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洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED*

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

(Stock code: 01108)

2016 INTERIM REPORT ANNOUNCEMENT

I. IMPORTANT NOTICE

- 1.1 The board of directors (the “**Board**”), the supervisory committee, the directors (the “**Directors**”), supervisors and senior management members of the Company shall warrant that the information contained in this interim 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.
- 1.2 All Directors attended the Board meeting to consider this interim report of the Company.
- 1.3 This interim results of the Company for the six months ended 30 June 2016 are unaudited but have been reviewed and approved by the Audit Committee of the Board.
- 1.4 Zhang Chong, legal representative, Ma Yan, person in charge of accounting, and Chen Jing, person in charge of accounting department, of the Company warrant that the financial statements in this interim report are true, accurate and complete.

II. BASIC INFORMATION ABOUT THE COMPANY

2.1 Basic information

Stock abbreviation	Luoyang Glass (A Share(s))	Luoyang Glass (H Share(s))
Stock code	600876	01108
Listing Exchange	the Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
	Board Secretary	Securities Affairs Representative
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
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2.2 Major financial data and information of shareholders

2.2.1 Accounting Data and Financial Indicators of the Company

Unit: Yuan Currency: RMB

	As at the end of reporting period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period from the end of last year (%)
Net assets attributable to shareholders of the Company	462,224,386.07	278,344,996.00	66.06
Total assets	1,275,869,476.60	1,314,035,081.52	-2.90

	Reporting period	Corresponding period of previous year After adjustment	Before adjustment	Changing from corresponding period of previous (%)
Net cash flow from operating activities	-75,836,368.92	-78,149,042.13	-64,243,850.47	N/A
Operating income	137,239,714.63	366,074,390.98	307,311,207.69	-62.51
Net profits attributable to shareholders of the Company	-25,745,594.23	-109,429,515.42	-114,083,893.59	N/A
Net profits attributable to shareholders of the Company after extraordinary items	-29,066,503.40	-112,707,736.82	-112,707,736.82	N/A
Basic earnings per share (RMB/share)	-0.0491	-0.2125	-0.2282	N/A
Diluted earnings per share (RMB/share)	-0.0491	-0.2125	-0.2282	N/A
Weighted average return on net assets	-5.85	-16.52	N/A	Increased by 10.67 percentage points

Explanation on major accounting data and financial indicators of the Company:

Retrospective adjustments were made to Bengbu CNBM Information Display Material Co., Ltd. (蚌埠中建材信息顯示材料有限公司) in respect of business combination under common control for the same period last year.

2.2.2 Number and shareholdings of shareholders

Total number of shareholders as at the end of the Reporting Period (<i>shareholder</i>)	There were 68,000 shareholders of the Company in total, including 67,949 holders of A shares and 51 holders of H shares
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Total number of recovery of voting rights of preferential shareholders as at the end of the reporting period (<i>shareholder</i>)	0
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Unit: share

Shareholdings of top ten shareholders

Name of shareholder (Full name)	Increase/ decrease during the reporting period	Number of shares at the ending period	Percentage (%)	Number of restricted shares held	Pledged or frozen		Nature of shareholder
					Status of shares	Quantity	
HKSCC (Nominees) Limited	+86,001	248,348,699	47.15	0	Unknown		Overseas legal person
China Luoyang Float Glass (Group) Company Limited	0	174,018,242	33.04	15,000,000	Pledged	159,018,242	State-owned legal person
Caitong Fund-Ping An Bank-Tianrun Capital Management (Beijing) Co., Ltd.	+1,962,130	1,962,130	0.37	1,962,130	Unknown		Unknown
Agricultural Bank of China Limited-Fullgoal CSI State-owned Enterprises Reform Index Classified Fund	+51900	1,272,600	0.24	0	Unknown		Unknown
First Capital Securities Co., Ltd.-Guosen Securities-Gongying Dayan Quantified Private Placement Assembled Asset Management Plan	+1,202,185	1,202,185	0.23	1,202,185	Unknown		Unknown
Ji Wanchao	+1,044,050	1,044,050	0.20	0	Unknown		Domestic natural person
Liu Bibo	-361,600	1,000,000	0.19	0	Unknown		Domestic natural person
Caitong Fund-ICBC-Qiaogeli Blue Chip Selection No. 2 Assets Management Plan	+981,065	981,065	0.19	981,065	Unknown		Unknown
Zhang Lixin	-20,000	800,000	0.15	0	Unknown		Domestic natural person
Caitong Fund-Ping An Bank-Shanghai Goldstate Brilliance Asset Management Co., Ltd.	+735,799	735,799	0.14	735,799	Unknown		Unknown

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

Name of shareholders	Number of circulating shares not subject to trading moratorium	Type and number of shares	Quantity
HKSCC (Nominees) Limited	248,348,699	Foreign capital stocks listed abroad	248,348,699
China Luoyang Float Glass (Group) Company Limited	159,018,242	RMB common stock	159,018,242
Agricultural Bank of China Limited–Fullgoal CSI State-owned Enterprises Reform Index Classified Fund	1,272,600	RMB common stock	1,272,600
Ji Wanchao	1,044,050	RMB common stock	1,044,050
Liu Bibo	1,000,000	RMB common stock	1,000,000
Zhang Lixin	800,000	RMB common stock	800,000
CHUK YEE MEN LIZA	374,000	Foreign capital stocks listed abroad	374,000
HKSCC (Nominees) Limited	327,568	RMB common stock	327,568
Jin Ruiming	315,394	RMB common stock	315,394
Zhang Liushen	304,519	RMB common stock	304,519
Description of the connected relationship or party acting in concert among the aforesaid shareholders:	There are no connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies among the top ten shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other shareholders of circulating shares. Shares were held by HKSCC (Nominees) Limited, representing its various customers.		
Explanations on preference shareholders with voting rights restored and the number of shares held	N/A		

Number of shares held by top 10 holders of shares subject to trading moratorium and trading moratorium

Unit: share

No.	Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Shares subject to trading moratorium available for listing and trading		Trading moratorium
			Time available for listing and trading	Number of additional shares available for listing and trading	
1.	China Luoyang Float Glass (Group) Company Limited	15,000,000	2018-12-30	0	Non-transferable within 36 months from the completion date of the issuance
2.	Caitong Fund Management Co., Ltd.	10,546,448	2017-02-03	0	Non-transferable within 12 months from the completion date of the issuance
3.	First Capital Securities Co., Ltd.	1,202,185	2017-02-03	0	Non-transferable within 12 months from the completion date of the issuance
Description of the connected relationship or party acting in concert among the aforesaid shareholders:		There are no connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies among the aforesaid shareholders, including China Luoyang Float Glass (Group) Company Limited and other holders of shares subject to trading moratorium. The Company is not aware of any parties acting in concert or any connected relationship among other holders of shares subject to trading moratorium.			

Notes:

1. HKSCC (Nominees) Limited held shares on behalf of its clients and the Company has not been notified by HKSCC (Nominees) Limited that there was any single holder of H shares who held 10% or above of the Company's total share capital.
2. Save as disclosed above, as at 30 June 2016, there were no other persons who have any interests or short position in the shares or underlying shares in the equity derivatives of the Company as recorded in the register of interest kept under section 336 of the Securities and Futures Ordinance of Hong Kong.
3. On 31 December 2014, CLFG entered into the Equity Transfer Agreement with Bengbu Institute. Pursuant to the agreement, CLFG intended to transfer its 69 million shares of the Company (accounting for 13.10% of the total share capital of the Company) to Bengbu Institute. The equity transfer was approved by the SASAC, but the formalities for the share transfer had yet to be completed.

2.3. Changes in Controlling Shareholder or De Facto Controller of the Company

During the Reporting Period, there was no change in the controlling shareholder and the de facto controller of the Company.

III. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Discussion and Analysis of Operations of the Company during Reporting Period

In the first half of 2016, China implemented the macroeconomic policy of making progress while maintaining stability, with a focus on promotion of supply-side structural reform. Meanwhile, it resolutely prioritized the major tasks including de-capacity, de-stocking, de-leveraging, cutting costs and shoring up weak growth areas.

Following the implementation of supply-side structural reform, the concentrated actions were carried out to address the overcapacity of the five major industries including steel, coal, cement, float sheet glass and coke in different regions. Under such backdrop, certain traditional float sheet glass enterprises started to change their operation direction or increase investment in ultra-thin electronic glass, resulting in fiercer market competition. In face of the harsh conditions, the Company, adhering to the operation target of “quality improvement and benefit increase, transformation and upgrading” and being market-oriented, the Company endeavored to enhance its competitiveness through adjusting product structure, improving product quality, reducing consumption and lowering cost.

During the Reporting Period, the daily capacity, total rate of finished products, yield of conforming products used by customers and other indicators of ultra-thin glass were all improved as compared with the same period last year;

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.

By adopting furnace insulation, oxygen-enriched combustion, air compressor variable frequency technology and other energy-saving measures, the comprehensive energy consumption was reduced to 39.02 kilograms of standard coal per weighted case.

The Company actively promoted the development of new products. In April 2016, it successfully produced the 0.15mm ultra-thin electronic glass, the thinnest electronic glass in China.

Besides, the Company continued to push ahead with “hierarchy reduction and redundancy streamlining” with a view to boost management integration and optimization.

During the Reporting Period, the Company recorded an operating revenue of RMB137,239,700, representing a decrease of 62.51% as compared with the same period of the preceding year; recorded an operating profit of RMB-26,771,200, representing a decrease of RMB83,880,400 in loss as compared with the same period of the preceding year; recorded a net profit attributable to the shareholders of the Company of RMB-25,745,600, representing a decrease of RMB83,683,900 in loss as compared with the same period of the preceding year; and recorded basic earnings per share attributable to shareholders of the Company of RMB-0.0491. Gearing ratio was 63.77%, representing a decrease of 15.05 percentage points from the beginning of the period.

3.2 Analysis of principal operating activities

3.2.1 Analysis of changes in relevant items in financial statements

Unit: Yuan Currency: RMB

Item	Amount for the Period	Amount for corresponding period last year	Percentage change (%)
Operating revenue	137,239,714.63	366,074,390.98	-62.51
Operating costs	128,487,520.70	378,530,163.62	-66.06
Cost of sales	3,541,156.15	15,563,322.54	-77.25
Administrative expenses	27,468,430.63	54,140,987.06	-49.26
Financial expenses	3,217,323.22	4,439,535.09	-27.53
Net cash flow from operating activities	-75,836,368.92	-78,149,042.13	N/A
Net cash flow from investment activities	-90,877,849.51	-19,823,209.87	N/A
Net cash flow from financing activities	160,745,006.27	65,477,373.24	145.50
R&D expenses	7,580,645.82	5,188,731.97	46.10

Reasons for the changes:

Reasons for change in operating revenue: mainly due to the change in consolidation scope during the Reporting Period, which did not include operating revenue from former common glass segment and silica sand segment exchanged out.

Reasons for change in operating costs: mainly due to the change in consolidation scope during the Reporting Period, which did not include operating income from former common glass segment and silica sand segment exchanged out.

Reasons for change in cost of sales: mainly due to the exclusion of costs of the companies exchanged out for the Reporting Period.

Reasons for change in administrative expenses: mainly due to exclusion of expenses of the companies exchanged out for the Reporting Period.

Reasons for change in financial expenses: mainly due to the decrease in discount interest as compared with the same period last year.

Reasons for change in net cash flow from operating activities: basically remained the same as compared with the same period last year.

Reasons for change in net cash flow from investment activities: mainly due to the consideration paid to CLFG for asset restructuring during the Reporting Period.

Reasons for change in net cash flow from financing activities: mainly due to the proceeds received from non-public issuance of shares during the Reporting Period.

Reasons for change in R&D expenses: mainly due to increased investment in development of new products as a result of the Company's efforts to improve sustainable competitiveness.

3.2.2 Explanations for other substantial changes in the composition of profits or source of profits of the Company

- (1) Business tax and surcharges for the period decreased by 91.33% year-on-year, mainly due to the decrease in relevant taxes resulting from a year-on-year decrease in revenue during the period;
- (2) Impairment loss on assets for the period showed a year-on-year decrease of 94.94%, mainly due to the inclusion of the provision for depreciation of inventories for the exchange-out common glass segment in the impairment loss on assets for the same period of last year;
- (3) Non-operating income for the period presented an increase of 167.21% on a year-on-year basis, mainly due to subsidy for supporting enterprises and stabilizing employment issued by Social Security Funds Collecting Center of Bengbu to Bengbu Company.

3.3. Analysis of principal operations by business, product or geographical region

3.3.1 Principal operations by business or product

Principal operations by industry

By industry	Operating Income	Operating Costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
New materials	135,466,204.64	127,477,857.21	5.90	-31.14	-22.64	Decreased by 10.34 percentage points

Principal operations by product

By product	Operating Income	Operating Costs	Gross Profit margin (%)	Increase/decrease in operating income from last year (%)	Increase/decrease in operating cost from last year (%)	Increase/decrease in gross profit from last year (%)
Photoelectric glass	135,466,204.64	127,477,857.21	5.90	-31.14	-22.64	Decreased by 10.34 percentage points

As the products manufactured for the main customers were panel display products upon completion of asset restructuring of the Company in 2015, the Company made adjustments to the names of industries and products during the Reporting Period. No comparative analysis was made on the common glass and silica sand segments during the Reporting Period as both segments were exchanged out in 2015.

3.3.2 Principal operations by region

Region	Operating Income	Year-on-year increase/ decrease in operating revenue (%)
Domestic	<u>135,466,204.64</u>	<u>-56.52</u>
Total	<u><u>135,466,204.64</u></u>	<u><u>-56.52</u></u>

3.4. Analysis of core competitiveness

During the reporting period, the Company produced the thinnest 0.15mm ultra-thin glass in China, which was the thinnest in the PRC, which further increased the varieties of high added-value products of the Company. This has further enhanced its variety advantage, thus strengthened the competitiveness of the Company's products.

There was no significant change in other aspects of the Company's competitiveness during the reporting period.

3.5. Analysis of investment

3.5.1 Overall analysis of equity investment

During the Reporting Period, the Company had no external equity investment.

3.5.2 Entrusted wealth management and derivative investment with non-financial corporations

(1) Entrusted wealth management

N/A

(2) Entrusted loans

The Company was not involved in any external entrusted loans and was only involved in entrusted loans for subsidiaries. As of June 30, 2016, the balance of the entrusted loans provided by the Company through banks to its subsidiaries amounted to RMB205,000,000.00.

(3) Other wealth management and derivative investment

N/A

3.5.3 Use of proceeds from fundraisings

Unit: Yuan Currency: RMB

Year of fundraising	Fundraising method	Total proceeds	Amount			
			Total amount used in this year	used on an accumulative basis	Total unutilized amount	Use of the unutilized proceeds
2016	Non-public issuance	214,999,983.90	214,999,983.90	214,999,983.90	0	
Total	/	214,999,983.90	214,999,983.90	214,999,983.90	0	/

Explanation of the overall status of use of proceeds from the fund raised: The Group has raised RMB214,999,983.90 by way of non-public issuance in January 2016. After deducting the underwriting fee of RMB5,374,999.60, the net proceeds actually received amounted to RMB209,624,984.30. The proceeds were used for the following purposes: 1. To pay the remaining consideration of RMB90,729,715.31 to CLFG for the exchange-in assets; 2. To pay the service fee of RMB14,260,302.36 to domestic and overseas intermediaries arising from restructuring; 3. To replenish working capital with RMB104,634,966.63. All the proceeds have been fully utilised as at the end of the Reporting Period.

3.5.4 Analysis to a major subsidiary and a joint stock company

Company name	Industry	Major products or services	Registered Capital	Total assets	Net assets	Net Profit
CLFG Longhai Electronic Glass Limited	New	Photoelectric glass materials	60,000,000.00	293,187,229.29	159,418,941.83	-10,568,230.74
CLFG Longmen Glass Co. Ltd.	New	Photoelectric glass materials	20,000,000.00	213,558,719.01	-462,681,417.63	-18,962,329.60
Bengbu CNBM Information Display Materials co., Ltd.	New	Photoelectric glass materials	632,764,300.00	790,857,286.57	705,567,379.00	6,022,210.29
Luoyang Luobo Furuida Commerce Company Limited	Trade	Sales of glass and glass materials	500,000.00	24,584,064.24	-1,376,365.15	-353,618.58

3.5.5 Projects financed by non-raised capital

N/A

3.5.6 Others

(1) Bank and other loans

- a. Short-term loans: The closing balance in the reporting period is RMB65 million, including mortgage loan of RMB50 million and guaranty loan of RMB15 million.
- b. Long-term loans: The closing balance in the reporting period is RMB500,059,270.15, including: bank loans of RMB422,732,232.42, non-bank financial institution loans of RMB77,327,037.73 and RMB457,833,651.66 which shall be repaid within a year.

(2) *Liquidity and capital resources*

As of June 30, 2016, the cash and cash equivalents of the Group is RMB36,373,776.90. Including: US dollar deposits of RMB334.74 (US dollar deposits of RMB327.79 on December 31, 2015), HK dollar deposits of RMB6,122.69 (HK dollar deposits of RMB6,001.36 on December 31, 2015); Euro deposits of RMB4.43 (Euro deposits of RMB4.26 on December 31, 2015). Compared with the total amount of RMB42,342,860.91 on December 31, 2015, the deposits has been decreased by RMB5,969,084.01.

Cash inflows of the Group in the current period mainly came from sales revenue, financial aids, which were mainly used as working capital and for repayment of bank loans.

(3) *Gearing ratio*

The gearing ratio was calculated based on the total liabilities at the end of the period less the balance of cash and cash equivalents and divided by net assets attributable to the parent. The gearing ratio of the Group calculated using this formula was 168.16% as at 30 June 2016 and 356.88% as at 31 December 2015.

(4) *Contingent liabilities*

Nil.

(5) *Risk of exchange rate fluctuations*

The Company's assets, liabilities and transactions are denominated in Renminbi. Therefore, fluctuations in foreign exchange rates do not have material impacts on the Group.

3.6. Business Outlook for the Second Half of 2016

With significantly increased contribution of domestic consumption to economic growth in recent years, the structural changes in the consumption upgrading will certainly give strong impetus to the industrial upgrading. As for the new glass industry chain: first, the demand kept a growing momentum in terms of quantity. Second, the demands for downstream products are becoming differentiated. With the ongoing development of various consumer electronics and communication products and the growing personalized needs of users for such products, the requirements on integrated touch modules, touch screens, miniature camera modules and other devices are increasingly stringent, so are the requirements on the quality of ultra-thin electronic substrate glass. Third, the products are in a trend of getting thinner. The market price of ultra-thin electronic substrate glass in China has bottomed out and is expected to show a rising trend in the second half of the year.

In the second half of the year, the Company will firmly stick to the development direction of “quality improvement and benefit increase, transformation and upgrading” and the working policy of “price stabilization, cost reduction, receivables collection and inventory control” to actively tackle the severe situation and challenges. First, it will continue to promote the adjustments of product mix and increase the proportion of production of profitable products based on the market positioning of its three product lines. Meanwhile, the Company will strengthen communication with downstream customers, unleash potential market demands, and organize production of new marketable products. Second, it will step up market development and actively expand into the high-end ultra-thin glass market and special glass market. Third, it will continuously optimize and innovate in processes and technologies and strengthen the effort in making technological breakthroughs in product quality to constantly improve product quality. Fourth, it will continue to carry out activities on “increasing income, cutting expenditure, and reducing consumption” to constantly reduce production costs and enhance the market competitiveness of its products. Fifth, it will proactively carry out training on technical management to improve the quality and capability as well as work efficiency of staff.

3.7. Other Disclosures

3.7.1 Repurchase, sale and redemption of shares

During the Reporting Period, the Company or its subsidiaries had not repurchased, sold and redeemed any securities of the Company.

3.7.2 Audit Committee

The Audit Committee of the Board of the Company has reviewed the Interim Report.

3.7.3 Compliance with the Corporate Governance Code

During the Reporting Period, the Company complied with all the code provisions under the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “Listing Rules”).

3.7.4 Compliance with the Model Code

Having made specific enquires to all Directors, the Company confirmed that all Directors have complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules during the reporting period. In respect of the securities transactions by the Directors, the code of conduct adopted by the Company is no less exacting than the Model Code.

IV. MATTERS RELATING TO THE FINANCIAL REPORT

4.1 Changes in Accounting Policies, Accounting Estimates and Accounting Methods of the Company during the Reporting Period

In order to reflect the financial conditions and operating results of Bengbu Company more fairly and appropriately, pursuant to the relevant requirements of Accounting Standards for Business Enterprises No.4 – Fixed Assets, Bengbu Company made adjustments to the depreciation terms of its fixed assets with effect from 1 April 2016 based on the actual usage of such fixed assets, which resulted in a reduction of RMB2,983,849.98 in its accumulated depreciation for the Reporting Period. For more details, please refer to the Announcement on Changes in Accounting Estimates of a Wholly-owned Subsidiary dated 24 June 2016.

4.2 Retrospective Restatement Due to Correction of Material Accounting Errors during the Reporting Period

In order to reflect the principles of Accounting Standards for Business Enterprises No. 20 – Business Mergers more accurately, the Company corrected the accounting errors in relevant accounting treatment of the business merger resulting from the significant asset restructuring in 2015. The accounting treatment for the significant asset restructuring of the Company in 2015 was performed in accordance with the Accounting Standards for Business Enterprises No. 20 – Business Mergers. No gain or loss was recognised for the assets disposed. The difference between the book value of net assets obtained and the book value of the consideration paid was credited to the capital reserve. The effects of such correction of accounting error on the net profit and capital reserve for 2015 are RMB-329,238,114.46 and RMB329,238,114.46, respectively while there is no impact on total assets and net assets. Accordingly, the Company made necessary corrections and adjustments to the 2015 annual report and the first quarterly report 2016 of the Company.

4.3 The consolidated scope did not change as compared with the latest annual report.

4.4 Financial Statements

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited

June 30, 2016

Unit: RMB

Item	Closing Balance	Opening balance
Current Assets:		
Cash and cash equivalents	36,373,776.90	102,342,860.91
Bills receivables	4,774,688.10	25,230,005.90
Accounts receivables	102,108,742.05	71,678,942.58
Prepayments	2,616,253.01	4,329,899.13
Other receivables	29,373,502.38	28,928,810.44
Inventories	241,817,681.16	195,863,112.95
Other current assets	55,446,001.42	58,978,537.93
Total current assets	<u>472,510,645.02</u>	<u>487,352,169.84</u>
Non-current assets:		
Long-term receivables	53,338,676.94	51,727,535.57
Fixed assets	667,956,058.27	691,522,403.10
Construction in progress	6,516,696.14	9,828,822.54
Intangible assets	63,546,973.16	64,517,450.10
Development expenditure	5,316,118.50	–
Long-term deferred expenses	4,027,775.64	4,995,326.04
Deferred income tax assets	2,656,532.93	4,091,374.33
Total non-current assets	<u>803,358,831.58</u>	<u>826,682,911.68</u>
Total assets	<u>1,275,869,476.60</u>	<u>1,314,035,081.52</u>

Item	Closing Balance	Opening balance
Current liabilities:		
Short-term borrowings	65,000,000.00	67,930,000.00
Bills payables	–	110,200,000.00
Accounts payables	77,589,623.32	80,295,143.32
Receipts in advance	18,164,335.84	20,132,927.79
Employee compensation payable	21,337,375.73	26,291,242.89
Tax payables	5,587,148.69	14,961,097.35
Other payables	116,025,893.76	166,587,026.05
Non-current liabilities due within one year	457,833,651.66	81,097,651.66
Total current liabilities	<u>761,538,029.00</u>	<u>567,495,089.06</u>
Non-current liabilities:		
Long-term borrowings	42,225,618.49	459,170,134.47
Deferred income	9,881,443.04	9,024,861.99
Total non-current liabilities	<u>52,107,061.53</u>	<u>468,194,996.46</u>
Total Liabilities	<u>813,645,090.53</u>	<u>1,035,690,085.52</u>

Item	Closing Balance	Opening balance
Owners' equity		
Share capital	526,766,875.00	515,018,242.00
Capital reserve	1,449,321,666.62	1,251,445,315.32
Surplus reserve	51,365,509.04	51,365,509.04
Undistributed profit	<u>-1,565,229,664.59</u>	<u>-1,539,484,070.36</u>
Total owners' equity attributable to parent company	<u>462,224,386.07</u>	<u>278,344,996.00</u>
Total owners' equity	<u>462,224,386.07</u>	<u>278,344,996.00</u>
Total liabilities and owners' equity	<u>1,275,869,476.60</u>	<u>1,314,035,081.52</u>
<i>Legal representative:</i> Zhang Chong	<i>Person in charge of accounting:</i> Ma Yan	<i>Person in charge of accounting department:</i> Chen Jing

Balance Sheet of the Parent Company

Prepared by: Luoyang Glass Company Limited

June 30, 2016

Unit: RMB

Item	Closing Balance	Opening balance
Current Assets:		
Cash and cash equivalents	43,541.63	60,422,236.77
Bills receivables	–	12,298,525.67
Accounts receivables	225,975,506.56	209,998,506.36
Prepayments	312,287.81	204,646.95
Other receivables	97,510,999.11	92,782,775.21
Other current assets	50,465.51	–
Total current assets	323,892,800.62	375,706,690.96
Non-current assets:		
Long-term receivables	53,338,676.94	51,727,535.57
Long-term equity investments	748,986,593.99	748,986,593.99
Fixed assets	3,081,037.43	3,274,034.44
Intangible assets	6,859,075.23	7,043,817.21
Long-term deferred expenses	324,000.00	378,000.00
Total non-current assets	812,589,383.59	811,409,981.21
Total assets	1,136,482,184.21	1,187,116,672.17

Item	Closing Balance	Opening balance
Current liabilities:		
Bills payables	–	112,100,000.00
Accounts payables	44,114,874.54	52,825,849.20
Receipts in advance	16,367,700.31	19,236,279.29
Employee compensation payable	5,485,456.98	8,574,407.48
Tax payables	516,716.36	1,170,093.28
Other payables	210,480,779.34	319,420,971.97
Non-current liabilities due within one year	407,929,347.08	43,393,347.08
Total current liabilities	<u>684,894,874.61</u>	<u>556,720,948.30</u>
Non-current liabilities:		
Long-term borrowings	1,162,885.34	387,331,110.45
Total non-current liabilities	<u>1,162,885.34</u>	<u>387,331,110.45</u>
Total Liabilities	<u>686,057,759.95</u>	<u>944,052,058.75</u>
Owners' equity:		
Share capital	526,766,875.00	515,018,242.00
Capital reserve	1,227,992,180.14	1,030,115,828.84
Surplus reserve	51,365,509.04	51,365,509.04
Undistributed profit	-1,355,700,139.92	-1,353,434,966.46
Total owners' equity	<u>450,424,424.26</u>	<u>243,064,613.42</u>
Total liabilities and owners' equity	<u>1,136,482,184.21</u>	<u>1,187,116,672.17</u>

Legal representative:
Zhang Chong

*Person in charge of
accounting:*
Ma Yan

*Person in charge of
accounting department:*
Chen Jing

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited

January – June 2016

Unit: RMB

Item	Incurred in the Current Period	Incurred in the Prior Period
I. Operating income	137,239,714.63	366,074,390.98
Less: Operating cost	128,487,520.70	378,530,163.62
Business tax and surcharges	192,141.99	2,215,194.34
Selling expenses	3,541,156.15	15,563,322.54
Administrative expenses	27,468,430.63	54,140,987.06
Financial expenses	3,217,323.22	4,439,535.09
Impairment losses of assets	1,104,320.07	21,836,838.21
II. Operating profit (loss is represented by “-”)	-26,771,178.13	-110,651,649.88
Plus: Non-operating income	4,328,879.61	1,620,020.72
Including: Gains on disposal of non-current assets	95.03	58,944.92
Less: Non-operating expense	140,580.22	2,696,368.73
III. Total profit (total loss is represented by “-”)	-22,582,878.74	-111,727,997.89
Less: Income tax expenses	3,162,715.49	2,551,031.82
IV. Net profit (net loss is represented by “-”)	-25,745,594.23	-114,279,029.71
Including: Net profit attributable to the owners of the parent Company	-25,745,594.23	-109,429,515.42
Minority interests	–	-4,849,514.29

Item	Incurred in the Current Period	Incurred in the Prior Period
V. After-tax net amount of other comprehensive income		
VI. Total comprehensive income	-25,745,594.23	-114,279,029.71
Total comprehensive income attributable to parent company owners	-25,745,594.23	-109,429,515.42
Total comprehensive income attributable to minority	-	-4,849,514.29
VII. Earnings per share		
(I) Basic earnings per share	-0.0491	-0.2125
(II) Diluted earnings per share	-0.0491	-0.2125

<i>Legal representative:</i>	<i>Person in charge of accounting:</i>	<i>Person in charge of accounting department:</i>
Zhang Chong	Ma Yan	Chen Jing

Income Statement of the Parent Company
 Prepared by: Luoyang Glass Company Limited
 January – June 2016
 Unit: RMB

Item	Incurred in the Current Period	Incurred in the Prior Period
I. Operating income	90,696,768.06	181,916,385.17
Less: Operating cost	88,703,352.02	178,352,608.39
Business tax and surcharges	15,183.99	275,542.25
Selling expenses	337,516.41	751,982.28
Administrative expenses	10,410,987.82	10,397,585.13
Financial expenses	-905,799.95	-2,130,704.69
Add: Gains from changes in fair value		
Investment income	5,533,462.50	8,142,938.44
II. Operating profit	-2,331,009.73	2,412,310.25
Plus: Non-operating income	65,836.27	55,660.38
Including: Gains on disposal of non-current assets	95.03	–
Less: Non-operating expense	–	337,231.81
III. Total profit	-2,265,173.46	2,130,738.82
IV. Net Profit	-2,265,173.46	2,130,738.82

Item	Incurred in the Current Period	Incurred in the Prior Period
V. Other comprehensive after-tax net income		
VI. Total comprehensive income	-2,265,173.46	2,130,738.82
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

<i>Legal representative:</i> Zhang Chong	<i>Person in charge of accounting:</i> Ma Yan	<i>Person in charge of accounting department:</i> Chen Jing
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Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited

January – June 2016

Unit: RMB

Items	Incurred in the Current Period	Incurred in the Prior Period
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	46,357,908.63	185,716,960.01
Other cash received related to operating activities	5,590,870.37	16,928,981.03
Subtotal of cash inflows from operating activities	51,948,779.00	202,645,941.04
Cash paid for goods purchased and services rendered	60,010,928.46	189,183,820.02
Cash paid to and for employees	36,484,249.91	41,255,304.70
Cash paid for various taxes	15,594,521.33	30,088,057.10
Other payments related to operating activities	15,695,448.22	20,267,801.35
Subtotal of cash outflows from operating activities	127,785,147.92	280,794,983.17
Net cash flow from operating activities	-75,836,368.92	-78,149,042.13
II. Cash flow from investing activities:		
Subtotal of cash inflows from investment activities	–	–
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	148,134.20	19,823,209.87
Other cash payments related to investment activities	90,729,715.31	
Subtotal of cash outflows from investment activities	90,877,849.51	19,823,209.87
Net cash flow from investment activities	-90,877,849.51	-19,823,209.87

Items	Incurred in the Current Period	Incurred in the Prior Period
III. Cash flows from financing activities:		
Cash received from investments	209,624,984.30	–
Proceeds from loans	15,000,000.00	27,930,000.00
Other cash received related to financing activities	81,055,772.70	423,568,543.48
Subtotal of cash inflows from financing activities	305,680,757.00	451,498,543.48
Cash paid for repayments of borrowings	54,238,626.83	32,490,707.67
Cash payment for distribution of dividends and profits or interest repayment	3,841,626.46	1,154,564.79
Other cash payments related to financing activities	86,855,497.44	352,375,897.78
Subtotal of cash outflows from financing activities	144,935,750.73	386,021,170.24
Net cash flow from financing activities	160,745,006.27	65,477,373.24
IV. Effect of exchange rate changes on cash and cash equivalents		
	128.15	-103.35
V. Net increase in cash and cash equivalents		
	-5,969,084.01	-32,494,982.11
Add: Opening balance of cash and cash equivalents	42,342,860.91	37,777,890.19
VI. Closing balance of cash and cash equivalents		
	36,373,776.90	5,282,908.08
<i>Legal representative:</i> Zhang Chong	<i>Person in charge of accounting:</i> Ma Yan	<i>Person in charge of accounting department:</i> Chen Jing

Cash Flow Statement of the Parent Company

Prepared by: Luoyang Glass Company Limited

January – June 2016

Unit: RMB

Items	Incurred in the Current Period	Incurred in the Prior Period
I. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	31,355,222.82	219,644,282.60
Other cash received related to operating activities	139,387,525.74	251,843,534.16
Subtotal of cash inflows from operating activities	170,742,748.56	471,487,816.76
Cash paid for goods purchased and services rendered	21,495,623.96	3,837,651.18
Cash paid to and for employees	12,015,636.74	6,138,589.73
Cash paid for various taxes	943,550.75	3,829,550.17
Other payments related to operating activities	165,597,696.70	154,683,616.04
Subtotal of cash outflows from operating activities	200,052,508.15	168,489,407.12
Net cash flow from operating activities	-29,309,759.59	302,998,409.64
II. Cash flow from investing activities:		
Subtotal of cash inflows from investment activities	–	–
Cash paid for the acquisition and construction of fixed assets, intangible assets, and other long-term assets	–	2,370.00
Other cash payments related to investment activities	90,729,715.31	
Subtotal of cash outflows from investment activities	90,729,715.31	2,370.00
Net cash flow from investment activities	-90,729,715.31	-2,370.00

Items	Incurred in the Current Period	Incurred in the Prior Period
III. Cash flow from financing activities:		
Cash received from investments	209,624,984.30	–
Other cash received related to financing activities	34,555,772.70	30,000,000.00
Subtotal of cash inflows from financing activities	244,180,757.00	30,000,000.00
Cash paid for repayments of borrowings	21,703,058.86	21,050,707.67
Cash payment for distribution of dividends and profits or interest repayment	17,046.53	273,000.00
Other cash payments related to financing activities	102,800,000.00	311,698,397.78
Subtotal of cash outflows from financing activities	124,520,105.39	333,022,105.45
Net cash flow from financing activities	119,660,651.61	-303,022,105.45
IV. Effect of exchange rate changes on cash and cash equivalents	128.15	-103.35
V. Net increase in cash and cash equivalents	-378,695.14	-26,169.16
Add: Opening balance of cash and cash equivalents	422,236.77	193,116.50
VI. Closing balance of cash and cash equivalents	43,541.63	166,947.34
<i>Legal representative:</i> Zhang Chong	<i>Person in charge of accounting:</i> Ma Yan	<i>Person in charge of accounting department:</i> Chen Jing

Consolidated Statement of Changes in Shareholders' Equity
Prepared by: Luoyang Glass Company Limited
January – June 2016
Unit: RMB

Item	Current period											
	Attributable to owners of the Parent Company										Minority interests	Total owners' equity
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Sub-total			
I. Balance at the end of last year	515,018,242.00		922,207,200.86				51,365,509.04	-1,210,245,955.90	278,344,996.00		278,344,996.00	
Add: Effects of changes in accounting policies												
Effects of correction of prior year errors			329,238,114.46					-329,238,114.46				
II. Opening balance of the year	515,018,242.00		1,251,445,315.32				51,365,509.04	-1,539,484,070.36	278,344,996.00		278,344,996.00	
III. Changes for the period												
(decrease is indicated by "-")	11,748,633.00		197,876,351.30					-25,745,594.23	183,879,390.07		183,879,390.07	
(I) Total comprehensive income								-25,745,594.23	-25,745,594.23		-25,745,594.23	
(II) Capital contributed or reduced by owners	11,748,633.00		197,876,351.30						209,624,984.30		209,624,984.30	
1. Ordinary shares paid by shareholders	11,748,633.00		197,876,351.30						209,624,984.30		209,624,984.30	
(III) Profit distribution												
(IV) Internal transfers of owners' equity												
(V) Special reserve												
(VI) Others												
IV. Closing balance for the period	526,766,875.00		1,449,321,666.62				51,365,509.04	-1,565,229,664.59	462,224,386.07		462,224,386.07	

Item	Previous period											
	Attributable to owners of the Parent Company										Minority interests	Total owners' equity
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Sub-total			
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	49,399,018.40	-88,788,534.35	-39,389,515.95	
Add: Effects of changes in accounting policies												
Business combination under common control			662,516,418.00					5,162,347.66	667,678,765.66		667,678,765.66	
II. Opening balance of the year	500,018,242.00		1,519,966,824.90			456,157.74	51,365,509.04	-1,354,728,949.62	717,077,784.06	-88,788,534.35	628,289,249.71	
III. Changes for the period												
(decrease is indicated by "-")						28,229.99		-109,429,515.42	-109,401,285.43	-4,849,514.29	-144,224,741.26	
(I) Total comprehensive income								-109,429,515.42	-109,429,515.42	-4,849,514.29	-114,279,029.71	
(II) Capital contributed or reduced by owners												
(III) Profit distribution												
(IV) Internal transfers of owners' equity												
(V) Special reserve						28,229.99			28,229.99	26,058.46	54,288.45	
1. Appropriation for the period						60,985.31			60,985.31	56,294.14	117,279.45	
2. Utilized in the period						-32,755.32			-32,755.32	-30,235.68	-62,991.00	
IV. Closing balance for the period	500,018,242.00		1,519,966,824.90			484,387.73	51,365,509.04	-1,464,158,465.04	607,676,498.63	-93,611,990.18	514,064,508.45	

Legal representative:
Zhang Chong

Person in charge of accounting:
Ma Yan

Person in charge of accounting department:
Chen Jing

Statement of Changes in Shareholders' Equity of the Parent Company
Prepared by: Luoyang Glass Company Limited
January – June 2016
Unit: RMB

Item	Current period								Total owners' equity
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	
I. Balance at the end of last year	515,018,242.00		992,916,834.90				51,365,509.04	-1,316,235,972.52	243,064,613.42
Add: Effects of changes in accounting policies									
Effects of correction of prior year errors			37,198,993.94					-37,198,993.94	0.00
II. Opening balance of the year	515,018,242.00		1,030,115,828.84				51,365,509.04	-1,353,434,966.46	243,064,613.42
III. Changes for the period (decrease is indicated by "-")	11,748,633.00		197,876,351.30					-2,265,173.46	207,359,810.84
(I) Total comprehensive income								-2,265,173.46	-2,265,173.46
(II) Capital contributed or reduced by owners	11,748,633.00		197,876,351.30						209,624,984.30
1. Ordinary shares paid by shareholders	11,748,633.00		197,876,351.30						209,624,984.30
(III) Profit distribution									
(IV) Internal transfers of owners' equity									
(V) Special reserve									
(VI) Others									
IV. Closing balance for the period	526,766,875.00		1,227,992,180.14				51,365,509.04	-1,355,700,139.92	450,424,424.26

Item	Previous period								Total owners' equity
	Share capital	Other equity 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	-1,319,746,764.40	122,766,768.87
II. Opening balance of the year	500,018,242.00		891,129,782.23				51,365,509.04	-1,319,746,764.40	122,766,768.87
III. Changes for the period (decrease is indicated by "-")								2,130,738.82	2,130,738.82
(I) Total comprehensive income								2,130,738.82	2,130,738.82
(II) Capital contributed or reduced by owners									
(III) Profit distribution									
(IV) Internal transfers of owners' equity									
(V) Special reserve									
(VI) Others									
IV. Closing balance for the period	500,018,242.00		891,129,782.23				51,365,509.04	-1,317,616,025.58	124,897,507.69

Legal representative:
Zhang Chong

Person in charge of accounting:
Ma Yan

Person in charge of accounting department:
Chen Jing

Notes to Financial Statements

For the six months ended 30 June 2016 (Expressed in Renminbi)

I. COMPANY PROFILE

Luoyang Glass Company Limited (the “**Company**”) was incorporated in the People’s Republic of China (the “**PRC**”) as a joint stock limited company. The activities of the Company and its subsidiaries (the “**Group**”) are manufacturing and selling of photovoltaic glass.

II. MAJOR ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

The financial statements of the Company have been prepared on a going concern basis in accordance with the actual transactions and events and in compliance with the requirements of Accounting Standards for Business Enterprises and the application guidelines and interpretations thereof and other relevant regulations promulgated by the Ministry of Finance and based on the following significant accounting policies and estimates.

2. Accounting period

The Group has adopted the Gregorian calendar year, which means from 1 January to 31 December as its accounting year.

3. Standard currency for accounting

The standard currency for accounting is RMB.

4. Preparation method of consolidated financial statements

Subsidiaries with actual control and special-purpose entities will be included in the scope of consolidated financial statements.

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

In the event that the accounting policies or accounting period adopted by the subsidiaries and the Company are inconsistent, necessary adjustment of financial statements of the subsidiaries shall be performed in accordance with the accounting policies or accounting period of the Company when preparing the consolidated financial statements.

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

III. DIVISIONAL REPORT

Income of the Group for this year is mainly from sales of photovoltaic glass, which is deemed as a separate reportable segment. The management of the Group reviews the performance of the Group as a separate segment and regularly reviews the financial information to decide resources allocation and assess performance.

1. 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 (not including 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	
	January – June 2016	January – June 2015	30 June 2016	31 December 2015
Domestic	<u>137,239,714.63</u>	<u>366,074,390.98</u>	<u>803,358,831.58</u>	<u>826,682,911.68</u>
Total	<u><u>137,239,714.63</u></u>	<u><u>366,074,390.98</u></u>	<u><u>803,358,831.58</u></u>	<u><u>826,682,911.68</u></u>

V. NON-OPERATING INCOME

Items	Incurred in the Current Period	Incurred in the Prior Period
Total gains on disposal of non-current assets	95.03	58,944.92
Including: Gains on disposal of fixed assets	95.03	58,944.92
Government grants	4,294,086.69	1,199,826.08
Gains on debt reorganization	2,046.24	96,765.10
Other	32,651.65	264,484.62
Total	<u>4,328,879.61</u>	<u>1,620,020.72</u>

VI. PRE-TAX PROFIT

Pre-tax profit has been (deducted)/incurred:

(1) Financial expenses

Items	Incurred in the Current Period	Incurred in the Prior Period
Interest expenses	4,426,071.99	1,741,834.97
Less: interest income	2,061,988.44	1,882,553.73
Exchange loss	70,867.83	53,712.76
Less: exchange income	162.23	223,490.21
Handling charges (Interests of discounted charges)		3,914,990.99
Other financial expenses	782,534.07	835,040.31
Total	<u>3,217,323.22</u>	<u>4,439,535.09</u>

(2) Operating cost

Items	Incurred in the Current Period	Incurred in the Prior Period
Principal operating cost	127,477,857.21	350,851,751.09
– Float glass	127,477,857.21	342,028,554.94
– Silica sand		8,823,196.15
Other operating cost	1,009,663.49	27,678,412.53
– Raw materials, water, electricity and technical service, etc.	1,009,663.49	27,678,412.53
Total operating cost	<u>128,487,520.70</u>	<u>378,530,163.62</u>

Note: Due to the inclusion of common glass segment for the same period of last year, the products for the Reporting Period are still represented by previous names.

(3) Business tax and surcharges

Items	Incurred in the Current Period	Incurred in the Prior Period
Business tax	5,741.68	86,966.67
Urban maintenance and construction tax	108,800.50	640,111.32
Education surcharges	77,599.81	614,152.24
Resources tax		873,964.11
Total	<u>192,141.99</u>	<u>2,215,194.34</u>

(4) Selling expenses

Items	Incurred in the Current Period	Incurred in the Prior Period
Staff's remuneration	2,485,495.04	5,951,790.64
Depreciation expenses	118,033.97	780,782.01
Transportation costs	81,230.34	5,659,440.91
Loading and unloading charges	228,723.14	410,134.15
Material consumption	119,336.11	716,956.13
Other selling expenses	508,337.55	2,044,218.70
Total	<u>3,541,156.15</u>	<u>15,563,322.54</u>

(5) Administrative expenses

Items	Incurred in the Current Period	Incurred in the Prior Period
Staff's remuneration	12,035,425.21	20,593,305.11
Depreciation of fixed assets	992,385.23	8,772,964.86
Intangible asset amortization	878,642.62	2,044,073.54
Intermediary engagement fees	2,973,674.53	3,263,904.26
Research and development fees	2,264,527.32	5,188,731.97
Taxes	3,022,044.94	4,387,108.47
Other fees	5,301,730.78	9,890,898.85
Total	<u>27,468,430.63</u>	<u>54,140,987.06</u>

(6) **Impairment losses of assets**

Items	Incurred in the Current Period	Incurred in the Prior Period
Bad debt losses	153,921.09	62,438.00
Impairment losses of inventories	950,398.98	21,774,400.21
Total	<u>1,104,320.07</u>	<u>21,836,838.21</u>

(7) **Non-operating expense**

Items	Incurred in the Current Period	Incurred in the Prior Period
Expenditure of donation		60,000.00
Indemnities, liquidated damages and penalties		2,200,325.59
Other expenses	140,580.22	436,043.14
Total	<u>140,580.22</u>	<u>2,696,368.73</u>

VII. INCOME TAX EXPENSES

Items	Incurred in the Current Period	Incurred in the Prior Period
Current Income tax calculated according to tax laws and relevant requirements	1,727,874.09	1,329,887.05
Deferred income tax expenses	1,434,841.40	1,221,144.77
Total	<u>3,162,715.49</u>	<u>2,551,031.82</u>

Note: 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. As at 30 June 2016, the High-tech Enterprise Certificate had expired. At present, Longhai Company is applying for reexamination of high-tech certification. The provisional enterprise income tax rate was 15% for the period from January to June 2016.

VIII. DIVIDEND

The board of directors of the Company does not recommend declaring dividends for the six months ended 30 June 2016.

IX. BASIC EARNINGS PER SHARE

Basic earnings per share is the result of consolidated net profit attributable to ordinary shareholders of the parent company divided by the weighted average number of the outstanding ordinary shares of the parent company:

Items	Incurring in the Current Period	Incurring in the Prior Period
Net profit attributable to ordinary shareholders	-25,745,594.23	-109,429,515.42
Total shares at the end of period	526,766,875.00	515,018,242.00
Basic earnings per share	-0.0491	-0.2125

Diluted earnings per share doesn't be calculated because the Company had no potential diluted shares for the six months ended 30 June 2016.

X. ACCOUNTS RECEIVABLES AND BILLS RECEIVABLES

1. Accounts receivables:

Item	Book balance	Opening balance
Accounts receivables	155,804,830.22	125,374,455.66
Less: provision for bad debts	<u>53,696,088.17</u>	<u>53,695,513.08</u>
Net amount of accounts receivables	<u><u>102,108,742.05</u></u>	<u><u>71,678,942.58</u></u>

Generally, the Group sells its products by receiving advances from customers while 30 days of credit period is granted to a few customers.

Aged analysis of accounts receivables by date of entry:

Aging	Closing Balance	Opening Balance
Within 1 year	99,511,823.66	69,081,449.10
1 to 2 years	968,887.91	2,318,641.24
2 to 3 years	1,954,192.44	605,589.30
3 to 4 years	1,153.11	2,675,362.38
4 to 5 years	2,675,359.46	2,621,120.50
Over 5 years	50,693,413.64	48,072,293.14
Total	<u>155,804,830.22</u>	<u>125,374,455.66</u>

2. Classification of bills receivable

Items	Amount at the end of the period	Amount at the beginning of the year
Bank acceptances	<u>4,774,688.10</u>	<u>25,230,005.90</u>
Total	<u>4,774,688.10</u>	<u>25,230,005.90</u>

XI. ACCOUNTS PAYABLE AND BILLS PAYABLE

1. Aged analysis of accounts payable

Item	Closing Balance	Opening Balance
Within 1 year (including 1 year)	21,372,818.76	17,619,403.52
Above 1 year	56,216,804.56	62,675,739.80
Total	<u>77,589,623.32</u>	<u>80,295,143.32</u>

