	—	—	38,459	38,459	(29,967)	8,492
At 31.12.2011	500,018	540,028	(76,987)	(862,133)	100,926	(26,834)	74,092

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2011

(EXPRESSED IN RENMINBI)

	2011	2010
	RMB'000	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/generated from operations	**(48,684)**	40,032
Income tax paid	**(14,505)**	(20,773)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(63,189)**	19,259
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**3,601**	1,488
Purchase of property, plant and equipment	**(1,436)**	(801)
Increase in exploration and evaluation assets	**—**	(510)
Increase in construction in progress	**(4,580)**	(9,927)
Acquisition of lease prepayments	**(2,579)**	(23,553)
(Increase)/decrease in amount due from an associate	**(1,232)**	1,128
(Decrease)/increase in amount due to an associate	**(1,493)**	1,493
Decrease in investment deposit	**—**	1,030
Proceeds from disposal of property, plant and equipment	**18,191**	5,361
Proceeds from disposal of construction in progress	**2,010**	529
Proceeds from disposal of assets classified as held for sale	**110,000**	—
Proceeds from disposal of deposits with a non-bank financial institution	**6,000**	35,000
Acquisition of additional interests in subsidiaries	**(1,260)**	(5,970)

NET CASH GENERATED FROM INVESTING ACTIVITIES	**127,222**	5,268
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(3,258)**	(12,132)
New bank and other loans	**69,950**	540,500
Repayment of bank and other loans	**(113,303)**	(566,896)
Capital contribution received from non-controlling shareholders	**3,300**	1,020
NET CASH USED IN FINANCING ACTIVITIES	**(43,311)**	(37,508)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**20,722**	(12,981)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	**20,208**	33,189
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	**40,930**	20,208
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**40,930**	20,208

NOTES

1. BACKGROUND OF THE COMPANY

Luoyang Glass Company Limited (the "Company") is a company incorporated in the People's Republic of China (the "PRC") as a joint stock limited company that, together with its subsidiaries (collectively referred to as the "Group"), engaged in the production and sales of float sheet glass.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the Group and the Group's interests in associates.

The consolidated financial statements are presented in Renminbi, rounded to the nearest thousand. The measurement basis used in the preparation of the consolidated financial statements is historical cost.

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(b) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interests and the equity shareholders of the Company.

Change in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

(ii) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

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

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

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

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

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

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

(a) Segments results, assets and liabilities

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

For the year ended 31st December, 2011

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

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

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

For the year ended 31st December 2010

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
REPORTABLE SEGMENT REVENUE	1,138,483	28,561	—	1,167,044
REPORTABLE SEGMENT RESULT	92,109	(488)	—	91,621
Unallocated expenses				(2,700)
Net finance costs				(14,705)
Profit before income tax				74,216
Income tax expense				(18,356)
Profit for the year				55,860

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities				
ASSETS				
Reportable segment assets	1,398,415	41,732	(30,448)	1,409,699
Other investments	7,410	—	—	7,410
Total assets				1,417,109
LIABILITIES				
Reportable segment liabilities	(1,344,670)	(36,118)	30,448	(1,350,340)
Amount due to an associate	(1,493)	—	—	(1,493)
Unallocated liabilities				(1,716)
Total liabilities				(1,353,549)

	Float sheet glass RMB'000	Silicon powder RMB'000	Elimination RMB'000	Total RMB'000
OTHER INFORMATION				
Capital expenditure	119,881	70	—	119,951
Interest income	(3,068)	(7)	1,287	(1,788)
Interest expense	10,945	1,287	(1,287)	10,945
Depreciation	69,665	1,784	—	71,449
Impairment loss on trade receivables	666	—	—	666
Impairment loss on other receivables	358	—	—	358
Impairment loss on property, plant and equipment	4,471	—	—	4,471
Write-down of inventories	3,837	—	—	3,837
Reversal of write-down of inventories	(8,501)	—	—	(8,501)
Amortisation of intangible assets	1,472	20	—	1,492
Amortisation of lease prepayments	1,005	136	—	1,141

(b) Geographic information

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

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

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

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

	2011	2010
	RMB'000	*RMB'000*
Waiver of debts	**2,321**	1,853
Government grants *(note 5(a))*	**22,478**	75,383
Gain on disposal of assets classified as held for sale *(note 5(b))*	**87,197**	—
Gain on disposal of property, plant and equipment *(note 5(c))*	**17,323**	1,443
Gain on disposal of deposits with a non-bank financial institution *(note 5(d))*	**6,000**	—
Equity custody income	**1,000**	—
Others	**3,159**	1,531
	139,478	80,210

Note:

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

– According to notices from the Yanshi Municipal Finance Bureau and Henan Province Finance Bureau, a government grant of RMB6,000,000 was awarded in 2005 to CLFG Longmen Glass Co., Ltd. ("Longmen"), a subsidiary of the Company, for the construction of a production plant. Such grant is recognised in profit or loss over the useful life of the respective assets, of which RMB462,000 has been recognised during the year (2010: RMB462,000);

– According to Guo Zi Shou Yi (2011) No. 87 issued by State-owned Assets Supervision and Administration Commission, a government grant of RMB180 million from the State-owned Capital Operation Budget Fund was granted to China Luoyang Float Glass (Group) Company Limited ("CLFG") for the provision of compensation to the redundant employees as a result of relocation of the production lines. CLFG allocated a portion of government grant of RMB18,157,000 (2010: RMB70,558,000) to the Group to pay for the termination benefits and the amount was recognised in profit or loss during the year (note 6(c)(i));

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

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

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

- During the year ended 31st December, 2010, according to notices from the Luoyang Human Resources and Social Insurance Bureau and Luoyang Municipal Finance Bureau, a government grant of RMB3,186,000 was granted to the Company for financial support; and

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

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

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

(d) On 29th September, 2010, the Company and CLFG entered into a loan assignment agreement, pursuant to which the Company assigned to CLFG its rights and obligations in respect of the deposits owed by Guangzhou International Trust & Investment Corporation ("GZITIC") at a consideration of RMB35,000,000. CLFG has fully paid the consideration to the Company during the year ended 31st December, 2010.

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

6. PROFIT BEFORE INCOME TAX

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

(a) Net finance costs:-

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

(b) Net investment income:-

	2011	2010
	RMB'000	*RMB'000*
Gain on disposal of associate	**—**	—

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

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

Note:-

(i) Pursuant to the requirements of the construction planning of Luoyang City, certain production lines of the Group have ceased production and will be relocated, which will result in redundant employees. According to the unified arrangement of CLFG and with reference to "Luobo Fa (2011) No. 223 Document - Settlement Plan for Employees of China Luoyang Float Glass (Group) Company Limited", the employees initiate applications and subject to prior consent of the Group, negotiate with the Group for termination of their respective employment contracts and provision of economic compensation to them, in accordance with the relevant laws and regulations and on the basis of openness and fairness and arm's length negotiation. The settlement plan was closed on 31st March, 2011.

(d) Other items:-

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

7. INCOME TAX EXPENSE

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

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

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

The provision for PRC income tax is calculated at 25% (2010: 25%) of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC.

On 8th November, 2010, 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.

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

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

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

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

Deductible temporary difference has not been recognised as it is not certain whether the potential taxation benefit will be realised in the foreseeable future. The tax losses represent the maximum benefit from unutilised tax losses, which can be carried forward up to 5 years from the year in which the loss was originated to offset against future taxable profits.

8. DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend in respect of the year ended 31st December, 2011 (2010: Nil).

9. BASIC EARNINGS PER SHARE

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

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

10. TRADE AND BILLS RECEIVABLES

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

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

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

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

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

At 31st December, 2011, the Group's trade and bills receivables of RMB93,711,000 (2010: RMB38,843,000) were past due but not impaired. These receivables relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

At 31st December, 2011, the Group's trade and bills receivables of RMB47,775,000 (2010: RMB46,088,000) respectively were individually determined to be fully impaired. The individually impaired receivables related to customers that were in financial difficulties and the directors assessed that such debts were not expected to be recovered. The Group does not hold any collateral over these balances. The ageing analysis of these trade and bills receivables is as follows:-

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

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

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

Included in trade and bills receivables is the following amount denominated in a currency other than the functional currency of the entity to which it relates:-

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

11. TRADE AND BILLS PAYABLES

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

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

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

12. 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*
		Note (a)	*Note (b)*	*Note (c)*		
At1st January, 2010	540,028	61,076	(106,949)	(28,823)	(962,539)	(497,207)
Acquisition of additional interests in a subsidiary	—	—	—	(1,359)	—	(1,359)
Total comprehensive income for the year	—	—	—	—	61,947	61,947
At 31st December, 2010 and as at 1st January, 2011	540,028	61,076	(106,949)	(30,182)	(900,592)	(436,619)
Acquisition of additional interests in a subsidiary	—	—	—	(932)	—	(932)
Total comprehensive income for the year	—	—	—	—	38,459	38,459
At 31st December, 2011	540,028	61,076	(106,949)	(31,114)	(862,133)	(399,092)

Notes:-

(a) According to the Company's and its subsidiaries' Articles of Association, the Company and its subsidiaries are required to transfer 10% of their respective profit after taxation, as determined in accordance with the PRC Accounting Rules and Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and for capitalisation issue provided that the balance after such issue is not less than 25% of the registered capital.

(b) Effective 1st January, 2002, land use rights which are included in lease prepayments are carried at historical cost. Accordingly, the surplus on the revaluation of land use rights was reversed to shareholders' funds.

(c) Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the additional interests in the subsidiaries being acquired from non-controlling interests during the year. The directors consider that it is more clear to present such difference under a separate reserve in the equity of the Company.

(d) According to the Company's Articles of Association, the reserve available for distribution is the lower of the amount determined under PRC Accounting Rules and Regulations and the amount determined under IFRSs. As at 31st December, 2011, there was no reserve available for distribution (2010: RMBNil).

13. POST BALANCE SHEET EVENTS

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

(b) On 23rd December, 2011, the Board of Directors has considered and approved a resolution of deregistration of a wholly-owned subsidiary, CLFG Shawan Glass Co., Ltd. The deregistration was completed after the year end date.

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

Luoyang, the PRC
27 March 2012

As at the date of this announcement, the Board comprises three executive Directors: Mr. Song Jianming, Mr. Ni Zhisen and Ms. Song Fei; three non-executive Directors: Mr. Zhao Yuanxiang, Mr. Zhang Chengong and Mr. Guo Yimin; and four independent non-executive Directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun.