Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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: 01108)

SUMMARY ANNUAL REPORT OF 2012

1. IMPORTANT NOTICE

1.1 This summary of the annual report is extracted from the full text of the annual report. Investors should read the full text of the annual report published on the websites designated by the CSRC including the website of the Shanghai Stock Exchange for a thorough understanding of its content.

1.2 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"). PKF DAXIN Certified Public Accountants LLP has issued auditors' reports with standard unqualified opinions.

1.3 Company Profile

Stock name	Luoyang Glass	Stock code	600876
Place of listing	Shanghai Stock Exchange		
Stock name	Luoyang Glass	Stock code	01108
Place of listing	The Stock Exchange of Hong Kong Limited		
Contact person and method	Secretary to the Board	Securities Affairs Representative	
Name	Song Fei	Wu Zhixin	
Telephone	86-379-63908507 63908588	86-379-63908637	
Facsimile	86-379-63251984	86-379-63251984	
E-mail	lbjtsf@163.com	lywzhx@126.com	

2. MAJOR FINANCIAL DATA AND CHANGES IN SHAREHOLDERS

2.1 Major Financial Data

Unit: RMB

	As at the end of 2012	As at the end of 2011	Increase/ (decrease) at the end of the year over the end of last year *(%)*	As at the end of 2010
Total assets	**1,302,782,333.52**	1,415,785,144.79	–7.98	1,439,514,723.66
Net assets attributable to shareholders of the listed company	**132,125,006.45**	127,013,633.44	4.02	115,555,651.36
Net cash flow from operating activities	**8,734,731.95**	–61,673,525.63	**N/A**	22,939,486.99
Operating income	**553,687,171.35**	920,942,939.77	–39.88	1,168,481,659.06
Net profit attributable to shareholders of the listed company	**5,093,137.28**	12,334,559.60	–58.71	60,787,804.31
Net profit attributable to shareholders of the listed company after deducting extraordinary profit or loss	**–62,801,944.21**	–67,761,804.10	**N/A**	52,673,738.58
Weighted average return on net assets *(%)*	**3.93**	10.17	Decreased by 6.24 percentage points	53.13
Basic earnings per share *(RMB/share)*	**0.0102**	0.0247	–58.70	0.1216
Diluted earnings per share *(RMB/share)*	**0.0102**	0.0247	–58.70	0.1216

2.2 Shareholdings of the top ten shareholders

Unit: share

Total number of shareholders as at the end of the reporting period (shareholder)	21,157, including 21,103 holders of A shares and 54 holders of H shares
Total number of shareholders as at the end of the fifth trading day before the disclosure date of the annual report (shareholder)	20,117, including 20,064 holders of A shares and 53 holders of H shares

Shareholdings of the top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the reporting period	Total number of shares held as at the end of the reporting period	Shareholding percentage	Number of shares subject to trading moratorium held	Number of shares pledged or frozen		Nature of shareholder
					Status of shares	Number	
			(%)				
HKSCC Nominees Limited	-94,000	247,866,998	49.57	0	Unknown		Overseas legal person
China Luoyang Float Glass (Group) Company Limited	0	159,018,242	31.8	0	Pledged	159,018,242	State-owned legal-person
Zhang Lixin	+1,441,600	2,754,944	0.55	0	Unknown		Domestic natural person
Liu Taoxiang	+1,027,950	1,302,650	0.26	0	Unknown		Domestic natural person
Zhang Ruiying	+350,656	670,000	0.134	0	Unknown		Domestic natural person
Rui Zhiying	+422,000	610,000	0.122	0	Unknown		Domestic natural person

Zhou Chunxia	+206,200	476,213	0.095	0	Unknown	Domestic natural person
Yao Xuan	- 1,400	471,116	0.094	0	Unknown	Domestic natural person
Chen Yiwei	+45,300	425,218	0.085	0	Unknown	Domestic natural person
Peng Fang	+39,000	403,279	0.081	0	Unknown	Domestic natural person

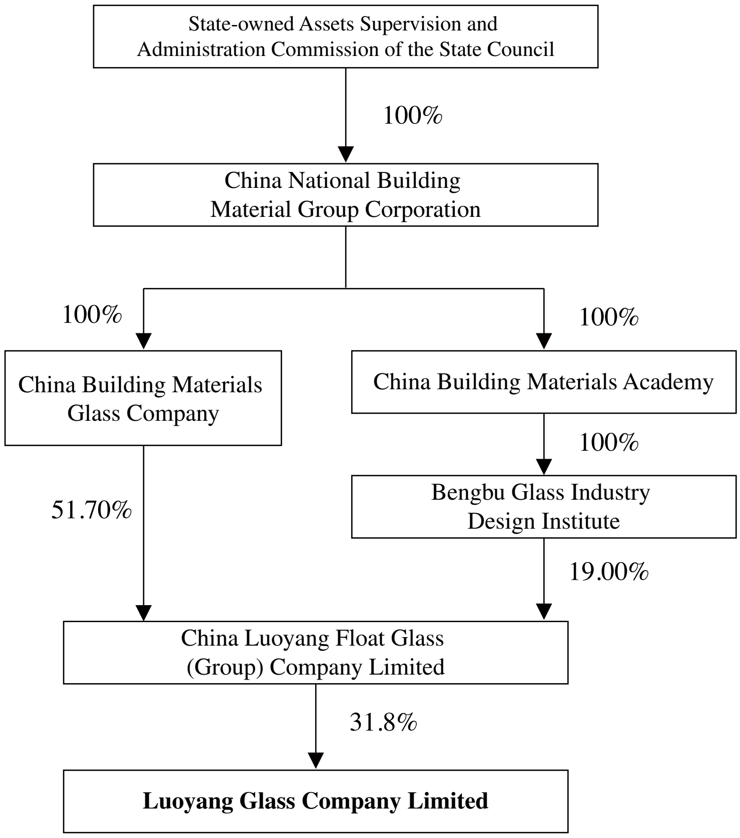
Particulars of the top 10 holders of shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	247,866,998	Overseas listed foreign shares	247,866,998
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB	159,018,242
Zhang Lixin	2,754,944	Ordinary shares denominated in RMB	2,754,944
Liu Taoxiang	1,302,650	Ordinary shares denominated in RMB	1,302,650
Zhang Ruiying	670,000	Ordinary shares denominated in RMB	670,000
Rui Zhiying	610,000	Ordinary shares denominated in RMB	610,000

Zhou Chunxia	476,213	Ordinary shares denominated in RMB	476,213
Yao Xuan	471,116	Ordinary shares denominated in RMB	471,116
Chen Yiwei	425,218	Ordinary shares denominated in RMB	425,218
Peng Fang	403,279	Ordinary shares denominated in RMB	403,279

Connected relationship or parties acting in concert among the aforesaid shareholders	Among the top ten shareholders of the Company, there are no connected relationship or parties 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) between CLFG and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other holders of circulating shares.

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



3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Discussion and analysis about business operation

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

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

Review of the main work in 2012:

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

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

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

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

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

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

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

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

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

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

(1) We carried out assets examination throughout the Company to sort out various types of assets, and allocated idle fixed assets, raw materials, fuels, spare parts and components between subsidiaries in a bid to revitalize assets, reduce purchases and ease capital pressure.

(2) We disposed of spare assets of the Company and subsidiaries through public auctions, realizing a total of over RMB52 million.

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

(1) According to the requirements of the Comprehensive Budget Management System of the Company and in light of the Company's development plan as well as the industrial and market situation, the Company prepared the annual budget for 2012 and broke down the budget goals for implementation at different levels, Comparative analysis and evaluation of the implementation of all units were conducted on a monthly basis.

(2) In its quest for savings and cost cuts as well as efficiency improvement, the Company exercised strict control over all expenditures, reducing paper and electricity usage, reasonably controlling travel allowances, hospitality expenses, maintenance fees and temporary employment expenses.

(3) Capitalizing on the west-east natural gas transmission, the Company changed the original production fuel of Longmen Company and Longhai Company, namely coal bed methane and heavy oil, to natural gas, a move which not only effectively reduced fuel cost but promoted production stability and product quality.

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

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

(2) With the decrease in production capacity of ordinary glass, the Company focused more on stabilizing prices and promoting sales and realization of inventories for this product to minimize depreciation of inventories.

6. *Tightening internal control and improved risk prevention system*

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

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

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

Achievement of production safety goals in 2012:

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

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

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

3.2 Analysis of Principal Businesses

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

Unit: RMB

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

3.2.2 Revenue

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

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

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

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

(3) Impact analysis of new products and new services

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

(4) Major customers

The total sales to the top 5 customers amounted to RMB159,268,131.97, representing 28.76% of the Company's total operating income, among which the sales to the largest customers accounted for 15.99% of the Company's total operating income for the year.

3.2.3 Costs

(1) Analytical Statement of Costs

Unit: RMB

By industry

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

By products

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

(2) Major Suppliers

The Company's total purchase from top 5 suppliers amounted to RMB167,321,544.93, representing 45.10% of the Company's total purchase amount, among which the purchase from the largest supplier represented 14.72% of the Company's total purchase amount for the year.

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

3.2.4 *Expenses*

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

3.2.5 *R&D Expenditure*

(1) R&D Expenditure

Unit: RMB

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

(2) Explanation

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

3.2.6 *Cash flow*

1. The net cash flow from operating activities amounted to RMB8,734,700, representing an increase of RMB70,408,200 over RMB-61,673,500 for the same period last year, mainly due to the decrease in wages and related expenses and tax paid in the period and increase in the compensation collected in the period.

2. The net cash flow from investing activities amounted to RMB6,873,900, representing a decrease of RMB118,838,600 over RMB125,712,500 for the same period last year, mainly due to the the decreases in receipts on disposal of land and fixed assets in the period.

3. The net cash flow from financing activities amounted to RMB-732,500, representing a decrease of net outflow of RMB42,578,400 over RMB-43,310,900 for the same period last year, mainly due to the long-term loans repaid to the CLFG last year.

3.2.7 Others

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

 1) Operating revenue decreased by 39.88% to RMB553,687,200 from the same period last year, mainly due to decline in both production capacity and sales volume;

 2) Operating costs decreased by 46.33% to RMB440,659,400 from the same period last year, mainly due to decline in both production capacity and sales volume;

 3) Non-operating income decreased by 33.73% to RMB69,120,500 from the same period last year, mainly due to the receipts on disposal of land and buildings erected thereon in last year;

 4) Non-operating expenses decreased by 94.69% to RMB622,800 from the same period last year, mainly due to the retirement of smelting furnaces of subsidiaries during the same period last year;

 5. Income tax decreased by 40.09% to RMB12,320,300 from the same period last year, mainly due to the decrease in profit of Longhai Company (a subsidiary of the Company) during the period.

(2) Explanation on assets losses

During the reporting period, the assets impairment provision was RMB16,171,281.47; the reversal amount arising from the rise in assets value was RMB3,005,149.36; the realized amount upon derecognizition of underlying assets (轉銷額) was RMB28,220,527.08. Losses from assets scrap was RMB1,923,842.01.

(3) Progress of development strategies and operating plan

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

3.3 Analysis of operations by industry, products or regions

3.3.1 Statement of the principal operations by industry and products

Unit: RMB

Principal operations by industry

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

Principal operations by products

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

Explanation of principal operations by industry and products

3.3.2 Principal operations by regions

Unit: RMB

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

Explanation of principal operations by regions	There was no export business during the Reporting Period.

3.4 Analysis of assets and liabilities

3.4.1 Analytical statement of assets and liabilities

Unit: RMB

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

3.5 Analysis of core competitiveness

1. Brand advantage. The Company is the place of origin for one of three major float glass manufacturing methods in the world — "Luoyang Float Glass Technology". The Company has successively won "National Quality Award for Float Glass - Silver Award (國家浮法玻璃質量獎 — 銀質獎)", "Gold Invention Award (金質發明獎)", "National Consumer Trustworthy Product (全國消費者信得過產品)", "Well-known Trademark (弛名商標)", "National Science & Technology Progress Award (first class) (國家科學技術進步一等獎)", etc. "CLFG" (洛玻) brand still domestically enjoys certain popularity and brand recognition.

2. Strong capacity in respect of technical development and innovation. The Company possesses core production technology of float glass and a number of proprietary intellectual property rights and holds a leading position in the industry in terms of the production technology of ultra-thin, ultra-thin and ultra-white, and ultra-thick float glass. In addition, it owns teams of and experience in product research and development and tackling key problems in production technology.

3. Many varieties of ultra-thin glass products and high market share. In 2012, the Company has successively developed and successfully produced new products including 0.45mm, 0.55mm, 0.6mm, 0.7mm, 1.0mm and 1.1mm ultra-thin glass. Therefore, the variety of the Company's ultra-thin glass products has reached 10, which can basically meet the demands of ITO industry, electronic industry, high-precision instrument and deep processing of glass, and occupies a high market share in the domestic market of ultra-thin glass; At present, the production of ultra-white glass products of the Company has achieved historical breakthrough.

4. Powerful support from the de facto controller. China National Building Materials Group Corporation, the de facto controller of the Company, is an enterprise directly under the SASAC, the largest comprehensive building material group corporation in China and an enterprise of Fortune Global 500. It is able to provide support in terms of capital, technology, etc., for the Company.

3.6 Analysis of Investment

3.6.1 Overall Analysis of External Equity Investment

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

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

(2) Statement of changes in external equity investment

Unit: RMB

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

(3) Equity held in unlisted financial enterprises

Unit: RMB

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

Explanation of equity held in unlisted financial enterprises	Dividends received for the reporting period amounted to RMB1,735,612.20.

3.6.2 Analysis of major subsidiaries and investee companies

(1) Basic information on major subsidiaries and investee companies

Unit: RMB

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

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

Disposal of subsidiaries

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

3.7 Continuing Connected Transaction in 2012

In 2012, the transaction amount of the continuing connected transactions of the Group declined by RMB129,835,000 from 2011, mainly due to: (i) the year-on-year decreases in the transaction amount of raw materials and the fees for comprehensive services provided by the Group to Longxin Glass, as well as in the transaction amount for purchase of products from Longxin Glass since the No.2 production line of Longxin Glass was suspended in August 2012; and (ii) the year-on-year decrease in the transaction amount for provision of products to Huayi Glass by the Group.

All the continuing connected transactions of the Group were indispensable parts of the day-to-day operations of the Group and entered into on normal commercial terms or terms not less favourable than those available to or from independent third parties, and the transaction prices of which were fair and reasonable, and in the interests of the shareholders of the Company as a whole.

All the continuing connected transactions of the Company in 2012 fell within scope of exemption of the Hong Kong Stock Exchange, and the aggregate transaction amount did exceed relevant exemption threshold. The Company's independent auditors have reviewed and issued a special audit report on the continuing connected transactions. The independent directors of the Company also reviewed and confirmed the continuing connected transactions conducted in 2012.

3.8 Industry competition and development landscape

Ordinary glass market:

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

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

Electronic glass market:

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

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

3.9 Development strategy

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

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

3.10 Business plan and measures

1. *Business plan for 2013*

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

2. *Countermeasures*

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

1. We will continue to push forward with the benchmarking management, accurately find the fields with scope for further improvement, tackle tricky problems first; select proper benchmarking standards, scientifically set quantified and challenging objectives for improvement, transmit competition pressure by benchmarking, and promote the deepening of special improvement project.

2. We will optimize the special improvement project, making work more elaborate, measures more specific, focus more underscored and pushes stronger. All units must, in addition to the initially determined key fields for improvement, select 3 to 5 critical areas and difficulties plaguing production and operation to concentrate resources and ensure accomplishment of major breakthroughs for elimination of defects and bottlenecks.

3. We will focus on management improvement to bring about more normative and orderly internal control management. Based on the requirements for effectiveness and ongoing improvement of the Company's management system, we will incorporate the needs of internal control into various management systems, standardize implementation of the internal control system, tighten up oversight, inspection and implementation of internal control, focus on risk points in the internal control risk matrix so as to effectively avoid risks.

4. We will embrace the idea of sophisticated management, and well employ this management approach, analyze the processes of various operation and management activities, streamline processes and identify wastes, reduce or slash unproductive activities and respond to market demand with the highest quality, lowest cost and highest efficiency.

5. We will strengthen control and management of the implementation process, break down the budget indicators in a scientific way, tighten budget implementation permit and requirement, regularly summarize and report budget implementation, improve and implement the accountability mechanism to ensure the rigidity and seriousness of budget and achieve annual budgetary target.

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

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

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

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

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

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

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

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

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

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

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

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

3.11 Potential Risks

1. *Risks arising from macro policies and the industry*

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

2. *Risks arising from price of raw materials and supply*

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

3. Financial Risks

The sluggish glass market and increasing fierce competition on products will both impose some financial risks to the Company. In order to reduce such risks, the Company will cut down product costs and improve efficiency by taking various measures such as technological upgrade, change in product mix and expansion into new product markets.

4. Technological risks

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

3.12 Profit Distribution or Proposal for Conversion of Capital Reserve

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

3.13 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.

3.14 Compliance with the Corporate Governance Code

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

3.15 Audit Committee

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

4. MATTERS RELATING TO FINANCIAL REPORT

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

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

4.3 Change in the scope of consolidation compared with the latest annual report.

CLFG Shawan Glass Co., Ltd., a subsidiary of the Company, canceled its business registration on 15 February 2012 and was no longer included in the scope of consolidation for the Period.

Consolidated Balance Sheet

Prepared by: **Luoyang Glass Company Limited** December 31, 2012

Unit: RMB

Item	December 31, 2012	December 31, 2011
Current assets:		
Bank balance and cash	**236,619,040.45**	234,137,383.86
Balances with clearing companies		
Placements with banks and other financial assets		
Held-for-trading financial assets		
Notes receivable	**9,779,980.14**	38,307,354.54
Accounts receivable	**76,455,808.54**	75,958,661.80
Prepayments	**14,037,265.28**	9,061,090.40
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Interest receivable		
Dividends receivable		
Other receivables	**61,938,475.53**	95,429,597.52
Financial assets purchased under resale agreements		
Inventory	**211,968,354.99**	214,581,784.76
Non-current assets due within one year		
Other current assets		
Total current assets	**610,798,924.93**	667,475,872.88

Non-current assets:		
Loans and advances granted		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	**7,000,000.00**	7,410,000.00
Investment properties	**14,170,232.57**	14,605,124.57
Fixed assets	**539,787,058.69**	650,334,194.36
Construction in progress	**74,565,910.15**	21,667,229.11
Construction materials	**483,109.38**	467,545.38
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	**50,184,175.01**	52,697,168.49
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets	**5,792,922.79**	1,128,010.00
Total non-current assets	**691,983,408.59**	748,309,271.91
Total assets	**1,302,782,333.52**	1,415,785,144.79

Current liabilities:		
Short-term loans	**20,000,000.00**	29,850,000.00
Loans from central bank		
Deposit taking and deposit in inter-bank market		
Placements from banks and other financial institutions		
Held-for-trading financial liabilities		
Notes payable	**250,000,000.00**	273,000,000.00
Accounts payable	**206,951,139.66**	258,418,710.80
Payments received in advance	**35,535,060.88**	42,067,928.09
Disposal of repurchased financial assets		
Handling charges and commissions payable		
Staff remuneration payables	**39,331,753.50**	21,312,263.58
Taxes payable	**–15,217,888.93**	–21,390,316.14
Interest payable		
Dividends payable		
Other payables	**82,736,432.67**	77,340,752.80
Reinsurance accounts payable		
Reserve for insurance contracts		
Customer deposits for trading in securities		
Customer deposits for underwriting		
Non-current liabilities due within one year	**48,663,873.14**	47,771,852.29
Other current liabilities		
Total current liabilities	**668,000,370.92**	728,371,191.42

Non-current liabilities:		
Long-term loans	**552,413,447.95**	598,691,470.60
Debentures payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities	**11,728,097.91**	10,013,286.06
Total non-current liabilities	**564,141,545.86**	608,704,756.66
Total liabilities	**1,232,141,916.78**	1,337,075,948.08
Owners' equity:		
Share capital	**500,018,242.00**	500,018,242.00
Capital reserve	**857,450,406.90**	857,546,199.44
Less: Treasury stock		
Special reserve	**205,847.44**	91,819.17
Surplus reserve	**51,365,509.04**	51,365,509.04
General risk provision		
Retained earnings	**–1,276,914,998.93**	–1,282,008,136.21
Currency translation differences		
Total equity attributable to the equity holders of the Company	**132,125,006.45**	127,013,633.44
Minority interests	**–61,484,589.71**	–48,304,436.73
Total owners' equity	**70,640,416.74**	78,709,196.71
Total liabilities and shareholders' equities	**1,302,782,333.52**	1,415,785,144.79

Balance Sheet of the Company

Prepared by: **Luoyang Glass Company Limited** December 31, 2012

Unit: RMB

Item	**December 31, 2012**	December 31, 2011
Current assets:		
Bank balance and cash	**120,425,157.76**	163,534,452.44
Held-for-trading financial assets		
Notes receivable	**3,150,557.58**	26,720,000.00
Accounts receivable	**495,330,532.83**	419,614,673.42
Prepayments	**267,252.70**	477,535.28
Interest receivable		
Dividends receivable		
Other receivables	**245,494,831.18**	247,651,162.32
Inventory	**6,121,332.71**	9,696,870.75
Non-current assets due within one year		
Other current assets		
Total current assets	**870,789,664.76**	867,694,694.21

Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments	**134,969,000.00**	267,700,000.00
Long-term receivables		
Long-term equity investments	**64,582,026.93**	73,121,864.40
Investment properties	**14,170,232.57**	14,605,124.57
Fixed assets	**24,045,494.47**	50,142,137.32
Construction in progress		
Construction materials	**420,701.59**	405,137.59
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	**7,304,690.80**	7,528,875.64
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	**245,492,146.36**	413,503,139.52
Total assets	**1,116,281,811.12**	1,281,197,833.73

Current liabilities:		
Short-term loans		16,700,000.00
Held-for-trading financial liabilities		
Notes payable	**170,000,000.00**	213,000,000.00
Accounts payable	**115,312,193.59**	153,326,104.03
Payments received in advance	**30,883,052.25**	32,954,798.99
Staff remuneration payables	**24,323,874.04**	10,636,797.54
Taxes payable	**–476,089.13**	2,887,483.59
Interest payable		
Dividends payable		
Other payables	**142,233,929.22**	199,429,658.79
Non-current liabilities due within one year	**43,458,315.85**	39,864,676.74
Other current liabilities		
Total current liabilities	**525,735,275.82**	668,799,519.68
Non-current liabilities:		
Long-term loans	**517,933,447.95**	561,331,470.60
Debentures payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**517,933,447.95**	561,331,470.60
Total liabilities	**1,043,668,723.77**	1,230,130,990.28

Owners' equity:		
Share capital	**500,018,242.00**	500,018,242.00
Capital reserve	**891,129,782.23**	891,129,782.23
Less: Treasury stock		
Special reserve		
Surplus reserve	**51,365,509.04**	51,365,509.04
General risk provision		
Retained earnings	**–1,369,900,445.92**	–1,391,446,689.82
Total owners' equity	**72,613,087.35**	51,066,843.45
Total liabilities and shareholders' equities	**1,116,281,811.12**	1,281,197,833.73

Consolidated Income Statement

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

Item	2012	2011
I. Total operating revenue	**553,687,171.35**	920,942,939.77
Including: Operating revenue	**553,687,171.35**	920,942,939.77
Interest income		
Premiums earned		
Handling charges and commission income		

II.	**Total operating costs**		**619,745,953.31**	1,010,595,104.85
	Including:	Operating costs	**440,659,374.81**	821,057,458.14
		Interest expenses		
		Handling charges and commission expenses		
		Surrender payment		
		Net expenditure for compensation payments		
		Net provision for insurance contracts		
		Policyholder dividend expenses		
		Reinsurance costs		
		Business taxes and surcharges	**6,316,131.51**	7,454,406.06
		Selling expenses	**25,292,041.70**	26,671,923.01
		Administration expenses	**123,719,187.34**	132,497,298.11
		Finance expenses	**10,593,085.84**	12,052,817.76
		Impairment loss on assets	**13,166,132.11**	10,861,201.77
		Others		
	Add:	Gains from changes in fair value (losses are represented by "—")		
		Investment income (losses are represented by "—")	**1,793,244.01**	
		Including: Gains from investment in associates and joint ventures		
		Gains from currency exchange (losses are represented by "—")		
III.	**Operating profit (loss is represented by "—")**		**–64,265,537.95**	–89,652,165.08
	Add:	Non-operating income	**69,120,545.80**	104,304,937.28
	Less:	Non-operating expenses	**622,760.79**	11,721,195.50
		Including: Net loss from disposal of non-current assets		7,339,734.13
IV.	**Total profit (total loss is represented by "—")**		**4,232,247.06**	2,931,576.70
	Less:	Income taxes expenses	**12,320,312.18**	20,563,646.03

V.	**Net profit (net loss is represented by "—")**	**–8,088,065.12**	–17,632,069.33
	Including: Net profit attributable to the owners of the Company	**5,093,137.28**	12,334,559.60
	Minority interests	**–13,181,202.40**	–29,966,628.93
VI.	**Earnings per share:**		
	(I) Basic earnings per share *(RMB/share)*	**0.01**	0.02
	(II) Diluted earnings per share *(RMB/share)*	**0.01**	0.02
VII.	**Other comprehensive income**		
VIII.	**Total comprehensive income**	**–8,088,065.12**	–17,632,069.33
	Including: Total comprehensive income attributable to owners of the Company	**5,093,137.28**	12,334,559.60
	Total comprehensive income attributable to minority interests	**–13,181,202.40**	–29,966,628.93

Income Statement of the Company

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

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

V. Earnings per share		
(I) Basic earnings per share *(RMB/share)*		
(II) Diluted earnings per share *(RMB/share)*		
VI. Other comprehensive income		
VII. Total comprehensive income	**21,546,243.90**	–70,146,482.88

Consolidated Cash Flow Statement

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

Item	2012	2011
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**194,022,519.21**	371,240,544.65
Net increase in customer and interbank deposits		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of held-for-trading financial assets		
Cash received from interest, handling charges and commissions		
Net increase in loans		

Net increase in income from repurchase business		
Tax rebates		
Other cash received from activities related to operation	**43,035,454.65**	59,946,295.45
Sub-total of cash inflow from operating activities	**237,057,973.86**	431,186,840.10
Cash paid for goods purchased and services rendered	**88,360,564.25**	180,971,481.74
Net increase in loans and advances from customers		
Net increase in deposits with central bank and interbank deposits		
Cash paid for compensation payments under original insurance contracts		
Cash paid for interest, handling charges and commissions		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employees	**64,816,119.31**	105,369,423.65
Tax payments	**53,074,805.51**	79,123,368.62
Other cash paid for activities related to operation	**22,071,752.84**	127,396,091.72
Sub-total of cash outflow from operating activities	**228,323,241.91**	492,860,365.73
Net cash flow from operating activities	**8,734,731.95**	–61,673,525.63
II. Cash flow from investment activities:		
Cash received from disposal of investment	**410,000.00**	6,000,000.00
Cash received from return of investments	**1,793,244.01**	
Net cash received from disposal of fixed assets, intangible assets and other long term assets	**37,638,260.60**	130,201,467.00
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment		
Sub-total of cash inflow from investment activities	**39,841,504.61**	136,201,467.00

Cash paid for purchase and construction of fixed assets, intangible assets and other long term assets	**28,037,020.47**	8,595,281.47
Cash paid for investment	**200,000.00**	1,260,000.00
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other operating entities		
Other cash paid for activities related to investment	**4,730,550.93**	633,697.58
Sub-total of cash outflow from investment activities	**32,967,571.40**	10,488,979.05
Net cash flow from investment activities	**6,873,933.21**	125,712,487.95
III. Cash flow from financing activities:		
Cash received from investments		3,300,000.00
Including: Proceeds received by subsidiaries from minority shareholders' investment		3,300,000.00
Proceeds from loans	**78,169,000.00**	69,950,000.00
Cash received from issuing bonds		
Other cash received from financing-related activities	**652,585,976.80**	
Sub-total of cash inflow from financing activities	**730,754,976.80**	73,250,000.00
Cash paid for repayment of loans	**91,547,237.87**	113,302,959.06
Cash paid for dividends, profit, or interest payments	**2,180,244.61**	3,257,924.29
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid for financing-related activities	**637,760,000.00**	
Sub-total of cash outflow from financing activities	**731,487,482.48**	116,560,883.35
Net cash flow from financing activities	**–732,505.68**	–43,310,883.35

IV.	**Effects of changes in exchange rate on cash and cash equivalents**	**–285.55**	–6,279.16
V.	**Net increase in cash and cash equivalents**	**14,875,873.93**	20,721,799.81
	Add: Opening balance of cash and cash equivalents	**40,929,682.13**	20,207,882.32
VI.	**Closing balance of cash and cash equivalents**	**55,805,556.06**	40,929,682.13

Cash Flow Statement of the Company

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

Item		**2012**	2011
I.	**Cash flow from operating activities:**		
	Cash received from sale of goods and provision of services	**158,252,843.37**	331,221,514.62
	Tax rebates		
	Other cash received from activities related to operation	**92,391,926.48**	36,296,015.49
	Sub-total of cash inflow from operating activities	**250,644,769.85**	367,517,530.11
	Cash paid for goods purchased and service rendered	**179,148,455.27**	341,736,126.84
	Cash paid to and on behalf of employees	**20,752,841.29**	35,458,261.89
	Taxes payments	**8,769,448.33**	16,444,112.76
	Other cash paid for activities related to operation	**175,010,249.22**	88,010,777.31
	Sub-total of cash outflow from operating activities	**383,680,994.11**	481,649,278.80
	Net cash flow from operating activities	**–133,036,224.26**	–114,131,748.69

II. Cash flow from investment activities:

Cash received from disposal of investments	**187.27**	6,000,000.00
Cash received from return of investments	**30,947,837.59**	26,841,080.09
Net cash received from disposal of fixed assets, intangible assets and other long term assets	**37,533,260.60**	128,083,467.00
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment	**135,900,000.00**	
Sub-total of cash inflow from investment activities	**204,381,285.46**	160,924,547.09
Cash paid for purchase and construction of fixed assets, intangible assets and other long term assets	**102,685.80**	460,748.00
Cash paid for investment		11,980,000.00
Net cash paid for acquisition of subsidiaries and other operating entities		
Other cash paid for activities related to investment	**38,645,156.23**	633,697.58
Sub-total of cash outflow from investment activities	**38,747,842.03**	13,074,445.58
Net cash flow from investment activities	**165,633,443.43**	147,850,101.51

III. Cash flow from financing activities		
Cash received from investments		
Proceeds from loans	**58,169,000.00**	34,950,000.00
Cash received from issuing bonds		
Other cash received from activities related to financing	**413,991,838.44**	
Sub-total of cash inflow from financing activities	**472,160,838.44**	34,950,000.00
Cash paid for repayment of loans	**75,757,237.87**	67,313,316.78
Cash paid for dividends, profit, or interest payment	**1,924,043.50**	1,772,820.68
Other cash paid for financing-related activities	**427,200,000.00**	
Sub-total of cash outflow from financing activities	**504,881,281.37**	69,086,137.46
Net cash flow from financing activities	**–32,720,442.93**	–34,136,137.46
IV. Effects of changes in exchange rate on cash and cash equivalents	**–285.55**	–6,279.16
V. Net increase in cash and cash equivalents	**–123,509.31**	–424,063.80
Add: Opening balance of cash and cash equivalents	**329,428.91**	753,492.71
VI. Closing balance of cash and cash equivalents	**205,919.60**	329,428.91

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

	2012										
	Equity attributable to equity holders of the Company										
Item	**Share capital**	**Capital reserve**	**Less: Treasury stock**	**Special reserve**	**Surplus reserve**	**General risk provision**	**Retained earnings**	**Others**	**Sub-total**	**Minority interest**	**Total shareholder's equity**
I. Balance at the end of last year	500,018,242.00	857,546,199.44		91,819.17	51,365,509.04		–1,282,008,136.21		127,013,633.44	–48,304,436.73	78,709,196.71
Add: Effects of changes in accounting policies											
Effects of correction of prior year errors											
Others											
II. Balance at the beginning of the year	500,018,242.00	857,546,199.44		91,819.17	51,365,509.04		–1,282,008,136.21		127,013,633.44	–48,304,436.73	78,709,196.71
III. Increase/decrease in the year (decrease is represented by "-")		–95,792.54		114,028.27			5,093,137.28		5,111,373.01	–13,180,152.98	–8,068,779.97
(I) Net profit							5,093,137.28		5,093,137.28	–13,181,202.40	–8,088,065.12
(II) Other comprehensive income											
Sub-total of above (I) and (II)							5,093,137.28		5,093,137.28	–13,181,202.40	–8,088,065.12
(III) Owners' contribution and decrease in capital		–95,792.54							–95,792.54	–104,207.46	–200,000.00
1. Owners' capital contribution											
2. Share based payments credited to owners' equity											
3. Others		–95,792.54							–95,792.54	–104,207.46	–200,000.00
(IV) Profit distribution											
1. Appropriation to surplus reserve											
2. Appropriation to general risk provision											
3. Distribution to owners											
4. Others											
(V) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into capital											
2. Conversion of surplus reserve into capital											
3. Making good of loss with surplus reserve											
4. Others											
(VI) Special reserve				114,028.27					114,028.27	105,256.88	219,285.15
1. Amount withdrawn in the year				138,205.68					138,205.68	127,574.47	265,780.15
2. Amount utilized in the year				–24,177.41					–24,177.41	–22,317.59	–46,495.00
(VII) Others											
IV. Balance at the end of the year	500,018,242.00	857,450,406.90		205,847.44	51,365,509.04		–1,276,914,998.93		132,125,006.45	–61,484,589.71	70,640,416.74

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

	2011										
	Equity attributable to equity holders of the Company										
Item	**Share capital**	**Capital reserve**	**Less: Treasury stock**	**Special reserve**	**Surplus reserve**	**General risk provision**	**Retained earnings**	**Others**	**Sub-total**	**Minority interest**	**Total shareholder's equity**
I. Balance at the end of last year	500,018,242.00	858,478,043.16		36,552.97	51,365,509.04		–1,294,342,695.81		115,555,651.36	–21,360,666.47	94,194,984.89
Add: Effects of changes in accounting policies											
Effects of correction of prior year errors											
Others											
II. Balance at the beginning of the year	500,018,242.00	858,478,043.16		36,552.97	51,365,509.04		–1,294,342,695.81		115,555,651.36	–21,360,666.47	94,194,984.89
III. Increase/decrease in the year (decrease is represented by "-")		–931,843.72		55,266.20			12,334,559.60		11,457,982.08	–26,943,770.26	–15,485,788.18
(I) Net profit							12,334,559.60		12,334,559.60	–29,966,628.93	–17,632,069.33
(II) Other comprehensive income											
Sub-total of above (I) and (II)							12,334,559.60		12,334,559.60	–29,966,628.93	–17,632,069.33
(III) Owners' contribution and decrease in capital		–931,843.72							–931,843.72	2,971,843.72	2,040,000.00
1. Owners' capital contribution										3,300,000.00	3,300,000.00
2. Share based payments credited to owners' equity											
3. Others		–931,843.72							–931,843.72	–328,156.28	–1,260,000.00
(IV) Profit distribution											
1. Appropriation to surplus reserve											
2. Appropriation to general risk provision											
3. Distribution to owners											
4. Others											
(V) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into capital											
2. Conversion of surplus reserve into capital											
3. Making good of loss with surplus reserve											
4. Others											
(VI) Special reserve				55,266.20					55,266.20	51,014.95	106,281.15
1. Amount withdrawn in the year				55,266.20					55,266.20	51,014.95	106,281.15
2. Amount utilized in the year											
(VII) Others											
IV. Balance at the ending of the year	500,018,242.00	857,546,199.44		91,819.17	51,365,509.04		–1,282,008,136.21		127,013,633.44	–48,304,436.73	78,709,196.71

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

Item	2012							
	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Total owners' equity
I. Balance at the end of last year	500,018,242.00	891,129,782.23			51,365,509.04		−1,391,446,689.82	51,066,843.45
Add: Effects of changes in accounting policies								
Effects of correction of prior year errors								
Others								
II. Balance at the beginning of the year	500,018,242.00	891,129,782.23			51,365,509.04		−1,391,446,689.82	51,066,843.45
III. Increase/decrease in the year (decrease is represented by "-")							21,546,243.90	21,546,243.90
(I) Net profit							21,546,243.90	21,546,243.90
(II) Other comprehensive income								
Sub-total of above (I) and (II)							21,546,243.90	21,546,243.90
(III) Owners' contribution and decrease in capital								
1. Owners' capital contribution								
2. Share based payments credited to owners' equity								
3. Others								
(IV) Profit distribution								
1. Appropriation to surplus reserve								
2. Appropriation to general risk provision								
3. Distribution to owners								
4. Others								
(V) Internal carry-forward of owners' equity								
1. Conversion of capital reserve into capital								
2. Conversion of surplus reserve into capital								
3. Making good of loss with surplus reserve								
4. Others								
(VI) Special reserve								
1. Amount withdrawn in the year								
2. Amount utilized in the year								
(VII) Others								
IV. Balance at the ending of the year	500,018,242.00	891,129,782.23			51,365,509.04		−1,369,900,445.92	72,613,087.35

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

Prepared by: **Luoyang Glass Company Limited** For 2012

Unit: RMB

	2011							
Item	**Share capital**	**Capital reserve**	**Less: Treasury stock**	**Special reserve**	**Surplus reserve**	**General risk provision**	**Retained earnings**	**Total owners' equity**
I. Balance at the end of last year	500,018,242.00	894,103,784.06			51,365,509.04		−1,321,300,206.94	124,187,328.16
Add: Effects of changes in accounting policies								
Effects of correction of prior year errors								
Others								
II. Balance at the beginning of the year	500,018,242.00	894,103,784.06			51,365,509.04		−1,321,300,206.94	124,187,328.16
III. Increase/decrease in the year (decrease is represented by "-")		−2,974,001.83					−70,146,482.88	−73,120,484.71
(I) Net profit							−70,146,482.88	−70,146,482.88
(II) Other comprehensive income								
Sub-total of above (I) and (II)							−70,146,482.88	−70,146,482.88
(III) Owners' contribution and decrease in capital		−2,974,001.83						−2,974,001.83
1. Owners' capital contribution								
2. Share based payments credited to owners' equity								
3. Others		−2,974,001.83						−2,974,001.83
(IV) Profit distribution								
1. Appropriation to surplus reserve								
2. Appropriation to general risk provision								
3. Distribution to owners								
4. Others								
(V) Internal carry-forward of owners' equity								
1. Conversion of capital reserve into capital								
2. Conversion of surplus reserve into capital								
3. Making good of loss with surplus reserve								
4. Others								
(VI) Special reserve								
1. Amount withdrawn in the year								
2. Amount utilized in the year								
(VII) Others								
IV. Balance at the ending of the year	500,018,242.00	891,129,782.23			51,365,509.04		−1,391,446,689.82	51,066,843.45

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012 (The amount is expressed in RMB unless otherwise specified)

I. 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.

II. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements of the Company have been prepared on a going concern basis in respect of the actual transactions and events in accordance with the requirements of "Accounting Standards for Business Enterprises-Basic Standard" and 38 Specific Accounting Standards issued by the Ministry of Finance (MOF) of the PRC on 15 February 2006, and application guidance, interpretations and other relevant accounting regulations, and based on the following significant accounting policies and estimates.

2. Accounting year

Accounting year of the Company is the calendar year from January 1 to December 31.

3. Measurement currency

The Company's reporting currency is the Renminbi ("RMB").

4. Preparation method of consolidated financial statements

The scope of consolidated financial statements is controlled subsidiaries and entities of special purposes.

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

An adjustment of subsidiaries' financial statements in accordance with the accounting policy or accounting period of the Company is needed when preparing consolidated financial statements if the accounting policy or accounting period is different between the Company and its subsidiaries.

For subsidiaries acquired not under common control, when preparing consolidated financial statements, subsidiaries' financial statements should be adjusted on the basis of the fair value of identifiable net assets on the date of acquisition. For subsidiaries acquired under common control, the assets, liabilities, operating results and cash flow of acquired subsidiaries should be included in consolidated financial statements from the beginning of the year of acquisition.

III. SEGMENT REPORTING

The Group divides it business activities into two segments. The management of the Group regularly reviews the financial information of these segments to decide resources allocation and assess their performance.

The two business segments are as follows:

1. Float sheet glass business: production and sales of float sheet glass; and sales of raw materials for production of float sheet glass.

2. Silicon sand business: manufacturing, selling and distribution of silicon sand.

The prices for inter-segment movements are determined by reference to the prices offered to a third party.

(1) Segments information for the year ended 31 December 2012:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	518,687,991.61	34,999,179.74		553,687,171.35
2. Income from inter-segment transactions		1,664,677.75	-1,664,677.75	
3. Interest income	7,168,211.37	43,186.48	-1,287,000.00	5,924,397.85
4. Interest expense	2,575,095.00	1,287,000.00	-1,287,000.00	2,575,095.00
5. Asset impairment loss	13,086,832.57	79,299.54		13,166,132.11
6. Depreciation and amortization expenses	69,471,501.57	1,871,478.94		71,342,980.51
7. Total profit ("-" for loss)	5,206,553.33	-362,488.26	-611,818.01	4,232,247.06
8. Income tax expense	12,319,775.51	536.67		12,320,312.18
9. Net profit ("-" for loss)	-7,113,222.18	-363,024.93	-611,818.01	-8,088,065.12
10. Total assets	1,277,759,405.20	53,209,764.41	-28,186,836.09	1,302,782,333.52
11. Total liabilities	1,227,737,264.33	34,817,136.10	-30,412,483.65	1,232,141,916.78
12. Other important non-cash items Including: Increase in other non-current assets other than long-term equity investment ("-" for decrease)	-59,594,748.37	3,678,885.05		-55,915,863.32

(2) Segments information for the year ended 31 December 2011:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	894,014,650.93	26,928,288.84		920,942,939.77
2. Income from inter-segment transactions		1,682,928.81	–1,682,928.81	
3. Interest income	5,507,254.33	52,313.94	–1,287,000.00	4,272,568.27
4. Interest expense	10,563,349.25	1,287,000.00	–1,287,000.00	10,563,349.25
5. Asset impairment loss	22,201,267.61	63,397.90	–11,403,463.74	10,861,201.77
6. Depreciation and amortization expenses	78,474,810.10	1,925,983.85		80,400,793.95
7. Total profit ("–" for loss)	–8,559,904.57	88,017.53	11,403,463.74	2,931,576.70
8. Income tax expense	20,563,646.03			20,563,646.03
9. Net profit ("–" for loss)	–29,123,550.60	88,017.53	11,403,463.74	–17,632,069.33
10. Total assets	1,385,719,859.45	54,665,855.82	–24,600,570.48	1,415,785,144.79
11. Total liabilities	1,328,584,496.40	35,929,487.73	–27,438,036.05	1,337,075,948.08
12. Other important non-cash items				
Incl: Increase in other non-current assets other than long-term equity investment ("–" for decrease)	–175,042,145.93	–2,189,788.16		–177,231,934.09

(3) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets (excluding financial assets and deferred income tax assets). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the fixed assets, construction in progress and lease prepayments under non-current assets is based on the physical location of the assets; in the case of intangible assets and exploration and evaluation assets, the location of operations; in the case of interests in associates and other investments, the location of their respective operations.

Item	Revenues from external customers		Non-current assets	
			31 December	31 December
	2012	2011	**2012**	2011
China	**553,687,171.35**	908,696,258.44	**691,983,408.59**	748,309,271.91
Asia		12,246,681.33		
Total	**553,687,171.35**	920,942,939.77	**691,983,408.59**	748,309,271.91

(4) Major customers

The Group has a diverse customer base. Only one customer, which is an associated company of China National Building Material Group Corporation, entered into transactions with amounts surpassing 10% of the Group's income. In 2012, the Group recorded an income of RMB88,558,518.18 for selling float sheet glass to this customer, and such transactions took place within the region in China where our float sheet glass segment operates.

IV. 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. Details are as follows:

(1) Details of operating income

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

(2) Business segments

Name of product or service	**2012**	2011
Float glass	**452,318,592.37**	798,550,288.27
Silicon sand	**29,630,425.81**	26,924,288.84
Total	**481,949,018.18**	825,474,577.11

V. NON-OPERATING INCOME

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

Note: Government grant of RMB 61,845,855.41 (2011: RMB 22,015,985.76) mainly include:

1. According to "the Reply on 2009 Additional Investment Projects Funded by the Central Government's Budget in respect of Revitalization of Key Industries and Technical Upgrading" (關於重點產業振興和技術改造2009年新增中央預算內投資項目的覆函) (Fa Gai Ban Chan Ye [2009] No. 2425) issued by the General Office of the National Development and Reform Commission and the General Office of the Ministry of Industry and Information Technology, Longmen Company, a subsidiary of the Company, received fiscal subsidies of RMB9,720,000.00 for its ultra thin and ultra-white E-glass production line project. Among the amount, RMB1,215,000.00 was recognized as non-operating income in the period.

2. According to the "Notice of Payment of Production Lines Relocation Compensation by Luoyang Finance Bureau to China Luoyang Float Glass (Group) Company Limited" (洛陽市財政局關於撥付洛玻集團生產線拆遷補償資金的通知) (Luo Cai Gong [2012] No. 50) and "Notice in relation to Adjustment to Long-Term Borrowing and Interest Accounts of China Luoyang Float Glass (Group) Company Limited" (洛陽市財政局關於洛玻集團長期借款及利息賬目調整的通知) (Luo Cai Gong [2012] No. 51) issued by Luoyang Finance Bureau and the "Notice on Transferring the Fiscal Grant of Luoyang City to Luoyang Glass Company Limited" issued by CLFG (Luo Bo Fa [2012] No. 169), the Company received a government grant of RMB59,709,624.00.

3. According to the "Contract of Independent Innovation Fund Projects" entered into between Longhai Company, a member of the Group, and the Finance Department, the Development and Reform Committee and the Science and Technology Department of Henan Province in July 2011, a government grant of RMB5,000,000.00 was awarded to Longhai for the "0.45mm E-glass technology research and application projects". As at 31 December 2012, Longhai Company had received the accumulated government grant of RMB4,500,000.00. A total of RMB3,004,801.46 out of the special fund, spent purchasing fixed assets for R&D of the project, was credited into deferred income as an asset-related government grant and amortized evenly over the useful life of relevant assets as non-operating income by Longhai Company. A total of RMB436,816.80 out of the special fund, used during the period to cover the R&D expenses that had been incurred, was credited into non-operating income as asset-related government grant by Longhai Company.

VI. PROFIT BEFORE INCOME TAX

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

(1) Finance costs

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

(2) Investment income

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

Note: A dividend of RMB1,735,612.20 was received from Sanmenxia Bank (三門峽銀行).

(3) Operating costs

Item	2012	2011
Cost of principal operations		
— Float glass	**374,482,655.56**	729,614,641.01
— Silicon sand	**12,843,070.89**	13,487,454.61
Other operating cost		
— Raw material, water, electricity, gas, technical services, etc.	**53,333,648.36**	77,955,362.52
Total operating cost	**440,659,374.81**	821,057,458.14

(4) Business tax and surcharges

Item	Tax base	2012	2011
Business tax	5%	**1,825,423.82**	2,012,025.26
Resource tax	RMB3/t	**1,594,680.90**	997,461.90
City maintenance tax	5-7% of value added tax and business tax paid	**1,498,495.86**	2,332,509.12
Education surcharges	3% of value added tax and business tax paid	**1,396,970.93**	2,112,409.78
Others		**560.00**	
Total		**6,316,131.51**	7,454,406.06

(5) Selling expenses

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

(6) Administrative expenses

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

(7) Assets impairment losses

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

(8) Non-operating expenses

Item	2012	2011
Total loss on disposal of non-current assets		7,339,734.13
Incl: Loss on disposal of fixed assets		7,339,734.13
Donation	**50,000.00**	1,012,000.00
Amercement outlay		82,117.98
Indemnities, liquidated damages and penalties	**259,968.91**	2,000,264.88
Others	**312,791.88**	1,287,078.51
Total	**622,760.79**	11,721,195.50

VII. INCOME TAX EXPENSES

Item	2012	2011
Current income tax based on applicable tax laws and regulations	**12,320,312.18**	20,563,646.03
Total	**12,320,312.18**	20,563,646.03

Note: On 8th November 2010, Longhai Company 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.

VIII. DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend in respect of the year ended 31st December, 2012 (2011: Nil).

IX. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing consolidated net profit for the current year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	**2012**	2011
Net profit attributable to ordinary shareholders of the Company	**5,093,137.28**	12,334,559.60
Total shares at the beginning of period	**500,018,242.00**	500,018,242.00
Basic earnings per share	**0.0102**	0.0247

No diluted earnings per share is calculated as there are no dilutive potential shares for the two years ended 31st December, 2012.

X. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

1. The ageing of accounts receivable based on their recording dates is analyzed below:

	31 December 2012			31 December 2011		
Ages	**Carrying amount**	**Rate**	**Bad debt**	Carrying amount	Rate	Bad debt
		%			%	
Within 1 year	**65,544,966.86**	**52.66**		73,794,207.18	59.63	
1-2 years	**11,105,675.83**	**8.92**	**1,167,054.00**	2,309,646.33	1.87	692,893.90
2-3 years	**1,944,439.71**	**1.56**	**972,219.86**	1,095,404.38	0.89	547,702.19
3-4 years	**1,095,404.38**	**0.88**	**1,095,404.38**	3,291,110.13	2.66	3,291,110.13
4-5 years	**1,620,483.21**	**1.30**	**1,620,483.21**	64,980.00	0.05	64,980.00
Over 5 years	**43,178,501.18**	**34.68**	**43,178,501.18**	43,178,501.18	34.90	43,178,501.18
Total	**124,489,471.17**	**100.00**	**48,033,662.63**	123,733,849.20	100.00	47,775,187.40

2. Bills receivable

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

XI. ACCOUNTS PAYABLE AND BILLS PAYABLE

1. Ageing analysis of accounts payable:

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

2. Bills payable

Item	Closing balance	Opening balance
Bank acceptance	240,000,000.00	273,000,000.00
Trade acceptance	10,000,000.00	
Total	250,000,000.00	273,000,000.00

XII. RESERVE

1. Capital reserve

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

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

2. Special reserves

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

3. Surplus reserve

Item	Opening balance	Increase during this period	Decrease during this period	Closing balance
Statutory surplus reserve	**51,365,509.04**			51,365,509.04
Total	**51,365,509.04**			51,365,509.04

4. Undistributed profits

Item	Closing balance Amount	Percentage of allocation or distribution
Undistributed profit of the previous year before adjustment	-1,282,008,136.21	
Total of adjustment of undistributed profit at the beginning of the year (+/-)		
Undistributed profit at the beginning of the year after adjustment	-1,282,008,136.21	
Add: net profit attributable to owners of parent company during the period	5,093,137.28	—
Less: Allocation to statutory surplus reserve		
Allocation to discretionary surplus reserve		
Allocation to general risk provisions		
Dividend of ordinary shares payable		
Dividend of ordinary shares transferred into the share capital		
Undistributed profit at the end of the period	-1,276,914,998.93	

XIII. POST BALANCE SHEET EVENT

None

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

Luoyang, the PRC
27 March 2013

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. Huang Ping, Mr. Dong Jiachun, Mr. Liu Tianni and Mr. Zeng Shaojin.