



2015

ANNUAL REPORT



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)

H Share Stock Code : 1108 A Share Stock Code : 600876



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Important Notice

- I. The board of directors (the “Board”), the supervisory committee and the directors (the “Directors”), supervisors and senior management of the Company confirm that the information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
- II. All Directors of the Company attended the interim Board meeting.
- III. WUYIGE Certified Public Accountants LLP. has issued an auditors’ report with standard unqualified opinions for the Company.
- IV. Mr. Zhang Chong, the Chairman of the Company, Ms. Sun Lei, the Chief Financial Controller and Ms. Chen Jing, the Head of Finance Department, warrant the truthfulness, accuracy and completeness of the financial statements set out in the annual report.
- V. Profit Distribution Proposal or Proposal for Conversion of Capital Reserve to the share capital considered by the Board
Under the PRC GAAP, the net profit of the Company attributable to owners of the Company for 2015 was RMB144,483,000, together with the undistributed profit RMB-1,354,728,900 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,210,245,900. Therefore, the Company will not distribute profit for 2015 or convert capital reserve to the share capital.
- VI. Risk statements on forward looking statements
Forward looking statements, including future plan and development strategy, contained in this report do not constitute a real commitment to investors by the Company. Investors should be reminded of such investment risks.
- VII. Is there any embezzlement of non-operating funds by the controlling shareholder(s) and its/their associated parties?
No
- VIII. Is there any decision-making procedure in violation of any provisions, providing external guaranty?
No
- IX. Notice of Significant Risks
The Company has described in detail the potential risk factors in this report. Please refer to the content about potential risk factors and countermeasures about future development of the Company in “IV. MANAGEMENT DISCUSSION AND ANALYSIS”.

Definitions

1. Definitions

Unless otherwise stated in context, the following terms should have the following meanings in this report:

Definitions of frequently-used terms

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
SASAC	State-owned Assets Supervision and Administration Commission
Company, Luoyang Glass	Luoyang Glass Company Limited
Group	Luoyang Glass Company Limited and its subsidiaries
CLFG	China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司)
CNBM or CNBMG	China National Building Material Group Corporation (中國建築材料集團有限公司)
Bengbu Company	Bengbu China National Building Materials Information Display Materials Company Limited
Longhai Company	CLFG Longhai Electronic Glass Limited (洛玻集團洛陽龍海電子玻璃有限公司)
Longmen Company	CLFG Longmen Glass Co. Ltd.
Longhao Company	CLFG Longhao Glass Co. Ltd. (洛玻集團洛陽龍昊玻璃有限公司)
Longxin Company	CLFG Longxin Glass Co. Ltd. (洛玻集團龍新玻璃有限公司)
Longfei Company	CLFG Longfei Glass Co. Ltd (洛玻集團龍飛玻璃有限公司)
Yinan Huasheng or Huasheng Mineral	Yinan Huasheng Mineral Products Industry Co., Ltd. (沂南華盛礦實業有限公司)
Dengfeng Silicon Company	Dengfeng CLFG Silicon Co. Ltd. (登封洛玻硅砂有限公司)
CLFG Mineral	CLFG Mineral Products Company Limited
Huayi Glass	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. (安徽省蚌埠華益導電膜玻璃有限公司)
Fangxing Science & Technology	Anhui Fangxing Science & Technology Co., Ltd. (安徽方興科技股份有限公司)
Bengbu Institute	Bengbu Glass Industry Design Institute
Kaisheng Technology	Kaisheng Technology Group Company
Increasing, cutting and reducing	Increasing income, cutting expenditure and reducing consumption

Company Profile and Major Financial Indicators

I. Company profile of the company

Chinese name of the company	洛陽玻璃股份有限公司
Chinese abbreviation	洛陽玻璃
English name of the Company	Luoyang Glass Company Limited
English abbreviation	LYG
Legal representative of the Company	Zhang Chong

II. Contact Persons and Contact Methods

	Secretary to the Board	Representative of securities affairs
Name	Wu Zhixin	Zhao Zhiming
Correspondence address	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC
Telephone	86-379-63908588, 63908637	86-379-63908833
Fax	86-379-63251984	86-379-63251984
Email	lywzhx@126.com	lybl600876@163.com

III. Basic Information

Registered address	No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the People's Republic of China (the "PRC")
Postal code	471009
Office address	No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the People's Republic of China
Website of the Company	http://www.zhglb.com/
Email	lybl600876@163.com

IV. Places for Information Disclosure and Reference

Name of newspapers designated for information disclosure	China Securities Journal, Shanghai Securities News, Securities Daily
Website designated by CSRC for publishing annual reports	http://www.sse.com.cn , http://www.hkexnews.hk
Place for inspection of annual reports	Secretary Office of the Board of Luoyang Glass Company Limited

V. Basic Information of the Company's Shares

Type of shares	Place of listing of the Company's shares	Stock abbreviation	Stock code
A Share	Shanghai Stock Exchange	Luoyang Glass	600876
H Share	The Stock Exchange of Hong Kong Limited	Luoyang Glass	01108

Company Profile and Major Financial Indicators

VI. Other information

Accounting firm appointed by the Company (domestic)	Name	WUYIGE Certified Public Accountants LLP.
	Office address	16 F, Bosom Friend Media Plaza, No. 31 Zhongbei Road, Wuhan, the PRC
	Names of signing accountant	Qiao Guanfang, Wang Haizhou

VII. Major Accounting Data and Financial Indicators of the Company for the Last Three Years as at the End of the Reporting Period

(I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2015	2014	Increase/decrease over the same period last year (%)	2013
Operating income	662,156,635.13	660,058,269.97	0.32	375,735,014.43
Net profit attributable to shareholders of the listed company	144,482,993.72	21,159,211.92	582.84	-98,973,162.61
Net profit attributable to shareholders of the listed company after deducting extraordinary profit or loss	-215,852,344.62	-153,622,896.29	N/A	-126,902,481.73
Net cash flow from operating activities	-131,037,564.70	-40,574,860.63	N/A	11,240,065.93

	As at the end of 2015	As at the end of 2014	Increase/decrease over the end of the same period last year (%)	As at the end of 2013
Net assets attributable to shareholders of the listed company	278,344,996.00	717,077,784.06	-61.18	103,313,890.92
Total assets	1,314,035,081.52	1,772,733,209.67	-25.88	1,303,779,336.86
Total share capital at the end of the period	515,018,242	500,018,242	3.00	500,018,242

Company Profile and Major Financial Indicators

VII. Major Accounting Data and Financial Indicators of the Company for the Last Three Years as at the End of the Reporting Period *(Continued)*

(II) Major Financial Indicators

Major Financial Indicators	2015	2014	Increase/decrease over the same period last year (%)	2013
Basic earnings per share <i>(RMB/share)</i>	0.28	0.04	600.00	-0.19
Diluted earnings per share <i>(RMB/share)</i>	0.28	0.04	600.00	-0.19
Basic earnings per share after deducting extraordinary profit or loss <i>(RMB/share)</i>	-0.43	-0.31	N/A	-0.25
Weighted average return on net assets (%)	18.30	18.58	Decreased by 0.28 percentage points	-119.77
Weighted average return on net assets after deducting extraordinary profit or loss (%)	-177.45	-350.05	Increased by 172.60 percentage points	-153.57

Major Accounting Data and Financial Indicators of the Company for the Last Three Years as at the End of the Reporting Period.

The Company completed significant asset restructuring during the reporting period, incorporated Bengbu Company into the consolidation scope, prepared the consolidated statement for business combination under common control, and adjusted the comparative statement on a retrospective basis.

All following financial data in the Report, which involving the beginning of the reporting period and the same period of the previous year, are stated as adjusted.

Company Profile and Major Financial Indicators

VIII. Difference between data under domestic and international accounting standards

- (I) **Difference in net profits and net assets attributable to shareholders of listed companies as disclosed in the financial report in accordance with both the international accounting standards and the Chinese accounting standards**

N/A

- (II) **Difference in net profits and net assets attributable to shareholders of the listed companies as disclosed in the financial report in accordance with both the overseas accounting standards and the Chinese accounting standards**

N/A

- (III) **Difference under Domestic and International Accounting Standards**

N/A

IX. Analysis of Principal Businesses

Unit: Yuan Currency: RMB

	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	154,221,286.83	211,853,104.15	126,054,171.89	170,028,072.26
Net profit attributable to shareholders of the listed company	-25,345,398.93	-84,084,116.49	-36,355,886.85	290,268,395.99
Net profit attributable to shareholders of the listed company after deducting extraordinary profit or loss	-25,189,954.45	-83,117,879.20	-36,675,900.67	-70,868,610.30
Net cash flow from operating activities	-71,064,912.37	-31,485,638.43	-7,922,663.10	-20,564,350.80

Explanation on difference between quarterly data and disclosed regular report data:

The Company completed significant asset restructuring in December 2015, incorporated Bengbu Company into the consolidation scope, prepared the consolidated statement for business combination under the common control, and adjusted the statements of the first three quarters on a retrospective basis. Thus, there were difference between the data of the first three quarters and the disclosed regular report data.

Company Profile and Major Financial Indicators

X. Extraordinary Items and Amounts

Unit: Yuan Currency: RMB

Extraordinary Items	2015	Note (if applicable)	2014	2013
Profit/loss on disposal of non-current assets	445,019.71		94,060,093.39	18,426,457.56
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	4,567,408.16		64,601,752.16	10,105,688.89
Profit/loss from debt restructuring	88,665.10		237,500.00	677,002.87
The current net profit and loss of subsidiary resulting from combination under common control from the beginning of the period to consolidation date	31,866,403.05		5,154,515.43	7,832.23
Profits or losses on change in fair value from financial assets and financial liabilities held for trading, as well as investment income from disposal of financial assets and financial liabilities held for trading and financial assets available for sales except for effective hedging related with normal businesses of the Company			4,223,405.41	
Other non-operating income and expenses other than the aforesaid items, net	-5,638,065.02		7,220,118.93	-1,248,574.33
Other profits or losses items within the definition of extraordinary profit or loss	329,238,114.46			
Amount of effect on minority interest	-89,286.37		-524,995.74	140,277.65
Amount of effect on income tax	-142,920.75		-190,281.37	-179,365.75
Total	360,335,338.34		174,782,108.21	27,929,319.12

Company Profile and Major Financial Indicators

XI. Others

(I) Legal Advisors

Legal advisor of the PRC: Henan Yaohua Law Firm (河南耀華律師事務所)
Address: Rooms 914–917, Tianli Building, Bolichang Road, Xigong District,
Luoyang, Henan Province, the PRC

Legal advisor of Hong Kong: Li & Partners Solicitors
Address: 21/F, World Wide House, Central, Hong Kong

(II) Share Registrars for H Shares

Hong Kong Registrars Limited
Address: Rooms 1901–5, Hopewell Centre, 183 Queen’s Road East, Wanchai,
Hong Kong

I. Principal businesses and operation model of the Company and industrial practices during the reporting period

The Company is the place of origin for “Luoyang Float Glass Technology”, one of three major float glass manufacturing methods in the world, and mainly engaged in manufacturing and sales of float glass. The Company possesses core production technology and a number of proprietary intellectual property rights for float glasses, and has strong product R&D technical teams and experiences tackling key problems in terms of the production technology of ultra-thin and ultra-white – ultra-thin float glass. The Company is one of very few manufacturers capable of mass production of ultra-thin float glass series of 0.2mm-1.3mm in China at present. During the reporting period, the Company implemented significant asset restructuring, and realized main business transformation from common float glass to ultra-thin photoelectric and information display glasses.

Ultra-thin glass substrate is the main product of the Company, and is at the upstream of the electronic industry chain. Based on the specific processing methods and applications, ultra-thin glass substrate is mainly used for displaying, touching, window protection and other core functions in the panel display devices and touch equipment, and, to a large extent, it determines the function and property of the equipment. Thus, ultra-thin glass substrate is non-substitutable, and has favorable growth prospect with development of the whole electronic product market.

II. Material changes to major assets of the Company during the reporting period

- (I) During the reporting period, upon approval of the Chinese Securities Regulatory Commission (CSRC) (ZJXK [2015] No. 2813), the Company implemented and completed the significant asset restructuring with CLFG, a controlling shareholder of the Company.
- (II) On 21 December 2015, the Company entered into the Agreement between Luoyang Glass Company and China Luoyang Float Glass (Group) Company Limited concerning Delivery of Significant Asset Restructuring, under which, 21 December 2015 was regarded as the delivery date of the exchange-in assets and the exchange-out assets in this restructuring, it was confirmed that as at the delivery date, both parties to the transaction completed the asset delivery procedures in this transaction. Transfer and delivery of the relevant assets are as follows:

1. Delivery of exchange-in assets

The exchange-in assets were the 100% equity interests held by CLFG in Bengbu Company. On 14 December 2015, 100% equity interests of Bengbu Company were transferred to the Company, and the relevant procedures for the registration of changes were completed, whereupon Bengbu Company became a wholly-owned subsidiary of the Company.

Business Summary

2. Delivery of exchange-out assets

Exchange-out assets were 100%, 63.98%, 67%, 52% and 40.29% of equity interests held by the Company respectively in Longhao Company, Longfei Company, Dengfeng Silicon, Yinan Huasheng Mineral Products Company and CLFG Mineral, and liabilities (including accounts receivable, other receivables and entrusted loans) of the Company to Longhao Company, Longfei Company, Dengfeng Silicon, Yinan Huasheng Mineral Products Company and CLFG Mineral. Transfer and delivery of the exchange-out assets are as follows:

(1) *Equity assets*

100% of equity interests held by the Company in Longhao Company were registered in the name of CLFG, and the relevant procedures for industrial and commercial registration of changes were completed on 16 December 2015.

63.98% of equity interests held by the Company in Longfei Company were registered in the name of CLFG, and the relevant procedures for industrial and commercial registration of changes were completed on 18 December 2015.

67% of equity interests held by the Company in Dengfeng Silicon were registered in the name of CLFG, and the relevant procedures for industrial and commercial registration of changes were completed on 15 December 2015.

52% of equity interests held by the Company in Yinan Huasheng Mineral Products Company were registered in the name of CLFG, and the relevant procedures for industrial and commercial registration of changes were completed on 21 December 2015.

40.29% equity interests held by the Company in CLFG Mineral were registered in the name of CLFG, and the relevant procedures for industrial and commercial registration of changes were completed on 16 December 2015.

(2) *Credit assets*

On 21 December 2015, the Company informed the corresponding debtors of the exchange-out credit assets in writing that all rights and obligations of the Company corresponding to the creditors' rights to Longhao Company, Longfei Company, Longxiang Company, Yinan Huasheng Mineral Products Company, and CLFG Mineral had been transferred to CLFG.

III. 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 (馳名商標)”, “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. Increasingly intensified scale advantages and synergistic effect. Upon the completion of this significant asset restructuring, the Company will have three ultra-thin glass production lines, and become the largest ultra-thin glass manufacturer in China. The Company will fully combine the technical characteristics and different advantages of these three production lines, coordinate and manage the products, technology, marketing channels, funds and personnel in a unified manner, give full play to the overall advantages of the Company in terms of personnel, technology and brand and intensify the scale advantages and synergistic effect, to continue improving the Company’s profitability. Especially, 150t/d production line of Bengbu Company represents the top technical equipment level in China at present, which will be conducive to improvement of the overall benefits after being introduced to the Company and combined with the abundant production and practical experience of the Company over the years.
4. China National Building Materials Group, 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.

Management Discussion and Analysis

I. Management Discussion and Analysis

In 2015, due to influence of downturn domestic macro-economy, depressed real estate market and other factors, the declining tendency of the glass market continued, and the upside-down common glass cost and selling price became worse, resulting in aggressive contradiction of demand over supply in terms of ultra-thin glass, and dramatic drop in selling price. Facing with such severe situation, the Company put forth effort to boost transformation and updating, implemented asset restructuring, promoted technology innovation, and focused on “increasing income, cutting expenditure, and reducing consumption” so as to guarantee stable production and operation.

Main work in 2015

1. *Successfully implementing significant asset restructuring, and achieving preliminary results of transformation and updating*

During the reporting period, the Company successfully implemented the significant asset restructuring, and the restructuring programs was reviewed and approved by the State-owned Assets Supervision and Administration Commission (SASAC) under the State Council, the stock exchanges in Shanghai and Hong Kong, the Company's General Meeting and CSRC in succession. With approval of CSRC on 3 December 2015, the Company completed asset delivery on 21 December 2015. The success in significant asset restructuring effectively improved the Company's asset quality and financial position. The main business was transformed and updated, which significantly improved the profitability, and laid an important and solid foundation for the subsequent sound development. Meanwhile, asset restructuring also improved the Company's image in the capital market, and has been highly recognized by the capital market.

2. *Making new breakthrough in technology and continuously improving core competitiveness*

During the reporting period, 0.28mm, 0.25m and 0.2mm ultra-thin new float glass products were put into mass production in Longhai Company and Bengbu Company in succession, further set new records in respect of domestic float ultra-thin glass, and made the Company a unique manufacturer having 14 ultra-thin glass series from 0.2mm to 1.3mm in China. Longmen Company successful produced the thinnest 0.55mm ultra-thin-ultra-white glass in China at present, and made new breakthrough in terms of capacity, quality, percentage of pass, category and specification and production cycle, etc.

Remarkable achievements were made in technology innovation. The 0.45 mm Electronic Glass Technical Research and Application, the 0.33 Ultra-thin High-end Electronic Glass Research and Industrialization and the Application of Cleanness Management in Ultra-thin Electronic Glass of Longhai Company, and the Research and Application of Technology in Reduction of Natural Gas with Ultra-thin Glass Production Line of Longmen Company were awarded National Science & Technology Progress Award (first class) by China National Building Materials Group Corporation; the Development of Key Technology for Industrial Preparation of Ultra-thin Float Electronic Glass for Touch Display of Bengbu Company won the First Prize of Technology Progress in Anhui Province, and the Ultra-thin Float Electronic Glass won the title of “Industrial Quality Product of Anhui”, and the company applied for and was granted 10 utility model patents.



Management Discussion and Analysis

I. Management Discussion and Analysis (Continued)

Main work in 2015 (Continued)

3. *Making great efforts to promote energy saving and emission reduction, and actively fulfilling the social responsibility*

The Company realized the energy saving targets by actively exploring new energy saving technology, continuously optimizing the technology parameters, reducing the use of natural gas. During the reporting period, Longhai Company, Bengbu Company and Longmen Company saved a total volume of 646,000m³ natural gas, 693,000m³ and 144,400 m³ respectively.

Fuel gas dust removal and denitrification environmental-protection projects of each production line were completed one after another and put into operation. The environmental-protection programs passed the field acceptance of Luoyang Environmental Protection Bureau. Emission concentration of flue gas, sulfur dioxide and nitrogen oxide of the production lines met the requirements of the Emission Standard of Air Pollutants for Electronic Glass Industry (GB29495-2013).

4. *Effectively promoting cost decreasing and benefit increasing based on "increasing income, cutting expenditure and reducing consumption"*

By adhering to CNBM's operation principles of "four grasps, four controls, four increases and four reductions" and focusing on "cost, benefit and risks", the Company worked on "increasing income, cutting expenditure, and reducing consumption" in earnest, promoted "eight methods", and vigorously implemented the measures so that remarkable achievements were made in the cost reduction and benefit increasing.

Longhai Company innovated regenerative chamber grid hot repair method to intensify heat preservation of key furnace portion by implementing new "glass furnace combustion supporting hot-blast air engineering" technology. This technology guaranteed safe operation of the furnace, effectively increased heat utilization efficiency and greatly reduced energy consumption through oxygen-enriched combustion, saving the cost of more than RMB2 million; plate cutting transformation and recycling of stocked papers reduced costs by more than RMB230,000.

Bengbu Company reduced the natural gas amount and power consumption and cut down cost of more than RMB2 million by optimizing the technology. Reduction of unit gram weight of anti-fungicide paper cut down annual cost of more than RMB300,000; daily capacity was increased by about 2,000 square meters by improving cutting tools and intensifying management; and procurement cost of the raw materials were reduced by bidding procurement.

Longmen Company actively promoted the daily cost accounting to reduce the unit manufacturing cost, and natural gas consumption was lowered through improvement of furnace technology, save RMB441,900.

Management Discussion and Analysis

I. Management Discussion and Analysis (Continued)

Main work in 2015 (Continued)

5. *Optimizing the product structure and following closely the market demand*

During the reporting period, the Company seized the market opportunity with rapid demand growth, intensified technological breakthrough and increased production and sales of 0.33mm and 0.4mm series of high added value. The sale volume was increased by twice over the same period of 2014.

Longhao Company increased technological breakthrough investment in 2mm series, and made efforts to improve the percentage of pass and product quality. 2mm, 5mm and 6mm high-quality float glasses were greatly used in high-end glass deep processing, resulting in increasing product margin.

6. *Boosting the brand image by improving quality*

A number of measures were taken to intensify the quality awareness, improve the product quality and boost the brand competitiveness. The Company intensified quality control throughout the process from introduction of raw materials, production process control, product inspection and inventory management. The Company invited downstream customers to visit its factory for exchange and communication on the product quality inspection standards, product quality control system and the like, and considered their requirements in succeeding improvements. By increasing sample inspection, random sampling frequency and times, the Company further improved the product quality and the percentage of pass.

7. *Intensifying price coordination and stabilizing the selling price*

The Company paid close attention to the domestic ultra-thin glass market trend, and adjusted the marketing strategies as appropriate. While striving to retain the regular customers, the Company also actively developed new customers to ensure growth in market shares stably. Furthermore, the Company intensified coordination with the manufacturers, stabilized the market price, and took the initiative to coordinate price with the manufacturers and strengthen industrial self-discipline.

8. *Consolidating the management foundation and improving the comprehensive performance*

The Company implemented performance management, assessed the performance on a monthly basis, gave play to the incentive and constraint mechanisms, and promoted in-place implementation of the indicators. By sticking on benchmarking, looking for gaps when compared with advanced subsidiaries, making improvements, overcoming shortcomings, subsidiaries made common progress, shared mutual production technology and experience, and promoted production control level continuously.

Management Discussion and Analysis

II. The principal operations during the Reporting Period

During the Reporting Period, the Company recorded an operation revenue of RMB662,156,600, representing a year on-year increase of 2,098,400; recorded an operating profit of RMB144,844,000, representing a year-on-year increase of RMB201,838,700; recorded a net profit attributable to the shareholders of the company of RMB144,483,000, representing a year-on-year increase of RMB123,323,800.

(I) Analysis of Principal Businesses

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

Unit: Yuan Currency: RMB

Item	This term	The same period of Last year	Change (%)
Operating income	662,156,635.13	660,058,269.97	0.32
Operating costs	633,653,570.97	603,925,932.11	4.92
Selling expenses	29,168,969.27	26,585,283.85	9.72
Administration expenses	122,170,107.57	118,800,470.76	2.84
Finance expenses	8,666,023.10	6,392,611.01	35.56
Net cash flow from operating activities	-131,037,564.70	-40,574,860.63	N/A
Net cash flow from investment activities	69,739,321.13	64,880,764.08	7.49
Net cash flow from financing activities	65,855,869.80	-58,905,626.26	N/A
R&D expenditures	14,218,171.78	15,201,351.58	-6.47

1. Analysis of revenue and costs

1. Analysis of the factors driving the changes in business revenue

The income from business operations of the Company is mainly from sales of physical products (glass and silicon sand). During the Reporting Period, the Company recorded an operating revenue of RMB662,156,600, representing an increase of 0.32% as compared to that of last year.

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

During the Reporting Period, the sales of glass products of the Company recorded a significant growth due to business combination under common control and incorporation of Bengbu Company into the consolidation scope. Therefore, the income from glass products increase attributable to the increase in sales.

3. Impact analysis of new products and new services

In 2015, the Company successfully researched and developed 0.20mm ultra-thin glass products, which is the thinnest glass in the PRC. Accordingly, we achieved continuous and stable production. The successful and stable production of 0.20mm ultra-thin glass products further enriched the categories of high added value products of the Company.

4. Major sales to customers

The total sales to the top five customers amounted to RMB232,457,852.31, representing 35.11% of the Company's total operating income for the year, among which, the sales to Fangxing Science & Technology, one of the top five customers, accounted for 3.07% of the Company's total operating income for the year. Fangxing Science & Technology is a subsidiary controlled by CNBMG, the de facto controller of the Company.

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(I) Analysis of Principal Businesses (Continued)

1. Analysis of revenue and costs (Continued)

4. Major sales to customers (Continued)

(1) Analysis of Operations by Industry, Product or Region

Unit: Yuan Currency: 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	573,382,921.04	578,045,451.37	-0.81	-8.21	-0.98	Decreased by 7.36 percentage points
Silica sand	38,223,371.29	18,673,445.80	51.15	60.19	40.50	Increased by 6.85 percentage points

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 (%)
Float glass	573,382,921.04	578,045,451.37	-0.81	-8.21	-0.98	Decreased by 7.36 percentage points
Including: Ultra-thin glass	417,426,983.26	344,994,760.55	17.35	10.45	29.42	Decreased by 12.11 percentage points
Common glass	155,955,937.78	233,050,690.82	-49.43	-36.79	-26.53	Decreased by 20.87 percentage points
Silica sand	38,223,371.29	18,673,445.80	51.15	60.19	40.50	Increased by 6.85 percentage points

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(I) Analysis of Principal Businesses (Continued)

1. Analysis of revenue and costs (Continued)

4. Major sales to customers (Continued)

(1) Analysis of Operations by Industry, Product or Region (Continued)

Principal operations by regions

Regions	Revenue from principal operations	Costs from principal operations	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 (%)
PRC	611,606,292.33	596,718,897.17	2.43	-5.69	-0.06	Decreased by 5.50 percentage points

Note on Analysis of Operations by Industry, Product or Region: There was no export operations for the current period.

(2) Analysis statement for output and sales

Major products	Production volume	Sales volume	Storage volume	Increase/decrease of production as compared with last year (%)	Increase/decrease of sales compared with last year (%)	Increase/decrease of storage as compared with last year (%)
Ultra-thin glass	3,591.38	3,368.24	1,740.76	33.60	39.56	5.50
Common glass	291.74	338.74	0	-43.51	-34.06	-100

Explanation on output and sales

Note: the ultra-thin glass is measured at 10,000m², while common glass is measured at 10,000 weight boxes.

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(I) Analysis of Principal Businesses (Continued)

1. Analysis of revenue and costs (Continued)

4. Major sales to customers (Continued)

(3) Analytical Statement of Costs

Unit: Yuan

By industry

By industry	Component of cost	2015	Percentage over total cost for the current period (%)	2014	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	432,707,685.36	74.86	470,518,013.62	80.61	-8.04	Due to change of product structures
	Direct labour	36,125,194.94	6.25	31,259,902.28	5.35	15.56	
	Manufacturing expenses	109,212,571.07	18.89	81,988,721.44	14.04	33.20	
Silica sand	Direct materials	14,378,888.10	77.00	10,489,190.17	78.92	37.08	Due to increased production and sales volume
	Direct labour	2,400,506.49	12.86	1,457,039.47	10.96	64.75	
	Manufacturing expenses	1,894,051.21	10.14	1,344,719.63	10.12	40.85	

By Product

By products	Component of cost	2015	Percentage over total cost for the current period (%)	2014	Percentage over total cost for the same period last year (%)	Percentage over total cost for the same period last year (%)	Explanation
Common glass	Direct materials	191,414,090.53	82.13	269,524,417.75	84.97	-28.98	Due to YoY decrease in production and sales volume
	Direct labour	7,409,461.95	3.18	9,846,110.69	3.11	-24.75	
	Manufacturing expenses	34,227,138.34	14.69	37,818,292.45	11.92	-9.50	
Ultra-thin glass	Direct materials	241,293,594.83	69.94	200,993,595.87	75.40	20.05	Due to year on year increase in production and sales volume
	Direct labour	28,715,732.99	8.32	21,413,791.59	8.03	34.10	
	Manufacturing expenses	74,985,432.73	21.74	44,170,428.99	16.57	69.76	
Silicon glass	Direct materials	14,378,888.10	77.00	10,489,190.17	78.92	37.08	Due to year on year increase in production and sales volume
	Direct labour	2,400,506.49	12.86	1,457,039.47	10.96	64.75	
	Manufacturing expenses	1,894,051.21	10.14	1,344,719.63	10.12	40.85	

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(I) Analysis of Principal Businesses (Continued)

1. Analysis of revenue and costs (Continued)

4. Major sales to customers (Continued)

(3) Analytical Statement of Costs (Continued)

Explanation on other situations of costs analysis

The procurement amount of the top five suppliers was RMB4,801,973,140,900, representing 57.20% of the total procurement amount, among which CLFG Yuantong Energy Co., Ltd. is the largest supplier (accounting for 18.84% of the total procurement amount), the Directors of which was also the directors of the Company.

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.

2. Expense

Item	2015	2014	Changes (%)	Reasons of changes
Selling expenses	29,168,969.27	26,585,283.85	9.72	The main reason was that the transportation expenses and port fees increased due to the change of the mode in which the subsidiary settled the sales of silica sand during the Reporting Period.
Administration expenses	122,170,107.57	118,800,470.76	2.84	
Financial expenses	8,666,023.10	6,392,611.01	35.56	The main reason was that the interest expenditures increased due to the additional financings during the Reporting Period.
Income tax expenses	9,896,015.25	10,232,864.68	-3.29	Decrease in profit of Longhai Company, a subsidiary of the Company.

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(I) Analysis of Principal Businesses (Continued)

3. R&D investment

R&D investment:

Unit: Yuan

Expensed R&D investment in the period	14,218,171.78
Capitalized R&D investment in the period	0
Total R&D investment	14,218,171.78
Percentage of total R&D investment to operating revenue (%)	2.15
Number of R&D personnel	95
Percentage of R&D personnel to the total number of people of the Company (%)	8.62
Percentage of Capitalized R&D investment (%)	0

4. Cash flow

- (1) The net cash flow from operating activities amounted to RMB-131,037,600, representing an increase in net expenditure of RMB90,462,700 over RMB-40,574,900 for the same period last year, mainly due to the decrease in cash received from commodity sales during the Reporting Period;
- (2) The net cash flow from investing activities amounted to RMB69,739,300, representing an increase of net inflow of RMB4,858,500 over RMB64,880,800 the same period last year, mainly due to the decrease in fixed assets payment during the Reporting Period;
- (3) The net cash flow from financing activities amounted to RMB65,855,900, representing an increase of net inflow of RMB124,761,500 over RMB-58,905,600 for the same period last year, mainly due to the increase in the borrowings during the Reporting Period.

(II) Explanation on significant change of profit caused by non-core business

1. Impairment loss on assets: during the reporting period, the impairment loss on assets increased by 502.73% to RMB323,017,700 over the same period of last year, mainly due to the Company's exchange-out credit assets arising from significant asset restructuring;
2. Gains from investment: during the reporting period, the gains from investment increased by 510.52% to RMB603,457,900 over the same period of last year, mainly due to income generated from significant asset restructuring;
3. Non-operating income: during the reporting period, the non-operating income decreased by 93.36% to RMB5,490,100 over the same period of last year, mainly due to land income returns from the government.

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(III) Analysis of assets and liabilities

Analytical statement of assets and liabilities

Unit: Yuan

Item	Amount at the end of the period	Percentage of closing amount at the end of the period over total assets (%)	Amount at the end of last period	Percentage of closing amount at the end of last period over total assets (%)	Increase/ decrease of closing amount at the end of period over that at the end of last period (%)	Explanation
Notes receivable	25,230,005.90	1.92	900,000.00	0.05	2703.33	The main reason was that the received bank acceptances increased.
Accounts receivable	71,678,942.58	5.45	26,050,995.86	1.47	175.15	The main reason was that the trade receivables increased.
Transferred to fixed assets	691,522,403.10	52.63	1,113,933,571.51	62.84	-37.92	The main reason was that the fixed assets decreased due to the sell-out thereof by the Company.
Intangible assets	64,517,450.10	4.91	91,960,903.88	5.19	-29.84	The main reason was that the fixed assets decreased due to the sell-out thereof by the Company.
Short-term borrowings	67,930,000.00	5.17	20,000,000.00	1.13	239.65	The main reason was that the financings increased.
Payable	80,295,143.32	6.11	273,108,258.05	15.41	-70.60	The main reason was that the debts increased due to the sell-out thereof by the Company.
Payments received in advance	20,132,927.79	1.53	58,115,698.49	3.28	-65.36	The main reason was that advances on sales decreased.
Payroll payable	26,291,242.89	2.00	49,545,901.94	2.79	-46.94	The main reason was that the outstanding social premiums decreased.
Tax payables	14,961,097.35	1.14	30,964,871.99	1.75	-51.68	The main reason was the payable VATs and real estate and land taxes decreased.
Other accounts payable	166,587,026.05	12.68	86,573,580.21	4.88	92.42	The main reason was that the added reorganized assets were recognized in part of the outstanding considerations of the Company.
Non-current liabilities due within one year	81,097,651.66	6.17	46,293,636.87	2.61	75.18	The main reason was that the Company had some additional borrowings to be repaid in the coming year.
Capital reserve	922,207,200.86	70.18	1,519,966,824.90	85.74	-39.33	The main reason was that the merger of the enterprises under common control decreased the premium on share capital.

Management Discussion and Analysis

II. The principal operations during the Reporting Period (*Continued*)

(III) Analysis of assets and liabilities (*Continued*)

Other explanation

(1) Capital liquidity

As at 31 December 2015, the Group's liquidity ratio was 0.86 (31 December 2014: 0.75) and quick ratio was 0.41 (31 December 2014: 0.25). The turnover rate of accounts receivable for the year was 12.52 times (31 December 2014: 23.29); and the turnover rate of inventory was 2.68 (31 December 2014: 2.66 times).

(2) Financial resources

As at 31 December 2015, the Group's cash and cash equivalents amounted to RMB42,342,860.91, including 99.99% of RMB and 0.01% of US\$ and other foreign currencies.

As at 31 December 2015, the Group's bank loans amounted to RMB608,197,786.13 (31 December 2014: 525,829,398.25), including short-term loans amounting to RMB67,930,000.00 (31 December 2014: 20,000,000.00) and long-term loans amounting to RMB540,267,786.13 (31 December 2014: 505,829,398.25).

(3) Capital structure

As at 31 December 2015, the Group's current liabilities amounted to RMB567,495,089.06 (31 December 2014: RMB674,259,284.43), representing a decrease of 15.83% from 2014; long term liabilities amounted to RMB468,194,996.46 (31 December 2014: RMB470,184,675.53), representing a decrease of 0.42% from 2014; and equity attributable to shareholders of the Company amounted to RMB278,344,996.00 (31 December 2014: RMB717,077,784.06), representing a decrease of 61.18% from 2014.

(IV) Analysis on industry operating information

Sheet glass industry features fierce competition and strong periodicity. In the context of slowing domestic demand growth, common glass industry is at a stage of structural supply in excess of demand and over capacity. At the end of 2015, the Central Economic Working Conference expressly put forward five major tasks of de-capacity, de-stocking, de-leverage, cost reduction and weakness improvement. In 2016, MIIT will give great impetus to boost "de-capacity" of the cement sheet glass industry, and curtail the downturn trend. Energy consumption limit, pollutant emission and other mandatory standards will be implemented strictly, to expel uncompetitive capacity.

During the reporting period, the Company completed the significant asset restructuring, and the main business was transformed from common float glass to ultra-thin optical electronic and information display glasses. With rapid updating of the domestic consumer electronic products and application electronic products, flat-panel display components including display devices and touch equipment have become the most important downstream application products for the ultra-thin glass substrate with the most market demands. As necessary basic parts and key basic material for the flat-panel display devices and touch equipment, the ultra-thin glass substrate is expected to maintain a stable growth trend in terms of future market demands.

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(V) Analysis of Investment

1. Overall Analysis of External Equity Investment

Due to reduction in consolidation scope, the investment of Longfei Company in Zhongyuan Bank Holdings Limited reduced by RMB4,343,500, and total external investments reduced by 35.79% compared with that at the beginning of the period.

(1) Significant equity investment

During the reporting period, 100% equity interests in Bengbu China National Building Materials Information Display Materials Company Limited were swapped in according to agreement, increasing the Company's revenue and profits by RMB170,099,700 and RMB31,866,400 respectively.

(2) Significant non-equity investment

N/A

(3) Financial assets at fair value

N/A

(VI) Sale of significant assets and equity interests

100%, 63.98%, 67%, 52% and 40.29% of equity interests held by the Company respectively in Longhao Company, Longfei Company, Dengfeng Silicon, Yinan Huasheng Mineral Products Company and CLFG Mineral, and liabilities (including accounts receivable, other receivables and entrusted loans) of the Company to Longhao Company, Longfei Company, Dengfeng Silicon, Yinan Huasheng Mineral Products Company and CLFG Mineral were sold.

Company name	Disposal mode	Effect on the overall production, operation and performance of the Company
Longhao Company	Sell-out via agreement	Obtained RMB379,189,600 equity earnings and had RMB119,038,900 creditor's right losses. The total earnings were RMB260,150,700.
Longfei Company	Sell-out via agreement	Obtained RMB181,925,300 equity earnings and had RMB155,180,800 creditor's right losses (including the creditor's rights of Longxiang Company, the fully-funded subsidiary of Longfei Company). The total earnings were RMB26,744,500.
Huasheng Mining	Sell-out via agreement	Obtained RMB18,017,000 equity earnings
Dengfa Silica Sand	Sell-out via agreement	Obtained RMB14,554,400 equity earnings
Group Mining	Sell-out via agreement	Obtained RMB9,771,500 equity earnings

Management Discussion and Analysis

II. The principal operations during the Reporting Period (Continued)

(VII) Analysis of main controlling companies

Unit: Yuan Currency: RMB

Company name	Industry	Major products or services	Registered capital	Operating income	Total assets	Net assets	Net profit
CLFG Longmen Glass Company Limited	Building material and Electronic information	materials Manufacture of float sheet glass	20,000,000	98,334,475.03	210,021,075.93	-443,719,088.03	-73,679,256.64
CLFG Longhai Electronic Glass Limited	Electronic information	ultra-thin electronic glass manufacturing	60,000,000	154,487,406.27	303,884,344.78	169,987,172.57	1,121,107.66
Bengbu China Building Information Display Materials Co.Ltd.	Electronic information	ultra-thin electronic glass manufacturing	632,764,300	170,099,745.97	790,085,931.57	699,545,168.71	31,866,403.05
Luoyang Luobo Furuida Commerce Co., Ltd.	Trade	Sales of glass and glass materials	500,000		25,732,941.51	-1,022,746.57	17,959.32

(VIII) Five-year Financial Highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2015 are summarized below:

Operating results

Unit: Yuan Currency: RMB

Item	2015	2014	2013	2012	2011
Operating income	662,156,635.13	660,058,269.97	375,735,014.43	553,687,171.35	920,942,939.77
Total profit	144,307,022.85	15,730,223.86	-107,556,313.57	4,232,247.06	2,931,576.70
Income tax	9,896,015.25	10,232,864.68	3,289,996.59	12,320,312.18	20,563,646.03
Net profit	134,411,007.60	5,497,359.18	-110,846,310.16	-8,088,065.12	-17,632,069.33
Minority interests	-10,071,986.12	-15,661,852.74	-11,873,147.55	-13,181,202.40	-29,966,628.93
Net profit attributable to the owners of the parent company	144,482,993.72	21,159,211.92	-98,973,162.61	5,093,137.28	12,334,559.60

Assets and liabilities

Unit: Yuan Currency: RMB

Item	2015	2014	2013	2012	2011
Monetary funds	102,342,860.91	92,747,084.60	172,571,033.76	236,619,040.45	234,137,383.86
Inventory	195,863,112.95	249,259,177.59	227,712,719.89	211,968,354.99	214,581,784.76
Fixed assets	691,522,403.10	1,113,933,571.51	644,866,173.19	539,787,058.69	650,334,194.36
Construction in progress	9,828,822.54	698,734.75	5,243,811.06	74,565,910.15	21,667,229.11
Non-current assets	826,682,911.68	1,270,128,923.40	736,124,168.07	691,983,408.59	748,309,271.91
Current liabilities	567,495,089.06	674,259,284.43	756,121,624.86	665,674,813.63	728,371,191.42
Non-current liabilities	468,194,996.46	470,184,675.53	517,551,976.42	566,467,103.15	608,704,756.66
Share capital	515,018,242.00	500,018,242.00	500,018,242.00	500,018,242.00	500,018,242.00
Equity attributable to owners of the parent company	278,344,996.00	717,077,784.06	103,313,890.92	132,125,006.45	127,013,633.44
Minority interests		-88,788,534.35	-73,208,155.34	-61,484,589.71	-48,304,436.73

Management Discussion and Analysis

II. The principal operations during the Reporting Period (*Continued*)

(IX) Others

1. *Gearing ratio*

Gearing ratio was 78.82%, up 14.26 percentage points as compared with the corresponding period last year.

2. *Net foreign exchange loss*

Details about foreign exchange loss during the reporting period are set in Note V. (note 37) to the financial statements.

3. *Taxation*

Details about taxation during the reporting period are set out in Note VI. "Taxation" and Note V. (note 7, 23, 34 and 42) to the financial statements.

4. *Fixed assets and intangible assets*

Details about fixed assets and intangible assets during the reporting period are set out in Note V. (note 11 and 14) to the financial statements.

5. *Bank and other loans*

Details of bank and other loans during the reporting period are set out in Note V. (note 18, 25 and 26) to the financial statements.

6. *Capitalisation of interests*

There was no capitalisation of interests during the reporting period.

7. *Land appreciation tax*

During the reporting period, there was no land appreciation tax payable.

8. *Reserves*

Details about reserves during the reporting period are set out in Note V. (note 29, 31 and 32) to the financial statements.

9. *Accumulated losses*

As at 31 December 2015, the accumulated loss of the Company was RMB1,210,245,955.90.

10. *Retirement plan of the Group*

The Group has participated in the defined pension plan for the employees as organized by the local government according to the relevant Chinese regulations. Pursuant to the Plan, the Group needs to make the pension contributions on a unified manner in proportion to the salary, bonus and partial allowance of the employees. Each retired employee is entitled to the equivalent pension at certain fixed ratio to the salary on the retirement date. Except as the aforesaid annual defined contributions, the Group is not obligated to pay any other significant retirement benefits.

Management Discussion and Analysis

III. Discussion and Analysis of the Board on Future Development of the Company

(I) Industry competition pattern and development trend

The year of 2016 will be a year for in-depth adjustment and increasing downturn pressure. In the context of decline in profits from traditional building materials and glass and survival difficulty, some enterprises have made transformation or increased investments in ultra-thin glass, intensifying the domestic ultra-thin glass capacity expansion. Introduction of foreign new capacity to Chinese market in succession will further expand the market supply, as a result of which, price competition becomes even more violent.

However, the Central Government adheres to seek steady improvement and targets GDP growth between 6.5% and 7%. The market demands will remain stable, and supply reform will boost the transformation development of the enterprises under control of the Central Government. CNBM will adhere to the strategic planning to develop new glass, new materials and new energy, which conforms to the national development policy and industry development orientation. Successful asset restructuring has basically realized transformation and updating of the Company from a traditional glass manufacturer to a strategic emerging enterprise focusing on production of photoelectric information display glass. To this regard, the Company needs to grasp the historical opportunity driven by structural reform and innovation at a new starting point, to improve the core competitiveness, develop new profit growth point, create new development motivation for Luoyang Glass, speed up transformation and updating and create a better operation performance through technical progress and management optimization.

(II) Development strategy

The Company will fully improve and boost the technology level and equipment level for Luoyang float glass with support of technical innovation. With electronic substrate float glass as the dominant product, the Company targets high-tech development and implements innovation in respect of technology, production and market, so that the Company is able to maintain the leading technological advantages, competitive product advantages and market advantages all the time. Under the leadership of CNBM's industry strategic development of "new glass, new materials and new energy", the Company continues research, development and industrial incubation for ultra-thin electronic glass and ultra-thin-ultra-wide glass technologies, to maintain the lead in respect of Luoyang float glass technology, and become special glass manufacturer with stronger market radiation capability to provide resolutions.

(III) Business plan and measures

In 2016, the Company's main operation targets are to realize capacity of 36 million square meters, sales volume of 33.80 million square meters, and revenue of RMB660 million; percentage of costs and expenses over revenue: 88%

Based on the aforesaid targets, the Company will take the following measures:

1. *To intensify market value management, and simultaneously implement physical operation and capital operation*

By adhering to the operation ideas led by market value, supported by performance, and developed by industry and physical securitization, the Company will intensify market value management, and work on "improvement" to boost the Company's competitiveness and strength, improve the Company's governance level and capital market image, and increase the investor's confidence. In combination of the Company's strategic positioning, industry development potential and asset position, the Company will explore a new capital operation path, and seek for new leap in respect of transformation and updating so as to realize win-win situation for both the Company and the investors.

Management Discussion and Analysis

III. Discussion and Analysis of the Board on Future Development of the Company (Continued)

(III) Business plan and measures (Continued)

2. *To work on “increasing income, cutting expenditure, and reducing consumption” and pursue cost reduction, benefit increase and solid foundation*

The Company will continue working on “increasing income, cutting expenditure, and reducing consumption”, and promote the methods for realizing such concept, so as to improve the awareness of “increasing income, cutting expenditure, and reducing consumption”, and ensure that related methods and measures are in place. Lean production ideas should be introduced to increase income, cut expenditure and reduce consumption in the production line so as to consolidate the production and operation foundation. The Company will continue improving, optimizing and perfecting the process and technology to promote stable production, improve quality and reduce consumption, so as to further improve the ultra-thin glass quality and shorten gap with the imported products; intensify process cost control, reduce null and void working hours; optimize quota management, further improve utilization efficiency of raw and auxiliary materials, reduce manufacturing costs; promote use of energy-saving new technology and new equipment, reduce consumption of electricity, water and oil; enhance storage management, strictly implement warehousing, delivery and receiving formalities for in-stock materials, and strictly execute regular stocktaking system and control the inventory losses. For production lines, the indicators in respect of cost, consumption, energy saving and product quality improvement will be quantified and implemented effectively through lean and refined production and management links, and daily accounting and monthly checking will be carried out to guarantee that the unit manufacturing cost is under the target value.

Functional departments shall intensify lean management and apply cost reduction and benefit improvement measures, and shall continue making use of unique management means such as grip control and eight methods to enhance dedicated and practical management pattern, improve management intensification and lean level, and benefit from management.

Operation departments shall increase the sale income, reduce appropriation of stock capital and improve the capital turnover rate by raising the product selling price and increasing the sales volume, and shall reduce the procurement costs by declining the procurement price, improving the procurement quality and implementing centralized procurement.

3. *To enhance technology management and innovation, and build up new brand image*

The Company will center on “quality improvement and benefit increase, transformation and updating” and base the product structure adjustment, product quality improvement, consumption reduction and cost reduction on market demands. In order to continue improving the technology, address the core problems affecting the product quality and continue innovation, the Company will increase capital investments to support technical improvement of the production lines. Quality will be improved through technological innovation, so as to significantly improve the capacity, quality and percentage of pass indicators over 2015. Improvement in respect of daily capacity of main products, natural gas single consumption reduction, and electricity consumption reduction is not less than 5%, 10% and 5% respectively, and reduction in controllable costs of these three items is not less than 5%. The yield of conforming products used by customers reaches over 85%.

Ideas of “green building materials and accountability” are promoted. The Company will make effort to promote the new technology for energy saving and consumption reduction, develop and utilize new furnace energy saving technology, continue promoting the oxygen-enriched combustion technology, and realize overall reduction in energy (gas and electricity consumption).

Management Discussion and Analysis

III. Discussion and Analysis of the Board on Future Development of the Company (Continued)

(III) Business plan and measures (Continued)

4. *To innovate marketing mode, expand channels, increase selling price and increase benefit*

The marketing shall proceed under the principle of giving priority to benefit and “price-cost-profit” and objectives will be achieved through accurate judgment, accurate implementation, innovative marketing and stable price rising. Sound planning of product program for three production lines will better meet multiple-layer and diversifying market demands in respect of category structure, regional position and delivery date, and continue improving the Company’s position, pricing right and overall competitiveness in the market, and anti-risk capability to give play to the scale advantages.

On one hand, the Company’s business personnel will reach the front line of market, to figure out the detailed demands of different users, implement targeted marketing, explore demand potential and expand sales volume continuously. On the other hand, the Company will continue regard 0.33mm and 0.4mm ultra-thin glass as the marketing emphasis, pay close attention to the market trend, enhance cooperation with manufacturers and stably increase the selling price. Third, the Company will increase investment in promotion and marketing of the new 0.2mm series and ultra-thin-ultra-white products, discover new product development orientation, expand new product market demands and form a new profit growth driving force. Forth, the Company attaches great importance to maintenance of markets for traditional ultra-thin glass such as 1.1mm, 0.7mm and 0.55mm, so it will give play to the existing channel advantages, and stabilize the market shares based on the stable selling price. Fifth, the Company will enhance training for the marketing staff, to build a high-quality marketing team.

5. *To deeply improve management and lay a solid foundation*

First, the Company will continue deepening “four reductions” to promote corporate integration and optimization, determine “four reductions” targets and schedule, and formulate sound integration plans and risk control measures in the principles of “refined organization, capable personnel and efficiency first”. Second, the Company will proceed the activities of “three targets and one goal” to improve the comprehensive benefits of the Company through unified policies and targets, coordinated procedure control, synchronic performance monitoring and comprehensive continuous improvement, so as to improve the comprehensive benefits of the Company, really regulate actions through systems, improve benefits on a scientific management basis, and promote healthy and sustainable development of the Company. third, the Company will improve the performance assessment and payroll rules. The performance assessment will be closely linked to the target assignment of each unit to quantify the performance, so that the income will be in close relation with the profitability of each unit and personal contribution; Fourth, the Company will further raise the risk control awareness, improve the Company’s governance structure, enhance internal control system construction, standardize the Company’s operation behaviors and improve the protection mechanism for the electronic glass intellectual property rights, so as to guarantee effective implementation of the Company’s internal control measures.

Management Discussion and Analysis

III. Discussion and Analysis of the Board on Future Development of the Company (Continued)

(IV) Potential Risks

1. *Risks arising from policies and the industry*

“De-capacity” is the priority of five structure reform tasks determined by the Central Government in 2016. Introduction of supply reform policy, increase in ultra-thin glass substrate capacity, low-cost price war of the industry and other factors bring about impact on the Company’s profitability and development chances to the Company.

Upon the completion of asset restructuring, the Company’s development strategy adjustment conforms to the development orientation and updating path of the industries encouraged and supported by the state. The Company will pay close attention to the reform trend of the relevant industries, give play to the advantages of the product innovation and technical equipment, and actively participate in market competition. By further integrating the Company’s internal resources, the Company will expand the business scale and the main operations, and improve the Company’s operation level and core competitiveness.

2. *Risks arising from product price*

The productivity of the ultra-glass market is enlarged continuously, which will affect the selling price and sales volume of products. The fluctuation in prices will result in the great difficulties in realization of overdue inventories, therefore, the Company will confront with risks arising from inventory impairment.

Countermeasures: the Company will accelerate the reactions and closely follow up the mainstream prices in the market. We will also develop new products in a due course and increase our market shares. In addition, the Company will stabilize and broaden the marketing channels to cultivate new clients and large clients.

3. *Risks arising from price of raw materials*

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. Price fluctuation of raw and fuel materials might bring in certain risks in respect of increase in costs.

Countermeasures: the Company will accurately follow the fluctuations of prices to purchase in due course, in order to reduce the purchasing cost. In addition, the Company will expand the supply channel to ensure the stability and efficiency of the supply channel.

4. *Financial Risks*

Credit risk: the Company’s credit risk is primarily attributable to accounts receivable. We implement payment upon delivery for most of our customers and a few customers with good reputation are entitled with credit. So the Company faces small credit risks.

Liquidity risk: the Company has sufficient cash and cash equivalents to basically meet its operational needs. At the same time, it has obtained financial assistance commitment from the controlling shareholder and de facto controller that can satisfy our long- and short-term capital demand.

Interest rate risk: the Company’s interest rate risk arises primarily from bank and other borrowings as well as bank deposits. As there was no significant connection between most of the Company’s expenses and operating cash flows and the changes in market interest rates, interest rate risk has little effect on the Company.

5. *Technological risks*

All of the core techniques of the Company are self-researched and self-developed, with proprietary intellectual property rights. Of which, the production of ultra-thin and ultra-white glass uses advanced techniques with abundant experience in product research and development. Therefore, the Company does not confront with technical risks regarding the above.

Management Discussion and Analysis

IV. Explanation on the situation and cause for the Company's not disclosing pursuant to relevant rules due to non-application or for special reasons

N/A

V. Other Disclosure Matters

1. Service Contracts of Directors and Supervisors

No Directors or supervisors have entered into any service contract with the Company.

2. Management Contracts

No contracts were entered into by the Company or existed at all in respect of the management and administration of the overall business or other important business in the reporting period.

3. 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.

4. Pre-emptive Rights

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

5. Public Float

Based on public information and the information available for the Company, to the best knowledge of Directors, the Company has maintained a public float in compliance with the Listing Rules and such public float has been approved by The Stock Exchange of Hong Kong Limited as at the date of this report.

6. Tax Deduction for Holders of Listed Securities

During the year ended 31 December 2015, holders of listed securities of the Company were not entitled to any tax relief by reason of their holding of such securities pursuant to the laws of the PRC.

7. Compliance with the Corporate Governance Code

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

I. PLAN FOR ORDINARY SHARE PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Formulation, execution or adjustment of cash dividend policies

The Company has made amendments and improvements the terms on profit distribution in Article 210 of Articles of Association according to the Notice regarding Further Implementation of the Relevant Matters of Cash Dividend Distribution of Listed Companies and the Regulatory Guidelines for Listed Companies No. 3 – Distribution of Cash Dividend of Listed Companies issued by CSRC. The aforesaid amendments were approved at the 2015 First Extraordinary General Meeting of the Company convened on 25 August 2015.

The revised Articles of Association can fully protect legal rights of medium and small investors, with clear dividend distribution standard and proportion and policies and deliberation procedures for profit distribution complying with relevant regulations.

(II) Plans or proposals for ordinary share profit distribution and for conversion of capital reserve into share capital of the Company in the past three years (including the report period)

Unit: Yuan Currency: RMB

Bonus	Bonus share for every 10 shares (share)	Dividend for every 10 shares (RMB, tax inclusive)	Conversion into share capital for every 10 shares (share)	Amount of cash dividends (tax included)	Net profit	Percentage
					attributable to shareholders of the Company based on the consolidated statements for the corresponding year	in net profit attributable to shareholders of the Company based on the consolidated statements (%)
2015	0	0	0	0	144,482,993.72	0
2014	0	0	0	0	21,159,211.92	0
2013	0	0	0	0	-98,973,162.61	0

Significant Events

II. Performance of Undertakings

(I) Commitments on significant asset restructuring

1. *Commitment on limiting horizontal competition:*

On 31 December 2014, CLFG and CNBMG committed not to directly participate in any business same as or similar to main business of the Company or any subsidiary after the completion of asset restructuring, and that they would cause enterprises that are directly or indirectly controlled by them not to directly or indirectly participate in any business or activity that competes with or may compete with main business of the Company or its wholly-owned or directly/indirectly controlled subsidiary in the commercial field. In case that CLFG and CNBMG or their directly or indirectly controlled enterprises participate in or have the opportunity to participate in any business that competes with or may compete with main business of the Company or any of its subsidiaries, CLFG and CNBMG shall abandon or cause their directly or indirectly controlled enterprises to abandon the business or opportunity of business that may be competitive, or facilitate to offer the business or opportunity of business to the Company or its wholly-owned or controlled subsidiary on fair and reasonable terms, or transfer the business or opportunity of business to any other assisting parties that are not connected.

The aforesaid commitments have been honored as of the end of the reporting period.

2. *Commitment on limiting connected transaction:*

On 31 December 2014, CLFG and CNBMG committed to avoid or minimize connected transactions concluded between them and any other enterprises under their actual control or material influence and the Company following this transaction. Any inevitable connected business or transaction should be concluded on the transaction principles of openness, fairness and equity and at fair and reasonable market prices. In addition, the decision-making procedure for connected transaction should be in accordance with relevant laws, regulations, regulatory documents and Articles of Associations of the listed company, and the obligation for information disclosure should be fulfilled as required. CLFG and CNBMG committed not to transfer their own interests in the Company through connected transactions, nor to cause damage to legal rights of the listed company and other shareholders via influencing business-making processes of their own companies.

The aforesaid commitments have been honored as of the end of the reporting period.

3. *Commitment on restricted share transfer:*

On 31 December 2014, CLFG committed not to transfer the shares obtained through this restructuring within 36 months after the issuance.

On 2 November 2015, CLFG committed not to transfer the shares of Luoyang Glass held by it before this transaction in 12 month after this transaction was concluded. Where the shares increase as the result of bonus issue or conversion to share capital, the increased shares of Luoyang Glass would also be locked up for a 12-month period mentioned above. However, the transfer of the shares of Luoyang Glass held by CLFG between different entities under actual control of the same controller would not be subject to the limitation of 12-month period, provided that CLFG should cause the transferee to abide by aforesaid commitment on locking-up.

The aforesaid commitments have been honored as of the end of the reporting period.

II. Performance of Undertakings (Continued)

(I) Commitments on significant asset restructuring (Continued)

4. Commitment on patent right:

On 2 November 2015, Bengbu Institute and China Triumph International Engineering Co., Ltd (CTIEC) made the following commitments regarding 16 patent rights jointly owned by themselves and Bengbu Company: 1) being joint owners of aforesaid 16 patent rights, Bengbu Institute and CTIEC would not use these patent rights in any form within the valid period of the patent rights. Without the approval of Bengbu Company, Bengbu Institute and CTIEC would have no right to transfer or dispose the aforesaid 16 patent rights to any other assisting parties, or permit any other assisting parties to use these patent rights. 2) Bengbu Company had the right to independently exercise the jointly owned rights, and all incomes incurred therefrom should be independently owned by Bengbu Company. 3) In case that Bengbu Institute and CTIEC violated aforesaid commitments, they should undertake corresponding legal responsibilities and make compensation to the party with damaged legal rights.

The aforesaid commitments have been honored as of the end of the reporting period.

5. Commitment on profit forecast and compensation:

On 2 November 2015, CLFG committed to make compensation to the Company in case that actual net profit is less than expected net profit in Asset Appraisal Report during 2015–2017. The period of commitment was 3 years.

The aforesaid commitments have been honored as of the end of the reporting period.

6. Commitment on assets delivery:

On 16 November 2015, as for additional credit receivable of Luoyang Glass and any of its subsidiaries to be disposed from the base date for significant asset restructuring (31 October 2014) to the delivery date, CLFG committed that “The Company will, according to special audit results of additional credit during the transition period presented by a professionally qualified audit agency and at the same time of asset delivery in the significant asset restructuring, make compensation to Luoyang Glass on behalf of the disposing party in case of capital occupation of the listed company by the connected person after the delivery date.”

As for products and finished products assets with high added value of evaluation in stock of the purchasing party, CLFG committed that “According to special audit results presented by an audit agency that was professionally qualified for security futures, where the sales amount of the booked products and finished products of the purchasing party on the asset delivery date as of 31 October 2014 was lower than the assessed value of the aforesaid products and finished products assets as of 31 October 2014, the Company would, at the same time of asset delivery in the significant asset restructuring, make compensation to Luoyang Glass in cash, with the amount of compensation being the difference between the appraised value on 31 October 2014 and the realized sales amount as of the asset delivery date.”

The aforesaid commitments have been honored as of the end of the reporting period.

Significant Events

II. Performance of Undertakings (Continued)

(II) Other commitments

1. During transfer of relevant equity interests, CNBMG, the de facto controller of the Company, undertook on 11 September 2007 that: CNBMG (including its controlled enterprises by now) would not directly or indirectly involve in any businesses which constitute competition with the Company. In the event that the business opportunities obtained would compete with the operations of the Company, it would notify the Company of such business opportunities. Save as a financial investor, CNBMG would not invest in any businesses which may constitute competition with the operations of the Company, and would take measures to prevent the possibility of substantial competition when continuing to acquire other businesses which have horizontal competition with the Company directly or indirectly under appropriate conditions. In case of violation of the above undertakings, CNBMG would fully indemnify the Company for any loss so caused.

As at the end of the reporting period, CNBMG honored its undertaking.

2. The actual controller of the company, CNBMG, undertook on 11 September 2007 when conducting allocation of relevant equity that: CNBM (including the controlled enterprises at present) will not directly or indirectly engage in any business in competition with the company; where there is any business opportunity to engage in or get into businesses probably in competition with the businesses that the company engages in, will notify the company of the above mentioned opportunity; except as a financial investor, will not invest in any business probably in competition with the businesses that the company engages in; in the process of continuing acquiring other businesses directly or indirectly in horizontal competition with the company at the right time as it may consider, will take measures to prevent substantial competition; in the event that the listed company suffers a loss due to its breach of aforesaid undertakings, will make adequate compensation to the company.

As at the end of the reporting period, CNBMG honored its undertaking.

3. During transfer of relevant equity interests, Kaisheng Technology, the indirect controlling shareholder of the Company, undertook on 9 December 2010 that: Kaisheng Technology and its controlled enterprises will not directly or indirectly involve in any businesses or activities in competition with the principal operations of the Company, by any means (including but not limited to the independent business, joint venture or having shares or interest in another company or enterprise). In the event that the business opportunities obtained by Kaisheng Technology or its controlled enterprises will compete with the principal operations of the Company, it will notify the Company of those matters as soon as possible and pass such business opportunities to the Company to ensure that there is no prejudice to the interests of the shareholders of the Company as a whole.

As at the end of the reporting period, Kaisheng Technology honored its undertaking.

4. In transferring relevant equity interests, CNBMG, the de facto controllers of the Company and Kaisheng Technology, undertook on 9 December 2010 that: they would come up with a comprehensive solution to the problem of horizontal competition between the Company and Longxin Company, Fangxing Science & Technology and Zhonglian Glass by way of consolidation in the form of a series of business and asset restructuring with the Company as a platform in the coming three years. On 27 June 2014, CNBMG assisted the Company to spin off the ordinary float glass business from the Company by 30 June 2015 through practicable and feasible business and asset restructuring.

As at the end of the reporting period, CNBMG and Kaisheng Technology honored its undertaking.

II. Performance of Undertakings (Continued)

(III) Statement of the Company on satisfaction of assets or projects with the original profit forecasts in case that profit forecasts have been made for such assets or plans, and the reporting period is still within the period of time for profit forecast

During significant asset restructuring, considering performance of Bengbu Company during 2015–2017, CLFG made a commitment regarding voluntary performance compensation: If the audited net profits of Bengbu Company realized in the years of 2015, 2016 and 2016, which belong to the owner of the parent company with the deduction of non-recurring profit and loss, were lower than the expected net profits of corresponding years given in the appraisal report represented by China United Assets Appraisal Group Co., Ltd. on 31 October 2015, it would make compensation to Luoyang Glass in cash on the following terms: amount of compensation of current year = expected net profit of current year – actual net profit of current year. When the calculation result of the amount of compensation of current year is a negative value, it shall be taken as Zero. Please refer to the Reply of Luoyang Glass Company Limited to Primary Feedbacks of CSRC on the Review over Administrative Licensing Items and Report on Swap of Major Assets & Share Offering, Assets Purchasing in Cash, Raising Supporting Funds and Connected Transaction of Luoyang Glass Company Limited (Draft) disclosed by the Company on 5 November 2015 for details.

For the year of 2015, the net profit of Bengbu Company estimated in the appraisal report was RMB30,844,700. As audited, the net profit of Bengbu Company in 2015 with the deduction of non-recurring profit and loss was RMB31,356,881.38, thus CLFG did not need to make performance compensation for this year.

III. Appointment or Dismissal of Certified Public Accountants

Unit: RMB10,000

		Current appointee
Name of the domestic accounting firm		WUYIGE Certified Public Accountants LLP.
Remuneration for the domestic accounting firm		120
Audit years of the domestic accounting firm		8
		Name
Accounting firm for internal control audit		WUYIGE Certified Public Accountants LLP.
		28

Explanation for appointment or dismissal of certified public accountants:

The re-appointment of WUYIGE Certified Public Accountants LLP. as the domestic and international auditor of the Company for 2015 was considered and approved at the 36th meeting of the 7th session of Board on 27 March 2015 and the 2014 annual general meeting on 3 June 2015.

IV. Material Litigation and Arbitration Matters

N/A

V. Statement of Credit Condition of the Company and Its Controlling Shareholders and Actual Controllers

During the reporting period, neither the Company nor its controlling shareholders or actual controllers were faced with unfulfilled large amount unliquidated mature debts that were subject to effective judgments of a court.

Significant Events

VI. Equity Incentives, Employee Stock Ownership Plan and other Employee Incentive Conditions and Effects

N/A

VII. Material Related Party Transactions

(I) Related party transactions relating to daily operations

Overview of Events	Search Index
On 14 November 2014, the Company entered into five framework agreements with CLFG, CNBMG Group and Fangxing Science & Technology, and estimated the annual caps for continuing connected transactions for 2015-2017. The agreements is relating to financial service, engineering equipment and materials supply, technical services, raw materials supply and product sale, as well as purchase of natural gas by Longhao Glass from CLFG Yuantong Energy Co., Ltd. The aforesaid continuing connected transactions was considered and approved at the 31st meeting of the seven session of the Board on 14 November 2014 and the 2014 second extraordinary general meeting of the Company on 31 December 2014.	Announcement Lin No. 2014-061 on 14 November 2014 at http://www.sse.com.cn , http://www.hkexnews.hk and Announcement Lin No. 2014-081 on 31 December 2014 at http://www.sse.com.cn , http://www.hkexnews.hk
Longhao Company terminates leasing a 600T/D online LOW-E production line, plants, equipment and all of the assets from CLFG.	Announcement Lin No. 2015-026 on 17 June 2015 at http://www.sse.com.cn , http://www.hkexnews.hk and Announcement Lin No. 2015-042 on 25 August 2015 at http://www.sse.com.cn , http://www.hkexnews.hk
On 2 December 2015, the Company signed the Agreement on Supply of Sodium Carbonate with CTIEC, according to which the Company would purchase 4,700 tons of sodium carbonate from CTIEC by 31 December 2015, with a total contract price not exceeding RMB6.50 million (tax included).	Announcement Lin No. 2015-060 on 2 December 2015 at http://www.sse.com.cn , http://www.hkexnews.hk

(II) Connected transactions due to acquisition or disposal of assets or equities

Overview of Events	Search Index
The Company uses its 100% equity interests in Longhao Company, 63.98% equity interests in Longfei Company, 67% equity interests in Dengfeng Silica Sand Company, 52% equity interests in Yinan Huasheng Mineral Products Industry Co., Ltd, 40.29% equity interests in CLFG Mineral together with Luoyang Glass's liabilities (including accounts receivable, other receivables and entrusted loans) in Longhao Company, Longfei Company, Longxiang Company, Yinan Huasheng Mineral Products Company and CLFG Mineral to make equivalent assets replacement with 100% equity interests in Bengbu Company held by CLFG, and paid the difference in assets replacement by means of offering shares and cash payment. On 3 December 2015, the restructuring event was approved by CSRC. Delivery of assets was completed on 21 December 2015.	Announcements Lin No. 2015-020, No. 2015-022, No. 2015-037, No. 2015-042, No. 2015-047, No. 2015-054, No. 2015-059, No. 2015-062, No. 2015-063 and No. 2015-067 at http://www.sse.com.cn , http://www.hkexnews.hk

VIII. Material Contracts and Implementation thereof

Leasing

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Details of lease of assets	Amount of the leased assets	Starting date of lease	Ending date of lease	Gain/expenses from lease	Basis for determining such gain	Effect of such gain on the Company	Whether a connected transaction	Connected relations
CLFG	Longhao Glass	600t/d online LOW-E glass production line		2014-6-3	2015-08-25	18,695,190.08	Agreed price	Cost plus expenses	yes	Controlling shareholder
Longhao Glass	CLFG	Land use rights over a land of 183.30 mu		2015-1-1	2015-12-31	680,000.00	Agreed price	minus	yes	Controlling shareholder

Explanation on leasing condition

The agreed term of lease for the 600t/d online Low-E glass production line was 3 years, with annual rent of RMB31.9 million. The parties agreed to cease the leasing agreement since 25 August 2015. On August 12, 2015, CLFG agreed to exempt the lease expense of the 600t/d production line of Longhao Company for the year of 2015, and the exempted lease expense in an amount of RMB18,695,190.08 was transferred from accrued expenses to capital reserve.

IX. Positive Performance of Social Responsibilities

(I) Performance of social responsibilities

For details of the social responsibility work of the Company, please refer to the Social Responsibility Report of Luoyang Glass Company Limited in 2015 disclosed by the Company on March 17, 2016 on the websites of Shanghai Stock Exchange at www.sse.com.cn and Hong Kong Stock Exchange at www.hkexnews.hk.

(II) Statement on the environmental protection practice of the Company and its subsidiaries in severely polluting industries as specified in the regulations made by the national environmental protection authorities

N/A

Connected Transactions

Apart from the connected transactions as disclosed in this chapter, other details about the connected transactions of the Group are set out as in the note “connected and related party transactions” to the audited consolidated financial statements prepared for this year under the China Accounting Standards for Business Enterprises.

I. Continuing Connected Transactions

Unit: '0000 Yuan Currency: RMB

Number	Party	Connected relationship	Content of transactions	Principle of trade pricing	Expected cap for trade amount for 2015	Trade amount actually incurred in 2015
Connected transactions as provided in Chapter 14A of Listing Rules of the Stock Exchange and in the Listing Rules of Shanghai Stock Exchange:						
1	Fangxing Science & Technology	De facto controller's subsidiary	The Company provided Fangxing Science & Technology with ultra-thin glass products	Transaction price is determined subject to the market price at that time and should not be lower than the price of such same or similar products provided by the Company to an independent third party.	21,400	641
2	CNBM	De facto controller	CNBM and its subsidiaries provided the Company and its subsidiaries with engineering technical service	Should there be a State price, such State price should be implemented. Should there be no applicable State price, market price shall prevail and not be higher than the fee(s) charged for the same or similar technical service provided by the supplier to an independent third party.	1,500	1,436
3	CNBM	De facto controller	CNBM and its subsidiaries provided the Company with such engineering materials and equipment as required	Transaction price is determined subject to the market price at that time and should not be higher than the fee(s) charged for the same or similar engineering equipment and materials provided by the supplier to an independent third party.	5,000	3,254
4	CLFG	Controlling Shareholders	CLFG provided the Company with silica sand and other raw fuels	Transaction price is determined subject to the market price at that time and should not be higher than the fee(s) charged for the same or similar products provided by the supplier to an independent third party.	950	578
Connected transactions as provided in the Listing Rules of Shanghai Stock Exchange:						
1	CNBM	De facto controller	CNBM and its subsidiaries provided the Company with entrusted loans, loan security, fund paid on behalf of a company and other financial service.	Loan guarantee service charge shall be determined subject to the market price at that time. The lending rate shall be calculated based on the rate not higher than the benchmark interest rate for loan for the same period provided by the People's Bank of China. The interest rate for the capital paid on behalf of a company shall be calculated based on the rate not higher than the benchmark interest rate for loan for the same period provided by the People's Bank of China. Financial service charge shall not be higher than such fee charged by the supplier to an independent party for the same or similar financial service.	110,000	108,690
2	Yuantong Engery	The Company's Director acted as the legal person and Director	Yuantong Energy provided Longhao Company with natural gas	Yuantong Energy provided Longhao Company with natural gas	21,200	9,680

The total amount of aforesaid continuing connected transaction is RMB1242.79 million.

II. Continuing connected transactions disclosed in transitory announcements during the reporting period

Provision of sodium carbonate to the Group by CTIEC

CTIEC is an indirect controlling shareholder of the Company. To take advantage of centralized purchasing, reduce purchasing costs and open up the channels for raw materials procurement, the Company took part in the business of centralized sodium carbonate procurement of CTIEC and purchased sodium carbonate from CTIEC. The purchasing price is determined through a tendering process based on the market price at that time, and the price for sodium carbonate offered by CTIEC to the Group will not be higher than the price offered by CTIEC for identical or similar products to its independent assisting parties.

The actual trading volume for sodium carbonate procurement as of 31 December 2015 was RMB5.42 million.

III. In conclusion, the total sum of the continuing connected transactions of the Group in 2015 amounted to RMB1,248.21million million.

The Company has engaged WUYIGE Certified Public Accountants LLP. as the auditor of the company to perform related audit procedures as to the continuing connected transactions of the Company as at 31 December 2015, as set forth in the aforesaid transactions in accordance with No. 3000 of “verification except auditing or reviewing historical financial information” of the Hong Kong Verification Standard promulgated by Hong Kong Institute of Certified Public Accountants (HKICPA), and by reference to No. 740 of “continuing connected transactions auditor’s correspondence as provided in Hong Kong listing rules” of the Practice Note promulgated by HKICPA, and the auditor confirms transactions as follows:

- (1) have received the approval from the Board;
- (2) the transactions in relation to provision of goods and services in accordance with the pricing policies of the Group;
- (3) have been entered into in accordance with the relevant agreements governing the transactions;
- (4) have not exceeded the annual caps disclosed in previous announcements of the Company.

The independent non-executive Directors have reviewed the above mentioned continuing connected transactions that took place during the year ended 31 December 2015 and confirmed that these transactions were:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or on terms no less favorable to the Company than terms available to or from independent third parties;
- (3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

I. Changes in Share Capital of ordinary shares

(I) Changes in ordinary shares

1. Changes in ordinary shares

Unit: share

	Before change		Change (+/-) Issue of new shares	After change	
	Number	Percentage (%)		Number	Percentage (%)
I. Share subject to trading moratorium	0		+15,000,000	15,000,000	2.91
1. State-owned shares	0		+15,000,000	15,000,000	2.91
II. Circulating shares not subject to trading moratorium	500,018,242	100	0	500,018,242	97.09
1. Ordinary shares denominated in RMB	250,018,242	50	0	250,018,242	48.55
2. Overseas listed foreign invested shares	250,000,000	50	0	250,000,000	48.54
III. Total number of ordinary shares	500,018,242	100	+15,000,000	515,018,242	100.00

2. Explanation of changes in shareholding of ordinary shares

On 29 December 2015, the Company additionally offered 15,000,000 shares to CLFG with a restricted stock trade period of 36 months.

To raise counterpart funds, the Company additionally offered 11,748,633 shares to First Capital Securities Co., Ltd and Caitong Fund Management Co., Ltd. in 2016. The registration formalities for these additional shares were finished on 2 February 2016.

3. Impacts of changes in shareholding of ordinary shares on earning per share, net asset value per share and other financial indicators of the last year and period

According to Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share of CSRC, when enterprises of the same controller emerged during the reporting period and the merged party issued new shares on the day of merger as consideration, for calculation of basic earnings per share by the end of the Reporting Period, it is required to include the additional shares into the ordinary shares already issued at the beginning of the merging process (subject to weighed average with the weight of 1). When calculating basic earnings per share during the comparing period, the additional shares shall be deemed as a part of the ordinary shares already issued at the beginning of the comparing period. The issuance of shares of the Company in current period for the acquisition of equities of Bengbu Company held by CLFG shall be deemed as the merger under the same controller, for which earnings per share of the current period and the comparing period have been calculated and listed as required.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

I. Changes in Share Capital of ordinary shares (Continued)

(II) Changes in restricted shares

Unit: share

Shareholder name	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium in the year	Increase in shares subject to trading moratorium in the year	Number of shares subject to trading moratorium at the end of the year	Moratorium reason	Date of Shares released from trading moratorium
CLFG	0	0	15,000,000	15,000,000	Non-public issuance	29 December 2018
Total	0	0	15,000,000	15,000,000	/	/

II. Issue and Listing of Securities

(I) Change in the total number of shares and the shareholding structure of the Company

On 29 December 2015, the Company issued additional 15,000,000 shares to CLFG. After that, total equities of the Company reached 515,018,242. The following table describes changes in equity structure of the Company before and after the issuance.

Type	Before issuing		After issuing	
	amount (share)	percentage (%)	amount (share)	percentage (%)
Share subject to trading moratorium	–	–	15,000,000	2.91
Circulating shares not subject to trading moratorium	500,018,242	100.00	500,018,242	97.09
Ordinary shares denominated in RMB	250,018,242	50.00	250,018,242	48.55
Overseas listed foreign invested shares (H share)	250,000,000	50.00	250,000,000	48.54
Total number of shares	500,018,242	100.00	515,018,242	100.00

Changes in Shareholding of Ordinary Shares and Information of Shareholders

II. Issue and Listing of Securities (Continued)

(I) Change in the total number of shares and the shareholding structure of the Company (Continued)

On 2 February 2016, for the purpose of raising counterpart fund, the Company totally issued 11,748,633 shares to First Capital Securities Co., Ltd and Caitong Fund Management Co., Ltd. After the issuance, total equities of the Company reached 526,766,875. Please refer to the following table for changes in equity structure.

Type	Before issuing		After issuing	
	Amount (share)	Percentage (%)	Amount (share)	Percentage (%)
Share subject to trading moratorium	15,000,000	2.91	26,748,633	5.08
Shares not subject to trading moratorium	500,018,242	97.09	500,018,242	94.92
Including: ordinary shares denominated in RMB which not subject to trading moratorium	250,018,242	48.55	250,018,242	47.46
Ordinary shares denominated in RMB	265,018,242	51.46	276,766,875	52.54
Overseas listed foreign invested shares	250,000,000	48.54	250,000,000	47.46
Total number of shares	515,018,242	100.00	526,766,875	100.00

(II) Change in the asset and liability structure of the Company

By the end of 2015, the amount of total assets of the Company was RMB1,314.0351 million, reduced by RMB458.6981 million from the beginning of the period. The amount of current assets was RMB487.3522 million, reduced by RMB15.2521 million from the beginning of the period; the amount of non-current assets of RMB826.6829 million, reduced by RMB443.4460 million from the beginning of the period.

Of the same period, the amount of total debts was RMB1,035.6901 million, reduced by RMB108.7539 million from the beginning of the period, including RMB567.4951 million of current liabilities, reduced by RMB106.7642 million from the beginning of the period, and RMB468.195 million of non-current liabilities, reduced by RMB1.9897 million from the beginning of the period.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

III. Shareholders

(I) Total number of shareholders:

Total number of shareholders at the end of the reporting period	68,000, including 67,949 A shares and 51 H shares
Total number of ordinary shareholders at the end of last month of the annual report (<i>share</i>)	71,846, including 71,797 A shares and 49 H shares
Total number of holders of preference shares with restored voting rights as at the end of the reporting period (<i>share</i>)	0
Total number of holders of preference shares with restored voting rights as at the end of last month before the disclosure date of the annual report (<i>share</i>)	0

(II) Shareholdings of the top 10 shareholders and top 10 holders of circulating shares(or holders of shares not subject to trading moratorium) as at the end of the reporting period

Unit: share

Shareholdings of the top 10 shareholders

Name of shareholder	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	Status of Shares	Number of shares pledged or frozen Number	Nature of shareholder
HKSCC Nominees Limited(Agent)	+401,700	248,262,698	48.20	0	Unknown		Shares held by overseas legal persons
China Luoyang Float Glass (Group) Company Limited	+15,000,000	174,018,242	33.79	15,000,000	Mortgage	159,018,242	state-owned legal persons
LIU BIBO	+1,361,600	1,361,600	0.26	0	Unknown		Domestic natural person
Agricultural Bank of China Limited – Fulgoal CSI State-owned Enterprise Reform Index Classified Security Investment Fund	+1,220,700	1,220,700	0.24	0	Unknown		Shares held by non-state-owned legal persons
ZHANG LIXIN	-1,760,000	1,000,000	0.19		Unknown		Domestic natural person
HKSCC Nominees Limited(Agent)	+485,621	485,621	0.09	0	Unknown		Shares held by overseas legal persons
CHUK YEE MEN LIZA	+374,000	374,000	0.07	0	Unknown		Unknown
JIN RUIMING	+315,394	315,394	0.06	0	Unknown		Domestic natural person
LI JINSONG	+306,700	306,700	0.06	0	Unknown		Domestic natural person
WONG SING TO	+300,000	300,000	0.06	0	Unknown		Domestic natural person

Changes in Shareholding of Ordinary Shares and Information of Shareholders

III. Shareholders (Continued)

(II) Shareholdings of the top 10 shareholders and top 10 holders of circulating shares(or holders of shares not subject to trading moratorium) as at the end of the reporting period (Continued)

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

Name of shareholder	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	number
HKSCC Nominees Limited (agent)	248,262,698	Overseas listed foreign shares	248,262,698
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB	159,018,242
LIU BIBO	1,361,600	Ordinary shares denominated in RMB	1,361,600
Agricultural Bank of China Limited-Fulgoal CSI State-owned Enterprise Reform Index Classified Security Investment Fund	1,220,700	Ordinary shares denominated in RMB	1,220,700
ZHANG LIXIN	1,000,000	Ordinary shares denominated in RMB	1,000,000
HKSCC Nominees Limited (agent)	485,621	Ordinary shares denominated in RMB	485,621
CHUK YEE MEN LIZA	374,000	Overseas listed foreign shares	374,000
JIN RUIMING	315,394	Ordinary shares denominated in RMB	315,394
LI JINSONG	306,700	Ordinary shares denominated in RMB	306,700
WONG SING TO	300,000	Overseas listed foreign shares	300,000

Explanation on connected relationship or action 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. Shares held by HKSCC Nominees Limited (Agent) are shares held on behalf of its several clients.

Explanations for holders of preference shares with restored voting rights and numbers of shares held by them

Nil

Note: As at the end of the reporting period, among the top ten shareholders, HKSCC Nominees Limited had a total number of shares of 248,748,319, including 248,262,698 H shares which accounted for 99.30% of total H-share capital of the Company, and 485,621 A shares, accounting for 0.18% of total A-share capital.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

IV. Controlling shareholder and De Facto Controller

(I) Controlling shareholder

Name	China Luoyang Float Glass (Group) Company Limited
Person in charge of the company or legal representative	PENG SHOU
Date of establishment	25 December 1996
Principal activities	Exploitation and sale of glass and related raw materials, silica sand used for glass, and ore; manufacture of complete sets of equipment; deep processing of glass; technical services and consulting services for glass processing; export of self-made products and related technologies by the company or member entities of the company; import and export of the raw and ancillary materials, machinery equipment, instruments and meters, parts and components needed for production and scientific research by the company or member entities of the company as well as related technologies; undertaking business relating to Chinese-foreign joint ventures, joint production and "three forms of OEM and compensation trade" of the company; undertaking overseas engineering projects and domestic engineering projects for international bidding in the building materials industry; export of the required equipment and materials for the above overseas engineering projects; dispatch of contract workers for the above projects, production and technical services (the import and export commodity catalog is subject to relevant regulations of the state).
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	Nil

Changes in Shareholding of Ordinary Shares and Information of Shareholders

IV. Controlling shareholder and De Facto Controller (Continued)

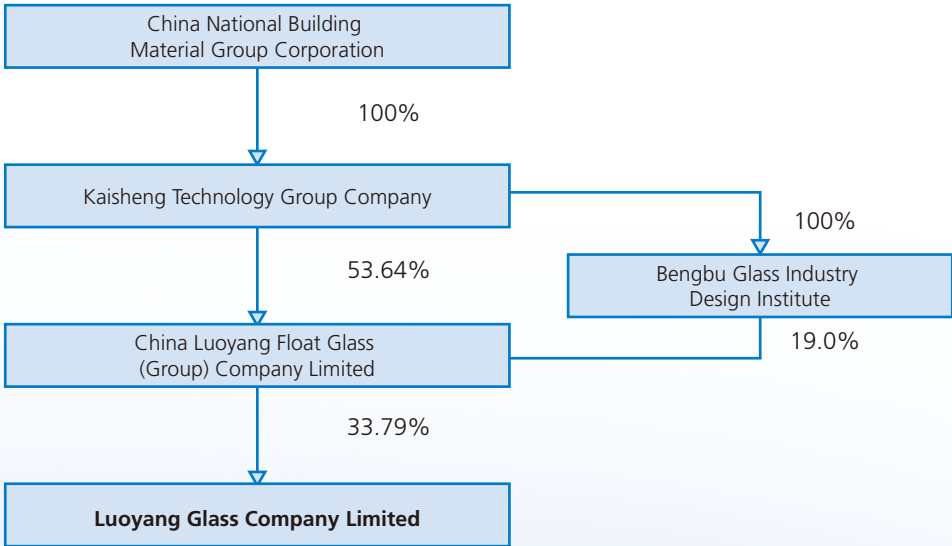
(II) De Facto Controller

Name	China National Building Material Group Corporation
Person in charge of the company or legal representative	SONG ZHIPING
Date of establishment	28 September 1981
Principal activities	General business scope: research, development and sales of construction materials and relevant raw materials, production technologies and equipment; design, sales and construction of complete sets of buildings of the new building material system; sales of decorative materials; design and construction of building engineering; warehousing; investment and assets operations relating to building materials and related sectors; technical consulting and information services and exhibition services relating to the above activities; processing and sales of mineral products.

Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period

Directly holding 44.27% equity interest in China National Building Material Company Limited (HK03323), indirectly holding 33.82 equity interest in China Jushi (600176), 40.13% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 27.89% equity interest in Anhui Fangxing Science & Technology Co., Ltd. (600552), 45.2% equity interest in Beijing New Building Materials Public Limited Company (000786), and 14.36% equity interest in China Glass Holdings Limited (03300), had indirect participation in 16.67% equity interest in China Shanshui Cement Group Ltd. (00691), 0.81% equity interest in Red Star Macalline Group Corporation Ltd.(01528), 0.38% equity interest in Legend Holdings Corporation (03396), 3.6% equity interest in China Hengshi Foundation Co. Ltd. (01197), 3.05% equity interest in China Conch Venture Holdings Ltd. (00586), 4.89% equity interest in Jiangxi Wangnianqing Cement CO., Ltd. (000789), 10.11% equity interest in Henan Tongli Cement Co., Ltd. (000885), 5.26% equity interest in Fujian Cement Inc. (600802), 21.75% equity interest in Gansu Shangfeng Cement Co., Ltd (000672), and 4.98% equity interest in Jilin Yatai (Group) Co.,Ltd. (600881).

(III) The chart on the ownership and control relationship among the Company, its controlling shareholder and de facto controller



Changes in Shareholding of Ordinary Shares and Information of Shareholders

V. Substantial shareholders' interests and/or short positions in the shares and underlying shares of the Company

As at 31 December 2015, Shareholders of the Company who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Nature of interest	Number of H Shares held	Approximate	Number of A Shares held	Approximate	Approximate
				percentage of total issued H shares of the Company (%)		percentage of total issued A shares of the Company (%)	percentage of total issued shares of the Company (%)
CLFG (Note 1, 4)	Beneficial owner	Corporate interest	-	-	105,018,242 (L)	39.63	20.39
Bengbu Institute (Note 2, 4)	Beneficial owner	Corporate interest	-	-	69,000,000 (L)	26.04	13.40
Kaisheng Technology (Note 1, 2 and 3)	Interest of controlled corporations	Corporate interest	-	-	174,018,242 (L)	65.66	33.79
CNBM (Note 3)	Interest of controlled corporations	Corporate interest	-	-	174,018,242 (L)	65.66	33.79
Segantii Capital Management Limited	Investment manager	Corporate interest	15,510,000 (L)	6.20	-	-	3.01

Note 1: Kaisheng Technology is the controlling shareholder of CLFG. Accordingly, Kaisheng Technology is deemed to be interested in the shares of the Company held by CLFG under the SFO.

Note 2: Kaisheng Technology is the controlling shareholder of Bengbu Institute. Accordingly, Kaisheng Technology is deemed to be interested in the shares of the Company held by Bengbu Glass Industry Design Institute under the SFO.

Note 3: CNBM is the controlling shareholder of Kaisheng Technology. Accordingly, CNBM is deemed to be interested in the shares of the Company held by Kaisheng Technology under the SFO.

Note 4: On 31 December 2014, CLFG and Bengbu Institute entered into the Equity Share Transfer Agreement (《股權轉讓協議》) whereby CLFG intended to transfer 69,000,000 shares of Luoyang Glass it held to Bengbu Institute. The reply and approval regarding such equity share transfer (Guo Zi Chan Quan [2015] No. 351) was obtained from the State-owned Assets Supervision and Administration Commission on 18 May 2015 but procedures regarding such share transfer have not been processed.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration

(I) Changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period

Unit: share

Name	Position (note)	Gender	age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/ decrease of shares during the year	Reason for change	Total remuneration before tax received from the Company during the reporting period (RMB10,000)	Whether received remuneration from the Company's related parties or not
ZHANG CHONG	Chairman	Male	53	24 December 2015 (chairman) 7 June 2013 (former vice chairman)	22 December 2018 (chairman) 23 December 2015 (former deputy chairman)	0	0	0	Nil	0	Y
MA LIYUN	Former chairman	Male	52	7 June 2013	December 23 2015	0	0	0	Nil	0	Y
Xiejun	Vice chairman	Male	50	24 December 2015 (vice chairman)	22 December 2018	0	0	0	Nil	2.17	Y
				29 July 2013 (former executive director)	23 December 2015 (former executive director)						
NI ZHISEN	Executive director, General Manager	Male	44	27 May 2009 (general manager) 28 September 2009 (director)	22 December 2018	0	0	0	Nil	39.84	N
WANG GUOQIANG	Executive director, Vice general manager	male	47	27 March 2014 (deputy general manager), 23 December 2015 (executive director)	22 December 2018	0	0	0	Nil	38.53	N
MA YAN	Executive director	male	45	23 December 2015	22 December 2018	0	0	0	Nil	0	Y
ZHANG CHENGONG	Non-executive director	male	43	25 August 2010	22 December 2018	0	0	0	Nil	0	Y
TANG LIWEI	Non-executive director	male	43	23 December 2015	22 December 2018	0	0	0	Nil	0	Y
LIU TIANNI	Independent director	male	52	9 November 2012	22 December 2018	0	0	0	Nil	4	N
JIN ZHANPING	Independent director	male	52	3 June 2014	22 December 2018	0	0	0	Nil	4	N
YE SHUHUA	Independent director	male	54	23 December 2015	22 December 2018	0	0	0	Nil	0.15	N
HE BAOFENG	Independent director	male	43	23 December 2015	22 December 2018	0	0	0	Nil	0.15	N
SUN LEI	Financial executive, deputy general manager Former executive director	female	47	18 April 2013 (deputy general manager, financial executive) 6 June 2013 (former executive director)	23 December 2015	0	0	0	Nil	24.70	N
HUANG PING	Former independent director	male	47	18 May 2009	23 December 2015	0	0	0	Nil	4	N
DONG JIACHUN	Former independent director	male	59	28 September 2009	23 December 2015	0	0	0	Nil	4	N
REN ZHENDUO	Chairman of the Supervisory Committee	male	51	12 September 2007	22 December 2018	0	0	0	Nil	0	Y
WANG JIAN	Employee supervisor	male	40	26 May 2010	22 December 2018	0	0	0	Nil	17.26	N
MA JIANKANG	Employee supervisor	male	50	17 December 2012	22 December 2018	0	0	0	Nil	11.17	N
REN HONGCAN	Supervisor	male	52	23 December 2015	22 December 2018	0	0	0	Nil	33	N
QIU MINGWEI	Supervisor	male	44	23 December 2015	22 December 2018	0	0	0	Nil	0.07	N
YAN MEI	Supervisor	female	53	23 December 2015	22 December 2018	0	0	0	Nil	0.07	N
GUO HAO	Former supervisor	male	58	18 May 2009	23 December 2015	0	0	0	Nil	2	N
WANG RUIQIN	Former supervisor	female	55	29 July 2013	23 December 2015	0	0	0	Nil	12.21	N
WU ZHIXIN	Secretary to the board	female	49	20 May 2014		0	0	0	Nil	20.24	N
LIU YUQUAN	Deputy general manager	male	48	24 December 2015		0	0	0	Nil	0	Y
YE PEISEN	Company secretary	male	56	6 August 2008		0	0	0	Nil	10.08	N
Total	/	/	/	/	/	0	0	0	/	227.64	/

- Note: (1) Save as disclosed above, as at 31 December 2015, none of the Directors, supervisors or senior management of the Company and their connected persons to the knowledge of the Directors had any interest nor short position in the shares, underlying shares or debentures of the Company or its associated corporations which was required to be entered in the register of interest kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or required to be notified to the Company or the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.
- (2) As at 31 December 2015, none of the Directors, supervisors or their spouses or children under the age of eighteen was granted rights to purchase shares or debentures of the Company or any of its associated corporations.
- (3) "Total remuneration received from the Company" as set out in the table did not include the social insurance and housing provident fund (defined contribution).

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration (*Continued*)

(I) Changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period (*Continued*)

ZHANG CHONG	a professor level senior engineer with a master's degree, and the chairman of the Company. He is currently the general manager of CLFG and chief engineer of Bengbu Design & Research Institute for Glass Industry* (蚌埠玻璃工業設計研究院), as well as the chairman and general manager of CNBM (Hefei) New Energy Company Limited* (中建材(合肥)新能源有限公司). Mr. Zhang had served as the deputy general manager and deputy executive head of the marketing department of engineering company of Bengbu Design & Research Institute for Glass Industry* (蚌埠玻璃工業設計研究院), the chief engineer and the head of PRC domestic engineering department of China Building Materials International Engineering Company Limited* (中國建材國際工程有限公司), and the deputy executive general manager of Chengdu Zhongguangdian Technology Company Limited* (成都中光電科技有限公司), etc.
MA LIYUN	a professor-grade senior engineer with a master's degree. He is currently the Chairman of the Company. Since August 1985, he has worked with Bengbu Institute as head of the glass division, deputy general manager of the engineering company, chief project designer, director of the research and development center, assistant to the president, deputy party secretary and secretary of the discipline inspection commission successively. In April 2013, he was appointed as the general manager and deputy party secretary of CLFG. He was appointed as party secretary of CLFG in February 2014 and executive deputy president of Bengbu Institute in December 2014.
XIE JUN	a professor-grade senior engineer with a doctor's degree in engineering. He is currently an executive Director and the party secretary of the Company. Since he joined the Company in October 1988, he has served as the factory manager of a branch factory of the Company, head of the production department, general manager of a subsidiary, and party secretary and deputy general manager of the Company, successively. From December 2005 to March 2008, he served as the party secretary and general manager of CLFG Processed Glass Co., Ltd. From September 2007 to August 2009, he was an executive Director of the Company. He currently serves as a member of the standing party committee and the chief engineer of CLFG.
NI ZHISEN	a senior engineer with bachelor's degree. He is an Executive Director and General Manager of the Company. Mr. Ni had served as deputy general manager and party secretary of Longmen Company and Longhai Company. He concurrently serves as a director of Longbo Company and Longfei Company, and the chairman of Yinan Huasheng and Dengfeng Silicon.
SUN LEI	a senior accountant with a bachelor's degree. She is currently an executive Director, a deputy general manager and the chief financial controller of the Company. Ms. Sun has served as the assistant to the head, and the deputy head of the finance department of Bengbu Design & Research Institute for Glass Industry since February 2007. She was appointed as a deputy general manager and the chief financial controller of the Company in April 2013.
WANG GUOQIANG	a professor-grade senior engineer with bachelor's degree. He is currently a deputy general manager and the party secretary of the Company and also serves as an Executive Director, general manager and the party secretary of Longhai Company. Mr. Wang had served as the deputy head of Company's Technology Department, deputy general manager of Longbo Company, general manager of Technology R&D Center of the Company, general manager of Production Center and deputy general manager of Henan Zhonglian Glass LLC, etc.
Ma Yan	a senior accountant with a bachelor's degree, an Executive Director of the Company, currently serves as the chief financial controller of the Fangxing Science&Technology Co., Ltd. Mr. Ma had served as the Supervisor of Financial Department of Anhui Fongyuan Biochemistry Limited-Liability Company, the Chief Financial Controller of Bengbu Chemical Machinery Co., Ltd, assistant to the head of Financial Department of Bengbu Design & Research Institute for Glass Industry and the Chief Financial Controller of Chengdu China Optoelectronics Technology Co., Ltd.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration (*Continued*)

(I) Changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period (*Continued*)

ZHANG CHENGONG	a holder of master's degree, a Non-executive Director of the Company, currently serves as the deputy general manager of CNBMG Kaisheng Technology Group Company. Mr. Zhang held the positions of assistant to general manager and deputy general manager of Beijing New Building Material Company Limited.
Tang Liwei	a senior accountant with a master's degree, CMA, a Non-executive Director of the Company, currently serves as the deputy general manager and the chief financial controller of the Company. Mr. Tang had served as the assistant to the head of the finance department of Bengbu Design & Research Institute for Glass Industry and the head and the assistant to the president of China building materials international engineering group Co., LTD, etc.
Huang Ping	a security specialized accountant and an Independent Director of the Company. He is currently the deputy head of Luoyang China Certified Public Accountants. Mr. Huang had served as the head of the finance department of Luoyang Yutong Automobile Company Limited. He has worked in Luoyang China Certified Public Accountants since 1997.
Dong Jiachun	a security specialized accountant and an Independent Director of the Company. He is currently the deputy head of Luoyang China Certified Public Accountants. Mr. Huang had served as the head of the finance department of Luoyang Yutong Automobile Company Limited. He has worked in Luoyang China Certified Public Accountants since 1997.
Liu Tianni	an Independent Director of the Company with a master's degree, is the founder and chairman of the Wonderful Sky Financial Group Holdings Limited, the executive director of Silver Grant International Industries Limited (a company listed in Hong Kong) and the managing director of Sure Spread Limited.
Jin Zhanping	a master degree holder and senior engineer. Mr. Jin has worked with the Chinese Ceramic Society since July 1988. He served as the editor in charge of the Editorial Office of the Journal of Chinese Ceramics Society, deputy head and head of the General Office, deputy secretary general and secretary general of the Chinese Ceramic Society. Mr. Jin concurrently serves as the executive director of Beijing Zhonggui Exhibition Co., Ltd. (北京中硅展覽有限公司), and the independent director of Luoyang Landi Glass Machine Co., Ltd. (洛陽蘭迪玻璃機器股份有限公司).
Ye Shuhua	Bachelor of laws, senior lawyer, an independent Director of the Company. Mr. Ye currently acts as partner of Henan Qianwen Law Firm, a member of the Lawyer Research Institution of Henan Law Science Association, member of Arbitration Committee of Zhengzhou and its Expert Consultation Committee. Mr. Ye used to work in Henan Economic Law Firm and Henan Foreign-related Business Law Firm as a lawyer. Mr. Ye was an independent director of Henan Sifang Diamond Co., Ltd. from September 2008 to November 2014.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration (*Continued*)

(I) Changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period (*Continued*)

He Baofeng	A holder of College Degree, CCPA and CICTA. He is an Independent Director of the Company. He currently serves as the chairman of Luoyang TopChina CPA Ltd. Mr. He worked in Nanyang Wanchengqu Bureau Of Finance from 1992 to 1997 and has worked in Luoyang TopChina CPA Ltd. since October 1997.
REN ZHENDUO	a holder of bachelor's degree, is currently the Chairman of the Supervisory Committee of the Company. He successively served as general manager of Longxin Company (a subsidiary of CLFG) and deputy secretary of party committee of the Company, etc. Since May and August 2009, Mr. Ren began to serve as employee director, deputy secretary of party committee, secretary of disciplinary committee and chairman of the labor union of CLFG respectively.
Guo Hao	a master's degree and is an associate professor and PRC certified public accountant. He is currently a Supervisor of the Company, the deputy dean of Economics and Management School of Henan University of Science and Technology and the deputy head of MBA Education Center of Henan University of Science and Technology. He is concurrently a standing member of the Chinese Institute of Business Administration and a member of Henan Accounting Association.
Wang Ruiqin	has a bachelor degree and is a senior teacher in secondary school. Ms. Wang is currently the chairman of the labour union of the Company and the former Supervisor. Ms. Wang served as the education section chief, deputy secretary of the party committee, secretary of the party committee and the head of CLFG education center, vice chairman of the labour union of CLFG, the secretariat head of the board of CLFG and the secretary of the discipline inspection commission of the Company respectively.
Wang Jian	with a postgraduate qualification, currently serves as the staff representative Supervisor of the Company. Mr. Wang joined the Company in November 1993, and has held the positions of section chief, assistant head and deputy chief of technology section, etc. He has been a deputy general manager of Longhai Company since February 2013.
MA JIANKANG	a bachelor's degree, currently serves as an Employee Supervisor of the Company. He was a deputy general manager of Longxin Company from February 2008 to October 2010, and has been a deputy general manager of Longhao Company from October 2010 to February 2013, and of Longmen Company since February 2013.
Ren Hongcan	a professor-grade senior engineer with bachelor's degree, the supervisor of the Company. He currently serves as deputy chief engineer of CLFG, assistant to the general manager of the Company and the general manager of Bengbu Company. He had served as Company's branch director, manager of the Production Center and the head of investment department, as well as general manager of Luoyang Glass (Beijing) International engineering Co., Ltd, etc.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration (*Continued*)

(I) Changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period (*Continued*)

Qiu Mingwei	a bachelor's degree, CPA, CPV and supervisor of the Company. He currently acts as executive partner and director of Henan Huazhi Accounting Firm. Mr. Qiu once was project manager of Luoyang Xinde Accounting Firm, department manager of Guangzhou Fuyang Jianda Accounting Firm and director of Henan Kaituo Certified Public Accountants Co., Ltd.
Yan Mei	Master of management, supervisor of the Company. Ms. Yan currently is a professor and master tutor of management school of Haust. Ms. Yan has been engaged in research of financial management and performance management, and has participated more than ten provincial level projects, published over ten treatise and teaching materials and over 50 papers.
WU ZHIXIN	a senior economist with a bachelor degree. She served as the deputy director to the secretariat of the Board and the securities affairs representative of the Company from 2006 to May 2014. She has been the secretary to the Board since May 2014.
Liu Yuquan	a senior economist with a bachelor degree. He serves as the deputy general manager of the Company. He successively served in the Company and CLFG. He had served as the senior manager of Investment Department of CLFG, the general manager of Investment and Development Department, the and the Mineral Business Department, etc.
Ip Pui Sum	a holder of MBA degree,he currently serves as the Company Secretary. Mr. Ip is a certified public accountant in Hong Kong, a fellow member of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants, Chartered Institute of Management Accountants, Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(II) Equity incentives granted to Directors, supervisors and senior management during the reporting period

N/A

Directors, Supervisors, Senior Management and Employees

II. Positions of the Existing and Resigned Directors, Supervisors and Senior Management during the Reporting Period

(I) Positions in Shareholder Entities

Name	Name of shareholder entity	Position held	Starting date of term of office	Expiry date of term of office
Ma Liyun	China Luoyang Float Glass (Group) Company Limited	Director, General Manager, Party secretary	April 2013 April 2013 February 2014	– January 12 2016 December 22 2015
Ma Liyun	Bengbu Glass Industry Design Institute	Executive deputy president	December 17 2014	
ZHANG CHONG	China Luoyang Float Glass (Group) Company Limited	General manager	January 12 2016	
ZHANG CHONG	CNBMG (Hefei) new energy co., ltd.	Chairman and general manager	August 2015	
ZHANG CHENGONG	Kaisheng Technology Group Company	Deputy party secretary, Secretary of disciplinary committee,	January 2016	
TANG LIWEI	Kaisheng Technology Group Company	Deputy general manger, Director, Chief Accountant	September 2014	
REN ZHENDUO	China Luoyang Float Glass (Group) Company Limited	Employee Director Deputy party secretary Secretary of disciplinary committee Chairman of the labor union	August 2009 May 2009 May 2009 Jun 2009	
NI ZHISEN	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee	January 2010	
XIE JUN	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee Deputy general manger General engineer	April 2006 January 2015 May 2009	
XIE JUN	Chengdu COE Technology Co., Ltd.	Executive deputy general manager	May 28 2015	

Positions in Shareholder Entities

Nil

Directors, Supervisors, Senior Management and Employees

II. Positions of the Existing and Resigned Directors, Supervisors and Senior Management during the Reporting Period (Continued)

(II) Positions in other entities

Name	Name of entity	Position held	Starting date of term of office	Expiry date of term of office
HUANG PING	Luoyang China Certified Public Accountants	Deputy head	March 1997	
DONG JIACHUN	Investment banking head office of Central China Securities Holdings Co., Ltd.	Managing director	April 2005	
DONG JIACHUN	Zhong Yuan Environmental Protection Co., Ltd.	Independent Director	June 2010	
DONG JIACHUN	Henan Zhongyuan Expressway Company Limited	Independent Director	January 2010	
LIU TIANNI	Wonderful Sky Financial Group Holdings Limited	chairman	Since 1995 until now	
LIU TIANNI	Silver Grant International Industries Limited	Executive Director	Since 1994 until now	
LIU TIANNI	Sure Spread Limited	Managing Director	Since 2004 until now	
LIU TIANNI	Chongqing Iron & Steel Company Limited	Independent Director	Since 2011 until now	
GUO HAO	Henan University of Science and Technology	Deputy dean of Economics and Management School	April 2003 until now	
MA YAN	Anhui Fangxing Science and Technology	Chief financial officer	Jun 2013	
YE SHUHUA	Henan Qianwen Law Firm	Partner	Since December 1996 until now	
HE BAOFENG	Luoyang TopChina CPA Ltd.	Chairman	Since October 1997 until now	
QIU MINGWEI	Henan Huazhi Accounting Firm (河南華智會計師事務所)	Head	March 2014	
YAN MEI	Economics and Management School of Henan University of Science and Technology	Professor, Master's Supervisor	Since April 2003 until now	

Positions in other entities

Nil

Directors, Supervisors, Senior Management and Employees

III. Remuneration of Directors, Supervisors and Senior Management

Procedure for determining the remuneration of Directors, supervisors and senior management	After considering other listed companies' remuneration level in the same sector and economic growth in the region, the Board and the Supervisory Committee draft the proposal for the remuneration of Directors and Supervisors respectively and submit to the general meeting for consideration. The proposal for the remuneration of senior management shall be determined by the Board.
Basis for determination of remuneration of Directors, supervisors and senior management	The actual remuneration shall be distributed with reference to the achievement status of annual operational targets and performance assessment.
Remuneration payable to Directors, supervisors and senior management	Based on the basic salary standards as set in the remuneration proposal, the HR Department shall distribute in advance 1/12 of such salary on the monthly basis to the senior management members, and effect the payment based on the final performance assessment result. The remuneration for the external directors and supervisors shall be paid in one slump sum every year.
Total remuneration actually received by all Directors, supervisors and senior management at the end of the reporting period	RMB2,276,400

IV. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reason for change
MA LIYUN	Chairman	resigned	Changes of board
SUN LEI	Executive director	resigned	Changes of board
HUANG PING	Independent director	resigned	Changes of board
DONG JIACHUN	Independent director	resigned	Changes of board
GUO HAO	Supervisor	resigned	Changes of supervisor
WANG RUIQIN	Supervisor	resigned	Changes of supervisor
MA YAN	Executive director	elected	Changes of board
TANG LIWEI	Executive director	elected	Changes of board
WANG GUOQIANG	Executive director	elected	Changes of board
HE BAOFENG	Supervisor	elected	Changes of supervisor
QIU MINGWEI	supervisor	elected	Changes of supervisor
YAN MEI	Supervisor	elected	Changes of supervisor
LIU YUQUAN	Deputy general manager	appointed	For vacancy for senior management

Directors, Supervisors, Senior Management and Employees

V. Employees of the Company and Major Subsidiaries

(I) Employees

Number of in-service employees of the parent Company	247
Number of in-service employees of the major subsidiaries	855
Total number of in-service employees	1,102
The number of retired employees whose expenses are borne by the parent Company and its major subsidiaries	2,081

Composition of professions

Type of profession	Number of staff in the profession
Production staff	787
Sales staff	43
Technical staff	95
Finance staff	34
Administrative staff	143
Total	1,102

Education level

Type of education level	Number of persons (headcount)
University graduates or above	132
College graduates	381
Specialised secondary school graduates	157
High school graduates	274
Junior high school or below	158
Total	1,102

(II) Remuneration policy

An annual remuneration system is adopted for the management of the Company and its subsidiaries while a position plus skill-based salary system is adopted for the employees of the Company. In addition, according to relevant national, provincial and municipal policies, employees of the Company are also entitled to the "five insurance payments and housing provident fund", paid leave, paid training and other treatments.

(III) Training programme

The Company has established a two-layered three-leveled training system, carrying out staff training by way of a combination of internal and external training, off-job and semi-off-job training so as to enhance the work skills and professional ability of the staff and ensure the healthy growth of the staff and development of the enterprise.

I. Introduction of Corporate Governance

During the reporting period, the Company has been operating in strict compliance with the requirements in the relevant laws and regulations such as the Company Law, the Securities Law, the Standards on Corporate Governance of Listed Companies, the Listing Rules of the stock exchanges in Shanghai and Hong Kong and the regulations of the CSRC, by proactively carrying out corporate governance campaigns, constantly improving its corporate governance structure, establishing and optimizing internal management and control systems, and strengthening information disclosure in a bid to further standardize the operation of the Company and enhance the corporate governance level.

I. Improving the structure of corporate governance

Based on specific requirements for establishing a modern enterprise structure and provisions of the Guidelines, the Company further defined power and responsibility of the General Meetings, the Board of Directors, the Supervisory Committee and management to ensure each of them performed their own duties on the basis of mutual restriction and coordination, aiming at enhancing normalized operation of the Company and improved governance skills.

The Company adhered to the principles of marketization and legalization. The General Meetings legally exercised the voting rights to major matters of the Company including operating guidelines, fund raising, profit distribution, etc. State-owned controlling shareholders strictly abided by the Company Law, relevant laws, regulations and company rules to exercise the rights of an investor and fully respected the independency of the listed company. Medium and small shareholders of the Company enjoyed equal status as controlling shareholders. All shareholders could fully exercise their own rights according to the proportion of shares.

The construction of the Board of Directors was standardized. Number and composition of directors of the Board of Directors of the Company complied with relevant laws and regulations. The Board of Directors convened meetings on a regular basis and also called upon irregular meetings depending on actual conditions. There were 10 members of the Board of Directors during the reporting period. On 23 December 2015 when the extraordinary general meeting of the Company was called upon for the second time, general election of independent and non-independent directors of the eighth session of Board of Directors were deliberated and approved. The eighth session of Board of Directors of the Company consisted of 4 executive directors, 3 non-executive directors and 4 independent non-executive directors. Under the Board of Directors were set up five special committees: the Audit (Examination) Committee, Remuneration and Assessment Committee, Nomination Committee, Strategic Development Committee and Compliance Committee. Among which, the chairmen of the Audit (Examination) Committee, Remuneration and Assessment Committee, Nomination Committee and Compliance Committee were assumed by independent directors. Clear rules of were set up for both the Board of Directors and its subordinate special committees to standardize the rules of procedure, improve efficiency of meetings and rationality of decision-making.

The supervising role of the Supervisory Committee was fully played. The Supervisory Committee of the Company supervised and examined behaviors of directors, the General Manager and other senior executives as well as routine operation of the Company, and was responsible to and reported to the General Meetings. During the reporting period, there were five appointed members of the Supervisory Committee, including 2 employee supervisors and 1 independent supervisor. During the second extraordinary general meeting of the Company of 2015 held on 23 December 2015, general election of the eighth session of Supervisory Committee was approved. The eighth session Supervisory Committee consisted of 6 supervisors, including 2 employee supervisors and 2 independent supervisors. The Supervisory Committee adhered to provisions of the Company Law and Articles of Associations to fulfill its supervising obligations and played the proper role in safeguarding the Company's interest and legal rights of shareholders, carrying out corporate governance by corporate legal persons as well as establishing and improving management systems of the Company. Supervisors attended annual meetings of the Board of Directors and General Meetings, and implemented effective supervision on legality of the meetings and protection of rights of shareholders, and supervised financial status as well as legality and compliance of duty performance of directors and higher management of the Company. The Supervisory Committee paid close attention to important matters of the Company including business, investment decision-making, etc. and offered proposals.

Corporate Governance

I. Introduction of Corporate Governance (Continued)

I. Improving the structure of corporate governance (Continued)

The Chairman and the General Manager were assumed by different persons and were clearly defined as two totally different positions. The clear division of responsibility and authority of these positions were specified in Articles of Association. The General Manager had the right to conduct business management over each controlled subsidiary and functional department, and was responsible for daily operation and business activities of the Company.

II. Improving the level of information disclosure and strengthening registration and management of insiders

The Company strictly abided by relevant laws and regulations to disclose information to its investors in an authentic, accurate, complete, timely and fair manner. The level of information disclosure was further improved, together with improved transparency and standardization. The Company, according to rules for information disclosure, revealed in regular reports the information of its directors, supervisors and high management, attendance of directors to meetings of the Board of directors and improvement of professional skills, terms of service of non-executive directors, independency verification of independent non-executive directors, working results of each special committee under the Board of Directors and other information about corporate governance.

The Company, according to provisions of CSRC and relevant stock exchanges, completed and implemented the systems for confidentiality of inside information and registration for insiders of internal information, who requested for registration and abide by relevant provisions to prevent insider dealings. In execution of significant asset restructuring, controlling shareholders and actual controllers of the Company actively cooperated with the Company in fulfilling their obligations of disclosing information. In accordance with Rules No.26 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities – the Application Documents of Significant Asset Restructuring of Listed Companies (CSRC Announcement [2008] No. 13), Notice of China Securities Regulatory Commission on Regulating the Information Disclosure of Listed Companies and the Acts of All the Related Parties (CSRC Announcement [2007] No. 128) as well as provisions of Shanghai Stock Exchange, self-inspections were conducted on whether the Company, the transaction parties and their own directors, supervisors, higher management, relevant professional agencies and other legal persons and natural persons informed of this transaction as well as direct relatives of aforesaid personnel had purchased or sold any shares of the Company from 6 months before suspension of significant asset restructuring till the date of signing on the Report. As a result, self-inspection reports were presented as well. In significant asset restructuring of the Company, all directors sincerely fulfilled their obligations and abided by the obligation for confidentiality. The Board of Directors accurately and timely disclosed related information according to Administrative Measures for the Material Asset Reorganizations of Listed Companies and related information disclosure rules. Meanwhile, controlling shareholders and actual controllers were supervised to cooperate with the listed company in fulfilling the obligation of disclosing information, and ensure proper information disclosure.

III. Maintaining the independency of the listed company

As clearly specified in Articles of Associations, shareholders shall participate in major decision-making of the Company by exercising the voting rights during the General Meetings. The Company operates independently, has sole decision-making right for operations and does not depend on any controlling shareholders and their connected enterprises. The Company has established completely independent labor force, human resources and salary management systems. There are clear property relations between the Company and controlling shareholders, and all assets of the Company belong to controlling shareholders independently. The Company has a complete organizational structure. Each organization has independent authorities and is not a subordinate of any controlling shareholders or their functional departments. The Company has an independent financial department and has established its own accounting system and financial management rules to ensure independency of accounting, use of funds and tax-paying.

I. Introduction of Corporate Governance (Continued)

IV. Respecting and protecting legal rights of medium and small investors

According to Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend Distribution of Listed Companies (issued in November 2013), Notice of the General Office of the State Council on Further Strengthening Protection of the Lawful Rights of Small Investors in Capital Markets (issued in December 2013), Company Law of the People's Republic of China (revised in December 2013), Guidance for the Articles of Listed Company (revised in 2014), Rules for the Shareholders' Meetings of Listed Companies (revised in 2014) and other related laws, administrative rules, normative documents and actual conditions of the Company, corresponding terms in the current Articles of Association were modified. The following terms were added: "Shareholders independently or jointly hold over 1/3 equities of the Company may submit temporary proposals to the Board of Directors ten days in advance of the General Meeting." "When the General Meeting deliberates a major matter that affects the interest of medium and small investors, votes of medium and small investors shall be counted separately, and the results of separate counting shall be disclosed in time." The Company's Articles of Association has specified the matters regarding online votes, proxy votes and cumulative votes for directors, supervisors, etc. during the General Meeting to actually ensure medium and small investors can exercise their rights properly.

The Company strengthened communications among its investors via investors exchange meetings, performance presentations, interactive internet platforms, etc. and highly valued the creation of harmonious relations among investors. Questions brought up by investors were timely replied to. Secretariat of Board of Directors of the Company appointed a special person to answer consulting phone calls from investors and receive their emails as well as reply to their questions and inquiries. The specially appointed person also received visiting investors and assisted them in conducting researches. The Company's files, annual reports, half-year reports, quarterly reports, temporary announcements, circulars, etc. were publicized on the website so that shareholders and other investors could obtain updated information about the Company. During daily communication with investors, especially in the process of restructuring major assets of the company, the principle of faire disclosure was adhered to. No undisclosed major information was revealed, nor was any information revealed to intentionally mislead investors.

V. Institutional improvement in internal control

The Company strictly followed the rules of the internal control system, established, completed and effectively implemented internal control and disclosed the internal control assessment report truthfully. The clear objectives set for internal control of the Company were reasonably ensuring legality and compliance of business activities, safety of assets, authenticity and completeness of financial statements and related information and improvement of operating efficiency and effects to promote the realization of the development strategies.

The Audit (Examination) Committee under the Board of Directors reviewed financial status, implementation and effectiveness of internal control rules and risk management and control, and took charge of internal and external audit (review) exchanges, supervision and examination. The Audit Department undertook specific implementation and supervision of internal control rules. Functional departments of the Headquarters were responsible for preparing, completing and implementing management details related to business of each department and standardizing business procedures, supervising implementation of standardized management procedures for respective business departments of subsidiaries and setting down management rules, and assisting auditors of the Headquarters in carrying out internal control examination and assessment. The subsidiaries, under the supervision of the Headquarters, prepared, completed and implemented their own management systems and established supervising and auditing organizations to supervise and examine internal control of the subsidiaries.

Corporate Governance

I. Introduction of Corporate Governance (Continued)

V. Institutional improvement in internal control (Continued)

Adhering to the principles for internal control of legality, comprehensiveness, significance, effectiveness, check and balance, adaptability and cost effectiveness, the Company integrated the Basic Internal Control Norms for Enterprises and associated guidelines into the Internal Control Manual of the Company in the forms of management systems, business procedures and risk control matrices to establish an internal control framework with risk management as the start, clear division of responsibility as the core, improved institutional construction as the guarantee and process tackling standards as the basis. In execution of the past year, management systems were timely revised and completed as well as the covered business procedures and risk control matrices, thus ensuring legality and compliance of business activities, safety of assets and authenticity and completeness of financial statements and related information. To ensure effective execution of institutional improvement of internal control, the Company strengthened the supervision function for internal control and carried out special audits for internal control. By examining and assessing the existence, completeness, compliance and effectiveness of controlling systems and procedures, the internal control system was ensured to fully play its roles and guarantee continual and healthy development of the Company. The Company engaged WUYIGE Certified Public Accountants LLP. to audit effectiveness of internal control of annual financial statements of the Company, who presented the audit report and disclosure.

VI. Appraisal mechanism for senior executives as well as the establishment and execution of the incentive mechanism

Performance appraisal for senior executives of the Company was primarily conducted according to the annual objective responsibility assessment system based on completion of annual business objectives. Remuneration of senior executives was set according to the result of assessment. Annual salaries of senior executives were directly related to their business responsibilities, risks and performances.

The Remuneration and Assessment Committee is responsible for studying the assessment schemes for directors and senior executives of the Company and offered proposals as necessary. The Committee also provides suggestions to the Board of Directors for salary policies and schemes for directors and senior executives of the Company. The Remuneration and Review Committee has the right to prepare and modify the Payment Scheme for the Board of Directors and Rules on Remuneration and Performance Assessment for the Board of Directors and the Supervisory Committee, which will be submitted to the Board of Directors and General Meetings for deliberation at different levels.

Whether there was any major difference in corporate governance from the provisions of CSRC? If there was, please specify reasons.

N/A

II. Introduction of General Meetings

Session	Date	Inquiry index on the website on which the resolutions are publicized	Date of disclosure
2014 General Meeting	5 June 2015	http://www.sse.com.cn ; http://www.hkexnews.hk	6 June 2015
2015 First Extraordinary General Meeting, First General Meeting of A-share Shareholders and First General Meeting of H-share Shareholders	25 August 2015	http://www.sse.com.cn ; http://www.hkexnews.hk	26 August 2015
2015 Second Extraordinary General Meeting	23 December 2015	http://www.sse.com.cn ; http://www.hkexnews.hk	24 December 2015

III. Performance of Duties by Directors

(I) Attendance of Directors at Board meetings and general meetings

Name of Director	Independent Director or not	Required attendance for the year (times)	Attendance at Board meetings				Any failure in attending in person for two consecutive meetings	Attendance at general meetings (times)
			Attendance in person	Attendance by way of communication	Attendance by proxy	Absence		
MA LIYUN	NO	15	15	3	0	0	NO	2
ZHANG CHONG	NO	16	16	14	0	0	NO	3
NI ZHISEN	NO	16	16	3	0	0	NO	3
XIE JUN	NO	16	16	3	0	0	NO	1
SUN LEI	NO	15	15	3	0	0	NO	3
ZHANG CHENGONG	NO	16	16	15	0	0	NO	0
HUANG PING	YES	15	15	14	0	0	NO	1
DONG JIACHUN	YES	15	15	14	0	0	NO	2
LIU TIANNI	YES	16	15	15	1	0	NO	0
JIN ZHANPING	YES	16	16	14	0	0	NO	2
WANG GUOQIANG	NO	1	1	0	0	0	NO	0
MA YAN	NO	1	1	0	0	0	NO	0
TANG LIWEI	NO	1	1	0	0	0	NO	0
YE SHUHUA	YES	1	1	0	0	0	NO	0
HE BAODENG	YES	1	1	0	0	0	NO	0

Number of Board meetings held in the year	16
Including: Number of on-site meetings	1
Number of meetings held by way of communication	3
Number of meetings held on-site with attendance by way of communication	12

(II) Independent Directors' objections to the Company's relevant matters

None of the Independent Directors raised any objection to relevant matters of the Company during the reporting period.

Corporate Governance

IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period, details should be disclosed if there were disagreements

Under the Board of the Company are established five special committees, i.e. the Audit Committee, the Strategic Committee, the Nomination Committee, the Remuneration and Review Committee and the Compliance Committee. Each of them fulfilled their duties according to the working rules of such committees, concretely and effectively helped the Board to perform the duties as set out in Appendix 14 D3.1 to the Listing Rules. Due to the change in the Board of Directors, present members of all committees were changed as well during the reporting period.

1. Audit Committee

The Company's Audit Committee comprises three independent non-executive Directors, including Mr. Huang Ping as the chairman of the committee, Mr. Dong Jiachun and Mr. Liu Tianni as members. Its duties and work rules are specified in the Implementation Rules for the Audit Committee of the Company, and its major duties include:

- (1) To supervise and assess external audit organizations, and approve the terms and conditions of remuneration and employment of external audit organizations;
- (2) To review and supervise the independence of external auditors and the validity of audit procedures;
- (3) To coordinate the communication between the management, internal audit department and external audit organizations;
- (4) To check the financial reports of the company, and put forward suggestions or reports to the board of directors.
- (5) To review the financial supervision, internal control and risk management system of the company, and audit major connected transactions (or check);
- (6) To instruct internal audit work of the company;
- (7) To assess the validity of internal control, etc.

Working progresses during the reporting period:

The audit committee under the board of directors has convened 5 meetings during the reporting period, mainly engaging in carefully looking over quarterly reports, semi-annual reports and annual reports of the company, supervising and assessing the work of external audit organizations, instructing internal audit work of the company, assessing the validity of internal control of the company, coordinating the communication between the management, internal audit department and related departments and external audit organizations, to give full play of its function of examination and supervision. The audit committee has developed the Report on the Fulfillment of Responsibilities in 2015, which has been disclosed on the websites of both stock exchanges together with the annual reports of the company.

IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period, details should be disclosed if there were disagreements *(Continued)*

1. Audit Committee *(Continued)*

Meeting attendance by members of the Audit Committee in 2015:

Number of meetings 5

Name	Attendance	Attendance by proxy
Huang Ping	5	0
Dong Jiachun	5	0
Liu Tianni	5	0

On 24 December 2015, the change in Board of Directors of the Company was successfully completed. The Audit Committee consisted of Mr. He Baofeng, the Chairman, and two members: Mr. Ye Shuhua and Mr. Liu Tianni.

2. Remuneration and Review Committee

The Company's Remuneration and Review Committee comprises three Directors (including two independent non-executive Directors), including Mr. Dong Jiachun as the chairman of the committee, Mr. Liu Tianni and Mr. Ma Liyun as members. Its duties and work rules are specified in the Implementation Rules for the Remuneration and Review Committee of the Company, and its major duties include:

- (1) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on establishment of a formal and transparent procedure for developing remuneration policy;
- (2) to review and approve the management's compensation proposals;
- (3) to determine the remuneration packages of individual executive Directors and senior management or to make recommendation to the Board on remuneration packages of individual executive Directors and senior management;
- (4) to monitor the implementation of the Company's remuneration plans.

The Remuneration Committee and Supervisory Committee of the Company convened three special meetings during the reporting period for reviewing the scheme of payout of annual performance salary of directors and senior management in 2014 and the remuneration of directors, supervisors and senior management personnel to be disclosed in 2014 annual report. Meanwhile, the committee formulated the remuneration scheme for the eighth session of the Board and the Supervisory Committee and the remuneration and performance assessment rules for directors, supervisors and senior management personnel according to the powers and responsibilities of directors, supervisors and senior management personnel and the actual circumstances of the company.

Corporate Governance

IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period, details should be disclosed if there were disagreements (*Continued*)

2. Remuneration and Review Committee (*Continued*)

Meeting attendance by members of the Remuneration and Review Committee in 2015:

Number of meetings 3

Name	Attendance	Attendance by proxy
Dong Jiachun	3	0
Ma Liyun	3	0
Liu Tianni	3	0

On 24 December 2015, the change in Board of Directors of the Company was successfully completed. The eighth session of Remuneration and Assessment Committee consisted of Mr. Ye Shuhua, the Chairman, and two members: Mr. Zhang Chong and Mr. Liu Tianni.

3. Nomination Committee

The Company's Nomination Committee comprises three Directors (including two independent nonexecutive Directors), with Mr. Jin Zhanping as the chairman of the committee, Mr. Huang Ping and Mr. Ma Liyun as members. Its duties and work rules are specified in the Implementation Rules for the Nomination Committee of the Company, and its major duties include:

- (1) to study the criteria and procedures to select Directors and management personnel and make recommendations to the Board;
- (2) to review the structure, number and composition, and to make recommendations on any proposed change to the Board to complement the Company's development strategies or tactics;
- (3) to identify individuals with suitable qualification to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directors;
- (4) to examine the qualifications of senior management candidates who shall be appointed by the Board and make recommendations in respect to such candidates;
- (5) to assess the independence of independent non-executive Directors.

The Nomination Committee held 2 special meetings during the reporting period at which the committee examined the education background, work experience, professional ability and occupational competence of the candidates for the eighth session of the Board and Supervisory Committee, offered professional opinions and provided reference for decision-making by the Board, and reviewed the senior management personnel proposed to be appointed by the Board and made recommendations thereon.

IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period, details should be disclosed if there were disagreements (*Continued*)

3. Nomination Committee (*Continued*)

Meeting attendance by members of the Nomination Committee in 2014:

Number of meetings 2

Name	Attendance	Attendance by proxy
Jin Zhanping	2	0
Ma Liyun	2	0
Huang Ping	2	0

On 24 December 2015, the change in Board of Directors of the Company was successfully completed. The eighth session of Nomination Committee consisted of Mr. Jin Zhanping, the Chairman, and two members: Mr. Zhang Chong and Mr. He Baofeng.

4. Strategic Committee

The Company's Strategic Committee comprises five Directors (including one independent non-executive Director), with Mr. Ma Liyun as the chairman of the committee, Mr. Zhang Chengong, Mr. Zhang Chong, Mr. Ni Zhisen and Mr. Jin Zhanping as members. Its duties and work rules are specified in the Implementation Rules for the Strategic Committee of the Company, and its major duties include:

- (1) to conduct studies and make recommendations on the Company's long-term development strategies;
- (2) to conduct studies and make recommendations on major investment and financing plans to be approved by the Board as required under the Articles of Association;
- (3) to conduct studies and make recommendations on major capital operations, and asset operations to be approved by the Board as required under the Articles of Association;
- (4) to conduct studies and make recommendations on other significant events that may affect the Company's development;
- (5) to conduct inspection on implementations of the above matters.

The Strategic Committee held 2 special meetings during the reporting period. The Strategic Committee proposed reasonable recommendations on the termination of lease of CLFG's production line by Longhao Company and the material assets reorganisation of the Company.

Corporate Governance

IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period, details should be disclosed if there were disagreements *(Continued)*

4. Strategic Committee *(Continued)*

Meeting attendance by members of the Strategic Committee in 2015:

Number of meetings 2

Name	Attendance	Attendance by proxy
Ma Liyun	2	0
Ni Zhisen	2	0
Zhang Chengong	2	0
Zhang Chong	2	0
Jin Zhanping	2	0

On 24 December 2015, the change in Board of Directors of the Company was successfully completed. The eighth session of Strategic Development Committee consisted of Mr. Zhang Chong, the Chairman, and four members: Mr. Zhang Chengong, Mr. Tang Liwei, Mr. Ni Zhisen and Mr. Jin Zhanping.

5. Compliance Committee

The Company's Compliance Committee comprises three members, including Mr. Liu Tianni (independent non-executive Director) as the chairman of the committee, Mr. Lo Wai Keung, Eric (Hong Kong legal advisor of the Company), and Mr. Ip Pui Sum (Company Secretary) as members. Its duties and work rules are specified in the Implementation Rules for the Compliance Committee of the Company, and its major duties include:

- (1) to consider the contemplated transactions of the Company and its subsidiaries which may be subject to regulation;
- (2) to raise proposals to the Board frequently;
- (3) to further discuss and study the decisions on which the Board holds different opinions before such decisions are adopted;
- (4) to monitor continuing connected transactions and notifiable transactions to ensure such transactions are conducted on the stipulated terms;
- (5) to consider updates on the laws of Hong Kong and the PRC and regulatory requirements, and make relevant applicable recommendations to the Board.

The Compliance Committee held 2 special meetings during the reporting period, at which the committee raised proposal on compliance largely on the way of assets reorganisation and the performance of consideration procedures for connected transactions when considering the assets reorganization and connected transactions for the construction engineering of the technological renovation project of Longhao Company, and ensured compliant and legitimate operation of the Company.

IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period, details should be disclosed if there were disagreements *(Continued)*

5. Compliance Committee *(Continued)*

Meeting attendance by members of the Compliance Committee in 2015:

Number of meetings 2

Name	Attendance	Attendance by proxy
Liu Tianni	2	0
Lu Weiqiang	2	0
Ip Pui Sum	2	0

On 24 December 2015, the change in Board of Directors of the Company was successfully completed. The eighth session of Compliance Committee consisted of Mr. Liu Tianni, the Chairman, and three members: Mr. Xie Jun, Mr. Lu Weiqiang and Mr. Ip Pui Sum.

V. Risks Discovered by the Supervisory Committee

The supervisory committee supervised and inspected the financial position of the Company according to relevant laws and regulations, attended all the Board meetings and general meetings, and was of the opinion that the Board of the Company implemented legitimate decision-making procedures; an internal control system aligned with the reality of the Company was established; the Directors and managers of the Company performed their duties diligently and conscientiously and in strict compliance with the requirements of laws, regulations and the Articles of Association; and no behaviors detrimental to the interests of the Company and the general investors were found.

The supervisory committee of the Company had no objection to any supervision matters during the reporting period.

VI. The Company's Independence from Its Controlling Shareholder in terms of Business, Personnel, Assets, Organisation and Finance and Ability to Maintain Independent Operation

N/A

VII. The Establishment and Implementation of the Assessment Mechanism and Incentive Mechanism for Senior Management during the Reporting Period

An annual objective accountability assessment system was adopted for performance appraisal of the Company's senior management, based on the completion of the annual operational objectives. The remuneration for senior management was determined based on the assessment result. The annual remuneration for senior management was linked to their operational responsibilities, risks and performance.

Corporate Governance

VIII. Others

(I) Corporate governance practices

During the reporting period, the Company had complied with all the code provisions of the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

(II) Securities transactions by Directors and supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, which requires the securities transactions of the Directors and supervisors of the Company to be conducted in accordance with the Model Code. The Model Code also applies to the senior management of the Company. Having made specific enquiry, all Directors and Supervisors have confirmed that they had fully complied with relevant requirements of the Model Code during the reporting period.

(III) Directors and the Board

1. Directors

- (1) The current Board is composed of 10 directors, including: 4 Executive Directors including Mr. Ma Liyun (Chairman), Mr. Ni Zhisen, Mr. Xie Jun and Ms. Sun Lei, 2 Non-executive Directors including Mr. Zhang Chong and Mr. Zhang Chengong, and 4 Independent Non-executive Directors including Mr. Huang Ping, Mr. Dong Jiachun, Mr. Liu Tianni and Mr. Jin Zhanping. (after the change of term of office of the 8th session of the Board of the Company dated 24 December 2015, the 4 Executive Directors include Mr. Zhang Chong(Chairman), Mr. Ni Zhisen, Mr. Wang Guoqiang and Mr. Ma Yan; 3 Non-executive Directors include Mr. Xie Jun, Mr. Zhang Chengong and Mr. Tang Liwei; 4 Independent Non-executive Directors include Mr. Ye Shuhua, Mr. He Baofeng, Mr. Liu Tianni and Mr. Jin Zhanping.)

During the reporting period, 4 independent non-executive directors submitted the written performance report to the Company, and confirmed in written in respect of their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company is in the opinion that, all the independent non-executive directors are independent individuals, and are in compliance with all requirements in respect of independence as set out in Rule 3.13 of the Listing Rules.

There is no financial, business, family relations or other significant relations among members of the Board and between the Chairman and the General Manager.

Details for the changes of directors during the reporting period, please refer to Part IV under Chapter IX in the report.

VIII. Others (Continued)

(III) Directors and the Board (Continued)

1. Directors (Continued)

(2) Meeting attendance by Directors

During the reporting period, the Company convened 16 Board meetings and 3 general meetings. Please refer to Part III of this chapter for attendance at Board meetings and general meetings by the Directors in details.

Please refer to Part VI of this chapter for attendance at the meetings of all special committees in details.

(3) Enhancement of professional skills by Directors

During the reporting period, the Directors, supervisors and senior management of the Company actively participated in various training classes on specialized knowledge, familiarized themselves with the rights, obligations and legal liability of directors, supervisors and senior management of listed companies, systematically studied relevant specialized knowledge, continuously enhanced their duty performance level and maximally ensured the best interests of the Company and shareholders, in accordance with the requirements of the CSRC and the stock exchanges in the PRC and Hong Kong.

2. The Board

The Board of the Company was elected on the general meeting and was responsible to the general meeting. All director could perform their duties on diligent basis on the principle of the best interests of the Company and shareholders.

During the reporting period, the board of directors of the company, in pursuance of relevant provisions of the Corporation Law, Security Law, Principles of Listed Company Governance, Listing Rules in Shanghai and Hong Kong, related laws and regulations enacted by CSRC and the Articles of Association of the company, has set out and reviewed the corporate governance policies and practice of the company; has set out, examined and approved the development strategy and operating decisions of the company; has made the yearly budget and final account plan; has formulated and modified policies of profit distribution; has been continuously reviewing and perfecting various management systems of the company; has reviewed and supervised the policies and normal conditions of the company with respect to compliance with laws and regulations; has made, reviewed and supervised code of conduct of employees and directors and compliance manual (such as the Internal Control Manual of the company, etc.); has reviewed the compliance of the company with the Rules, etc.; has reviewed and supervised directors, supervisors and senior executives in terms of training and continuing professional development.

Corporate Governance

VIII. Others (Continued)

(IV) Chairman and Chief Executive Officer

The Chairman of the Company is Mr. Ma Liyun (Mr. Zhang Chong has been the Chairman of the Company since the election held in the 8th Board meeting on 24 December 2015) and the General Manager is Mr. Ni Zhisen. The Chairman and the General Manager are two definitely different positions, and their duties are clearly separated and set out in the Articles of Association. The main duties of the Chairman are: presiding over general meeting, convening and presiding over the Board meetings; examining implementation of resolution of the Board; signing securities issued by the Company; and other duties and power under the Articles of Association and authorised by the Board. The principal duties of General Manager are: presiding over production, operation and management of the Company as well as organizing to implement the resolutions of the Board; organizing to implement annual operating plan and investment scheme of the Company as well as drafting the internal management organisation setup of the Company; drafting the basic management system of the Company; formulating the specific regulations of the Company; proposing to the Board for appointment or dismissal of deputy general managers, chief financial officer and other senior management of the Company, as well as appointment or dismissal of the management members except those supposed to be appointed or dismissed by the Board; and other duties and rights authorised by Articles of Association and the Board.

(V) Term of office of Non-executive Directors and confirmation of the independent of independent non-executive directors

Pursuant to the Articles of Association, Non-executive Directors are elected at the general meeting with a term of office of 3 years. The directors are eligible for re-election and reappointment upon expiry. However, the term of office for independent non-executive Directors shall be not more than six years. Please refer to the related information in this section for details about the term of office for the current Non-executive Directors.

During the reporting period, 4 independent non-executive directors submitted the written performance report to the Company, and confirmed in written in respect of their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company is in the opinion that, all the independent non-executive directors are independent individuals, and are in compliance with all requirements in respect of independence as set out in Rule 3.13 of the Listing Rules.

(VI) Auditors' remuneration

Please refer to Part III of Chapter V of this report for details about the auditors' remuneration for 2015.

(VII) Directors' responsibility for the financial statements

The 2015 financial report and results announcement of the Company has been reviewed by the Audit Committee. Each of the Directors of the Company agreed on and confirmed their several and joint responsibility for the preparation of accounts of the financial statements for this year. The Directors are responsible for preparing the financial statements which gave a true and fair picture of the financial position, operating results and cash flow of the Group during the accounting period in accordance with the applicable statutory and regulatory requirements. In preparing the financial statements for the year ended 31 December 2015, the Company implemented, adopted and used the applicable accounting policies.

VIII. Others (Continued)

(VIII) Company Secretary

The Company considered and approved the reappointment of Mr. Ip Pui Sum (from Sum, Arthur & Co. in Hong Kong) as the Company Secretary. Mr. Ip conscientiously performed his duty during the reporting period, offered his opinions to the Board of the Company in respect of governance, ensured smooth information exchange among members of the Board, and complied with the policies and procedures of the Board. During the year ended 31 December 2015, Mr. Ip had accepted no less than 15 hours of professional training to update his skills and knowledge.

The principal contact person in the Company with the Company Secretary is Mr. Wu Zhixin, Secretary to the Board. For her detailed contact information, please refer to the section headed "II. Company Profile" in this report.

(IX) Rights of shareholders

The Company ensures equal rights of all shareholders, especially minority shareholders and warrants all shareholders can fully exercise their rights on a pro rata basis. The Articles of Association of the Company clearly prescribes that shareholders individually or jointly holding more than 10% shares of the Company, have right to request the Board to convene the extraordinary general meeting. The convening, holding and voting procedures of the Company's general meetings are implemented in strict compliance with relevant laws, the Articles of Association and the Rules of Procedures of General Meetings of the Company.

It is also explicitly stipulated in the Articles of Association that shareholders have the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries, the right to obtain relevant information and the right to know about and the right to participate in major matters of the Company. Please refer to the Articles of Association for detailed inquiry procedures and methods.

The Company always attaches importance to maintaining good communication with the shareholders. The Company has established major communication channels such as general meetings, website, e-mail, and fax and telephone of the Secretary Office to the Board, so as to facilitate shareholders' expressing their views or exercising their rights.

(X) Investor relations

During the reporting period, the Company took efforts in creating good and harmonious investor relations, strengthened communication and interaction with investors through diverse channels including the website, e-mail, telephone and fax, seriously received and answered the visits, letters and phone calls from investors to address their questions and inquiries, and turned the demands and suggestions of investors into a driving force for the development of the Company.

In addition, the website of the Company contains the information of the Company, the published annual reports, interim reports, quarterly reports, interim announcements, circulars and etc., where shareholders and investors have access to the most updated information of the Company.

Auditors' Report

To the Shareholders of Luoyang Glass Company Limited:

We have audited the accompanying financial statements of Luoyang Glass Company Limited (hereafter referred to as "the Company"), including the consolidated and the Company's balance sheet as of December 31, 2015, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement and the consolidated and the Company's statement of the changes in equity for 2015, and notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of the financial statements. The responsibility includes: (1) preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises to give a fair view; (2) designing, implementing and maintaining necessary internal controls so that the financial statements are free from material misstatement whether due to fraud or error.

II. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Those standards require that we comply with the Code of Ethics for PRC Certified Public Accountants, plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. AUDIT OPINION

In our opinion, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the Company's financial position as of December 31, 2015, and the Company's operating results and cash flows for 2015.

WUYIGE Certified Public Accountants LLP.

Chinese Certified Public Accountant: **Qiao Guanfang**

Chinese Certified Public Accountant: **Wang Haizhou**

Beijing • the PRC

March 17, 2016

Consolidated Balance Sheet

Item	Notes	31 December 2015	31 December 2014
Current assets:			
Monetary funds	V (I)	102,342,860.91	92,747,084.60
Notes receivable	V (II)	25,230,005.90	900,000.00
Accounts receivable	V (III)	71,678,942.58	26,050,995.86
Prepayments	V (IV)	4,329,899.13	7,788,589.17
Other receivables	V (V)	28,928,810.44	37,884,591.35
Inventory	V (VI)	195,863,112.95	249,259,177.59
Other current assets	V (VII)	58,978,537.93	87,973,847.70
Total current assets		487,352,169.84	502,604,286.27
Non-current assets:			
Available-for-sale financial assets	V (VIII)		4,343,500.00
Long-term receivables	V (IX)	51,727,535.57	48,649,780.65
Long-term equity investments			
Fixed assets	V (XI)	691,522,403.10	1,113,933,571.51
Construction in progress	V (XII)	9,828,822.54	698,734.75
Construction materials	V (XIII)		428,213.56
Disposal of fixed assets			
Intangible assets	V (XIV)	64,517,450.10	91,960,903.88
Long-term deferred expenses	V (XV)	4,995,326.04	486,000.00
Deferred income tax assets	V (XVI)	4,091,374.33	4,493,731.26
Other non-current assets			5,134,487.79
Total non-current assets		826,682,911.68	1,270,128,923.40
Total assets		1,314,035,081.52	1,772,733,209.67
Current liabilities:			
Short-term loans	V (XVIII)	67,930,000.00	20,000,000.00
Notes payable	V (XIX)	110,200,000.00	109,657,336.88
Accounts payable	V (XX)	80,295,143.32	273,108,258.05
Payments received in advance	V (XXI)	20,132,927.79	58,115,698.49
Staff remuneration payables	V (XXII)	26,291,242.89	49,545,901.94
Taxes payable	V (XXIII)	14,961,097.35	30,964,871.99
Other payables	V (XXIV)	166,587,026.05	86,573,580.21
Non-current liabilities due within one year	V (XXV)	81,097,651.66	46,293,636.87
Other current liabilities			
Total current liabilities		567,495,089.06	674,259,284.43

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
31 December 2015
Unit: Yuan Currency: RMB

Item	Notes	31 December 2015	31 December 2014
Non-current liabilities:			
Long-term loans	V (XXVI)	459,170,134.47	459,535,761.38
Deferred income	V (XXVII)	9,024,861.99	10,648,914.15
Total non-current liabilities		468,194,996.46	470,184,675.53
Total liabilities		1,035,690,085.52	1,144,443,959.96
Owners' equity:			
Share capital	V (XXVIII)	515,018,242.00	500,018,242.00
Capital reserve	V (XXIX)	922,207,200.86	1,519,966,824.90
Less: Treasury stock			
Special reserve	V (XXX)		456,157.74
Surplus reserve	V (XXXI)	51,365,509.04	51,365,509.04
Retained earnings	V (XXXII)	-1,210,245,955.90	-1,354,728,949.62
Net profit attributable to the owners of the Company		278,344,996.00	717,077,784.06
Minority interests			-88,788,534.35
Total owners' equity		278,344,996.00	628,289,249.71
Total liabilities and shareholders' equities		1,314,035,081.52	1,772,733,209.67

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LE

Person in charge of accounting department:
CHEN JING

Balance Sheet of the Parent Company

Item	Notes	31 December 2015	31 December 2014
Current assets:			
Monetary funds		60,422,236.77	45,193,116.50
Notes receivable		12,298,525.67	
Accounts receivable	XIV (I)	209,998,506.36	556,257,598.52
Prepayments		204,646.95	1,485,067.67
Other receivables	XIV (II)	92,782,775.21	179,069,893.00
Total current assets		375,706,690.96	782,005,675.69
Non-current assets:			
Available-for-sale financial assets			
Long-term receivables		51,727,535.57	48,649,780.65
Long-term equity investments	XIV (III)	748,986,593.99	52,597,961.54
Fixed assets		3,274,034.44	3,813,540.76
Construction in progress			428,213.56
Construction materials			6,856,321.12
Intangible assets		7,043,817.21	
Long-term deferred expenses		378,000.00	486,000.00
Total non-current assets		811,409,981.21	112,831,817.63
Total assets		1,187,116,672.17	894,837,493.32
Current liabilities:			
Short-term loans			10,000,000.00
Notes payable		112,100,000.00	90,000,000.00
Accounts payable		52,825,849.20	75,935,633.93
Payments received in advance		19,236,279.29	50,176,727.50
Staff remuneration payables		8,574,407.48	13,822,236.57
Taxes payable		1,170,093.28	7,262,758.60
Other payables		319,420,971.97	50,643,969.60
Non-current liabilities due within one year		43,393,347.08	43,413,636.87
Other current liabilities			
Total current liabilities		556,720,948.30	341,254,963.07

Balance Sheet of the Parent Company

Prepared by: Luoyang Glass Company Limited
31 December 2015
Unit: Yuan Currency: RMB

Item	Notes	31 December 2015	31 December 2014
Non-current liabilities:			
Long-term loans		387,331,110.45	430,815,761.38
Deferred income			
Total non-current liabilities		387,331,110.45	430,815,761.38
Total liabilities		944,052,058.75	772,070,724.45
Owners' equity:			
Share capital		515,018,242.00	500,018,242.00
Capital reserve		992,916,834.90	891,129,782.23
Less: Treasury stock			
Special reserve			
Surplus reserve		51,365,509.04	51,365,509.04
Retained earnings		-1,316,235,972.52	-1,319,746,764.40
Total owners' equity		243,064,613.42	122,766,768.87
Total liabilities and shareholders' equities		1,187,116,672.17	894,837,493.32

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LE

Person in charge of accounting department:
CHEN JING

Consolidated Income Statement

Item	Notes	2015	2014
I. Total operating revenue	V (XXXIII)	662,156,635.13	660,058,269.97
Including: Operating revenue		662,156,635.13	660,058,269.97
II. Total operating costs		1,120,770,520.04	815,895,486.83
Including: Operating costs	V (XXXIII)	633,653,570.97	603,925,932.11
Business taxes and surcharges	V (XXXIV)	4,094,122.28	6,598,685.62
Selling expenses	V (XXXV)	29,168,969.27	26,585,283.85
Administration expenses	V (XXXVI)	122,170,107.57	118,800,470.76
Finance expenses	V (XXXVII)	8,666,023.10	6,392,611.01
Impairment loss on assets	V (XXXVIII)	323,017,726.85	53,592,503.48
Add:			
Gains from changes in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	V (XXXIX)	603,457,879.81	98,842,537.14
Including: Gains from investment in associates and joint ventures			
Gains from currency exchange (losses are represented by "-")			
III. Operating Profit (losses are represented by "-")		144,843,994.90	-56,994,679.72
Add:			
Non-operating income	V (XXXX)	5,490,124.60	82,654,516.83
Including: Gain on disposal of non-current assets	V (XXXX)	459,490.08	2,294,067.72
Less:			
Non-operating expenses	V (XXXXI)	6,027,096.65	9,929,613.25
Including: Loss from disposal of non-current assets	V (XXXXI)	14,470.37	1,628,535.23
IV. Total profit (losses are represented by "-")		144,307,022.85	15,730,223.86
Less: Income tax expenses	V (XXXXII)	9,896,015.25	10,232,864.68
V. Net profit (losses are represented by "-")		134,411,007.60	5,497,359.18
Total equity attributable to the equity holders of the Company		144,482,993.72	21,159,211.92
Minority interests		-10,071,986.12	-15,661,852.74
VI. Total comprehensive income		134,411,007.60	5,497,359.18
Total comprehensive income attributable to owners of the parent company		144,482,993.72	21,159,211.92
Total comprehensive income attributable to minority interests		-10,071,986.12	-15,661,852.74
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)		0.28	0.04
(II) Diluted earnings per share (RMB/share)			

The net profit of the combined party before combination was RMB31,866,403.05 and the net profit of the combined party in the previous period was RMB5,154,515.43 as business combination happened under same control in the period.

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LE

Person in charge of accounting department:
CHEN JING

Income Statement of the Parent Company

January-December 2015
Unit: Yuan Currency: RMB

Item	Notes	2015	2014
I. Operating revenue	XIV (IV)	321,744,003.73	715,403,789.93
Less: Operating costs	XIV (IV)	315,947,775.40	702,105,154.31
Business taxes and surcharges		411,069.51	2,544,953.25
Selling expenses		2,693,060.71	2,457,715.83
Administration expenses		34,158,163.91	23,386,907.28
Finance expenses		-4,689,479.77	-6,287,017.61
Impairment loss on assets		30,442,830.93	321,657,803.07
Add: Gains from changes in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	XIV (V)	60,434,846.18	270,997,339.33
Including: Gains from investment in associates and joint ventures			
II. Operating Profit (losses are represented by "-")		3,215,429.22	-59,464,386.87
Add: Non-operating income		863,660.94	72,550,822.52
Including: Gain on disposal of non-current assets		110,298.94	1,889,196.38
Less: Non-operating expenses		568,298.28	3,044,730.2
Including: Loss from disposal of non-current assets		14,470.37	298,792.54
III. Total profit (losses are represented by "-")		3,510,791.88	10,041,705.45
Less: Income tax expenses			
IV. Net profit (losses are represented by "-")		3,510,791.88	10,041,705.45
V. Other comprehensive income net of tax			
VI. Total comprehensive income		3,510,791.88	10,041,705.45

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LE

Person in charge of accounting department:
CHEN JING

Consolidated Cash Flow Statement

Item	Notes	2015	2014
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		290,013,349.20	367,061,618.93
Other cash received from activities related to operation	V (XXXXIII)	19,647,073.22	19,225,646.50
Sub-total of cash inflow from operating activities		309,660,422.42	386,287,265.43
Cash paid for goods purchased and services rendered		262,162,002.68	234,139,687.30
Cash paid to and on behalf of employees		103,920,662.94	111,106,417.17
Tax payments		44,025,043.10	51,991,304.07
Other cash paid for activities related to operation	V (XXXXIII)	30,590,278.40	29,624,717.52
Sub-total of cash outflow from operating activities		440,697,987.12	426,862,126.06
Net cash flow from operating activities		-131,037,564.70	-40,574,860.63
II. Cash flow from investment activities:			
Cash received from disposal of investment			1,224,570.83
Cash received from return of investments			
Net cash received from disposal of fixed assets, intangible assets and other long term assets		6,232.00	38,441,655.62
Net cash received from disposal of subsidiaries and other operating entities			4,000,000.00
Other cash received from activities related to investment	V (XXXXIII)	96,430,259.30	60,012,700.00
Sub-total of cash inflow from investment activities		96,436,491.30	103,678,926.45
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		26,034,865.12	33,798,162.37
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other operating entities			
Other cash paid for activities related to investment	V (XXXXIII)	662,305.05	5,000,000.00
Sub-total of cash outflow from investment activities		26,697,170.17	38,798,162.37
Net cash flow from investment activities		69,739,321.13	64,880,764.08
III. Cash flow from financing activities:			
Cash received from investments			
Including: Proceeds received by subsidiaries from minority shareholders' investment			
Proceeds from loans		166,645,153.57	20,000,000.00
Cash received from issuing bonds			
Other cash received from financing-related activities	V (XXXXIII)	571,928,695.56	510,705,546.54
Sub-total of cash inflow from financing activities		738,573,849.13	530,705,546.54
Cash paid for repayment of loans		91,639,032.28	46,343,246.66
Cash paid for dividends, profit, or interest payments		3,952,160.79	517,126.14
Including: Dividend and profit paid by subsidiaries minority shareholders			
Other cash paid for financing-related activities	V (XXXXIII)	577,126,786.26	542,750,800.00
Sub-total of cash outflow from financing activities		672,717,979.33	589,611,172.80
Net cash flow from financing activities		65,855,869.80	-58,905,626.26

Consolidated Cash Flow Statement

January-December 2015
Unit: Yuan Currency: RMB

Item	Notes	2015	2014
IV. Effects of changes in exchange rate on cash and cash equivalents		7,344.49	430.47
V. Net increase in cash and cash equivalents		4,564,970.72	-34,599,292.34
Add: Opening balance of cash and cash equivalents		37,777,890.19	72,377,182.53
VI. Closing balance of cash and cash equivalents		42,342,860.91	37,777,890.19

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LEI

Person in charge of accounting department:
CHEN JING

Cash Flow Statement of the Parent Company

Item	Notes	2015	2014
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		94,103,592.09	274,277,887.70
Tax rebates			
Other cash received from activities related to operation		3,241,789.24	353,892,935.63
Sub-total of cash inflow from operating activities		97,345,381.33	628,170,823.33
Cash paid for goods purchased and service rendered		6,218,038.59	270,328,215.47
Cash paid to and on behalf of employees		34,941,828.98	52,915,520.72
Tax payments		4,802,612.75	6,744,426.47
Other cash paid for activities related to operation		20,342,908.81	26,826,503.99
Sub-total of cash outflow from operating activities		66,305,389.13	356,814,666.65
Net cash flow from operating activities		31,039,992.20	271,356,156.68
II. Cash flow from investment activities:			
Cash received from disposal of investments			
Cash received from return of investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			38,441,655.62
Net cash received from disposal of subsidiaries and other operating entities			4,000,000.00
Other cash received from activities related to investment		96,430,259.30	60,012,700.00
Sub-total of cash inflow from investment activities		96,430,259.30	102,454,355.62
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		213,045.15	332,570.00
Cash paid for investment			
Net cash paid for acquisition of subsidiaries and other operating entities			
Other cash paid for activities related to investment			5,000,000.00
Sub-total of cash outflow from investment activities		213,045.15	5,332,570.00
Net cash flow from investment activities		96,217,214.15	97,121,785.62
III. Cash flow from financing activities:			
Cash received from investments			
Proceeds from loans			10,000,000.00
Other cash received from activities related to financing		703,786,445.56	113,000,000.00
Sub-total of cash inflow from financing activities		703,786,445.56	123,000,000.00
Cash paid for repayment of loans		53,403,478.45	43,463,246.66
Cash paid for dividends, profit, or interest payment		365,410.20	221,001.16
Other cash paid for financing-related activities		777,052,987.48	448,000,000.00
Sub-total of cash outflow from financing activities		830,821,876.13	491,684,247.82
Net cash flow from financing activities		-127,035,430.57	-368,684,247.82
IV. Effects of changes in exchange rate on cash and cash equivalents		7,344.49	430.47
V. Net increase in cash and cash equivalents		229,120.27	-205,875.05
Add: Opening balance of cash and cash equivalents		193,116.50	398,991.55
VI. Closing balance of cash and cash equivalents		422,236.77	193,116.50

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LEI

Person in charge of accounting department:
CHEN JING

Consolidated Statement of Changes in Equity

January-December 2015
Unit: Yuan Currency: RMB

Item	2015											Total shareholder's equity	
	Share capital	Other quality instruments			Equity attributable to owners of the Company					Minority interest			
		Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit		
I. Balance at the end of last year	500,018,242.00				857,450,406.90			456,157.74	51,365,509.04		-1,359,891,297.28	-88,788,534.35	-39,389,515.95
Add: Effects of changes in accounting policies													
Effects of correction of prior year errors													
Business combination under common control					662,516,418.00						5,162,347.66		667,678,765.66
Others													
II. Balance at the beginning of the year	500,018,242.00				1,519,966,824.90			456,157.74	51,365,509.04		-1,354,728,949.62	-88,788,534.35	628,289,249.71
III. Increase/decrease in the year (decrease is represented by "-")	15,000,000.00				-597,759,624.04			-456,157.74			144,482,993.72	88,788,534.35	-349,944,253.71
(I) Total comprehensive income											144,482,993.72	-10,071,986.12	134,411,007.60
(II) Owners' contribution and decrease in capital	15,000,000.00				-597,759,624.04			-456,157.74				98,860,520.47	-484,355,261.31
1. Ordinary shares paid by shareholders	15,000,000.00				-597,759,624.04								-582,759,624.04
2. Capital paid by holders of other equity instruments													
3. Capital paid by holders of other equity instruments													
4. Others								-456,157.74				98,860,520.47	98,404,362.73
(III) Profit distribution													
(IV) Internal carry-forward of owners' equity transfer													
(V) Special reserve													
1. Amount withdrawn in the year													
2. Amount utilized in the year													
IV. Balance at the end of the year	515,018,242.00				922,207,200.86				51,365,509.04		-1,210,245,955.90		278,344,996.00

January-December 2015
Unit: Yuan Currency: RMB

Consolidated Statement of Changes in Equity

Item	2014											Total shareholder's equity		
	Share capital	Other quality instruments			Equity attributable to owners of the Company				Special reserve	Surplus reserve	General risk provisions		Undistributed profit	Undistributed profit
		Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income							
I. Balance at the end of last year	500,018,242				857,450,406.90			367,894.52	51,365,509.04			-1,375,895,993.77	-73,208,155.34	-39,902,096.65
Add: Effects of changes in accounting policies														
Effects of correction of prior year errors														
Business combination under common control					70,000,000.00							7,832.23		70,007,832.23
Others														
II. Balance at the beginning of the year	500,018,242				927,450,406.90			367,894.52	51,365,509.04			-1,375,888,161.54	-73,208,155.34	30,105,735.58
III. Increase/decrease in the year (decrease is represented by "-")					592,516,418.00			88263.22				21,159,211.92	-15,580,379.01	598,183,514.13
(I) Total comprehensive income												21,159,211.92	-15,661,852.74	5,497,359.18
(II) Owners' contribution and decrease in capital					592,516,418.00									592,516,418.00
1. Ordinary shares paid by shareholders					592,516,418.00									592,516,418.00
2. Capital paid by holders of other equity instruments														
3. Capital paid by holders of other equity instruments														
4. Others														
(III) Profit distribution														
(IV) Internal carry-forward of owners' equity														
(V) Special reserve								88,263.22					81,473.73	169,736.95
1. Amount withdrawn in the year								131,116.42					121,030.53	252,146.95
2. Amount utilized in the year								42,853.20					39,556.80	82,410.00
IV. Balance at the end of the period	500,018,242				1,519,966,824.90			456,157.74	51,365,509.04			-1,354,728,949.62	-88,788,534.35	628,289,249.71

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LEI

Person in charge of accounting department:
CHEN JING

Statement of Changes in Equity of the Parent Company

January-December 2015
Unit: Yuan Currency: RMB

Item	2015										Total shareholder's equity
	Share capital	Other quality instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Balance at the end of last year	500,018,242				891,129,782.23				51,365,509.04	-1,319,746,764.40	122,766,768.87
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				891,129,782.23				51,365,509.04	-1,319,746,764.40	122,766,768.87
III. Increase/decrease in the year (decrease is represented by "-")	15,000,000.00				101,787,052.67					3,510,791.88	120,297,844.55
(I) Total comprehensive income										3,510,791.88	3,510,791.88
(II) Owners' contribution and decrease in capital	15,000,000.00				101,787,052.67						116,787,052.67
1. Ordinary shares paid by shareholders	15,000,000.00				101,787,052.67						116,787,052.67
2. Capital paid by holders of other equity instruments											
3. Capital paid by holders of other equity instruments											
4. Others											
(III) Profit distribution											
(IV) Internal carry-forward of owners' equity											
(V) Special reserve											
IV. Balance at the end of the year	515,018,242.00				992,916,834.90				51,365,509.04	-1,316,235,972.52	243,064,613.42

Item	2014										Total shareholder's equity
	Share capital	Other quality instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Balance at the end of last year	500,018,242.00				891,129,782.23				51,365,509.04	-1,329,788,469.85	112,725,063.42
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	-1,329,788,469.85	112,725,063.42
III. Increase/decrease in the year (decrease is represented by "-")										10,041,705.45	10,041,705.45
(I) Total comprehensive income										10,041,705.45	10,041,705.45
(II) Total comprehensive income											
(III) Profit distribution											
(IV) Internal carry-forward of owners' equity											
(V) Special reserve											
IV. Balance at the end of the year	500,018,242.00				891,129,782.23				51,365,509.04	-1,319,746,764.40	122,766,768.87

Legal representative:
ZHANG CHONG

Chief accountant:
SUN LEI

Person in charge of accounting department:
CHEN JING

I. COMPANY PROFILE

1. Company Overview

Luoyang Glass Company Limited (“the Company”) was incorporated in the People’s Republic of China (“the PRC”) as a joint stock limited company.

The Company was established as part of the restructuring plan of China Luoyang Float Glass Group Company Limited (“CLFG”), a state-owned enterprise. Pursuant to the approvals from relevant authorities including the State Restructuring Commission and the National Administrative Bureau of State-owned Assets, CLFG established the Company on 6 April 1994 with CLFG as the sole promoter. At the time of its establishment, the Company had a registered capital of RMB400,000,000, including 400,000,000 state-owned legal person shares of RMB1.00 each which was paid up in full by CLFG by way of transfer of its principal business undertakings and subsidiaries together with the relevant assets and liabilities.

On 29 June 1994, 250,000,000 H shares were issued at HK\$3.65 per share, which were listed on the Stock Exchange of Hong Kong Limited on 8 July 1994.

According to the plan disclosed in the H shares prospectus and with the approval from the China Securities Regulatory Commission, the Company issued 40,000,000 A shares to the public in the PRC and 10,000,000 A shares to the employees of the Company on 29 September 1995 at RMB5.03 each, which were listed on the Shanghai Stock Exchange on 30 October 1995 and 10 May 1996, respectively.

In June 2006, pursuant to Administrative Measures for Equity Division Reform of Listed Companies issued by China Securities Regulatory Commission (CSRC) and Operational Guideline for Equity Division Reform of Listed Companies issued by Shanghai Stock Exchange, CLFG took its 21,000,000 shares in the Company as consideration to compensate tradable A-Share holders for the purpose of getting the circulation right to the Company’s shares after the proposal was agreed by general meeting of shareholders and approved by file SZP [2006] No. 1232 issued by Ministry of Commerce of P.R.C. After the implementation of equity division reform, the Company’s shares held by CLFG came to 379,000,000.

On 30 November 2006, Henan Province Luoyang Intermediate People’s Court adjudicated in verdicts LZZ [2007] No. 18-32 that CLFG took its 199,981,758 A-Shares in the Company to compensate for its debts of RMB629,942,543 to the Company. China Securities Depository & Clearing Company Limited (Shanghai) carried out related share alteration registration on 6 December 2006, the Company’s shares held by CLFG changed to 179,018,242 and the general capital of the Company changed to 500,018,242 shares.

On 3 September 2010, CLFG sold down the Company’s 20,000,000 unrestricted tradable shares through Shang Stock Exchange Block Trading System, accounting for 4% of the Company’s general capital. After this sell-down, CLFG held the Company’s 159,018,242 unrestricted tradable shares, accounting for 31.8% of the Company’s general capital.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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I. COMPANY PROFILE (Continued)

1. Company Overview (Continued)

In accordance with the resolution of 2015 First extraordinary General Meeting held on 25 August 2015, and Reply for Approval of the Issuance of Shares by Luoyang Glass Company Limited to China Luoyang Float Glass (Group) Company Limited for Asset Acquisition and Raising of Supporting Funds Proceeds (ZJXK [2015] No. 2813) issued by CSRC on 4 December 2015, the Company issued 15,000,000 new shares to CLFG for the purpose of purchasing relevant assets in December 2015. After this issuance, the Company's share capital changed to RMB515,018,242.00. Meanwhile, the Company was approved to make private placement of not more than 32,137,519 new shares to raise supporting funds for this issuance and asset purchase.

The principal activities of the Company and its subsidiaries ("the Group") are manufacturing and sale of float sheet glass. The scope of business includes manufacturing of glass and relevant sophisticated processing goods, mechanical equipment, electric appliances and accessories, sale of self-produced products, provision of technical consultancy and technical services. The major products include various types of float sheet glass. Since major assets replacement in 2015, the principal product manufactured and sold by the Group was ultra-thin glass substrate.

Registration Number/Unified Social Credit Codes: 914103006148088992
Legal representative: Zhang Chong
Registered address and address of head office: No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang

As at 31 December 2015, the Company's total share capital was 515,018,242 shares.

The financial statements were approved for disclosure by the Board of the Company on 17 March 2016.

2. Scope of Consolidated Financial Statements

No.	Name of subsidiary	Abbreviation
1	CLFG Longmen Glass Co. Ltd.	Longmen Company
2	CLFG Longhai Electronic Glass Limited	Longhai Company
3	Bengbu China National Building Materials Information Display Material Company*	Bengbu Company
4	Luoyang Luobo Furuida Commerce Co., Ltd.	Furuida

Note: Bengbu China National Building Materials Information Display Material Company* is added due to business combination under common control in this year; while four companies – CLFG Longfei Glass Co., Ltd., Yinan Huacheng Mineral Enterprise Co., Ltd., CLFG Longhao Glass Co., Ltd. and Dengfeng CLFG Silicon Co., Ltd. – are removed due to asset swap. Please refer to "VI. Change in the Scope of Consolidation" and "VII. Interests in Other Entities" of the Notes for details.

II. Basis of preparation of financial statements

1. Basis of preparation

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 the Accounting Standards for Business Enterprises – Basic Standards and the detailed accounting standards (the “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and based on the following significant accounting policies and estimates.

2. Going concern

On 31 December 2015, the current liabilities of the Group reached RMB80,142,919.22, exceeding current assets. Directors of the Company have made estimation that with the adjustment of the product structure of the Company, and the upgrading and rebuilding of production line, the Group was expected to generate positive business activities cash flow. Meanwhile, the actual controller, CNBMG, and the controlling shareholder, CLFG, have respectively made undertakings to offer financial aid to the company, which can meet the needs of settlement of debts and committed capital funds of the group. Directors of the Company believe that there is no problem about the Group’s ability to continue. Therefore, the Company has prepared the financial statement based on continuing operations.

III. Important accounting policies and estimates

Specific accounting policies and accounting estimates:

None

1. Declaration on compliance with Accounting Standards for Business Enterprises

The financial statements of the Company were prepared under the requirements of Accounting Standards for Business Enterprises, reflecting the Company’s financial positions for the year ended 31 December 2014, and operating results, cash flows and other relevant information for the year 2014 on a true and complete basis.

2. Accounting period

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

3. Operating cycle

The normal operating cycle of the Company is 12 months in a year, and the operating cycle is determined as the classification criterion of the liquidity of assets and liabilities.

4. Measurement currency

The Company’s reporting currency is the Renminbi (“RMB”).

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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Unit: Yuan Currency: RMB

III. Important accounting policies and estimates (Continued)

5. The accounting treatment of business combination under common control and not under common control

1. Enterprise merger under common control

In case the consideration for the long-term equity investments formed in the enterprise merger under common control is paid by way of cash, transfer of non-cash assets or assumption of debts, the Company will regard the share of carrying amounts of the net assets in the final controller's consolidated financial statements obtained as the initial investment cost of long-term equity investments as at the date of combination. In case the consideration for the combination is paid by issuance of equity instruments, the aggregate nominal value of shares issued will be deemed as the share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of consideration (or aggregate nominal value of shares issued) for the combination shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

2. Enterprise merger not under common control

For this kind of enterprise merger, the acquisition cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity instruments issued, in exchange for the control of the acquiree. The recognizable and identifiable assets, liabilities and contingent liabilities acquired or assumed, through enterprise merger not under common control shall be measured at fair values at the date of enterprise merger. When the cost of a enterprise merger exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets obtained, the difference shall be recognized as goodwill value. Where the cost of a enterprise merger is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized in non-operating profits for the current period if it remains true after reassessment.

6. Preparation method of consolidated financial statements

1. Scope of consolidated financial statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidation financial statements, including the enterprises under the Company's control, divisible part in the investees and structured entities.

2. To unify the accounting policies, date of balance sheets and accounting periods of the parent company and subsidiaries

When preparing consolidated financial statements, adjustments are made if the subsidiaries' accounting policies and accounting periods are different from that of the Company, in accordance with the Company's accounting policies and accounting periods.

III. Important accounting policies and estimates (Continued)

6. Preparation method of consolidated financial statements (Continued)

3. *Offset matters in the consolidated financial statements*

The consolidated financial statements shall be prepared on the basis of the balance sheets of the parent company and subsidiaries, which offset the internal transactions incurred between the parent companies and subsidiaries and within subsidiaries. The owner's equity of the subsidiaries not attributable to the parent company shall be presented as "minority equity" under the owners' equity item in the consolidated balance sheet. The long-term equity investment of the parent company held by the subsidiaries, deemed as treasury stock of the corporate group as well as the reduction of owners' equity, shall be presented as "Less: treasury stock" under the owners' equity item in the consolidated balance sheet.

4. *Accounting treatment of subsidiaries acquired from merger*

For subsidiaries acquired under enterprise merger involving enterprises under common control, the assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the financial year in which the combination took place. When preparing the consolidated financial statements, for the subsidiaries acquired from business combination not involving entities under common control, the identifiable net assets of the subsidiaries are adjusted on the basis of their fair values on the date of acquisition.

7. Classification of joint arrangements and accounting for joint operations

1. *Classification of joint arrangements*

Joint arrangements are divided into joint operations and joint ventures. Joint arrangements achieved not through separate entities are classified as joint operations. Separate entities refer to the entities with separate identifiable financial architecture including separate legal entities and legally recognised entities without the qualification of legal entity. Joint arrangements achieved through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties of joint venture under a joint arrangement due to the changes in relevant facts and circumstances, the parties of joint venture will re-assess the classification of joint arrangements.

2. *Accounting treatment for joint operations*

The parties of joint operation should recognise the following items in relation to their share of interest in joint operation, and proceed with accounting in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: to recognise their separate assets or liabilities held, and recognise the assets or liabilities jointly held according to their respective shares; to recognise the income from the disposal of their output share under joint operation; to recognise the income from the disposal of output under joint operation according to their respective shares; to recognise the expenses incurred separately, and recognise the expenses incurred under joint operation according to their respective shares.

For the parties of a joint operation not under common control, if they are entitled to relevant assets and undertake relevant liabilities of the joint operation, accounting will be carried out with reference to the provisions of the parties of joint operation; otherwise, it should be subject to relevant Accounting Standards for Business Enterprises.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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III. Important accounting policies and estimates (Continued)

7. Classification of joint arrangements and accounting for joint operations (Continued)

3. Accounting treatment for joint ventures

The parties of a joint venture should perform accounting for investments by the joint venture in accordance with the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments. The parties not under common control should carry out accounting depending on their influence on the joint venture.

8. Recognition standard for cash and cash equivalents

Cash presented in the cash flow statements represents the cash on hand and deposits available for payment at any time. Cash equivalents presented in the cash flow statements refer to short-term, highly liquid investments held that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

9. Translation of foreign currency transactions and financial statements denominated in foreign currency

1. Translation of foreign currency transactions

Foreign currency transactions of the Company are recorded in the recording currency of the transaction date. At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used in initial recognition or on the last balance sheet date shall be recorded into the profit or loss for the current period, except for those arising from borrowings denominated in foreign currencies and used for financing the construction of qualifying assets, which are capitalized as cost of the related assets. Foreign currency non-monetary items measured at historical cost shall continue to be translated using the spot exchange rate at the date of transaction. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date the fair value is determined. The exchange difference arising therefrom shall be treated as the change in fair value (including the change in exchange rate), and included in profit or loss for the current period or recognised as other comprehensive income.

2. Translation of financial statements denominated in foreign currency

If the functional currencies used as the bookkeeping base currency by the subsidiaries, joint ventures and associates under the control of the Company are different from that of the Company, their financial statements denominated in foreign currencies shall be translated to perform accounting and prepare the consolidated financial statements. The assets and liabilities in the financial statements are translated into functional currency at the spot exchange rates at the balance sheet date. Except the item "Retained earnings", the owner's equity items are translated into functional currency at the transaction dates. The income and expenses of foreign operations in the income statement are translated into functional currency at the spot exchange rates at the transaction dates. The resulting exchange differences are recognized in a separate component of owner's equity in the balance sheet. The cash flow of foreign currency which can be determined by the systematic and reasonable system shall be translated at the spot exchange rate at the transaction date. The effect of exchange movement shall be included separately in the cash flow statement. On disposal of foreign operations, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operation shall be transferred to profit or loss in proportionate share in the period in which the disposal took place.

III. Important accounting policies and estimates (Continued)

10. Financial instruments

1. Classification and recognition of financial instruments

Financial instruments are classified as financial assets or financial liabilities. A financial asset or a financial liability is recognized when the Company becomes a contractual party of a financial instrument.

Upon initial recognition, financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity investments, receivables and available-for-sale financial assets. Except for receivables, the classification of a financial asset is based on the purpose and capability of holding the financial asset of the Company and its subsidiaries. Upon initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term; receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories at initial recognition; held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity.

2. Measurement of financial instruments

Financial assets and financial liabilities of the Company are initially recognized and measured at fair values. Subsequent measurement is dealt with based on different categories: financial assets at fair value through profit or loss, financial assets available for sale and financial liabilities at fair value through profit or loss are subsequently measured at fair values; held-to-maturity investments, loans and receivables and other financial liabilities are subsequently measured at amortised costs; Derivative financial assets or liabilities linked to and which must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be measured reliably are subsequently measured at cost. Except for financial instruments held for hedging purposes, the gains or losses arising from the changes in fair values in subsequent measurements of the Company's financial assets or financial liabilities are accounted for as follows: ① The gains or losses resulting from the changes in fair values of the financial assets or financial liabilities which are measured at fair values through profit and loss for the current period are recorded as change in fair value in profit or loss; ② Changes in fair values of available-for-sale financial assets are recorded in other comprehensive income.

3. Recognition of the fair value of financial assets and financial liabilities by the Company

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to recognize the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include market approach, income approach and cost approach.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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III. Important accounting policies and estimates (Continued)

10. Financial instruments (Continued)

4. Recognition and measurement of transfer of financial assets and liabilities

When the Company has transferred nearly all of the risks and rewards related to the ownership of a financial asset to the transferee, or neither transferred of financial assets nor retained nearly all of the risks and rewards related to the ownership of the financial asset but given up the control of the financial asset, the financial asset shall be derecognized. When the criteria for derecognition of a financial asset are met, the difference between the carrying value of the transferred financial asset and the sum of the consideration received from the transfer and the accumulated fair value changes previously recorded in other comprehensive income are recorded in profit or loss for current period. If the partial transfer satisfies the criteria for derecognition, the entire carrying value of the transferred financial asset shall proportionally allocated between the derecognized portion and the retained portion according to their respective relative fair value.

When all or part of the current obligation to a financial liability has been terminated, the entire or part of such financial liability shall be derecognized.

5. Impairment of financial assets

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an impairment loss on a financial asset measured at cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows. The impairment loss on such financial asset is not reversed once it is recognised.

III. Important accounting policies and estimates (Continued)

10. Financial instruments (Continued)

5. Impairment of financial assets (Continued)

Where there is objective evidence that an impairment loss on available-for-sale financial assets occurs, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly. For investments in equity instruments, the specific quantitative criteria for the Company to determine "serious" or "not temporary" decrease in their fair value, cost computing method, method for determining closing fair value, and basis for determining the continuous decrease period are set out below:

Specific quantitative criterion on "serious" decrease in their fair value	Decrease in closing fair value relative to the cost has reached or exceeded 50%
Specific quantitative criterion on "not temporary" decrease in their fair value	Fall for 12 consecutive months
Cost computing method	Consideration of payment at acquisition (net of cash dividends declared but not yet paid or due but unpaid interest on bonds) and the relevant transaction cost are recognized as the investment cost.
Method for determining closing fair value	As for a financial instrument for which there is an active market, the quoted prices in the active market shall be used to recognize the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value.
Basis for determining the continuous decrease period	The rebound in the continuous fall or the period with the trend of fall is less than 20% margin. Rebound duration not more than six months is treated as continuous decrease period.

Notes to the Financial Statements

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III. Important accounting policies and estimates (Continued)

11. Receivables

(1) Receivables individually significant and with provision for bad debts on an individual basis:

Basis and criteria for determining whether a receivable is individually significant	Receivables with the book balance of over RMB5 million
Provision policies of bad debt provision for individually significant receivables	To confirm according to the balance between the carrying values and the present value of estimated future cash flows

(2) Receivables for which bad debt provision is made on group basis by similar credit risk characteristics

Basis for determination of portfolio (aging analysis, percentage of balance, and other methods)

Basis for group determination	Nature of receivables and risk characteristics
The group with provision for bad debts based on aging analysis	Apart from those for which no provision has been paid for bad debts, receivables which are unimpaired through separately test of impairment are divided into certain portfolios of credit risk in accordance with the aging analysis methods, and then the provision for bad debts is made in proportion to the balance of these receivable portfolios.
The group without provision for bad debts	<p>(1) Various margins and deposits related to the production and operations that are fully recoverable upon maturity;</p> <p>(2) Receivables due from related parties with good financial position;</p> <p>(3) Other balances that have positive evidence indicating they are fully recoverable.</p>

Provision methods for bad debts in group

The group with provision for bad debts based on aging analysis	Aging analysis methods
The group without provision for bad debts	No provision for bad debts will be made

III. Important accounting policies and estimates (Continued)

11. Receivables (Continued)

(2) *Receivables for which bad debt provision is made on group basis by similar credit risk characteristics (Continued)*

In the groups, the provision for bad debts based on aging analysis set out as follows:

Age	Provision rate for accounts receivable (%)	Provision rate for other receivables (%)
Within 1 year (including 1 year)	0	0
1-2 years	30	30
2-3 years	50	50
Over 3 years	100	100
3-4 years	100	100
4-5 years	100	100
Over 5 years	100	100

(3) *Individually insignificant receivables with provision for bad debts on an individual basis:*

Basis for individual provision	Concrete evidence indicates that there is obvious difference in recoverability.
Provision method	For the provision for bad debts by using individual determination method, provisions are made for receivables due from related parties that are estimated to be fully unrecoverable.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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III. Important accounting policies and estimates (Continued)

12. Inventories

1. Classification

Inventories means finished goods or merchandise held for sale in the ordinary course of business, unfinished products in the process of production, materials or supplies used in the process of production or rendering of services. Inventories mainly include raw materials, revolving materials, work in progress and finished goods.

2. Measurement for delivered inventories

Upon delivery of inventories, the actual cost of such inventories will be determined by using weighted average method.

3. Provision for impairment

At the end of the period, after a thorough inspection of the inventories, provision for decline in value of inventories will be made and adjusted at the lower of the cost and the net realizable value. Net realisable value of held-for-sale commodity stocks, such as products, goods-in-stock, and held-for-sale raw materials, during the normal course of production and operation, shall be determined by their estimated sales less the related selling expenses and taxes; the net realizable value of material inventories, which need to be processed, during the normal course of production and operation, shall be determined by the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of finished goods; the net realizable value of inventories held for execution of sales contracts or labor contracts shall be calculated on the ground of the contracted price. If an enterprise holds more inventories than the quantity stipulated in the sales contract, the net realizable value of the exceeding part shall be calculated on the ground of general selling price.

Decline in value of inventories is made on an item-by-item basis at the end of the period. For large quantity and low value items of inventories, provision may be made based on categories of inventories; for items of inventories relating to a product line that is produced and marketed in the same geographical area and with the same or similar end uses or purposes, which cannot be practicably evaluated separately from other items in that product line, provision for decline in value of inventories may be determined on an aggregate basis.

Should the factors causing any write-down of the inventories do not exist anymore, the amount of write-down will be recovered and be reversed from the provision for diminution in value of inventories that has been made. The reversed amount will be included in the current profits and losses.

4. Inventory system

The Company adopts perpetual inventory system.

5. Amortization of low-value consumables and packaging materials

Low-value consumables are amortized using one-off write-off method. Packaging materials and other revolving materials are amortized using equal-split amortization method.

III. Important accounting policies and estimates (Continued)

13. Recognition of assets held for sale

Non-current assets meet the following criteria shall be recognised as assets held for sale: (i) The resolution has been made to dispose this non-current asset; (ii) There is an irrevocable transfer agreement that has been made between the Company and the transferee; (iii) The whole transfer shall be completed within one year.

14. Long-term equity investments

1. Determination of initial investment cost

For a long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation not under common control, the initial cost is the consolidation cost at the date of acquisition. For a long-term equity investment acquired by cash, the initial investment cost shall be the total purchase price. For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is recognized according to relevant requirements of Accounting Standards for Business Enterprises No.12 – Debt Restructuring. For a long-term equity investment acquired by exchange of non-monetary assets, the initial investment cost is recognized according to relevant standards and regulations.

2. Subsequent measurement and profit or loss recognition

Where the investor has a control over the investee, long-term equity investments are measured using cost method. Long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be measured at fair value through profit or loss according to according to relevant requirements of Accounting Standards for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

3. Basis of conclusion for common control and significant influence over the investee

Joint control over an investee refers to where the activities which have a significant influence on return on certain arrangement could be decided only by mutual consent of the investing parties sharing the control, which includes the sales and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities and financing activities, etc.; Significant influence on the investee refers to that: significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights or even if the holding is below 20%, there is still significant influence if any of the following conditions is met: there is representative in the board of directors or similar governing body of the investee; participation in the investee's policy setting process; assign key management to the investee; the investee relies on the technology or technical information of the investing company; or major transactions with the investee.

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III. Important accounting policies and estimates (Continued)

15. Fixed assets

(1) Recognition conditions

Fixed assets are tangible assets that are held for production, provision of services, leasing or administrative purposes, and have useful life more than one financial year. Fixed asset are recognized when both of the following conditions are met: economic benefits in relation to the fixed assets are very likely to flow into the enterprise; and the cost of the fixed assets can be measured reliably.

(2) depreciation methods

Category	Depreciation methods	Depreciable life (year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	straight-line method	30–50	3–5	1.90–3.23
Machine and equipment	straight-line method	4–28	3–5	3.39–24.25
Electronic equipment	straight-line method	10	3	9.70
Transportation tools	straight-line method	6–12	3–5	7.92–16.17
Other equipment	straight-line method	4–28	3–5	3.39–24.25

(3) Recognition, measurement and depreciation of fixed assets under finance lease

Recognition of fixed assets under finance lease: the nature of this kind of lease is a transfer of all risk and rewards related to the ownership of assets. Measurement of fixed assets under finance lease: the initial amount of a fixed asset under finance lease should be recorded as the lower of fair value of the leased asset at the beginning date of lease term and the present value of minimum lease payment. Subsequent measurement of fixed assets under finance lease should be in accordance with the accounting policies adopted for self-owned fixed assets in respect of provision of depreciation and impairment.

16. Construction in progress

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. A fixed asset is ready for intended use if any of the following criteria is met: the construction of the fixed assets (including installation) has been completed or substantially completed; the fixed asset has been put to trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; little or no expenditure will be incurred for construction of the fixed asset; or the fixed asset constructed has achieved or almost achieved the requirement of design or contract.

III. Important accounting policies and estimates (Continued)

17. Borrowing costs

1. *Borrowing costs Basis for capitalization of borrowing costs*

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized into the cost of relevant assets. Other borrowing costs are recognized as expenses in profit and loss when incurred. Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

2. *Calculation of amount to be capitalized Capitalization period*

The period beginning from the commencement of capitalizing borrowing costs to the date of ceasing capitalization, excluding the period of suspension of capitalization. Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

The capitalized amount shall be, for designated borrowings the actual interest expense incurred for the designated borrowings, less the interest income from the unused funds of the designated borrowings or investment income from the temporary investments; and for general borrowings, the weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from designated borrowings times the interest rate of the general borrowings so occupied. The interest rate is the weighted average rate of the general borrowings; and for borrowings with discount or premium, the discount or premium was amortized over the term of the borrowings to adjust the interest in every period using effective interest rate method.

The effective interest rate method is based on the effective interest rate of the borrowings to calculate the amortization of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows to the carrying value of the borrowings.

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III. Important accounting policies and estimates (Continued)

18. Intangible assets

(1) Measurement, useful life and impairment test

1. Measurement of intangible assets

Intangible assets are initially measured at costs. The actual costs of purchased intangible assets include the considerations and relevant expenses paid. The actual costs of intangible assets contributed by investors are the prices contained in the investment agreements or mutually agreed. If the price contained in the investment agreement or mutually is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditure incurred in brings the asset to its intended use.

Subsequent measurement of the Company's intangible assets: Intangible assets with finite useful lives are amortized on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there are variance with original estimates; Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

2. Determination basis of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The determination basis of intangible assets with infinite useful lives: derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; useful life till could not be estimated after considering the industrial practices or relevant expert opinion.

At each year end date, the useful lives of the intangible assets with indefinite useful lives are reviewed. The assessment is performed by the departments that use the intangible assets, using the down-to-top approach, to determine if there are changes to the indefinite useful lives.

III. Important accounting policies and estimates (Continued)

18. Intangible assets (Continued)

(2) Accounting policy regarding the expenditure on the internal research and development

Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage.

As for an internal research and development project, expenditure incurred in the research phase is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are recognized as intangible assets if all of the following conditions are met: (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale; (2) the intention to complete the intangible asset for use or for sale; (3) how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and (5) the expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research phase and development phase of an internal research and development project: research stage is the activities carried out for the planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of new technologies and new knowledge obtained from the research phase to produce new or improved materials, equipment and products is regarded as development phase, which has the characteristics of very probable pinpointing and forming results.

19. Long-term asset impairment

Long-term equity investments, investment properties measured at cost and long-term assets such as fixed assets, construction in progress, intangible assets and goodwill are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

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III. Important accounting policies and estimates (Continued)

20. Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but the benefit period is over one year (not including one year). Long-term deferred expenses are amortized over the benefit period. If a long-term deferred expense cannot benefit the future accounting period, the residue value of such project not amortized yet shall be transferred to the profit or loss in the current period.

21. Employee benefits

(1) Accounting treatment of short-termed wages

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in profit and loss of the current period or in assets. In respect of the defined benefit scheme, the Company shall use the projected unit credit method and attribute the welfare obligations calculated using the formula stipulated by the defined benefit scheme to the service period of the employee, and record the obligation in the current profit and loss or related assets cost.

(2) Accounting treatment of off-service welfare

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in profit and loss of the current period or in assets. In respect of the defined benefit scheme, the Company shall use the projected unit credit method and attribute the welfare obligations calculated using the formula stipulated by the defined benefit scheme to the service period of the employee, and record the obligation in the current profit and loss or related assets cost.

(3) Accounting treatment of dismissal welfare

The Company recognizes a liability and expenses in the current profit or loss for termination benefits at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits; and when the Company recognizes costs for restructuring involving the payment of termination costs.

(4) Accounting treatment of other long-term employees' welfare

The Company provides other long-term employee benefits to its employees. For those falling within the scope of defined contribution scheme, the Company shall account for them according to relevant requirements of the defined contribution scheme. In addition, the Company recognizes and measures the net liabilities or net assets of the other long-term employee benefits according to relevant requirements of the defined contribution scheme.

III. Important accounting policies and estimates (Continued)

22. Estimated liability

If an obligation in relation to contingency is the present obligation of the Company and the performance of such obligation is likely to lead to the outflow of economic benefits and its amount can be reliably measured, such obligation shall be recognized as estimated liability. The best estimate of the expenditure from current obligation is initially recorded as accrued liability. When the necessary expenditures falls within a range and the probability of each result in the range are identical, the best estimate is the median of the range; if there are severable items involved, every possible result and relevant probability are taken into account for the best estimation.

At the balance sheet date, the carrying value of provision is reviewed. If there is objective evidence that the carrying value could not reflect the current best estimate, the carrying value is adjusted to the best estimated value.

23. Revenue

1. Sales of goods

Revenue from the sale of goods shall be recognized at the amount received or receivable from buyers based on contractual or agreed prices, only when all of the following conditions are satisfied: ① the significant risks and rewards of ownership of the goods have been passed to the buyer; ② the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; ③ the amount of revenue can be measured reliably; ④ it is probable that the associated economic benefits will flow to the enterprise; and ⑤ the associated costs incurred or to be incurred can be measured reliably.

Specific method for revenue recognition: the sales revenue shall be recognized upon the goods are delivered, the client signs to acknowledge the receipt of such goods and the relevant papers such as invoices and bill of lading are handed to the purchasing client.

If there is deferred payment clause in the agreement or mutually agreed price, which in substance is a financing nature, the fair value of the receivables is recorded as sales amount.

2. Provision of labour services

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from provision of services shall be recognized using the percentage of completion method. The percentage of completion is determined by the Company based on the percentage of actual cost over estimated total cost. At the balance sheet date, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, it shall be dealt with in the following ways: ① if the cost of services incurred is expected to be compensated, the revenue from the rendering of services is recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of service in profit or loss; ② if the cost of services incurred is not expected to be compensated, the cost incurred should be included in current profit or loss, and no revenue from the rendering of services may be recognized.

3. Alienating the right to use an asset

When the inflow of economic benefits from the alienating of assets is probable and the income can be measured reliably, the income from alienating the right to use an asset is recognized.

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III. Important accounting policies and estimates (Continued)

24. Government grants

(1) Accounting treatment for government grants related to assets

If the government grant received by the Company is used for construction or other project that forms a long term asset, it is regarded as asset-related government grant. Asset-related government grant is recognized as deferred income and is evenly amortised to profit or loss on a straight-line basis over the useful life of the relevant asset starting from the date the asset is available for use.

(2) Accounting treatment for government grants related to income

The government grants other than the government grants related to assets are recognized as government grants related to income. Government grants related to income shall be treated as follows: those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit and loss for the current period when such expenses are recognized; and those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

(3) Specific standards for differentiating governmental subsidy relating to asset from that relating to income

Where there is no express regulation on subsidy object in government documents, the criteria for differentiating governmental subsidy relating to asset from that relating to income is as below: ① government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date; ② government grant shall be categorized as related to income if its usage is just subject to general statement but specific project in relevant document.

25. Deferred tax assets/deferred tax liabilities

1. The deferred income tax assets and income tax liabilities shall be calculated and recognized at the applicable tax rate during which such asset are expected to be recovered or such liabilities can be settled, based on the difference between the carrying amount of assets and liabilities and their tax basis (for the items that have not been recognized as the assets and liabilities and whose taxable basis can be determined according to the tax law, the taxable basis can be determined as its difference).
2. The deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. At the balance sheet date, if there is positive evidence indicating that sufficient taxable profits can be obtained in the future period to a lawful deductible temporary differences, and the unrecognized deferred income tax asset in the previous accounting period shall be recognized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.
3. As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities are recognized unless the Company can control the time for the reversal of temporary differences and such differences are much likely not to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognized when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

III. Important accounting policies and estimates (Continued)

26. Lease

(1) Accounting treatment for operating leases

Lease expenditure for operating leases shall be recorded into the cost of the relevant asset or the current period's on a straight-line basis during the lease term.

(2) Accounting treatment for lease under financing

The lower of the fair value of the leased assets and the present value of the minimum lease payment shall be taken as the book value of the leased assets. The difference of the book value of the assets under lease and the minimum lease payment shall be the unrecognized financing expenses and shall be amortised according to the actual interest rate within the lease term. The balance derived from deducting the unrecognized financing expenses from the minimum lease payment shall be the long-term payables as shown.

IV. TAXES

1. Major categories of taxes and tax rates

Category	Tax basis	Tax rate
Value added tax	Assessable value-added part of sales revenue, and revenue from processing and repair, fitting and labour services	13%–17%
Consumption tax		
Business tax	Business revenue	5%
City maintenance and construction tax	Value added tax and business tax paid	5%–7%
Enterprise income tax	Taxable future profit	15%, 25%
Educational surcharges	Value added tax and business tax paid	3%

Should there be any entity paying taxes being entitled to different enterprise income tax rate, the disclosure is explained below:

Name of entity paying taxes	Income tax rate
The Company	25%
Longhai Company	15%
Other subsidiaries	25%

2. Preferential tax treatment

On 26 June 2013, Longhai Company, the Company's wholly-owned subsidiary, was recognized as high-tech enterprise as verified by Henan Scientific and Technological Department, Henan Finance Department, National Taxation Bureau of Henan Province and Local Taxation Bureau of Henan Province, and awarded "High-tech Enterprise Certificate" with an effective period of three years. In accordance with Paragraph 2 of Article 28 of the Enterprise Income Tax Law of the PRC, Article 93 of the Regulation on the Implementation of Enterprise Income Tax Law of PRC and the relevant provisions of the Notice of the State Administration of Taxation concerning Relevant Issues for Implementation of Tax Preferential Treatment for High-Technology Enterprises (Guo Shui Han [2009] No. 203), Longhai Company was taxed at a rate of 15% in 2015.

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Cash on hand	43,940.18	186,185.37
Deposits at banks	42,298,920.73	37,612,230.78
Other monetary funds	60,000,000.00	54,948,668.45
Total	102,342,860.91	92,747,084.60

Including: total overseas deposit

Note: At the end of the period, the guarantee deposit for bank acceptance in the balance of the other monetary funds was 60,000,000.00 Yuan.

2. Notes receivable

(1) Category of notes receivable

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Bank acceptance	25,230,005.90	900,000.00
Trade acceptance		
Total	25,230,005.90	900,000.00

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Notes receivable (Continued)

(2) Notes receivable has been pledge at the end of the period

Unit: Yuan Currency: RMB

Item	Amount has been pledged by the end of the year
Bank acceptance	10,000,000.00
Trade acceptance	
Total	<u>10,000,000.00</u>

(3) Notes receivable which were endorsed but were not yet discounted by the Company at the end of the period and not due as of the date of the balance sheet:

Unit: Yuan Currency: RMB

Item	Derecognized amount at the end of the period	Not-yet-derecognized amount at the end of the period
Bank acceptance	204,149,345.04	
Trade acceptance		
Total	<u>204,149,345.04</u>	

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

(1) Disclosed categorization of accounts receivable

Unit: Yuan Currency: RMB

Category	Closing balance at the end of the period					Opening balance at the beginning of the period				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)		Amount	Ratio (%)	Amount	Provision ratio (%)	
Account receivables with significant single amount and individual provision for bad debts										
Accounts receivable with provision for bad debts pursuant to the group with credit risk characteristics	125,374,455.66	100	53,695,513.08	42.83	71,678,942.58	78,590,274.42	100	52,539,278.56	66.85	26,050,995.86
Account receivables with insignificant single amount and individual provision for bad debts										
Total	125,374,455.66	/	53,695,513.08	/	71,678,942.58	78,590,274.42	/	52,539,278.56	/	26,050,995.86

For the groups, the accounts receivable with provision for bad debts are calculated pursuant to the aging analysis method are as follows:

Unit: Yuan Currency: RMB

Aging	Closing balance at the end of the period		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Within 1 year			
Sub-total with 1 year	67,442,699.60		
1 to 2 years	79,808.01	23,942.40	30
2 to 3 years	605,589.30	302,794.66	50
3 to 4 years	2,675,362.38	2,675,362.38	100
4 to 5 years	2,621,120.50	2,621,120.50	100
Above 5 years	48,072,293.14	48,072,293.14	100
Total	121,496,872.93	53,695,513.08	44.19

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

(1) Disclosed categorization of accounts receivable (Continued)

For the groups, the accounts receivable without provision for bad debts is as follows:

Item	Amount at the end of the period	Amount at the beginning of the period
Group without provision for bad debts (related parties)	3,877,582.73	5,051,484.28
Total	3,877,582.73	5,051,484.28

(2) Top five largest accounts receivable at the end of the period by the balance collected regarding the party in default:

The total accounts receivable at the end of the period by the balance collected regarding the party in default is 68,217,180.98 Yuan, representing 54.41% of the total balance of the accounts receivable at the end of the period. The total balance of the corresponding provision for bad debts at the end of the period is 10,373,924.15 Yuan.

4. Prepayments

(1) Aging analysis of prepayments

Unit: Yuan Currency: RMB

Aging	Closing balance at the end of the period		Opening balance at the beginning of the period	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	4,083,207.96	94.31	7,479,655.73	96.03
1 to 2 years	201,553.73	4.65	10,622.24	0.14
2 to 3 years	7,867.24	0.18	199,771.00	2.56
Above 3 years	37,270.20	0.86	98,540.20	1.27
Total	4,329,899.13	100.00	7,788,589.17	100.00

(2) Top five largest prepayments the at the end of the period by the total balance collected regarding the party paying prepayments:

The top five largest prepayments at the end of the period by the balance collected regarding the party paying prepayments is 3,340,051.24 Yuan, representing 77.14% of the total balance of the prepayments at the end of the period.

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other accounts receivable

(1) Disclosed Categories of other accounts receivable

Unit: Yuan Currency: RMB

Category	Closing balance at the end of the period					Opening balance at the beginning of the period				
	Carrying amount		Provision for bad debts		Book Value	Carrying amount		Provision for bad debts		Book Value
	Amount	Ratio (%)	Amount	Provision Ratio (%)		Amount	Ratio (%)	Amount	Provision Ratio (%)	
Other receivables with significant single amount and individual provision for bad debts	10,808,704.00	12.90	10,808,704.00	100.00	0	10,808,704.00	12.90	10,808,704.00	100.00	0
Other receivable with provision for bad debts pursuant to the group with credit risk	72,949,808.50	87.10	44,020,998.06	60.34	28,928,810.44	77,881,286.58	83.96	39,996,695.23	51.36	37,884,591.35
Other receivables with insignificant single amount and individual provision for bad debts						4,071,810.65	4.39	4,071,810.65	100	
Total	83,758,512.50	/	54,829,702.06	/	28,928,810.44	92,761,801.23	/	54,877,209.88	/	37,884,591.35

Other receivables with significant single amount and individual provision for bad debts at the end of the period are set as follows:

Unit: Yuan Currency: RMB

Other receivables (by unit)	Closing balance at the end of the period			
	Other receivables	Provision for bad debts	Provision Ratio	Reason for making provision
Xili Branch, Zhengzhou of China Construction Bank	10,808,704.00	10,808,704.00	100%	Full provision for bad debts due to failure of recovery
Total	10,808,704.00	10,808,704.00	/	/

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other accounts receivable (Continued)

(1) Disclosed Categories of other accounts receivable (Continued)

For the groups, other receivables with provision for bad debts by using aging analysis method:

Unit: Yuan Currency: RMB

Aging	Closing balance at the end of the period		
	Other receivables	Provision for bad debts	Provision Ratio (%)
Within 1 year			
Including: within 1 year by category			
Sub-total within 1 year	4,699,129.52		
1 to 2 years	879,956.00	263,986.80	30
2 to 3 years	10,778,749.39	5,389,374.70	50
Above 3 years			
3 to 4 years	455,898.27	455,898.27	100
4 to 5 years	1,790,793.99	1,790,793.99	100
Above 5 years	36,120,944.30	36,120,944.30	100
Total	54,725,471.47	44,020,998.06	80.44

(2) Category of other receivables by nature of amount

Unit: Yuan Currency: RMB

Nature of amount	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Proceeds from disposal of property	10,430,000.00	12,600,000.00
Provisional estimated input tax	1,659,918.53	12,820,348.28
Reserve, deposit, security deposit	16,385,035.53	4,280,796.62
Current accounts	55,283,558.44	63,060,656.33
Total	83,758,512.50	92,761,801.23

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Other accounts receivable (Continued)

(3) The top five largest other receivables at the end of the period by the balance collected regarding the party in default

Unit: Yuan Currency: RMB

Company names	Nature of amount	Closing balance at the end of the period	Aging	Ratio representing with respect to the total balance of other receivables at the end of the period (%)	Balance of provision for bad debts at the end of the period
International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司)	Security deposit	13,636,363.00	Within 1 year	16.28	
Xili Branch, Zhengzhou of China Construction Bank	Current accounts	10,808,704.00	More than 5 years	12.90	10,808,704.00
CLFG Hoisting Machinery Company Limited	Proceeds from disposal of property	10,430,000.00	2 to 3 years	12.45	5,215,000.00
Zhuge County Government (諸葛鎮政府)	Current accounts	9,856,832.00	More than 5 years	11.77	9,856,832.00
Shenzhen Cynthia Industrial Company Limited (深圳新西亞實業有限公司)	Current accounts	4,600,000.00	More than 5 years	5.49	4,600,000.00
Total	/	49,331,899.00	/	58.89	30,480,536.00

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories

(1) Category of inventories

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period			Opening balance at the beginning of the period		
	Carrying amount	Provision for decreased price	Book value	Carrying amount	Provision for decreased price	Book value
Raw materials	52,967,558.31	506,219.48	52,461,338.83	92,172,076.83	8,940,091.72	83,231,985.11
Products in process	3,797,511.02		3,797,511.02	8,916,027.91	464,845.58	8,451,182.33
Commodity inventories	192,178,496.67	53,090,824.10	139,087,672.57	206,774,082.84	61,287,716.33	145,486,366.51
Circulation materials	516,590.53		516,590.53	12,623,078.08	533,434.44	12,089,643.64
Total	249,460,156.53	53,597,043.58	195,863,112.95	320,485,265.66	71,226,088.07	249,259,177.59

(2) Provision for decreased price of inventories

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period		Decrease for the current period		Closing balance at the end of the period
		Provision	Others	Reversal or write-off	Others	
Raw materials	8,940,091.72	1,119,290.65		713,008.29	8,840,154.60	506,219.48
Products in process	464,845.58	1,039,619.73		468,460.04	1,036,005.27	
Commodity inventories	61,287,716.33	35,510,794.01		43,707,686.24		53,090,824.10
Circulation materials	533,434.44			25,736.42	507,698.02	
Total	71,226,088.07	37,669,704.39		44,914,890.99	10,383,857.89	53,597,043.58

Specific basis for recognizing net realizable value: during the normal course of production, the net realizable value is the amount after deducting the estimated cost of completion, estimated selling expenses and relevant taxes from the estimated selling price of inventories.

Reverse of provision for decline in value of inventories in this period: some raw materials are sold directly and selling price rises.

Write-off of provision for decline in value of inventories in this period: goods in stock for which provision for decline in value has been made, are sold in this period and related provision for decline in value of inventories are written off.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other current assets

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Tax to be deducted	57,910,038.63	87,973,847.70
Payment of Enterprise Income Tax in advance	1,068,499.30	
Total	58,978,537.93	87,973,847.70

8. Available-for-sale financial assets

(1) Available-for-sale financial assets

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period			Opening balance at the beginning of the period		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Available-for-sale debt instruments:						
Available-for-sale equity instruments:	7,791,217.53	7,791,217.53		12,134,717.53	7,791,217.53	4,343,500.00
Measured at fair value						
Measured at cost	7,791,217.53	7,791,217.53		12,134,717.53	7,791,217.53	4,343,500.00
Total	7,791,217.53	7,791,217.53		12,134,717.53	7,791,217.53	4,343,500.00

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Available-for-sale financial assets (Continued)

(2) Available-for-sale financial assets measured per cost at the end of the period

Unit: Yuan Currency: RMB

Investee	Carrying amount			Provision for impairment			Shareholding ratio in the investee (%)	Cash dividend for the current period
	At the beginning of the period	Increase for the current period	Decrease for the current period	At the end of the period	At the beginning of the period	Increase for the current period		
1. Luoyang Luobo Glass Fibre Co., Ltd. (Note 1)	4,000,000.00			4,000,000.00	4,000,000.00			35.90
2. CLFG Luoyang Jingjiu Glass Products Company Limited (Note 1)	1,500,000.00			1,500,000.00	1,500,000.00			31.08
3. CLFG New Lighting Company Limited (Note 1)	2,291,217.53			2,291,217.53	2,291,217.53			29.45
4. Zhongyuan Bank Holdings Limited (Note 2)	4,343,500.00		4,343,500.00					0.0457
5. Luoyang Jingxin Ceramic Co., Ltd. (Note 3)								
Total	12,134,717.53		4,343,500.00	7,791,217.53	7,791,217.53			/

- Note:
- Since the foregoing companies are the subsidiaries of CLFG, the largest shareholder of the Company, namely, the directors of the Company believe that there had been no significant impact although the Company's shareholding of the share capital in the investee exceeded 20%.
 - Decreases in this period are caused by the reduction in consolidation scope.
 - The initial investment cost of the Company's investment in Luoyang Jingxin Ceramic Co. Ltd. was RMB20,553,050.00, accounting for a shareholding of 49%, which is measured using equity method. In 2014, Luoyang Jingxin Ceramic Co. Ltd. was in the process of bankruptcy liquidation. The Company changed the measurement from long-term equity investment equity method to available-for-sale financial assets at cost and such investment was transferred to available-for-sale financial assets at nil value. In the current period, the Company canceled investment to Luoyang Jingxin Ceramic Co., Ltd. after verification based on the fact that insolvency liquidation came to an end.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Available-for-sale financial assets (Continued)

(3) Change in the impairment of available-for-sale financial assets during the Reporting Period

Unit: Yuan Currency: RMB

Category of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Balance of provision for impairment at the beginning of the period	7,791,217.53		7,791,217.53
Additions			
Including: transfer from other comprehensive income			
Decrease			
Including: reverse on subsequent increase in fair value		/	
Balance of provision for impairment at the end of the period	7,791,217.53		7,791,217.53

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-term receivables

(1) Long-term receivables:

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period			Opening balance at the beginning of the period			Range of discount rate
	Carrying amount	Provision for bad debts	Book value	Carrying amount	Provision for bad debts	Book value	
Receivables from disposal equity interest in the Industrial Company	55,000,000.00		55,000,000.00	55,000,000.00		55,000,000.00	
Including: unrealized financing income	-3,272,464.43		-3,272,464.43	-6,350,219.35		-6,350,219.35	6.15%
Receivables by installations for product sale							
Receivables by installations for product sale							
Total	51,727,535.57		51,727,535.57	48,649,780.65		48,649,780.65	/

Note: In December 2013, The Company and Luoyang Tianyuan Property Company Limited have entered into the Equity Transfer Contract 《股權轉讓合同》 whereby 100% equity shares of Luoyang Luobo Industrial Co.,Ltd. held by the Company were transferred to Tianyuan Property Company Limited at a consideration of RMB122,000,000 Yuan. The Company had received the transfer price of 67,000,000 Yuan paid by Tianyuan Property Company Limited. As for the remaining transfer price of 55,000,000 Yuan, the Company shall take it as long-term receivables of Tianyuan Property Company Limited subject to the bank's lending rate of 6.15% for the same period, with a term of 34 months for conducting discount.

Notes to the Financial Statements

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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term equity investment

Unit: Yuan Currency: RMB

Investee	Balance at the beginning of the period	Additional investment	Decreased investment	Change in increase/decrease for the current period					Closing balance at the end of the period	Balance of provision for impairment at the end of the period
				Investment loss/ gains recognized under equity method	Other comprehensive income adjustment	Other equity change	Declared cash dividend or profit released	Provision for impairment		
I. Cooperative enterprise										
Sub-total										
II. Joint venture										
CLFG Mineral Products Company Limited (Note)										
Sub-total										
Total										

Note: The initial investment cost of the Company's investment in CLFG Mineral Products Company Limited was RMB12,475,313.63, accounting for a shareholding of 40.29%, which is measured using equity method. Both the opening balance and closing balance of such long-term equity investment were nil. According to the resolution made at the 2015 First Extraordinary General Meeting convened on 25 August 2015 and the Reply for Approval of the Issuance of Shares by Luoyang Glass Company Limited to China Luoyang Float Glass (Group) Company Limited for Asset Acquisition and Raising of Supporting Funds Proceeds (ZJXK [2015] No. 2813) issued by China Securities Regulatory Commission on 4 December 2015, 40.29% equity interests held by the Company in CLFG Mineral Products Company Limited were registered under CLFG instead while related procedures for industrial and commercial registration of changes were completed on 16 December 2015.

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets

(1) Fixed assets

Unit: Yuan Currency: RMB

Item	Buildings	Machinery	Transportation equipment	Others	Total
I. Original book value:					
1. Opening balance at the beginning of the period	488,416,255.64	1,217,298,064.33	10,040,600.90	2,429,193.14	1,718,184,114.01
2. Increase for the current period	547,589.58	1,339,024.27	242,395.84	264,259.93	2,393,269.62
(1) purchase	547,589.58	1,339,024.27	242,395.84	264,259.93	2,393,269.62
(2) transferred from construction in progress					
(3) Increase by business combination					
3. Decrease for the current period	216,534,322.43	456,578,252.65	6,161,337.29	1,227,737.48	680,501,649.85
(1) Disposal or retirement		253,306.70	2,193,213.91		2,446,520.61
(2) Transferred to be construction in progress	90,449,946.16	201,771,698.65			292,221,644.81
(3) Decrease for business combination	126,084,376.27	254,553,247.30	3,968,123.38	1,227,737.48	385,833,484.43
4. Closing balance at the end of the period	272,429,522.79	762,058,835.95	4,121,659.45	1,465,715.59	1,040,075,733.78
II. Accumulated depreciation					
1. Opening balance at the beginning of the period	130,628,372.97	445,122,533.35	6,977,091.52	1,242,219.36	583,970,217.20
2. Increase for the current period	13,344,637.40	87,423,340.63	674,134.50	337,547.42	101,779,659.95
(1) Provision	13,344,637.40	87,423,340.63	674,134.50	337,547.42	101,779,659.95
3. Decrease for the current period	74,595,662.16	261,830,557.04	4,734,427.92	1,110,181.20	342,270,828.32
(1) disposal or retirement		155,043.64	1,979,506.99		2,134,550.63
(2) transferred to be construction in progress	18,209,161.54	62,668,219.26			80,877,380.80
(3) Decrease of business combination	56,386,500.62	199,007,294.14	2,754,920.93	1,110,181.20	259,258,896.89
4. Closing balance at the end of the period	69,377,348.21	270,715,316.94	2,916,798.10	469,585.58	343,479,048.83
III. Provision for impairment					
1. Opening balance at the beginning of the period	1,026,589.66	19,253,735.64			20,280,325.30
2. Increase for the current period		1,513,503.89			1,513,503.89
(1) Provision		1,513,503.89			1,513,503.89
3. Decrease for the current period	1,026,589.66	15,692,957.68			16,719,547.34
(1) disposal or retirement					
(2) Decrease of business combination	1,026,589.66	15,692,957.68			16,719,547.34
4. Closing balance at the end of the period		5,074,281.85			5,074,281.85

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Fixed assets (Continued)

(1) Fixed assets (Continued)

Unit: Yuan Currency: RMB

Item	Buildings	Machinery	Transportation equipment	Others	Total
IV. Book value					
1. Book value at the end of the period	203,052,174.58	486,269,237.16	1,204,861.35	996,130.01	691,522,403.10
2. Book value at the beginning of the period	356,761,293.01	752,921,795.34	3,063,509.38	1,186,973.78	1,113,933,571.51

Other explanations:

Original value of the fixed assets continued to be used upon full provision for depreciation at the end of the period was RMB11,629,610.69.

12. Construction in progress

(1) Construction in progress

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period			Opening balance at the beginning of the period		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Longxiang – Dust removal and desulfurization system of furnace flue gas				790,000.00	96,965.25	693,034.75
Longfei – Smelting furnace and second cold repair construction of 300t/d float glass production line				710,000.00	704,300.00	5,700.00
Longhao – Flue gas treatment and residual heat generation project				156,237.20	156,237.20	
Longhai – glass production line flue gas denitrification engineering	3,312,126.40		3,312,126.40			
Longhai – Air compressor installation engineering	66,111.41		66,111.41			
Longbo – desulfurization and denitrification project	6,450,584.73		6,450,584.73			
Total	9,828,822.54		9,828,822.54	1,656,237.20	957,502.45	698,734.75

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Construction in progress (Continued)

(2) Change in the important engineering projects in construction for the current period

Unit: Yuan Currency: RMB

Project Name	Budget	Balance at the beginning of the period	Increase for the current period	Fixed assets amount transferred for the current period	Other decreased amount for the current period	Closing balance	Ratio accounted by accumulated contribution towards engineering with respire to the budget (%)	Progress of engineering	Amount of accumulated capitalized interest	Among which, the amount of capitalized interest	Interest capitalized rate for the current period (%)	Source of funds
Longhao First-Tier Desulfurization and Denitrification Heat Recovery Boiler Special Project			57,561,001.25		57,561,001.25							
Longhao First-Tier Promotion and Reconstruction Project			230,901,936.74		230,901,936.74							
Total			288,462,937.99		288,462,937.99		/	/			/	/

13. Construction materials

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Special equipment consumables		428,213.56
Total		428,213.56

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Intangible Assets

(1) Intangible Assets

Unit: Yuan Currency: RMB

Item	Land use rights	Non-patent technology	Trademark rights	Software	Mining rights	Total
I. Original book value						
1. Opening balance at the beginning of the period	86,909,612.50	7,400,000.00	11,000,000.00		16,122,709.49	121,432,321.99
2. Increase for the current period				435,897.46		435,897.46
(1) purchase				435,897.46		435,897.46
(2) Internal R&D						
(3) Increase of business combination						
3. Decrease for the current period	15,460,000.00	7,400,000.00	5,000,000.00		16,122,709.49	43,982,709.49
(1) Decrease in scope of consolidation	15,460,000.00	7,400,000.00	5,000,000.00		16,122,709.49	43,982,709.49
4. Closing balance at the end of the period	71,449,612.50		6,000,000.00	435,897.46		77,885,509.96
II. Accumulated amortization						
1. Opening balance at the beginning of the period	9,245,035.25	5,115,000.00	9,841,695.00		4,120,007.86	28,321,738.11
2. Increase for the current period	1,914,210.72	372,000.00	1,058,305.00	24,216.53	984,018.87	4,352,751.12
(1) provision	1,914,210.72	372,000.00	1,058,305.00	24,216.53	984,018.87	4,352,751.12
3. Decrease for the current period	3,715,402.64	5,487,000.00	5,000,000.00		5,104,026.73	19,306,429.37
(1) Decrease in scope of consolidation	3,715,402.64	5,487,000.00	5,000,000.00		5,104,026.73	19,306,429.37
4. Closing balance at the end of the period	7,443,843.33		5,900,000.00	24,216.53		13,368,059.86
III. Provision for impairment						
1. Opening balance at the beginning of the period					1,149,680.00	1,149,680.00
2. Increase for the current period						
(1) provision						
3. Decrease for the current period					1,149,680.00	1,149,680.00
(1) Decrease in scope of consolidation					1,149,680.00	1,149,680.00
4. Closing balance at the end of the period						
IV. Book value						
1. Book value at the end of the period	64,005,769.17		100,000.00	411,680.93		64,517,450.10
2. Book value at the beginning of the period	77,664,577.25	2,285,000.00	1,158,305.00		10,853,021.63	91,960,903.88

The proportion of intangible assets created due to the Company's internal R&D in the balance of intangible assets at the end of current period is zero.

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Intangible Assets

(2) Land use rights for incompletely processed ownership certificate:

Unit: Yuan Currency: RMB

Item	Book value	Reason for incompletely processed ownership certificate
Land of Development Zone	9,415,764.88	Still in the process of application

Other explanation: Land use rights among the Group's intangible assets were all for lands located in the PRC with a remaining use period ranging from 29–46 years.

15. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Amortized amount for the current period	Other decreased amount	Closing balance at the end of the period
Reconstruction of the electrical circuit of the office	486,000.00		108,000.00		378,000.00
Far East Leasing Service Fees		4,090,959.11	591,863.20		3,499,095.91
Expense of Melting furnace Improvement		1,219,887.41	101,657.28		1,118,230.13
Total	486,000.00	5,310,846.52	801,520.48		4,995,326.04

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets not being offset

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period		Opening balance at the beginning of the period	
	Deductable temporary differences	Deferred tax assets	Deductable temporary differences	Deferred tax assets
Provision for impairment of assets	23,506,872.88	3,922,624.33	27,416,422.70	4,306,231.26
Unrealized profits from insider trading				
Deductible losses				
Deferred income	675,000.00	168,750.00	750,000.00	187,500.00
Total	<u>24,181,872.88</u>	<u>4,091,374.33</u>	<u>28,166,422.70</u>	<u>4,493,731.26</u>

(2) Breakdown of unrecognized deferred tax assets

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Deductable temporary differences	151,480,885.22	181,404,879.11
Deductible losses	482,840,248.91	524,838,552.37
Total	<u>634,321,134.13</u>	<u>706,243,431.48</u>

Note: Because it is uncertain whether sufficient taxable incomes can be obtained in the future, they are not recognized as deductible temporary difference and deductible losses of deferred tax assets.

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Deferred tax assets/deferred tax liabilities (Continued)

(3) *Deductible losses not yet recognized as deferred tax assets will expire in the following years indicated*

Unit: Yuan Currency: RMB

Year	Amount at the end of the period	Amount at the beginning of the period	Note
2015		42,933,274.22	
2016	11,523,112.57	146,769,155.49	
2017	10,589,070.12	89,423,147.46	
2018	36,614,485.92	86,651,779.65	
2019	21,894,490.75	159,061,195.55	
2020	402,219,089.55		
Total	482,840,248.91	524,838,552.37	/

17. Other non-current assets

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Mining right		2,114,487.79
Prepayments for engineering and equipment		3,020,000.00
Total		5,134,487.79

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Short-term loans

(1) Category of short-term loans

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Pledged loan		
Mortgage loan	50,000,000.00	
Guaranty loan	17,930,000.00	10,000,000.00
Credit loan		10,000,000.00
Total	67,930,000.00	20,000,000.00

Explanation of the category of short-term loans:

On 31 December 2015, annual interest rate of short-term borrowing was 4.90%–5.29%.

19. Notes payable

Unit: Yuan Currency: RMB

Category	Closing balance at the end of the period	Opening balance at the beginning of the period
Trade acceptance		
Bank acceptance	110,200,000.00	109,657,336.88
Total	110,200,000.00	109,657,336.88

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Accounts payable

(1) Accounts payable are shown as follows:

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Within 1 year (including 1 year)	17,619,403.52	74,785,951.95
Over 1 year	62,675,739.80	198,322,306.10
Total	80,295,143.32	273,108,258.05

(2) Important accounts payable with the age over one year

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Reasons for no repayment or no transfer
Zhengzhou Yifan Metallurgy Industry Co., Ltd.	8,909,091.22	unpaid due to financial constrains
Qinghai Gaosheng Trading Co., Ltd.	5,557,058.93	unpaid due to financial constrains
Anlu City Mingfa Industry & Trade Co., Ltd.	5,179,857.64	unpaid due to financial constrains
Shandong Haitian Biochemical Industry Co., Ltd.	4,585,519.48	unpaid due to financial constrains
Total	24,231,527.27	/

Notes to the Financial Statements

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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Payments received in advance

(1) Payments received in advance are shown as follows:

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Within 1 year (including 1 year)	5,262,754.37	53,602,669.44
Over 1 year	14,870,173.42	4,513,029.05
Total	20,132,927.79	58,115,698.49

(2) Important payments received in advance with account receivable age above one year

Applicable N/A

22. Staff remuneration payables

(1) Staff remuneration payables are shown as follows:

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Decrease for the current period	Closing balance at the end of the period
I. Short-term remuneration	40,804,340.15	96,514,733.08	111,368,204.28	25,950,868.95
II. After-service welfare – provision plan set	8,741,561.79	20,167,180.51	28,568,368.36	340,373.94
III. Termination benefits				
IV. Other benefits due within one year				
Total	49,545,901.94	116,681,913.59	139,936,572.64	26,291,242.89

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Staff remuneration payables (Continued)

(2) Short-term remuneration is shown as follows:

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Decrease for the current period	Closing balance at the end of the period
I. Salary, bonus, allowance and subsidy	14,039,964.93	76,182,636.37	80,844,268.25	9,378,333.05
II. Staff's welfare		6,706,523.27	6,706,523.27	
III. Social insurance premium	2,349,204.91	7,370,847.32	8,385,312.34	1,334,739.89
Including: Medical	1,775,293.48	6,041,069.40	6,608,277.36	1,208,085.52
Labor injury insurance	392,468.43	765,160.76	1,083,992.61	73,636.58
Birth insurance	181,443.00	564,617.16	693,042.37	53,017.79
IV. Housing accumulation fund	13,317,439.75	4,917,285.66	10,768,268.98	7,466,456.43
V. Labor union expenses and employee education expenses	11,097,730.56	1,337,440.46	4,663,831.44	7,771,339.58
VI. Short-period paid leave				
VII. Short-term profit sharing plan				
Total	40,804,340.15	96,514,733.08	111,368,204.28	25,950,868.95

(3) Provision Plan set is shown as follows:

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Decrease for the current period	Closing balance at the end of the period
1. Basic endowment insurance	8,078,272.64	18,710,402.05	26,721,903.19	66,771.50
2. Unemployment insurance	663,289.15	1,449,117.24	1,838,803.95	273,602.44
3. Enterprise annuity		7,661.22	7,661.22	
Total	8,741,561.79	20,167,180.51	28,568,368.36	340,373.94

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Tax payable

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Value-added tax	1,054,652.51	9,966,765.66
Consumption tax		
Business tax	134,257.61	1,703,107.60
Enterprise income tax	9,133,823.53	6,699,203.57
Individual income tax	216,587.00	211,860.12
City maintenance tax	261,316.84	1,144,547.37
Resource tax		-31,782.60
Property tax	1,600,260.25	4,172,976.31
Land-use tax	1,393,474.23	5,474,220.69
Education surcharges	1,145,855.33	1,428,830.89
Other tax	20,870.05	195,142.38
Total	14,961,097.35	30,964,871.99

24. Other payables

(1) Other payables by nature of amounts are shown as follows:

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Amount for equity purchase	91,244,227.75	
Amount for engineering and equipment	878,145.68	9,512,942.84
Announcement and intermediary fee	25,550,840.93	14,585,026.11
Provision expense	2,471,909.52	3,560,394.65
Current accounts	46,441,902.17	37,079,780.78
Security deposit, deposit		2,229,000.00
Lease expense		19,606,435.83
Total	166,587,026.05	86,573,580.21

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Other payables (Continued)

(2) Important other payables of more than one year

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Reasons for non-repayment or transfer
Bengbu Design & Research Institute for Glass Industry	4,996,061.49	Current accounts unsettled
Total	4,996,061.49 /	

25. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Long-term loans due within one year	81,097,651.66	46,293,636.87
Bonds payable due within one year		
Long-term payable due within one year		
Total	81,097,651.66	46,293,636.87

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Long-term loans

(1) Category of Long-term loans

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Pledged loan		
Mortgage loan	58,919,024.02	
Guaranty loan	400,251,110.45	459,535,761.38
Credit loan		
Total	459,170,134.47	459,535,761.38

Explanation on the category of long-term loans:

- Note: 1. In 2010, the Company concluded the debt restructuring agreements of interest free and delayed repayment of principal, respectively, with certain financial institutions, i.e. Bank of Communication – Luoyang Branch, Bank of China – Luoyang Xigong Sub-branch, China Construction Bank – Luoyang Branch, Bank of Luoyang – Kaidong Sub-branch and Industrial & Commercial Bank of China – Luoyang Branch, under which interests are exempted from the period of 1 February 2010 to 31 January 2017 and repayment of principal can be delayed after the first two years. The principals will be paid in the following five years according to the agreed proportion. As of 31 December 2015, the balance of the interest-free long-term loans was 443,436,800.00 Yuan.
2. With respect to the mortgaged loan: (1) in June 2015, Longhai Company, the Company's wholly-owned subsidiary used part of its production equipment (with the original book value of RMB54,437,104.51) to process the after-sale lease-back financing lease business with Far Eastern Leasing Company. Both parties entered into the Ownership Transfer Agreement and the After-sale Lease-back Contract for a financing amount of RMB50,000,000 for a lease term of 36 months. CLFG and Triumph Technology provided guarantee for joint and several liability with respect to the foregoing financing leasing matter. Longhai Company believed that pursuant to the substance-over-form principle, for such transaction in reality, the Lessor (International Far Eastern Leasing Co., Ltd.) provided loan to the Lessee (Longhai Company) by taking the leased article as the mortgaged article. Under such transaction, the nominal selling price of the underlying asset (the leased article) of RMB50,000,000 was handled as long-term loan by Longhai Company and the underlying asset (the leased article) was book in at its original book value with provision made. As of 31 December 2015, the balance of such long-term loan was RMB41,878,211.96 of which, the long-term loan due within one year amounted to RMB15,976,636.13. (2) in June 2015, Longhai Company used part of its production equipment (with the original book value of RMB88,788,355.07) as collateral to obtain a 3-year loan of RMB63,636,363.00 in total, at annual interest rate of 6.44% issued by Bank of Shanghai, Pudong Branch, as entrusted by Far Eastern Leasing Company. As of 31 December 2015, the balance of such long-term loan was RMB53,305,116.64 of which, the long-term loan due within one year amounted to RMB20,287,668.45.

Others (including the range of interest rate):

The range of interest rate for mortgage loan and guaranteed loan is 5.23%-6.44% and 0.00%–2.5%, respectively.

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Deferred income

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Decrease for the current period	Closing balance at the end of the period	Reasons of formation
Government grants	10,648,914.15		1,624,052.16	9,024,861.99	
Total	10,648,914.15		1,624,052.16	9,024,861.99	/

Projects involving government subsidy:

Unit: Yuan Currency: RMB

Projects with liabilities	Opening balance at the beginning of the period	New additional subsidy for the current period	Amount recorded in nonoperating profits for the current period	Other changes	Closing balance at the end of the period	Related to assets/related to income
Fiscal subsidy for ultra-thin and ultrawhite glass production line	5,062,500.00		1,215,000.00		3,847,500.00	Related to assets
Land-use subsidy for ultra-thin and ultra-white glass production line project	2,412,944.94		53,920.56		2,359,024.38	Related to assets
0.45mm E-glass technology research and application projects	2,423,469.21		280,131.60		2,143,337.61	Related to income
Special fund for ultra-thin production line	750,000.00		75,000.00		675,000.00	Related to assets
Total	10,648,914.15		1,624,052.16	/	9,024,861.99	

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Prepared by: Luoyang Glass Company Limited
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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Share capital

Unit: Yuan Currency: RMB

	Opening balance at the beginning of the period	Changes in this period (+, -)				Sub-total	Closing balance at the end of the period
		New shares	Bonus shares	Capital reserve transferred to shares	Others		
Total number of shares	500,018,242.00	15,000,000.00				15,000,000.00	515,018,242.00

Others:

Note: according to resolution made at the 2015 First Extraordinary General Meeting convened on 25 August 2015 and the Reply for Approval of the Issuance of Shares by Luoyang Glass Company Limited to China Luoyang Float Glass (Group) Company Limited for Asset Acquisition and Raising of Supporting Funds Proceeds (ZJXX [2015] No. 2813) issued by China Securities Regulatory Commission on 4 December 2015, the Company issued 15,000,000 new shares to China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司) in December 2015 to purchase related assets. On 29 December 2015, the Company received Certificate for Change of Securities Registration issued by Shanghai Branch of China Securities Depository and Clearing Corporation Limited, meaning share registration procedures were completed for the 15,000,000 non-public common shares denominated in RMB issued by the Company to CLFG.

29. Capital reserve

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Decrease of the current period	Closing balance at the end of the period
Capital premium (share premium)	1,449,815,907.41	99,635,988.89	699,545,168.71	849,906,727.59
Other capital reserves	70,150,917.49	2,151,063.78	1,508.00	72,300,473.27
Total	1,519,966,824.90	101,787,052.67	699,546,676.71	922,207,200.86

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Capital reserve (Continued)

Others (including explanations on increase/decrease in the amount of the current period and the reasons):

- Note:
- Increase of premium on share capital in the current period originated primarily from the completion of delivery in the asset restructuring in December 2015, premium on share capital increased by RMB99,635,988.89 according to the difference between the net assets corresponding to the 100% equity interests in Bengbu Company and the consideration at the end of delivery. Decrease of premium on share capital of the current period was primarily caused by business combination under common control writing down premium on share capital by RMB699,545,168.71.
 - Other capital surplus increases of the current period were primarily caused by compensation amount of RMB2,151,063.78 received from CLFG. In November 2015, CLFG made a commitment: for products and finished products assets with high added value of evaluation to be acquired and included in inventory of the Company, if products and finished products assets entering accounts of the Company on 31 October 2014 had realized their sales amount on the delivery date with a worth lower than the assessed value on 31 October 2014, CLFG must make compensation for the Company in cash at the same time of asset delivery in the significant asset restructuring of current period. The compensation amount equaled to the difference between the assessed value of such products and finished products on 31 October 2014 and the realized sales amount as at the delivery date of assets. Products and finished products assets entering accounts of the Company on 31 October 2014 were sold as of the delivery date of assets and as at 31 December 2015, CLFG paid RMB2,151,063.78 to the Company for compensation.

30. Special reserves

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Decrease of the current period	Closing balance at the end of the period
Safe production fee	456,157.74	262,655.90	718,813.64	
Total	456,157.74	262,655.90	718,813.64	

31. Surplus reserve

Unit: Yuan Currency: RMB

Item	Opening balance at the beginning of the period	Increase for the current period	Decrease of the current period	Closing balance at the end of the period
Statutory surplus reserve	51,365,509.04			51,365,509.04
Total	51,365,509.04			51,365,509.04

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Unit: Yuan Currency: RMB

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Undistributed profit

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous year before adjustment	-1,359,891,297.28	-1,375,895,993.77
Total undistributed profits at the beginning of the adjustment period (increase expressed with +, and decrease expressed with -)	5,162,347.66	7,832.23
Undistributed profit at the beginning of the period after adjustment	-1,354,728,949.62	-1,375,888,161.54
Add: net profit attributable to owners of parent company during the period	144,482,993.72	21,159,211.92
Less: Allocation to statutory surplus reserves		
Allocation to discretionary surplus reserves		
Allocation to general risk reserves		
Dividend on ordinary share payable		
Dividend on ordinary share converted into share capital		
Undistributed profit at the end of the period	-1,210,245,955.90	-1,354,728,949.62

33. Operating income and operating cost

Unit: Yuan Currency: RMB

Item	Amount for current period		Amount for previous period	
	Income	Cost	Income	Cost
Principal operations	611,606,292.33	596,718,897.17	648,524,906.84	597,057,586.61
Other operations	50,550,342.80	36,934,673.80	11,533,363.13	6,868,345.50
Total	662,156,635.13	633,653,570.97	660,058,269.97	603,925,932.11

34. Business tax and surcharges

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Consumption tax		
Business tax	187,976.80	1,718,865.00
City maintenance tax	1,039,059.56	1,756,920.91
Education surcharges	979,727.01	1,609,793.01
Resource tax	1,883,220.51	1,512,881.70
Others	4,138.40	225.00
Total	4,094,122.28	6,598,685.62

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Staff's remuneration	8,937,893.09	12,653,774.05
Depreciation expenses	1,287,186.07	1,606,222.52
Transportation costs	11,420,349.45	8,447,765.52
Handling charges	746,432.22	479,072.31
Material consumption	1,091,331.99	1,509,478.15
Other selling expenses	5,685,776.45	1,888,971.30
Total	29,168,969.27	26,585,283.85

36. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Staff's remuneration	41,578,920.35	44,682,995.87
Depreciation of fixed assets	17,415,326.30	18,921,843.59
Amortization of intangible assets	4,396,166.82	6,852,745.30
Intermediary engagement fees	19,774,656.06	8,477,424.57
Research and development fees	14,218,171.78	15,201,351.58
Taxes	8,848,342.78	6,637,978.62
Other administrative expenses	15,938,523.48	18,026,131.23
Total	122,170,107.57	118,800,470.76

Notes to the Financial Statements

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Financial expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Interest expense	6,697,222.45	723,176.04
Less: interest income	-5,046,109.90	-5,605,380.43
Exchange loss	119,978.04	59,576.95
Less: exchange income	-246,238.32	-348,705.65
Handling charges (interests of discounted bill)	5,952,063.36	11,270,268.55
Other finance expenses	1,189,107.47	293,675.55
Total	8,666,023.10	6,392,611.01

38. Assets impairment losses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
I Loss on bad debts	93,453,256.04	3,734,490.01
II Loss on inventory valuation	37,012,050.88	39,547,527.92
III Impairment losses on available-for-sale financial assets		
IV Held-to-maturity investment impairment losses	191,038,916.04	
V Impairment losses on long-term equity investment		
VI Impairment losses on investment real estate		
VII Impairment losses on fixed assets	1,513,503.89	8,164,473.10
VIII Impairment losses on engineering materials		
IX Impairment losses on construction in progress		957,502.45
X Impairment losses on productive biological assets		
XI Impairment losses on oil and gas assets		
XII Impairment losses on intangible assets		1,188,510.00
XIII Impairment losses on goodwill		
XIV Others		
Total	323,017,726.85	53,592,503.48

Others: The asset impairment loss for the current period includes the receivable claim loss of RMB274,219,765.35 generated during asset restructuring of the Company, of which the loss on bad debts is RMB83,180,849.31 and the held-to-maturity investment impairment losses is RMB191,038,916.04.

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Investment income

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Income from disposal of long-term equity investment	603,457,879.81	93,394,560.90
Investment income from available-for-sale financial assets		1,224,570.83
Investment income from disposal of available-for-sale financial assets		4,223,405.41
Total	603,457,879.81	98,842,537.14

Others:

The income from disposal of long-term equity investment represents the investment income from disposal by the Company of the 100% equity interests in CLFG Longhao Glass Co. Ltd, 63.98% equity interests in CLFG Longfei Glass Co. Ltd, 67% equity interests in Dengfeng CLFG Silicon Company Limited, 52% equity interests in Yinan Huasheng Mineral Enterprise Co. Ltd, 40.29% equity interests in CLFG Mineral Products Co. Ltd during assets restructuring of the current period of the Company, totaling RMB603,457,879.81, of which the reversed excess deficit of subsidiaries of RMB542,419,788.45.

40. Non-operating income

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period	Amount recognized as non-recurring gain or loss of the current period
Total gain on disposal of non-current assets	459,490.08	2,294,067.72	459,490.08
Including: Gain on disposal of fixed assets	459,490.08	2,294,067.72	459,490.08
Gains from disposal of intangible assets			
Income from debt restructuring	88,665.10	237,500.00	88,665.10
Gains from non-monetary assets exchange			
Donations received			
Government subsidy	4,567,408.16	64,601,752.16	4,567,408.16
Other gains	374,561.26	15,521,196.95	374,561.26
Total	5,490,124.60	82,654,516.83	5,490,124.60

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Non-operating income (Continued)

Government subsidy recognized as gain or loss of the current period

Unit: Yuan Currency: RMB

Subsidy Item	Amount for current period	Amount for previous period	Related to assets/ income
Fiscal subsidy for ultra-thin and ultrawhite glass production line	1,215,000.00	1,215,000.00	Related to assets
Land-use subsidy for ultra-thin and ultra-white glass production line project	53,920.56	53,920.56	Related to assets
Special subsidy for "research and development of application technology"	280,131.60	280,131.60	Related to earnings
Supporting Funds of Baiping County		40,000.00	Related to earnings
Awards for strategic creative products in national major new products		2,000,000.00	Related to earnings
Land income returns		60,012,700.00	Related to earnings
Awards for ultra-thin substrate project issued by the People's Government of Bengbu		1,000,000.00	Related to earnings
Special fund for ultra-thin production line	75,000.00		Related to assets
Subsidy for supporting enterprises and stabilizing employment issued by Social Security Funds Collecting Center of Bengbu	255,094.00		Related to earnings
Apprentice training Subside for college students in practice base	104,400.00		Related to earnings
Training subsidy issued by Human Resources and Social Security Bureau of Bengbu	19,500.00		Related to earnings
Patent subsidy issued by Science and Technology Bureau of Yuhui District	48,000.00		Related to earnings
Funds for Book House Construction Project issued by Federation of Trade Unions of Bengbu	3,000.00		Related to earnings
2015 Special fund for independent innovation issued by Science and Technology Bureau of Bengbu	130,000.00		Related to earnings
Subsidy issued by Treasury Payment Center of Yanshi (award funds for supporting enterprise-development)	340,000.00		Related to earnings
2014 Annual Award for Little Giant Standard Enterprise of Luoyang	800,000.00		Related to earnings
Award and subsidy for atmosphere prevention and control industry and enterprise	540,000.00		Related to earnings
Subsidy for stabilizing enterprise employment allocated by Social Security Center of Luoyang in December 2015	703,362.00		Related to earnings
Total	4,567,408.16	64,601,752.16	/

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Non-operating expenses

Unit: Yuan Currency: RMB

Item	2015	2014	Amount recognized as current non-recurring gain or loss
Loss on disposal of non-current assets	14,470.37	1,628,535.23	14,470.37
Including: Loss on disposal of fixed assets	14,470.37	1,628,535.23	14,470.37
Losses on scrapping of assets	25,514.21	1,589,792.46	25,514.21
Indemnities, liquidated damages and penalties	4,039,106.78	6,109,255.13	4,039,106.78
Other expenses	1,948,005.29	602,030.43	1,948,005.29
Total	6,027,096.65	9,929,613.25	6,027,096.65

42. Income tax expenses

(1) *The table for income tax expenses*

Unit: Yuan Currency: RMB

Item	2015	2014
Income tax expenses for the current period	9,493,658.32	12,289,531.33
Deferred income tax expenses	402,356.93	-2,056,666.65
Total	9,896,015.25	10,232,864.68

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Income tax expenses (Continued)

(2) Reconciliation between total profit and income tax expenses:

Unit: Yuan Currency: RMB

Item	Amount for 2015
Total profit	144,307,022.85
Income Tax Expenses Income tax expenses calculated at statutory/ applicable tax rates	36,076,755.71
Effect of different tax rates applicable to subsidiaries	-593,780.50
Impact of income tax before adjustment	-698,519.22
Effect of non-taxable income	
Expenses, costs and losses not deductible for tax purposes	11,584,760.76
Effect of utilization of deductible losses of unrecognized deferred income tax assets in previous periods	-24,948,170.47
Effect of current deductible temporary differences or deductible loss of unrecognized deferred tax assets	131,462,430.75
Impact of disposal of subsidiary excessive losses	-141,564,721.47
Deduction of aggregate R&D expenses	-1,422,740.30
Income tax expenses	9,896,015.25

43. Consolidated Cash Flow Statement

(1) Other cash received from activities relating to operation

Unit: Yuan Currency: RMB

Item	2015	2014
Government grants	2,688,262.00	3,790,000.00
Interest income	1,838,248.03	3,343,359.84
Industrial cluster of Ruyang County		3,000,000.00
Other current accounts	15,120,563.19	9,092,286.66
Total	19,647,073.22	19,225,646.50

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Consolidated Cash Flow Statement (Continued)

(2) Other cash paid for activities relating to operation:

Unit: Yuan Currency: RMB

Item	2015	2014
Including: Consultation and audit, assessment, legal fees, bulletin fees	5,883,634.25	4,291,480.94
Travel expense	1,646,873.10	1,615,354.99
Other current accounts and expenses	23,059,771.05	23,717,881.59
Total	30,590,278.40	29,624,717.52

(3) Other cash received from activities related to investment

Unit: Yuan Currency: RMB

Item	2015	2014
Government grants		60,012,700.00
Funds for Longhao 650t-level environmental protection project	10,000,000.00	
Exchange-out creditor's rights	86,430,259.30	
Total	96,430,259.30	60,012,700.00

(4) Other cash paid for activities related to investment

Unit: Yuan Currency: RMB

Item	2015	2014
Security for bidding		5,000,000.00
Net cash for disposal of subsidiaries	662,305.05	
Total	662,305.05	5,000,000.00

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Consolidated Cash Flow Statement (Continued)

(5) Other cash received from activities relating to financing activities

Unit: Yuan Currency: RMB

Item	2015	2014
Interests of discounted charges	265,423,111.66	322,705,546.54
Bill deposit		55,000,000.00
Triumph Technology Group Company	282,655,583.90	96,500,000.00
CLFG	8,000,000.00	36,500,000.00
CTIEC	10,000,000.00	
Other current accounts	5,850,000.00	
Total	571,928,695.56	510,705,546.54

(6) Other cash paid for activities relating to financing activities

Unit: Yuan Currency: RMB

Item	2015	2014
Repayment of matured bill	255,000,000.00	400,000,000.00
Triumph Technology Group Company	265,455,583.90	106,250,800.00
CLFG	23,667,739.36	36,500,000.00
Bill deposit	15,000,000.00	
Far East service fees and security deposit	12,153,463.00	
Other current accounts	5,850,000.00	
Total	577,126,786.26	542,750,800.00

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: Yuan Currency: RMB

Supplementary Information	2015	2014
1. Net profit adjusted to cash flow of operating activities		
Net profit	134,411,007.60	5,497,359.18
Add: Provision for impairment of assets	323,017,726.85	53,592,503.48
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	101,779,659.95	80,743,841.06
Amortization of intangible assets	4,352,751.12	6,852,745.30
Amortization of long-term deferred expenses	801,520.48	1,169,424.42
Losses from disposal of fixed assets, intangible assets and other long-term assets ("—" for gains)	-445,019.71	-665,532.49
Losses on scrapping of fixed assets ("—" for gains)	25,514.21	1,589,792.46
Loss from fair value change ("—" for gains)		
Finance expenses ("—" for gains)	9,618,708.15	9,019,743.45
Investment losses ("—" for gains)	-603,457,879.81	-98,842,537.14
Decrease in deferred income tax assets ("—" for increase)	402,356.93	-2,056,666.65
Increase in deferred income tax liabilities ("—" for decrease)		
Decrease in inventories ("—" for increase)	-21,535,533.46	-61,093,985.62
Decrease in operating receivables ("—" for increase)	-84,014,815.23	10,867,712.15
Increase in operating payables ("—" for decrease)	4,006,438.22	-47,249,260.23
Others		
Net cash flow from operating activities	-131,037,564.70	-40,574,860.63
2. Significant investing and financing activities that do not involve cash receipts and payment		
Conversion of debt into capital		
Convertible bond due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	42,342,860.91	37,777,890.19
Less: Opening balance of cash	37,777,890.19	72,377,182.53
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	4,564,970.72	-34,599,292.34

Note: Banker's acceptance bill of non-cash commodity sale summed up RMB421,909,107.85, with the endorsement transfer amount equal to RMB361,315,118.13.

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V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Supplementary information of cash flow statement

(2) Constitution of cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
1. Cash	42,342,860.91	37,777,890.19
Including: Cash on hand	43,940.18	186,185.37
Bank deposit available for payment at any time	42,298,920.73	37,591,704.82
2. cash equivalents		
Including: Bond investment due in three months		
3. Cash and cash equivalents at the end of period	42,342,860.91	37,777,890.19
Including: subject to restriction by the Company or subsidiaries under the Group		

45. Assets under restricted ownership or use right

Unit: Yuan Currency: RMB

Item	Book value at the end of the period	Reasons for restriction
Monetary funds	60,000,000.00	Security for notes payable
Notes receivable	10,000,000.00	Pledged
Fixed assets	9,429,009.42	mortgage loan
Intangible assets	36,269,452.96	mortgage loan
Total	115,698,462.38	/

46. Monetary item in foreign currency

Unit: Yuan

Item	Balance of foreign currency at the end of the period	Exchange rate	Balance of RMB converted at the end of the period
Monetary funds			6,338.59
Including: USD	51.27	6.4944	332.97
EURO	0.60	7.1000	4.26
HKD	7,163.45	0.8378	6,001.36
Long-term loan			1,647,657.53
Including: EURO	233,242.31	7.0641	1,647,657.53

VI. CHANGE IN THE SCOPE OF MERGER

1. business combination under common control

(1) Business combination under common control

Unit: Yuan Currency: RMB

Name of combined party	The proportion of equity acquired in business combination	Basis of being a business combination under common control	Combination date	Determination Basis for Combination date	Income of Combining parties from beginning of combination to date	Net profit of Combining parties from beginning of combination to date	Revenue of the acquirer in the comparison period	Net profits of the acquirer in the comparison period
Bengbu China National Building Materials Information Display Material Company*	100%	Common Controlling Shareholder	21 December 2015	Completed change of registration and asset transfer and obtained control	170,099,745.97	31,866,403.05	47,517,070.48	5,154,515.43

(2) Combination cost

Unit: Yuan Currency: RMB

Combination cost	Bengbu China National Building Materials Information Display Materials Company Limited
– Cash	90,729,715.31
– Carrying value of non-cash assets	452,727,972.11
– Carrying value of issuance or bearing liabilities	
– Carrying value of equity instruments issued	15,000,000.00
– Contingent consideration	

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VI. CHANGE IN THE SCOPE OF MERGER (Continued)

1. business combination under common control (Continued)

(3) Carrying value of the assets and liabilities of the combined party on the combination date

Unit: RMB

	Bengbu China National building Materials Information Display Materials Company Limited	
	Combination Date	End of last period
Assets:	790,085,931.57	715,665,489.84
Monetary funds	15,820,072.01	24,268,862.99
Notes receivable	12,731,480.23	500,000.00
Receivables	62,014,514.09	2,638,906.36
Prepayments	187,782.01	96,263.17
Other receivables	52,783,082.08	864,413.75
Inventories	55,375,532.00	37,477,691.08
Other current assets	49,918,140.99	66,108,813.49
Fixed assets	503,825,641.71	545,893,445.13
Intangible assets	36,269,452.96	37,145,174.20
Deferred income tax assets	1,160,233.49	671,919.67
Liabilities:	90,540,762.86	47,986,724.18
Loans	67,930,000.00	10,000,000.00
Notes payable		19,657,336.88
Accounts payable	3,115,624.93	6,910,165.24
Payments received in advance	59,184.01	716,648.95
Staff remuneration payables	903,507.56	919,981.00
Taxes payable	9,721,285.17	3,164,165.56
Other payables	8,136,161.19	5,868,426.55
Deferred income	675,000.00	750,000.00
Net assets	699,545,168.71	667,678,765.66
Less: minority interests		
Net asset acquired	699,545,168.71	667,678,765.66

VI. CHANGE IN THE SCOPE OF MERGER (Continued)

2. Disposal of subsidiaries

Whether Loss of control over subsidiaries on a single disposal occurred

Unit: RMB

Name of subsidiary	Consideration of disposal of equity interest	Percentage of equity interest disposed (%)	Equity disposal method	Time of loss of control	Basis for determining the time of loss of control	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Percentage of remaining equity interest at the date of loss of control	Carrying amount of retained equity interest at the date of loss of control	Fair value of retained equity interest at the date of loss of control	Profits or losses from retained equity interest at fair value	Method and material estimates in determining fair value of retained equity interest at the date of loss of control	Amount converted from other comprehensive income relevant to investment in former subsidiary into profits or losses from investment
CLFG Longhao Glass Co., Ltd.	1.00	100	Agreement Swap	21 December, 2015	Completed change of registration and asset transfer and lost control	379,189,653.42	0					
Yinan Huacheng Mineral Enterprise Co., Ltd.	19,652,440.64	52	Agreement Swap	21 December, 2015	Completed change of registration and asset transfer and lost control	18,060,524.95	0					
CLFG Longfei Glass Co., Ltd.	1.00	63.98	Agreement Swap	21 December, 2015	Completed change of registration and asset transfer and lost control	181,925,327.12	0					
Dengfeng CLFG Silicon Co., Ltd.	20,137,616.42	67	Agreement Swap	21 December, 2015	Completed change of registration and asset transfer and lost control	15,006,903.18	0					

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VII. Interests in other subsidiaries

1. Interests in subsidiaries

(1) The constitution of the Group

Name of subsidiaries	Location of principal business	Place of Registration	Nature of business	Shareholding ratio (%)		Obtained by
				Direct	Indirect	
CLFG Longmen Glass Co. Ltd	Yanshi City	Yanshi City	Producing and selling	100		investment
CLFG Longhai Electronic Glass Limited	Yanshi City	Yanshi City	Producing and selling	100		investment
Luoyang Luobo Furuida Commerce Co., Ltd.	Luoyang City	Luoyang City	Trading	100		investment
Bengbu China National Building Materials Information Display Material Company*	Bengbu City	Bengbu City	Producing and selling	100		business combination under common control

VIII. RISKS RELATING FINANCIAL INSTRUMENTS

1. Financial risks

The business of the Group involves various financial risks: market risk (inclusive of foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management procedure of the Group focus on unpredictable factors in financial market, and aims to seek methods to minimize potential negative effects that will affect the financial performance of the Group. Such kinds of risks still are limited by following financial management policies and practice of the Group.

1.1 Market risk

1.1.1 Foreign exchange risk

The exchange risk of the Group mainly comes from the account receivable, bank deposit and loan out of the range of recording currency. The main currencies that incur risks include U.S. dollar, Euro and HK dollar.

There have been very little foreign exchange transactions in 2015 by the Group. Therefore, the management of the Company anticipates there is no commercial transaction in the future that will incur major foreign exchange risks.

VIII. RISKS RELATING FINANCIAL INSTRUMENTS (Continued)

1. Financial risks (Continued)

1.1 Market risk (Continued)

1.1.2 Interest rate risk

The interest rate risk of the Group mainly comes from bank and otherwise loan and bank deposit. Since most expenses and operating cash flow of the Group is not hugely relevant to the changes in market interest rates, fixed interest bank loan will not have sensitive reaction with the changes in market interest rates. The Group had never hedged potentially floating rate with any financial instrument before. Interest rate overview of interest bearing financial assets and interest bearing financial liabilities as of the settlement date will be stated in detail as below:

Items	2015		2014	
	Actual interest rate	Amount	Actual interest rate	Amount
Financial instruments with fixed interest rate				
– Financial liabilities				
– Short-term loan	4.90%–5.29%	67,930,000.00	5.40%–6.9%	20,000,000.00
– Non-current liabilities due within one year	0.00%–6.44%	81,097,651.66	0.00%–2.50%	46,293,636.87
– Long-term loan	0.00%–6.44%	459,170,134.47	0.00%–2.50%	459,535,761.38

1.2 Credit risk

1.2.1 Account receivable

The credit risk of the Group mainly comes from the account receivable. The Group has made credit rating about all clients who request credit amount exceeding a certain amount. Such account receivable generally will become due for payment within 30 days from the date of billing. The debtor must pay off all unpaid balance before getting granted with other credits.

The credit risk that the Group faces will be mainly affected by individual characteristics of clients. The industry that its clients engage in and bad debt risk of the state will slightly affect credit risk. Therefore, the concentration of material credit risk is mainly due to the large account receivable of the Group payable by individual client. As of the balance sheet date, the account receivable of the Group payable by the top five clients has accounted for 54.41% of the total amount of account receivable of the Group (without deducting bad debt reserve).

1.2.2 Bank deposits

The Group reduces deposit risk by depositing in banking institutions with high credit ratings. Due to the high credit ratings of these

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VIII. RISKS RELATING FINANCIAL INSTRUMENTS (Continued)

1. Financial risks (Continued)

1.3 Liquidity risk

Within the Group, each subsidiary is responsible for its own cash flow forecast. Based on the summary of the cash flow forecast of each subsidiary, the company's finance department should keep continuous monitoring of the short-term and long-term funding needs at the Group level in order to ensure that it maintains cash and cash equivalents of normal operations. Meanwhile, it should have access to the controlling shareholder and actual controller commitment to provide financial assistance to meet short-term and long-term funding needs. The management of the Group is responsible to monitor the usage of borrowings and ensures compliance with loan agreements.

Financial assets and financial liabilities held by the Group is analyzed dependent on maturity date of the undiscounted remaining contractual obligations:

Item	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Monetary funds	102,342,860.91				102,342,860.91
Bills receivable	25,230,005.90				25,230,005.90
Accounts receivable	123,505,433.62				123,505,433.62
Other receivables	83,758,512.50				83,758,512.50
Long-term receivables	55,000,000.00				55,000,000.00
Total financial assets	389,836,812.93				389,836,812.93
Short-term loans	67,930,000.00				67,930,000.00
Bills payable	110,200,000.00				110,200,000.00
Accounts payable	80,295,143.32				80,295,143.32
Other payables	166,587,026.05				166,587,026.05
Other non-current liabilities due					
within one year	81,097,651.66				81,097,651.66
Long-term loans		437,985,524.35	21,184,610.12		459,170,134.47
Total financial liability	506,109,821.03	437,985,524.35	21,184,610.12		965,279,955.50

IX. FAIR VALUE

According to the input values which are significant to the overall in a fair value measurement, the fair value hierarchy could be divided into:

- Level one: The (unadjusted) quoted prices in active markets for identical assets or liabilities.
- Level two: Directly (e.g. taken from the prices) or indirectly (e.g. based on the current price projections) observable input values for the assets or liabilities other than the market quotes in the level one.
- Level three: The (unobservable) input values for the assets or liabilities as determined by the variables other than observable market data.

As at 31 December 2015, the Group didn't have any financial instruments that are accounted for by fair value measurements. For the year ended 31 December 2015, there were not any significant transfers between level one and level two financial instruments.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Parent company

Unit: Yuan Currency: RMB

Name of Parent Company	Registered address	Nature of business	Registered capital	Equity interest in the Company (%)	Voting shares in the Company (%)
China Luoyang Float Glass (Group) Company	Luoyang China	Production of glass, related raw materials and complete sets of equipment	1,286,740,000.00	33.79	33.79

2. Subsidiaries

For details, please refer to "VII. Equity interest in other entities".

3. Other related parties

Name of other related parties	Relationship with the Company
Triumph Technology Group Company	Other
CLFG (Beijing) International Engineering Co., Ltd.	Wholly owned subsidiary of the parent company
CLFG Luoyang Jingrun Coating Glass Co., Ltd.	Controlled subsidiary of the parent company
Luoyang New Jingrun Engineering Glass Co., Ltd.	Controlled subsidiary of the parent company
CLFG Luoyang Glass Engineering Design and Research Co., Ltd.	Wholly owned subsidiary of the parent company
Luoyang Jiaye Commerce and Trade Co., Ltd.	Wholly owned subsidiary of the parent company
CLFG Warehousing & Logistics Company Limited	Wholly owned subsidiary of the parent company
Luoyang Luobo Glass Fibre Co., Ltd.	Controlled subsidiary of the parent company
CLFG Yuantong Engery Co., Ltd.	Other
China Triumph International Engineering Co., Ltd.	Brother company of the Group
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Brother company of the Group
Henan Zhonglian Glass Co., Ltd.	Brother company of the Group
Bengbu Glass Industry Design Institute	Brother company of the Group
Anhui Fangxing Science & Technology Company Limited	Brother company of the Group
China Triumph Shenzhen Engineering and Technology Company Limited	Brother company of the Group
Triumph Bengbu Engineering and Technology Company Limited	Brother company of the Group
Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.	Brother company of the Group
Triumph Bengbu Engineering and Technology Company Limited	Brother company of the Group
Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	Brother company of the Group
Anhui Huaguang Photoelectric Materials Technology Group Co., Ltd.	Brother company of the Group
Bengbu Chemical Engineering Machinery Making Co., Ltd.	Brother company of the Group

Notes to the Financial Statements

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Related party transactions

(1) Purchase and sales of goods and provision and receiving of services

Purchase of goods/receiving of services:

Unit: Yuan Currency: RMB

Name of related party	Content of related party transaction	2015	2014
CLFG Yuantong Energy Co., Ltd.	Natural gas	85,660,141.93	112,263,947.26
China Luoyang Float Glass (Group) Company	Raw material		3,928,654.87
China Luoyang Float Glass (Group) Company	Inventory items		6,350,523.35
China Luoyang Float Glass (Group) Company	Interest expense	554,227.78	359,049.90
Bengbu Glass Industry Design Institute	Raw material	2,890,466.52	2,338,593.32
Bengbu Glass Industry Design Institute	Interest expense	402,986.11	
Bengbu Glass Industry Design Institute	Guarantee fee	59,900.00	
Triumph Bengbu Engineering and Technology Company Limited	Raw material	70,743.60	9,401.71
Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	Raw material	96,258.13	39,263.25
Bengbu Chemical Engineering Machinery Making Co., Ltd.	Raw material	3,512,769.15	1,160,055.54
Triumph Technology Group Company	Raw material	5,284,202.20	

Sales of goods/provision of services:

Unit: Yuan Currency: RMB

Name of related party	Content of related party transaction	2015	2014
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Float glass	18,656,866.95	39,257,849.32
China Triumph International Engineering Co., Ltd.	Service Fee	1,132,075.48	639,622.64
China Luoyang Float Glass (Group) Company	Shattered glass	2,061,598.72	257,214.36
China Luoyang Float Glass (Group) Company	Float glass	17,752,459.99	
China Luoyang Float Glass (Group) Company	Tin	1,041,601.04	
Anhui Fangxing Science & Technology Company Limited	Float glass	1,664,246.52	9,545,308.22
Luoyang New Jingrun Engineering Glass Co., Ltd.	Float glass	2,156,379.88	1,871,584.05
Anhui Huaguang Photoelectric Materials Technology Group Co., Ltd.	Broken glass		2,719,555.43
Henan Zhonglian Glass Co., Ltd.	Silica sands	1,592,186.19	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Related party transactions (Continued)

(2) Lease of related party

The Company as the lesser:

Unit: Yuan Currency: RMB

Lessee	Lease assets	Income from lease recognized in the current period	Income from lease recognized in the previous period
China Luoyang Float Glass (Group) Company	Land use rights of 183.30 Mu	680,000.00	680,000.00

The Company as the lessee:

Unit: Yuan Currency: RMB

Lesser	Lease assets	Expenses from lease recognized in the current period	Expenses from lease recognized in the previous period
China Luoyang Float Glass (Group) Company	600t/d on-line Low-E glass production line	18,695,190.08	16,358,291.30

Statements about the lease

On 17 April 2014, Longhao Company, the Company's wholly-owned subsidiary and CLFG entered into the Asset Lease Contract (《資產租賃合同》) whereby Longhao Company leased 600T/D float glass production line, plant and other assets of CLFG under a lease term of 3 years, with an annual lease cost of RMB31,900,000. On 17 June 2015, both parties agreed to terminate and dissolve said Asset Lease Contract and entered into the Agreement on Lease Termination (《終止租賃協議書》) upon reaching an unanimous agreement through consultation based on both parties' need for production and business development. On 25 August 2015, the Agreement on Lease Termination was approved by the general meeting of the Company. In August 2015, the Company received the reply and approval of CLFG. CLFG agreed to grant Longhao Company with an exemption for the annual lease cost of RMB18,695,190.08 of 2015 regarding 600t/d production line. In accordance with the relevant provisions of the Accounting Standards for Enterprises, such amount of RMB18,695,190.08 exempted shall be recorded in the capital surplus of Longhao Company.

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Related party transactions (Continued)

(3) Related party guarantees

The Company as the guaranteed party

Unit: Yuan Currency: RMB

Guarantor	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
China National Building Material Group	14,360,000.00	1 February 2010	31 January 2017	No
China National Building Material Group	80,128,800.00	1 February 2010	31 January 2017	No
China National Building Material Group	103,033,000.00	1 February 2010	31 January 2017	No
China National Building Material Group	119,906,000.00	1 February 2010	31 January 2017	No
China National Building Material Group	39,849,000.00	1 February 2010	31 January 2017	No
China National Building Material Group	35,900,000.00	1 February 2010	31 January 2017	No
China National Building Material Group	50,260,000.00	1 February 2010	31 January 2017	No
Bengbu Glass Industry Design Institute	7,930,000.00	22 April 2015	22 April 2016	No
Bengbu Glass Industry Design Institute	10,000,000.00	4 January 2015	4 January 2016	No
China Luoyang Float Glass (Group) Company. Triumph Technology Group Company	50,000,000.00	19 June 2015	18 June, 2018	No
China Luoyang Float Glass (Group) Company. Triumph Technology Group Company	63,636,363.00	23 June 2015	22 June 2018	No

(4) Transfer of assets and debt restructuring of related parties

Unit: Yuan Currency: RMB

Name of related party	Content of related party transaction	2015	2014
China Luoyang Float Glass (Group) Company	Transfer of fixed assets		866,236.04
Bengbu Glass Industry Design Institute	Acquisition of fixed assets		82,039.67
Triumph Bengbu Engineering and Technology Company Limited	Acquisition of fixed assets	14,372.65	815,333.34
Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	Acquisition of fixed assets	26,427.36	3,381,508.55

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

4. Related party transactions (Continued)

(5) Remuneration of Key Management Personnel

Unit: Yuan Currency: RMB

Item	2015	2014
Remuneration of key management personnel	2,667,315.79	2,366,141.49

(6) Other connected transactions

1. Entrusted loans

- i. As at 31 December, 2015, the Company has furnished the entrusted loans of RMB205,000,000.00 to subsidiaries through the bank.
- ii. As at 31 December, 2015, the Company has repaid the bank the CLFG entrusted loan of RMB10,000,000.00.

2. Financial assistance from related parties

In 2015, Triumph Technology Group Company advanced an aggregate payment of RMB314,655,583.90 on behalf of the Group, the CLFG provided an aggregate fund of RMB28,000,000.00 directly to the Company, and Henan Zhonglian Glass Co., Ltd. advanced an aggregate payment of RMB2,000,000.00 on behalf of the Group.

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Accounts receivable and payable of related parties

(1) Items of receivable

Unit: Yuan Currency: RMB

Item	Name of related party	Closing balance		Opening balance	
		Carrying balance	Bad debt provision	Carrying balance	Bad debt provision
Accounts payable	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	951,397.68		500,661.54	
Accounts payable	Anhui Huaguang Photoelectric Materials Technology Group Co., Ltd.	889,079.90		1,689,079.90	
Accounts payable	Luoyang New Jingrun Engineering Glass Co., Ltd.	1,349,753.33		1,519,753.33	
Accounts payable	CLFG Mineral Products			1,341,989.51	
Accounts payable	Anhui Fangxing Science and Technology	687,351.82			
Payments received in advance	CLFG Yuantong Energy Co., Ltd.			1,098,495.47	
Payments received in advance	Triumph Bengbu Engineering and Technology Company Limited	11,658.10			
Payments received in advance	Kaisheng Technology Group Company	110,007.97			
Other payables	China Luoyang Float Glass (Group) Company	22,795.40		3,894,451.52	
Other payables	China Triumph International Engineering	1,650,000.00		1,650,000.00	
Other payables	CLFG (Beijing) International Engineering Co., Ltd.	82,796.95		82,796.95	
Other payables	Luoyang Jingxin Ceramic Co. Ltd.			3,000.00	3,000.00
Other payables	Luoyang Luobo Glass Fibre Co., Ltd.	150,738.92		150,738.92	
Other non-current assets (Prepayments for projects)	Shenzhen Triumph Technology Engineering Co., Ltd.			2,990,000.00	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Accounts receivable and payable of related parties (Continued)

(2) Items of payable

Unit: Yuan Currency: RMB

Item	Name of related party	Closing balance	Opening balance
Accounts payable	CLFG (Beijing) International Engineering Co., Ltd.		77,000.00
Accounts payable	Bengbu Glass Industry Design Institute		1,381,056.39
Accounts payable	China Triumph International Engineering		76,170,717.95
Accounts payable	Triumph Bengbu Engineering and Technology Company Limited		85,820.00
Accounts payable	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited		1,104,693.85
Accounts payable	Bengbu Chemical Engineering Machinery Making Co., Ltd.	884,038.46	1,058,416.65
Accounts payable	Triumph Bengbu Engineering and Technology Company Limited		191,380.55
Accounts payable	Jiangsu CNBM Environment Protection Research Institute Limited	3,017,684.73	
Accounts payable	Kaisheng Technology Group Company	3,293,562.08	
Payments received in advance	Anhui Fangxing Science & Technology Co., Ltd.	5,181,103.61	5,426,217.94
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	347,185.00	347,185.00
Payments received in advance	Luoyang Jingrun Coating Glass Co., Ltd.		7,752.72
Payments received in advance	Luoyang New Jingrun Engineering Glass Co., Ltd.		712.26
Other payables	China Luoyang Float Glass (Group) Company	91,246,227.75	28,284,238.26
Other payables	Luoyang Jiaye Commerce and Trade Co., Ltd.		6,300.00
Other payables	Bengbu Glass Industry Design Institute	6,902,312.39	5,309,371.53
Other payables	Triumph Bengbu Engineering and Technology Company Limited		936,100.00
Other payables	Shenzhen Triumph Technology Engineering Co., Ltd.		300,000.00
Other payables	Bengbu Branch of China Triumph International Engineering	140,000.00	240,000.00
Other payables	Kaisheng Technology Group Company	31,200,000.00	

6. Commitments of related parties

The CLFG made the following commitment to the Bengbu Company: If Bengbu Company's audited net profit deducting non-recurring profit and loss attributable to the owner of parent company in 2015, 2016, and 2017 fails to reach that of corresponding year (2015: RMB30,844,700, 2016: RMB58,954,400 and 2017: RMB69,680,000) predicted in the assessment report, the CLFG will compensate the Company for the balance between the predicted net profit and actual net profit.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

7. Other

- (1) On 10 June, 2015, the Agreement in Respect of the Major Asset Swap, Acquisition of Assets by Cash and the Issuance of Shares and Fundraising Between Luoyang Glass Company Limited and CLFG was made and entered into by the Company and CLFG for the equivalent swap between the Company's 100% equity interests in CLFG Luoyang Longhao Glass Co. Ltd, 63.98% equity interests in CLFG Luoyang Longfei Glass Co. Ltd, 67% equity interests in Dengfeng CLFG Silicon Company Limited, 52% equity interests in Yinan Huasheng Mineral Products Industry Co. Ltd, 40.29% equity interests in CLFG Mineral Products Co. Ltd and the liabilities (including accounts receivable, other receivables and entrusted loans) of the Company to such companies and CLFG's 100% equity interests in Bengbu China Building Information Display Materials Co. Ltd. According to the Agreement, the balance of the equivalent swap will be compensated in cash and through the Company's issuing its shares to CLFG as consideration. According to the assessed values, the exchange-out asset is priced RMB494,179,464.51 and exchange-in asset RMB674,909,179.82. Accordingly, the balance therebetween is RMB180,729,715.31, RMB90,000,000 of which is paid through the Company's 15,000,000 shares and RMB90,729,715.31 in cash. On 21 December 2015, the Agreement for Significant Asset Restructuring and Delivery Between Luoyang Glass Company Limited and CLFG was made and entered into by the Company and CLFG, specifying the delivery date for exchange-in assets and exchange-out assets was 21 December 2015 when the parties went through the delivery formalities.

- (2) Connected transactions of engineering, construction, installation and equipment procurement of Longhao Company

In February 2015, the General Contract for 650t/d Float Line Furnace Flue Gas Treatment Project was made and entered into by and between Longhao Company and Shenzhen Triumph Technology Engineering Co., Ltd. According to the Contract, Shenzhen Triumph Technology Engineering Co., Ltd general-contracted the 650t/d Float Line Furnace Flue Gas Treatment Project of Longhao Company, comprising of the three sub-projects of the denitrification system reformation, R – SDA desulfurization system reformation, and waste heat power generation boiler system reformation. The total contract price is RMB24,000,000, of which the payment for equipment and materials is RMB16,800,000 and installation fee is RMB7,200,000.

In September 2015, Longhao Company and Bengbu Glass Industry Design Institute entered into three contracts on 650t/d float line I reformation project: engineering contract, civil construction contract, and supply and installation contract. According to these contracts, the Institute shall be responsible for engineering, civil construction, supply and installation for float line I reformation project of Longhao Company. The total contract price is RMB26,240,000, of which the payment for equipment and materials is RMB15,740,000, installation fee RMB6,680,000, design fee RMB480,000, and civil construction cost RMB3,340,000.

XI. CAPITAL COMMITMENTS AND CONTINGENCIES

1. Contingencies

None

2. Capital commitments

At 31 December 2015, capital commitments of the Company are summarized as follows:

Item	31 December 2015	31 December 2014
Contracted for but not provided for		
– Purchase of equipment		31,290,000.00
– Construction project	2,337,873.60	8,040,000.00
– Upgrading accounting system		287,280.00
– Lease of production line		77,070,800.00
Total	2,337,873.60	116,688,080.00

XII. SUBSEQUENT EVENTS AFTER THE DATE OF BALANCE SHEET

According to the resolutions made at 2015 First Extraordinary General Meeting on 25 August, 2015 and approval by the CSRC in the Reply for Approval of the Issuance of Shares by Luoyang Glass Company Limited to China Luoyang Float Glass (Group) Company Limited for Asset Acquisition and Raising of Supporting Funds Proceeds (ZJXX [2015] No. 2813) on 4 December 2015, the Company issued new 32,137,519 shares at most in a non-public way for raising supporting fund for asset purchasing. On 26 January 2016, the Company issued new 11,748,633 shares to First Capital Securities Co., Ltd. (on behalf of Gongying Dayan Quantified Private Placement Assembled Asset Management Plan) and Caitong Fund Management Co., Ltd., raising a total net fund of RMB209,624,984.30 (raised total fund of RMB214,999,983.90 less underwriting fee of RMB5,374,999.60), of which RMB11,748,633.00 included in share capital, after less issuance fee, RMB197,876,351.30 included in the capital reserve. The registration and custody formalities of the issued A shares were gone through with Shanghai Branch, China Securities Depository and Clearing Company Limited on 2 February 2016.

Notes to the Financial Statements

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XIII. OTHER SIGNIFICANT EVENTS

1. Segment information

(1) Determination basis and accounting policy of reporting segment

For management purposes, the Group is organized into two operating divisions. 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:

- I. Float sheet glass business: production and sales of float sheet glass; and sales of raw materials for production of float sheet glass.
- II. 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. As the common float glass business and silicon-sand business were all exchanged out by the Group this year, there was no total asset and total liabilities till the end of the reporting period.

(2) Segment reporting of financial information

Unit: Yuan Currency: RMB

Item	Float glass	Silicon sand	Elimination	Total
I. Income from transactions with third parties	617,957,815.09	44,198,820.04		662,156,635.13
II. Income from inter-segment transactions		1,750,231.36	1,750,231.36	
III. Interest income	6,330,173.17	2,936.73	1,287,000.00	5,046,109.90
IV. Interest expense	5,986,810.41	1,997,412.04	1,287,000.00	6,697,222.45
V. Asset impairment loss	322,970,266.55	47,460.30		323,017,726.85
VI. Depreciation and amortization expenses	104,072,161.96	2,861,769.59		106,933,931.55
VII. Total profit ("-" for loss)	145,269,737.61	-962,714.76		144,307,022.85
VIII. Income Tax Expenses	9,983,523.30	-87,508.05		9,896,015.25
IX. Net profit	135,286,214.31	-875,206.71		134,411,007.60
X. Total assets ("-" for loss)	1,314,035,081.52			1,314,035,081.52
XI. Total liabilities	1,035,690,085.52			1,035,690,085.52

XIII. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment reporting (Continued)

(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	
	2015	2014	31 December 2015	31 December 2014
China	662,156,635.13	660,058,269.97	826,682,911.68	1,270,128,923.40
Total	662,156,635.13	660,058,269.97	826,682,911.68	1,270,128,923.40

The Group has a diverse customer base. In 2015, only 1 customer entered into transactions with amounts surpassing 10% of the Group's income.

2. Other

(1) Important pending lawsuit as of 31 December 2015

Shandong Haitian Biochemical Industry Co., Ltd. has supplied sodium carbonate to the Company for years, and the Company has not paid some of the payment for the supplies. Shandong Haitian Biochemical Industry Co., Ltd. filed a lawsuit to the Intermediate People's Court of Weifang city, and the Court made a verdict on 11 August 2015 that the Company should pay the RMB4,585,519.48 and interest therefrom to Shandong Haitian Biochemical Industry Co., Ltd.. The verdict is in effect.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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XIV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosed category of accounts receivable

Unit: Yuan Currency: RMB

Types	Closing balance at the end of the period					Opening Balance at the beginning of the period				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)		Amount	Ratio (%)	Amount	Provision ratio (%)	
Account receivables with significant single amount and individual provision for bad debts						250,658,701.27	36.60	79,154,997.93	31.58	171,503,703.34
Accounts receivable provided for bad debts in groups with credit risk characteristics	260,902,854.08	100.00	50,904,347.72	19.51	209,998,506.36	434,156,276.99	63.40	49,402,381.81	11.38	384,753,895.18
Account receivables with insignificant single amount and individual provision for bad debts										
Total	260,902,854.08	/	50,904,347.72	/	209,998,506.36	684,814,978.26	/	128,557,379.74	/	556,257,598.52

In the group, accounts receivable with the provision based on the aging analysis:

Unit: Yuan Currency: RMB

Aging	Closing balance at the end of the period		
	Accounts receivable	Accounts receivable	Accounts receivable
Within 1 year	7,709,543.10		
Of which: within 1 year by category			
Sub-total within 1 year	7,709,543.10		
1 to 2years	79,808.01	23,942.40	30
2 to 3years	604,439.11	302,219.56	50
3 to 4 years	24,318.62	24,318.62	100
4 to 5 years	2,621,120.50	2,621,120.50	100
Above 5 years	47,932,746.64	47,932,746.64	100
Total	58,971,975.98	50,904,347.72	

Notes to the Financial Statements

XIV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(1) Disclosed category of accounts receivable (Continued)

In the groups, account receivables without provision for bad debts:

Item	Amount at the end of the period	Amount at the beginning of the period
Group with no provision for bad debts (related parties)	201,930,878.10	382,055,340.93
Total	201,930,878.10	382,055,340.93

(2) Accounts receivable of the top five parties with arrears regarding the collected balance at the end of the period:

The total accounts receivable of the top five parties with arrears regarding the collected balance at the end of the period amounted to RMB214,274,041.19, representing 82.13% with respect to the total balance of accounts receivable at the end of the period. The total provision for bad debts at the end of the period amounted to RMB10,373,924.15.

2. Accounts receivable

(1) Disclosed category of accounts receivable:

Unit: Yuan Currency: RMB

Types	Closing balance at the end of the period					Opening Balance at the beginning of the period				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Account receivables with significant single amount and individual provision for bad debts	221,462,460.10	77.66	166,164,548.38	75.03	55,297,911.72	242,360,615.67	73.33	131,757,432.90	54.36	110,603,182.77
Accounts receivable provided for bad debts in groups with credit risk characteristics	63,724,380.92	22.34	26,239,517.43	41.18	37,484,863.49	88,157,062.58	26.67	19,690,352.35	22.34	68,466,710.23
Account receivables with insignificant single amount and individual provision for bad debts										
Total	285,186,841.02	/	192,404,065.81	/	92,782,775.21	330,517,678.25	/	151,447,785.25	/	179,069,893.00

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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Unit: Yuan Currency: RMB

XIV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(1) Disclosed category of accounts receivable: (Continued)

Accounts receivable with significant single amount and individual provision for bad debts at the end of the period:

Unit: Yuan Currency: RMB

Accounts receivable (by unit)	Closing balance at the end of the period			Reasons for making provision
	Other receivables	Provision for bad debts	Provision ratio	
CLFG Longmen Glass Co. Ltd	210,653,756.10	155,355,844.38	73.75	It is expected that no full recovery can be made
Xili Branch, Zhengzhou of China Construction Bank	10,808,704.00	10,808,704.00	100.00	It is expected that no full recovery can be made
Total	<u>221,462,460.10</u>	<u>166,164,548.38</u>	<u>/</u>	<u>/</u>

In the group, accounts receivable with the provision adopting other methods:

Unit: Yuan Currency: RMB

Aging	Closing balance at the end of the period		
	Accounts receivable	Provision for bad debts	Provision ratio
With 1 year	3,000,287.00		
Sub-total within 1 year	3,000,287.00		
1 to 2 years	784,484.00	235,345.20	30
2 to 3 years	10,638,021.39	5,319,010.70	50
3 to 4 years	306,976.57	306,976.57	100
4 to 5 years	163,520.81	163,520.81	100
Above 5 years	20,214,664.15	20,214,664.15	100
Total	<u>35,107,953.92</u>	<u>26,239,517.43</u>	<u>74.74</u>

Notes to the Financial Statements

XIV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(1) Disclosed category of accounts receivable: (Continued)

In the group, accounts receivable with the provision adopting other methods:

Item	Amount at the end of the period	Amount at the beginning of the period
Group with no provision for bad debts (related party, spare fund, security deposit, etc.)	28,616,427.00	61,565,009.49
Total	28,616,427.00	61,565,009.49

(2) Provision for bad debts made, recovered or reversed for the current period:

Provision for bad debts for the current period is 52642365.56 Yuan. Provision for bad debts made, recovered or reversed for the current period is 4786505.96 Yuan.

(3) Other receivables verified and written off at current period

Unit: Yuan Currency: RMB

Item	Write-offs
Percentage of total other receivables	76,290,087.31

(4) Other receivables categorized by nature of amount

Unit: Yuan Currency: RMB

Nature of amount	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Other receivables categorized by nature of amount	237,409,444.18	274,124,857.74
Proceeds from disposal of property	535,437.71	410,365.89
Provisional estimated input tax for materials	781,631.47	5,726,828.01
Reserve, deposit, security deposit	10,430,000.00	12,600,000.00
Current accounts	36,030,327.66	37,655,626.61
Total	285,186,841.02	330,517,678.25

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
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XIV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(5) Other receivables of the top five parties with arrears regarding the collected balance at the end of the period:

Unit: Yuan Currency: RMB

Name of Unit	Nature of amount	Closing balance at the end of the period	Aging	Ratio with respect to the total balance of other receivables at the end of the period	Provision for bad debts at the end of period (%)	Provision for bad debts at the end of period
Longmen Company	Loans from subsidiaries	210,653,756.10	Within 1 year or more than 1 year	73.87		155,355,844.38
Luoyang Luobo Furuida Commerce Co., Ltd.	Loans from subsidiaries	26,755,688.08	Within 1 year	9.38		
Xili Branch, Zhengzhou of China Construction Bank	Current accounts	10,808,704.00	More than 5 years	3.79		10,808,704.00
Luoyang Hoisting Machinery Company Limited	Proceeds from disposal of property	10,430,000.00	2-3 years	3.66		5,215,000.00
Shenzhen Cynthia Industrial Company Limited	Current accounts	4,600,000.00	More than 5 years	1.61		4,600,000.00
Total	/	263,248,148.18	/	92.31		175,979,548.38

3. Long-term equity investment

Unit: Yuan Currency: RMB

Item	Carrying amount	Closing balance		Carrying amount	Opening balance	
		Provision for impairment	Book value		Provision for impairment	Book value
Investment in subsidiaries	813,499,984.17	64,513,390.18	748,986,593.99	215,815,172.39	163,217,210.85	52,597,961.54
Investment in associated companies and joint ventures						
Total	813,499,984.17	64,513,390.18	748,986,593.99	215,815,172.39	163,217,210.85	52,597,961.54

Notes to the Financial Statements

XIV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Long-term equity investment (Continued)

(1) Investment in subsidiaries

Unit: Yuan Currency: RMB

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Provision	Balance
					for impairment for the current period	of the provision for impairment at the end of the period
CLFG Longmen Glass Co. Ltd	64,513,390.18			64,513,390.18		64,513,390.18
Longfei Company	40,000,000.00		40,000,000.00			
Yinan Huasheng	14,560,000.00		14,560,000.00			
Longhao Company	47,300,356.93		47,300,356.93			
Longhai Company	48,941,425.28			48,941,425.28		
Bengbu China Building Information Display Materials Co.Ltd.		699,545,168.71		699,545,168.71		
Luoyang Luobo Furuida Commerce Co., Ltd.	500,000.00			500,000.00		
Total	215,815,172.39	699,545,168.71	101,860,356.93	813,499,984.17		64,513,390.18

(2) Operating income and operating cost:

Unit: Yuan Currency: RMB

Investors	Opening balance	Additional investment	Decrease in investment	Change in increase or decrease for the current period				Provision for impairment	Others	Closing balance	Balance of the provision for impairment at the end of the period
				Investment profit and loss recognized under equity method	Other comprehensive income adjusted	Change in other interests and rights	Cash divided or profits declared to be released				
I. Joint ventures											
Sub-total											
II. Associated companies											
CLFG (note)											
Sub-total											
Total											

Note: For details, please refer to "note V (10)".

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Unit: Yuan Currency: RMB

XIV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating income and operating costs:

Unit: Yuan Currency: RMB

Item	Amount for January–June 2015		Amount for January–June 2014	
	Income	Costs	Income	Costs
Principal business	252,490,719.62	249,991,192.89	550,036,984.36	544,817,324.20
Other business	69,253,284.11	65,956,582.51	165,366,805.57	157,287,830.11
Total	321,744,003.73	315,947,775.40	715,403,789.93	702,105,154.31

5. Investment income

Unit: Yuan Currency: RMB

Item	2015	2014
Long-term equity investment income measured by cost method		176,000,000.00
Investment income from disposal of long-term equity investment	37,198,993.94	71,583,611.09
Investment income from investments held for maturity	23,235,852.24	23,413,728.24
Total	60,434,846.18	270,997,339.33

Notes to the Financial Statements

XV. SUPPLEMENTARY INFORMATION

1. Details of extraordinary profit and loss in January to June 2015

Unit: Yuan Currency: RMB

Item	Amounts	Explanation
Profit or loss on disposal of non-current assets	445,019.71	
Government grant recognized in current profit or loss (except for those acquired in the ordinary course of business or granted continuously in certain standard quota according to relevant national laws and regulations)	4,567,408.16	
Profit or loss of debt restructuring	88,665.10	
The current net profit and loss of subsidiary resulting from combination under common control from the beginning of the period to consolidation date	31,866,403.05	
Other non-operating income and expenses except as listed above	-5,638,065.02	
Other profits or losses items within the definition of extraordinary profit or loss	329,238,114.46	
Effect of income taxation	-142,920.75	
Effect of minority interest	-89,286.37	
Total	360,335,338.34	

For the items defined as extraordinary profit or loss items in accordance with the Notice for Public Offering Securities Company Explanatory Information Disclosure No. 1 Gains or Losses from Extraordinary Items and special cases defined as extraordinary profit or loss items as listed in the Notice above mentioned, explanation should be given.

Unit: Yuan Currency: RMB

Item	Amount	Reason
Investment income	603,457,879.81	Investment income produced in consolidated statements of exchange-out equity under assets restructuring
Impairment loss on assets	-274,219,765.35	Losses produced in consolidated statements of exchange-out credit receivable under assets restructuring

2. Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets	Earnings per share	
	Basic earnings per share Diluted earnings per share (%)	Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	18.30	0.28	0.28
Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary item	-177.45	-0.43	-0.43

Documents Available for Inspection

Documents available for inspection	The financial statements signed and sealed by the legal representative, the Chief Financial Controller and the Head of Financial Department.
Documents available for inspection	Original copy of the auditors' report stamped by WUYIGE Certified Public Accountants LLP. and signed by PRC certified public accountants together with the financial statements prepared under the PRC Accounting Standards.
Documents available for inspection	All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed in the newspaper designated by the CSRC during the reporting period.

Chairman: Zhang Chong

Reporting date as approved by the Board; 17 March 2015