



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

2016 ANNUAL REPORT

I.	DEFINITIONS	2
II.	COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS	3
III.	BUSINESS SUMMARY	8
IV.	DISCUSSION AND ANALYSIS OF THE OPERATIONS	10
V.	SIGNIFICANT EVENTS	30
VI.	CONNECTED TRANSACTIONS	39
VII.	CHANGES IN SHAREHOLDING OF ORDINARY SHARES AND INFORMATION OF SHAREHOLDERS	44
VIII.	DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	55
IX.	CORPORATE GOVERNANCE	65
X.	FINANCIAL REPORT	80
XI.	DOCUMENTS AVAILABLE FOR INSPECTION	180

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, Mr. Ma Yan, 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 2016 was RMB11,516,100, together with the undistributed profit RMB-1,539,484,100 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,527,968,000. Therefore, the Company will not distribute profit for 2016 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?
Yes
- 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 exposed to the future development of the Company discussed and analyzed in IV. "Discussion and Analysis of the Operations".

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
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.
CNBMG	China National Building Material Group Co., Ltd.
Triumph Group	Triumph Technology Group Company
CLFG	China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司)
Bengbu Institute	Bengbu Glass Industry Design Institute
International Engineering Company	China Triumph International Engineering Co., Ltd.
Triumph Technology	Triumph Science & Technology Co., Ltd.

Company Profile and Major Financial Indicators

I. Information 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	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
Postal code	471009
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	Stock abbreviation before change
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	Suo Baoguo (索保國), Qiao Guanfang
Financial advisors fulfilling continuing supervisory responsibilities during the reporting period	Name	Morgan Stanley Huaxin Securities Co., Ltd.
	Office address	Room 75T30, 75th Floor, Shanghai World Financial Center, No. 100 Century Avenue, Pilot Free Trade Zone, Shanghai, PRC
	Names of signing financial advisors	Yang Hujin (楊虎進), Shao Qing (邵清)
	Period of continuing supervision	29 December 2015 to 31 December 2016

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	2016	2015	Increase/decrease over the same period last year (%)	
				2014
Operating income	392,095,626.14	662,156,635.13	-40.79	660,058,269.97
Net profit attributable to shareholders of the listed company	11,516,063.78	-184,755,120.74	N/A	21,159,211.92
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	-76,911,886.70	-215,852,344.62	N/A	-153,622,896.29
Net cash flow from operating activities	30,552,921.95	-131,037,564.70	N/A	-40,574,860.63
	As at the end of 2016	As at the end of 2015	Increase/decrease over the end of the same period last year (%)	
Net assets attributable to shareholders of the listed company	523,269,416.96	278,344,996.00	87.99	717,077,784.06
Total assets	1,356,917,020.31	1,314,035,081.52	3.26	1,772,733,209.67

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	2016	2015	Increase/decrease over the same period last year (%)	2014
Basic earnings per share (RMB/share)	0.0219	-0.3587	N/A	0.0411
Diluted earnings per share (RMB/share)	0.0219	-0.3587	N/A	0.0411
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	-0.1463	-0.4317	N/A	-0.3072
Weighted average return on net assets (%)	2.42	-29.58	N/A	18.58
Weighted average return on net assets after deducting non-recurring profit or loss (%)	-16.15	-177.45	N/A	-350.05

VIII. Difference between Data under Domestic and International Accounting Standards

N/A

IX. Major Quarterly Financial Indicators in 2016

Unit: Yuan Currency: RMB

	Q1 (January– March)	Q2 (April– June)	Q3 (July– September)	Q4 (October– December)
Operating revenue	69,231,357.10	68,008,357.53	71,885,863.16	182,970,048.35
Net profit attributable to shareholders of the Company	437,051.69	-26,182,645.92	-45,299,346.27	82,561,004.28
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	-2,004,867.37	-27,061,636.03	-44,419,770.45	-3,425,612.85
Net cash flow from operating activities	-59,887,499.84	-15,948,869.08	-17,024,523.96	123,413,814.83

Company Profile and Major Financial Indicators

X. Non-recurring Items and Amounts

	<i>Unit: Yuan Currency: RMB</i>		
Non-recurring Items	2016	2015	2014
Profit/loss on disposal of non-current assets	239,093.33	445,019.71	94,060,093.39
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	102,455,677.91	4,567,408.16	64,601,752.16
Profit/loss from debt restructuring	3,130,969.27	88,665.10	237,500.00
Costs of corporate reorganization, i.e. expenses for staff settlement, integration costs, etc.	-9,171,745.41		
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
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	-4,399,008.15	-5,638,065.02	7,220,118.93
Amount of effect on minority interest		-89,286.37	-524,995.74
Amount of effect on income tax	-3,827,036.47	-142,920.75	-190,281.37
Total	88,427,950.48	31,097,223.88	174,782,108.21

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

Business Summary

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 has been engaged in the R&D, manufacturing and sales of float glass since its establishment. As the first one realizing commercial production of ultra-thin float glass products, the Company has accumulated leading knowledge system and processing experiences during operation and production of ultra-thin glass for over 10 years. The Company possesses core production techniques and a number of proprietary intellectual property rights and maintains the leading position in the production techniques of ultra-thin and ultra-white-ultra-thin float glass in the industry. By virtue of its product R&D and technical improvement teams and experiences, the Company is currently one of the manufacturers capable of mass production of ultra-thin electronic information display glass series of 0.15mm–2.0mm in China.

In 2015, the Company made a successful strategic transformation from ordinary float glass to optical electronic and information display ultra-thin glass through significant asset restructuring. The main product of the Company is ultra-thin electronic glass substrate. At present, there are three ultra-thin electronic glass production lines with daily melting capacity of 650 tonnes/day and average monthly production capacity of nearly 3 million square meters. The Company ranks among the leading manufacturers of ultra-thin electronic display glass in China in terms of production capacity as well as product varieties and specifications. The Company takes up over 20% share of the domestic ultrathin glass market, with its product mainly distributed across 18 provinces (or municipalities directly under the central government) including Anhui, Guangdong, Jiangsu, Shanghai, Zhejiang and Hebei.

Float glass production enterprises have the feature of uninterrupted production. In their business model, sales are determined by production and sales of inventory are commonly adopted. Based on sales determined by production, the Company manages to base production on sales to the maximum extent with reference to the historical sales record and market demand forecasts of various kinds of product as well as the actual operation of production lines, thus effectively increasing the utilization rate of production capacity and sales-to-output ratio. The Company adopts two sales models, namely distribution and direct sale, where the direct sale model is adopted for ITO conductive film glass manufacturers; and the model of distribution by professional distributors is mainly adopted for protective shield manufacturers and other manufacturers.

Ultra-thin glass substrate, the product of the Company, is at the upstream of the electronic industry chain and mainly used for TN-LCD, STN-LCD, OLED and other kinds of display screen, as well as the touch module of touch screen and window protection screen. Currently, there are 8 ultra-thin glass production lines in China while the medium-end and high-end market is still dominated by NSG, AGC and the Central Glass (CG). The domestic manufacturers mainly compete in the downstream of the industry chain by virtue of high cost-performance ratios.

As the flat panel display and touch panel industry is continually developing and increasingly mature in China, its products have an obviously competitive advantage over overseas products of the same kind in terms of quality and price. Meanwhile, the scale of output value is continuously expanding while the localization level is becoming higher. However, the supporting for the industrial chain remains weak and 70% of the upstream basic materials still heavily depend on import. As the State hopes to improve localization of materials in the future, encouragement and support will be given through industrial policies in this regard. It is expected that the demand of relevant markets for ultra-thin electronic glass substrate will remain stable.

II. Material Changes to Major Assets of the Company during the Reporting Period

N/A

III. Analysis of Core Competitiveness during the Reporting Period

1. Advantages in brand. 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 internationally and domestically enjoys certain popularity and brand recognition.
2. Strong capacity in respect of product development and continuous innovation. The Company is the first domestic enterprise that carried out research and development and commercial production of ultra-thin float glass products. It possesses core production technology of float glass and a number of proprietary intellectual property rights and holds a leading position in PRC in the production technology of ultra-thin, ultra-thin and ultra-white, and ultra-thick float glass. Meanwhile, it fostered core technology teams in product research and development, processing technology improvement and quality control, etc.
3. Advantages in series and scale of products. The Company has 3 ultra-thin electronic glass production lines, and becomes the largest ultra-thin glass manufacturer in China at present capable of producing 0.15mm–2.0mm series of ultra-thin electronic glass in large scale. In particular, the 150t/d production line of Bengbu Company, equipped with most advanced technical equipment in China, is the only production line capable of producing 0.15mm float electronic display glass in large scale. The Company will fully combine the technical characteristics and different advantages of its 3 production lines, and coordinate and manage products, technologies, marketing channels, funds and personnel in a unified manner, so as to make the best out of its overall advantages in terms of personnel, technology and brand and strengthen its advantage in economies of scale and synergistic effects, thereby continuously enhancing its profitability.
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. In 2016, China National Building Material Group Corporation (中國建築材料集團有限公司) carried out reorganization with China National Materials Group Corporation Ltd. (中國中材集團有限公司). As a result, China National Building Material Group Co., Ltd.* (中國建材集團有限公司) was established through merger, with further enhanced comprehensive strength.

Discussion and Analysis of the Operations

I. Discussion and Analysis of the Operations

In 2016, the outset year of the Company's strategic transformation, the Company laid emphasis on the management improvement and technology innovation. Positive effects were achieved through controlling costs internally, expanding market externally, improving product quality and conducting asset restructuring.

(I) Adjusting the mode of management and control and promoting management improvement to boost downsized and enhanced management.

1. The Company carried through the business concept of "integration and optimization, profit enhancement and liabilities reduction" and "stabilizing prices, reducing costs, collecting receivables and liquidating inventories", comprehensively carried out delicacy management through proactive implementation of the "eight measures" and promotion of "intensifying energy saving and consumption reduction" and conducted thorough management improvement activities in adherence to benchmarking management, thus promoting the management improvement of the Company.
2. The Company clarified the respective positioning of the headquarters and each of the subsidiaries of the Company through adjustment of the mode of management and control. It modified and consummated the performance management and appraisal mechanism so as to guide the subsidiaries to focus on revenue and profits in the ordinary course of production and operation, thus enabling them to become competent market players.
3. The Company optimized the marketing mode, intensified product marketing and market synergy, and stabilized prices in the market. The sales-to-output ratio of production lines of Longmen Company, Longhai Company and the Bengbu Company under the Company, were 114.10%, 128.56% and 118.81%, respectively, for the year.
4. The Company proactively advanced the work on "streamlining hierarchy and downsizing redundancies" so as to press ahead management integration and optimization. The Company comprehensively sorted through and ameliorated responsibilities of each department as well as the rules and regulations. It also adopted weekly work reporting mechanism highlighting the completion and timeliness of work plan in the business departments so as to improve management efficiency.

(II) Insisting on technology innovation and improving product quality constantly. The Company reinforced technological communications and carried out multi-layered technological cooperation.

1. *Proceeded with technological innovation and new product development to speed up product structure adjustment.*

The Company increased its R&D efforts and invested approximately RMB21 million in R&D activities in the year, representing an increase of about 49.6% over the same period last year.

In April 2016, Bengbu Company managed to produce the 0.15mm electronic glass product, which broke the production record anew in the ultra-thin electronic display glass products in China, and achieved the leap forward from "ultra-thin" to "super-thin".

Longhai Company accomplished the production standard of the "three large sheets" for the 0.4mm to 1.1mm products with the width of qualified sheet increasing from 2,921mm to 3,276.6mm, thus recording a substantial increase in the gross rate of finished products.

Discussion and Analysis of the Operations

I. Discussion and Analysis of the Operations (Continued)

(II) Insisting on technology innovation and improving product quality constantly. The Company reinforced technological communications and carried out multi-layered technological cooperation. (Continued)

2. *Made continuous amelioration to the processing technologies to improve product quality unremittingly.*

The Company energetically sought for solutions of targeted projects based on demands of customers and effectively solved the key technical problems such as fusion of minute envelopes, the microscopic waviness and glass slicing, resulting in stable year-on-year increase in the rate of qualified products.

3. *Devoted more efforts in technological researches and exchanges and carried out technological cooperations.*

Upon successive establishment of friendly cooperative relationship with Bengbu Glass Industry Design Institute, the Glass Engineering Technology Research Center of Henan Province (河南省玻璃工程技术研究中心) and China Triumph International Engineering Co., Ltd., the Company allied with them to apply for national and provincial mega projects of science and technology, designated technological professionals to attend glass technology seminars and conducted cooperation in cutting-edge technologies. As a result, solutions were chased down in succession for certain key production technology issues such as control and improvement of the microscopic waviness of electronic glass, constituent refinement and physicochemical property studies of the extremely ultra-thin glass and development of exhaust interception device at the outlet of the ultra-thin glass.

4. *Fruitful technological achievements.*

In 2016, the Company was rewarded with one Second Prize of Technology Progress by China National Building Materials, one First Prize of Technology Progress in Bengbu and two First Prizes of Technical Innovation in China National Building Materials. The Company applied for 19 patents for invention and utility models, of which 4 were granted as invention patents. Besides, Bengbu Company was accredited as a "High-tech Enterprise" (高新技术企業) in Anhui Province.

(III) Implementing production safety and promoting energy conservation and emission reduction.

1. *Attached everlasting importance to production safety.*

Based on the principle of "Safety First, Prevention Foremost and Comprehensive Approach", the Company has entered into Contract on Production Safety Obligations with its primary-level units and sub-divided its indicators so as to implement management by objectives. During the year, a total of 68 safety hazards were identified and rectified.

Discussion and Analysis of the Operations

I. Discussion and Analysis of the Operations (Continued)

(III) Implementing production safety and promoting energy conservation and emission reduction. (Continued)

2. Promoted energy conservation and emission reduction with greater efforts on environmental governance.

In 2016, the Company saved energy of 8,437 tons of standard coal, outstripping the planned energy-conservation target for the year.

The Company took targeted and practical measures to cope with each of the production lines according to their respective operation actuality and exerted strict control over emission of a variety of pollutants so as to meet the requirements of the Emission Standard of Air Pollutants for Electronic Glass Industry (GB29495-2013). Consequently, the Company recorded a year-on-year decrease of 28.6%, 28.9% and 14.34%, respectively as to the emission of the sulfur dioxide, nitric oxide and COD, all being major pollutants.

(IV) In order to enhance its risk-resistant capability, market competitiveness and profitability so as to proactively cope with competitions and challenges in the market, during the reporting period, the Company carried out a new round of asset restructuring to expand its glass business in the new energy sector in line with its development strategies.

II. The Principal Operations during the Reporting Period

During the reporting period, the Company recorded an operation revenue of RMB392,095,600, representing a year-on-year decrease of RMB270,061,000; recorded an operating profit of RMB-80,256,200, representing a year-on-year decrease of RMB104,137,900; recorded a net profit attributable to the shareholders of the Company of RMB11,516,100, representing a year-on-year increase of RMB196,271,200.

(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 revenue	392,095,626.14	662,156,635.13	-40.79
Operating costs	343,709,563.17	633,653,570.97	-45.76
Selling expenses	7,482,306.95	29,168,969.27	-74.35
Administration expenses	87,025,947.92	122,170,107.57	-28.77
Finance expenses	8,433,936.20	8,666,023.10	-2.68
Net cash flow from operating activities	30,552,921.95	-131,037,564.70	N/A
Net cash flow from investment activities	-150,917,078.02	69,739,321.13	-316.40
Net cash flow from financing activities	190,549,383.10	65,855,869.80	189.34
R&D expenditures	21,276,277.57	14,218,171.78	49.64

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(I) Analysis of principal businesses (Continued)

1. Analysis of revenue and costs

Analysis of the factors driving the changes in business revenue

The revenue from business operations of the Company is mainly from sales of physical products (photoelectric glass). During the reporting period, the Company recorded an operating revenue of RMB392,095,600, representing a decrease of 40.79% as compared to that of last year.

Analysis of the factors affecting the revenue mainly from sales of physical products of the Company

The decrease in operating revenue during the reporting period as compared to that of last year was mainly due to the exclusion of operating revenue from transferred-out companies.

Impact analysis of new products and new services

During the reporting period, the Company successfully developed and produced 0.15mm ultra-thin float electronic glass, further enriched the categories of high value-added products of the Company and enhanced the core competitiveness of the Company.

(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 (%)
New materials	380,091,217.36	337,501,702.46	11.21	-8.94	-2.17	Decreased by 6.14 percentage points

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(I) Analysis of principal businesses (Continued)

1. Analysis of revenue and costs (Continued)

Impact analysis of new products and new services (Continued)

(1) Analysis of operations by industry, product or region (Continued)

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 (%)
Photoelectric glass	380,091,217.36	337,501,702.46	11.21	-8.94	-2.17	Decreased by 6.14 percentage points

Principal operations by regions

By regions	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 (%)
PRC	380,091,217.36	337,501,702.46	11.21	-37.85	-43.44	Increased by 8.78 percentage points

Explanation of principal operations by industry, products and regions:

1. Segments of common glass and silica sand were no longer presented due to the exclusion of these transferred-out segments in revenues and costs for the reporting period.
2. There was no export business during the reporting period.

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(I) Analysis of principal businesses (Continued)

1. Analysis of revenue and costs (Continued)

Impact analysis of new products and new services (Continued)

(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
				(%)	(%)	(%)
Photoelectric glass	32,256,100m ²	37,979,500m ²	11,557,600m ²	-10.18	12.76	-33.61

(3) Analytical statement of costs

By industry

Unit: Yuan

By industry	Component of cost	2016 total cost (%)	2015 total cost (%)	Percentage of changes		Explanation
				Percentage of amount for the current period over the same period last year over	Percentage in amount for the current period over the same period last year over	
New materials	Direct materials	247,219,997.05	73.25	241,293,594.83	69.94	Change in the category structure
	Direct labour	28,147,641.99	8.34	28,715,732.99	8.32	
	Manufacturing expenses	62,134,063.42	18.41	74,985,432.73	21.74	
Glass for building materials	Direct materials			191,414,090.53	82.13	Exclusion of products from transferred-out companies during the reporting period
	Direct labour			7,409,461.95	3.18	
	Manufacturing expenses			34,227,138.34	14.69	
Silica sand	Direct materials			14,378,888.10	77.00	Exclusion of products from transferred-out companies during the reporting period
	Direct labour			2,400,506.49	12.86	
	Manufacturing expenses			1,894,051.21	10.14	

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(I) Analysis of principal businesses (Continued)

1. Analysis of revenue and costs (Continued)

Impact analysis of new products and new services (Continued)

(3) Analytical statement of costs (Continued)

By products

Unit: Yuan

By products	Component of cost	2016	Percentage over total cost for the current period (%)	2015	Percentage of changes in amount over the same period		Explanation
					last year (%)	last year (%)	
Photoelectric glass	Direct materials	247,219,997.05	73.25	241,293,594.83	69.94	2.46	Change in the category structure
	Direct labour	28,147,641.99	8.34	28,715,732.99	8.32	-1.98	
	Manufacturing expenses	62,134,063.42	18.41	74,985,432.73	21.74	-17.14	
Common glass	Direct materials			191,414,090.53	82.13	-100	Exclusion of products from transferred-out companies during the reporting period
	Direct labour			7,409,461.95	3.18	-100	
	Manufacturing expenses			34,227,138.34	14.69	-100	
Silica sand	Direct materials			14,378,888.10	77.00	-100	Exclusion of products from transferred-out companies during the reporting period
	Direct labour			2,400,506.49	12.86	-100	
	Manufacturing expenses			1,894,051.21	10.14	-100	

(4) Major sales to customers and major suppliers

The total sales to the top five customers amounted to RMB198,439,000, representing 52.21% of the total annual sales, of which sales to the related party Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. amounted to RMB85,980,900, representing 22.62% of the total annual sales.

The purchase amount of top five suppliers is RMB160,690,300, representing 66.00% of total purchase amount of the year, of which the amount purchased from the related parties was RMB0, representing 0% of total purchase amount of the year.

Saved as disclosed above, none of the Directors, supervisors nor their associates or any Shareholders (who to the knowledge of the Directors owns 5% or more share capital of the Company) was interested in the foresaid customers and suppliers.

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(I) Analysis of principal businesses (Continued)

2. Expenses

Unit: Yuan Currency: RMB

Item	2016	2015	Changes (%)	Reasons of Changes
Selling expenses	7,482,306.95	29,168,969.27	-74.35	Mainly due to the exclusion of expenses of the transferred-out companies in the reporting period
Administration expenses	87,025,947.92	122,170,107.57	-28.77	Mainly due to the exclusion of expenses of the transferred-out companies in the reporting period
Finance expenses	8,433,936.20	8,666,023.10	-2.68	
Income tax expenses	9,654,432.12	9,896,015.25	-2.44	

3. R&D investment

R&D investment

Unit: Yuan

Expensed R&D investment in the period	21,276,277.57
Capitalized R&D investment in the period	0
Total R&D investment	21,276,277.57
Percentage of total R&D investment to operating revenue (%)	5.43
Number of R&D personnel	73
Percentage of R&D personnel to the total number of people of the Company (%)	7.61
Percentage of Capitalized R&D investment (%)	0

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(I) Analysis of principal businesses (Continued)

4. Cash flow

- (1) The net cash flow from operating activities amounted to RMB30,552,900, representing an increase of RMB161,590,500 as compared with RMB-131,037,600 for the same period last year, mainly due to the increase in subsidy from the government during the reporting period;
- (2) The net cash flow from investing activities amounted to RMB-150,917,100, representing an increase of net outflow of RMB220,656,400 over RMB69,739,300 for the same period last year, mainly due to the payment of differences for asset swap and deposit for the land occupied by new projects in the reporting period;
- (3) The net cash flow from financing activities amounted to RMB190,549,400, representing an increase of RMB124,693,500 over RMB65,855,900 for the same period last year, mainly due to the proceeds received from the non-public issuance of shares.

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

During the reporting period, the subsidy received from the government was higher, of which RMB102,455,700 was included in non-recurring profit and loss.

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(III) Analysis of assets and liabilities

1. Analytical statement of assets and liabilities

Unit: Yuan

Item	Closing balance of current period	Percentage of closing balance of current period over the total assets (%)	Closing balance of last period	Percentage of closing balance of last period over the total assets (%)	Increase/decrease of closing balance of current period over closing balance of last period (%)	Explanation
Bank balance and cash	157,528,516.53	11.61	102,342,860.91	7.79	53.92	Mainly due to increase in obligations under finance leases
Notes receivable	45,986,571.00	3.39	25,230,005.90	1.92	82.27	Mainly due to increase in receipt of bank acceptance
Accounts receivable	101,891,329.13	7.51	71,678,942.58	5.45	42.15	Mainly due to increase in trade receivables
Prepayments	1,638,352.47	0.12	4,329,899.13	0.33	-62.16	Mainly due to decrease in trade payables
Other receivables	107,581,717.91	7.93	28,928,810.44	2.20	271.88	Mainly due to payment of deposit for the land occupied by new projects and performance compensation receivable from CLFG
Inventory	132,978,500.26	9.80	195,863,112.95	14.91	-32.11	Mainly due to decrease in inventory as a result of more efforts devoted in sales
Other current assets	34,874,034.35	2.57	58,978,537.93	4.49	-40.87	Mainly due to decrease in input tax to be deducted
Construction in progress			9,828,822.54	0.75	-100.00	Mainly due to transfer of denitrification engineering into the fixed assets
Short-term loans	20,000,000.00	1.47	67,930,000.00	5.17	-70.56	Mainly due to repayment of short-term loans upon maturity
Accounts payable	46,373,902.20	3.42	80,295,143.32	6.11	-42.25	Mainly due to repayment of payables to suppliers
Other payables	42,578,922.04	3.14	166,587,026.05	12.68	-74.44	Mainly due to payment of differences for asset swap
Non-current liabilities due within one year	471,337,062.91	34.74	81,097,651.66	6.17	481.20	Mainly due to reclassification of long-term loans due within one year into the non-current liabilities due within one year
Long-term loans	87,836,374.23	6.47	459,170,134.47	34.94	-80.87	Mainly due to reclassification of long-term loans due within one year into the non-current liabilities due within one year
Deferred income	19,290,781.82	1.42	9,024,861.99	0.69	113.75	Mainly due to increase in additional government subsidies such as revenue-related construction subsidies of technological research projects
Capital reserve	1,473,105,039.50	108.56	1,251,445,315.32	95.24	17.71	Mainly due to additional issuance of new shares at a premium

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(III) Analysis of assets and liabilities (Continued)

1. Analytical statement of assets and liabilities (Continued)

Other explanation

(1) Capital liquidity

As at 31 December 2016, the Group's liquidity ratio was 0.80 (31 December 2015: 0.86) and quick ratio was 0.57 (31 December 2015: 0.41). The turnover rate of accounts receivable for the year was 4.38 times (31 December 2015: 12.52); and the turnover rate of inventory was 2.05 times (31 December 2015: 2.68 times).

(2) Financial resources

As at 31 December 2016, the Group's cash and cash equivalents amounted to RMB112,528,516.53, including 99.994% dominated in RMB and 0.006% dominated in US\$ and other foreign currencies.

As at 31 December 2016, the Group's bank loans amounted to RMB579,173,437.14 (31 December 2015: RMB608,197,786.13), including short-term loans amounting to RMB20,000,000.00 (31 December 2015: RMB67,930,000.00) and long-term loans amounting to RMB559,173,437.14 (31 December 2015: RMB540,267,786.13).

(3) Capital structure

As at 31 December 2016, the Group's current liabilities amounted to RMB726,520,447.30 (31 December 2015: RMB567,495,089.06), representing an increase of 28.02% from 2015; non-current liabilities amounted to RMB107,127,156.05 (31 December 2015: RMB468,194,996.46), representing a decrease of 77.12% from 2015; and equity attributable to shareholders of the Company amounted to RMB523,269,416.96 (31 December 2015: RMB278,344,996.00), representing an increase of 87.99% from 2015.

2. Major restricted assets as at the end of the reporting period

Unit: Yuan Currency: RMB

Item	Book value at the end of the period	Reasons for restriction
Monetary funds	45,000,000.00	Security for notes payable
Fixed assets	174,093,824.18	mortgage loan
Total	219,093,824.18	

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(IV) Analysis on industry operating information

As the major products of the Company, the ultra-thin optical electronic and information display glasses belong to key basic materials in the upstream of information industry, which are in line with the requirements of the industrial policies and technical improvement. With the advancement of significant strategies such as "Made in China 2025 (中國製造2025)", "Internet+ (互聯網+)", Cyberpower (網絡強國) and Big Data (大數據), the quality of products made in China are improved and have obvious competitive edge. Especially in recent years, as the intelligent terminal industry has been gradually transferred to middle and west China, a global important base for research and development and manufacturing of intelligent terminals is setting up in Henan Province, and a whole-chain industrial cluster of intelligent terminals with multibillion-dollar worth will be accelerated to be built under the strategies with intelligent terminals as one of the focuses for fostering competitive industries. It is expected that demands from domestic and regional markets for information display ultra-thin glass substrate will be stable.

(V) Analysis of Investment

N/A

(VI) Sale of significant assets and equity interests

N/A

(VII) Analysis of major controlling and investee companies

Company name	Industry	Major products or services	Registered capital	Total assets	Net assets	Net profit
CLFG Longmen Glass Company Limited	New materials	Photoelectric glass	20,000,000	183,968,854.31	-509,890,889.98	-66,171,801.95
CLFG Longhai Electronic Glass Co., Ltd.	New materials	Photoelectric glass	60,000,000	242,911,889.41	136,490,221.24	-33,496,951.33
Bengbu CNBM Information Display Material Co., Ltd.	New materials	Photoelectric glass	632,764,300	907,237,295.89	756,402,735.81	56,857,567.10
Luoyang Luobo Furuida Commerce Co., Ltd.	Trading	Sales of glass and raw materials	500,000	25,201.90	-987,663.02	35,083.55

(VIII) Structured entities controlled by the Company

N/A

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(IX) Five-year Financial Highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2016 are summarized below:

Operating results

Unit: Yuan Currency: RMB

Item	2016	2015	2014	2013	2012
Operating income	392,095,626.14	662,156,635.13	660,058,269.97	375,735,014.43	553,687,171.35
Total profit	21,170,495.90	-184,931,091.61	15,730,223.86	-107,556,313.57	4,232,247.06
Income tax	9,654,432.12	9,896,015.25	10,232,864.68	3,289,996.59	12,320,312.18
Net profit	11,516,063.78	-194,827,106.86	5,497,359.18	-110,846,310.16	-8,088,065.12
Minority interests		-10,071,986.12	-15,661,852.74	-11,873,147.55	-13,181,202.40
Net profit attributable to the owners of the parent company	11,516,063.78	-184,755,120.74	21,159,211.92	-98,973,162.61	5,093,137.28

Assets and liabilities

Unit: Yuan Currency: RMB

Item	2016	2015	2014	2013	2012
Monetary funds	157,528,516.53	102,342,860.91	92,747,084.60	172,571,033.76	236,619,040.45
Inventory	132,978,500.26	195,863,112.95	249,259,177.59	227,712,719.89	211,968,354.99
Fixed assets	648,972,313.06	691,522,403.10	1,113,933,571.51	644,866,173.19	539,787,058.69
Construction in progress		9,828,822.54	698,734.75	5,243,811.06	74,565,910.15
Non-current assets	774,437,998.66	826,682,911.68	1,270,128,923.40	736,124,168.07	691,983,408.59
Current liabilities	726,520,447.30	567,495,089.06	674,259,284.43	756,121,624.86	665,674,813.63
Non-current liabilities	107,127,156.05	468,194,996.46	470,184,675.53	517,551,976.42	566,467,103.15
Share capital	526,766,875.00	515,018,242.00	500,018,242.00	500,018,242.00	500,018,242.00
Equity attributable to owners of the parent company	523,269,416.96	278,344,996.00	717,077,784.06	103,313,890.92	132,125,006.45
Minority interests			-88,788,534.35	-73,208,155.34	-61,484,589.71

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(X) Use of proceeds from fundraising

Unit: Yuan Currency: RMB

Year of fundraising	Fundraising method	Total proceeds	Total amount used in reporting period	Amount used on an accumulative basis	Total unutilized amount	Use and status 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 transaction related tax (issuance fee inclusive) of RMB19,635,301.96; 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.

(XI) Others

1. Gearing ratio

As at the end of the reporting period, the gearing ratio was 61.44%, down 17.38 percentage points as compared with the corresponding period last year.

2. Net foreign exchange loss

Details about foreign exchange profit and loss during the reporting period are set out in Note V. (note 38) to the financial statements.

3. Taxation

Details about taxation during the reporting period are set out in Note IV. "Taxation" and Note V. (note 7, 22, 35 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 13) to the financial statements.

Discussion and Analysis of the Operations

II. The Principal Operations during the Reporting Period (Continued)

(XI) Others (Continued)

5. Bank and other loans

Details of bank and other loans during the reporting period are set out in Note V. (note 17, 26 and 27) 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 30, 31 and 32) to the financial statements.

9. Accumulated losses

As at 31 December 2016, the accumulated loss of the Company was RMB1,527,968,006.58.

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.

Discussion and Analysis of the Operations

III. Discussion and Analysis on Future Development of the Company

(I) Industry pattern and development trend

The Chinese economy has been in a new normal, with a proper growth rate and an optimised structure, in which the growth of traditional industries slows down while the strategic emerging industries will still maintain a higher growth rate.

The outline of the National “Thirteenth Five-year” Plan proposes to “step up breakthroughs in core technologies in terms of a new generation of information communication, new energy, new materials, aerospace, biological medicine, intelligent manufacturing, etc.”. The Made in China 2025 puts forward “to vigorously promote the breakthrough development in key fields and place the focus on ten key fields including a new generation of information technology industry, high-end CNC machine tool and robot, aerospace equipment, ocean engineering equipment and high-tech ships, advanced rail transit equipment, energy-saving and new energy automobiles, power equipment, agricultural machinery equipment, new materials, biological medicine and high performance medical devices”.

The future market growth mainly derives from the demand increase in downstream markets and the expansion of application fields. In recent years, amid the explosive growth of mobile internet applications, the demands for smartphone, laptop and other consumer electronics maintained growth and the intelligitization in professional application fields including on-board equipment, industrial control, intelligent household appliances and medical treatment continued to intensify in an accelerated manner with stable growth at the annual growth rate of market share exceeding 20%. It is expected that the demand for ultra-thin glass substrate, as a core material for touch screen, will reach 101 million m² by 2020.

At present, China has become the largest producer and exporter of ITO conductive glass, TP touch screen glass, cover glass and protective shields. The overall market developments show favourable signs as domestic and international markets have maintained stable with good momentum driven by the expansion, upgrading and growth of relevant consumer markets. It is expected that the ultra-thin glass substrate market will be cautiously optimistic in 2017.

(II) Development strategy

Led by innovation, the Company will maintain the lead in respect of Luoyang float glass technology. With the stress laid on consolidating information display glass substrate to enhance competitive edge and market advantage, the Company, centering on new glass, new material and new energy market, aims at becoming a provider of special high-tech glass through expansion of application fields and optimisation of product mix.

Discussion and Analysis of the Operations

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

(III) Business plan

In 2017, the Company's main operation targets are to achieve production volume of 26.84 million square meters and realize revenue of RMB500.00 million.

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

Adherence to the operation and management guiding principles of "integration and optimisation, quality improvement and benefit increase, preparation, meticulousness, refinement and solidity, practice foremost, price stabilization, quantity assurance, cost reduction, receivables collection, inventory control, adjustment, and profit and efficiency as the first priority".

1. The Company will intensify market value management, and simultaneously implement physical operation and capital operation. By adhering to the operation ideas led by market value and supported by performance, the Company will boost its competitiveness and strength, and increase investors' confidence. In combination of the Company's strategic positioning and industry development direction, the Company will seek for new leap in respect of transformation and upgrade so as to realize win-win situation for both the Company and the investors.
2. The Company will implement the plan on enhancement and transformation of Longhai production line to build a new generation of production line of ultra-thin glass and improve production technology and core equipment, striving to achieve international advanced product quality.
3. Investment will be made in construction of a production line of ultra-white photothermal materials in Puyang to develop new energy materials, enrich and optimise the Company's product mix, seize the market of strategic emerging industries and foster a new growth driver.
4. While strengthening technical exchange and cooperation and increasing investment in research and development to enhance technological strength, the Company will focus on the development of products with high added value and tape potential demands in the market. In addition, the Company will consolidate its market share and maintain a stable market price.
5. To improve the management and control mode and innovate the internal mechanism, the Company will, based on assets restructuring, explore and establish a management and control mode that tallies with its development requirements and promote remuneration system reform to link remuneration and welfare with operating performance and form a positively related incentive mechanism. It will vigorously carry forward the corporate culture of "innovation, performance, harmony and responsibility" and earnestly practice the code of conduct "reverence, gratefulness, humility and appropriateness" to foster key technical personnel and a staff team with craftsmanship.
6. Further efforts will be made to carry out "increasing, cutting and reducing" in a solid manner, and the Company will align to the benchmark of international peers in the industry to improve product technology, technological equipment, energy efficiency and environmental protection.
7. In addition to fulfillment of the energy conservation and emission reduction targets, the Company will shoulder its due social responsibilities and enhance production safety to ensure no accident in production throughout the year.

Discussion and Analysis of the Operations

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

(III) Business plan (Continued)

8. The Company will strengthen the Party construction in an all-round way to generate positive energy as powerful support for realisation of the goals for the year.
9. Centering on the annual operational targets and based on comprehensive budget management and refined management, the Company will take practically effective risk management measures to restrain risks in the controllable range. Moreover, the Company will further improve the construction of internal control system to improve the executive force of internal control.

(IV) Potential Risks

1. Risks arising from policies and the industry

As the major products of the Company, the ultra-thin optical electronic and information display glasses belong to key basic materials in the upstream of information industry, which are in line with the requirements of the national industrial policies and technical improvement. According to the national industrial policies, China vigorously supports the development of panel industry, particularly the key basic materials in the industrial upstream, and advocates the localization of relevant materials so as to improve the core competitiveness of China-made products.

Risks arising from the industry are mainly reflected in the following aspects: the ultra-thin glass substrate is primarily used for consumer electronic products which are upgraded at fast pace, giving rise to the rapidly changing demands for nature and quality of basic materials. In this regard, the upstream manufacturers are required to possess cutting-edge R&D strengthen and technical equipment, keep abreast of the changing market demands, and produce quality products with high added-value, so as to maintain stable profitability and high profit level.

2. Risks arising from new engineering projects

New engineering projects are subject to capital input, construction progress and subsequent market operation, product introduction period and other factors. In addition, certain market risks may arise from longer ramp-up period in the initial stage after the projects are put into operation.

Countermeasures: the Company will collect information from different ways to enhance forward-looking forecast and analysis of the market; proactively raise funds to guarantee project construction progress; prepare the project budget appropriately, purchase equipment for the projects in time and promote construction progress of the projects; organize resources to produce marketable new products; enhance training and reserve of the front-line staff and formulate comprehensive and reasonable remuneration system to increase staff's welfare and keep a stable talents team.

Discussion and Analysis of the Operations

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

(IV) Potential Risks (Continued)

3. Risks arising from prices of raw materials

The major raw materials of the Company's products include fuels, 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 fully capitalize on its centralized procurement platform and take good advantage of large scale procurement; accurately follow the fluctuations of prices to purchase in due course so as to reduce purchasing costs. In addition, the Company will expand supply channels to ensure the stability and efficiency of its supply channels.

4. Financial Risks

Credit risk: The Company's credit risk arises mainly from accounts receivable; most clients of the Company have been implemented delivery on cash while a few clients with sound reputation have been granted credit extension. As such, the Company faces low credit risks.

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

Interest rate risk: The Company's interest rate risk arises mainly from bank and other loans as well as bank deposit. As there is no significant connection between the vast majority of Company's expenses and operating cash flows and the changes in market interest rates, bank loans at fixed interest rate will be not sensitive to the changes in the market interest rates.

5. Technological risks

All of the core techniques of the Company are self-researched and self-developed, with proprietary intellectual property rights. The Company has applied advanced techniques to its production of ultrathin and ultra-white glass and gained abundant experience in product research and development. Therefore, the Company does not confront with technical risks regarding the above.

IV. Explanations on Failure to make Disclosures in accordance with Relevant Standards due to Inapplicability of the Standards or State or Trade Secrets or Special Reasons

N/A

Discussion and Analysis of the Operations

V. Other Disclosures

1. Service Contracts of Directors and Supervisors

None of the Directors or supervisors of the Company has entered into any service contract with the Company.

2. Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period.

3. Repurchase, Sale and Redemption of Shares

During the reporting period, the Company or any of 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 contain any provision on pre-emptive rights.

5. Public Float

Based on public information and the information available to the Company, to the best knowledge of the Directors, the Company has maintained a public float required under the Listing Rules and 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 2016, 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 Rules of the Hong Kong Stock Exchange.

Significant Events

I. Proposal for Profit Distribution on Ordinary Shares or Conversion of Capital Reserves into Share Capital

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

N/A

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

Unit: Yuan Currency: RMB

Year	Bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB, tax inclusive) (share)	Conversion into share capital for every 10 shares (share)	Amount of cash dividends (tax included)	Net profit	Percentage
					attributable to holders of ordinary shares of the Company based on the consolidated statements for the corresponding year	in net profit attributable to holders of ordinary shares of the Company based on the consolidated statements (%)
2016	0	0	0	0	11,516,063.78	0
2015	0	0	0	0	-184,755,120.74	0
2014	0	0	0	0	21,159,211.92	0

(III) Where a parent company records profits for the reporting period and its distributable profits on ordinary shares are positive but it does not propose distribution of profits on ordinary shares in cash, such company shall disclose in detail the reasons therefor, and the use of the undistributed profits and the plan for such use

N/A

II. Performance of Undertakings

(I) Commitments on significant asset restructuring

1. *Commitment on limiting horizontal competition:*

On 31 December 2014, CLFG and CNBMG undertook that they would not directly engage in any business that is the same as or similar to the main business of the Company or its subsidiaries after the completion of the asset restructuring, and that they would procure enterprises that are directly or indirectly controlled by them not to directly or indirectly engage in any business or activity that competes with or may compete with the main business of the Company or its wholly-owned or controlled subsidiaries 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 the 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 such business or opportunity that may be competitive, or facilitate to offer the business or opportunity to the Company or its wholly-owned or controlled subsidiaries on fair and reasonable terms, or transfer the business or opportunity to any other third parties not related to any of them.

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

2. *Commitment on limiting connected transactions:*

On 31 December 2014, CLFG and CNBMG committed to avoid or minimize connected transactions between them and any other enterprises under their actual control or material influence and the Company upon completion of the 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 transactions should be in accordance with relevant laws, regulations, regulatory documents and the Articles of Associations of the Company, and the obligation for information disclosure should be fulfilled as required. CLFG and CNBMG committed not to transfer the benefits of the Company through connected transactions, nor to cause damage to the legitimate rights and interests of the Company and other shareholders via exerting influence over the operation and decision-making process of the Company.

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

3. *Commitment on restricting share transfer:*

On 31 December 2014, CLFG committed not to transfer the shares obtained through the 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 the transaction within 12 month after the transaction was concluded. Where there is any increase in the shares as the result of bonus issue or conversion to share capital, the increased shares of Luoyang Glass held by it would also be locked up for a 12-month period as mentioned above. However, the transfer of the shares of Luoyang Glass held by CLFG between different entities under common control would not be subject to the 12-month lockup period, provided that CLFG should procure the transferee to abide by the aforesaid lockup commitment.

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

Significant Events

II. Performance of Undertakings (Continued)

(I) Commitments on significant asset restructuring (Continued)

4. Commitment on patent rights:

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 shall have no right to transfer or dispose the aforesaid 16 patent rights to any other third parties, or permit any other third parties to use these patent rights. 2) Bengbu Company has the right to independently exercise the jointly-owned patent rights, and all incomes incurred therefrom should be solely owned by Bengbu Company. 3) In case of any breach of the aforesaid commitment, Bengbu Institute and CTIEC should bear corresponding legal liabilities and compensate relevant parties for the loss they suffer as a result of such breach.

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

5. Commitment on profit forecast and compensation:

During the significant asset restructuring in 2015, on 2 November 2015, CLFG made a commitment regarding voluntary performance compensation in respect of the performance of Bengbu Company during 2015–2017: if the audited net profit of Bengbu Company realized in each of 2015, 2016 and 2017, attributable to the owners of the parent company after deducting non-recurring gain and loss, is lower than the expected net profit of the corresponding year set out in the appraisal report issued by China United Assets Appraisal Group Co., Ltd. on 31 October 2015, CLFG shall make compensation to Luoyang Glass in cash on the following terms: compensation amount of the current year = expected net profit of the current year – actual net profit of the current year. When the calculation result of the compensation amount of the current year is negative, it shall be taken as zero. The compensation period shall be within six months from the date of issuance of the auditor's report for that year by the audit firm.

Whether or not CLFG has fulfilled its commitment under the performance commitment, there is no impact on the transaction consideration of the acquired equity interests of Bengbu Company by it. Meanwhile, the Company has no option to sell back Bengbu Company to CLFG even if the actual net profit of Bengbu Company for any year during the performance commitment period falls short of the expected net profit for that year.

For the year of 2016, the net profit of Bengbu Company as forecast in the appraisal report was RMB58,954,400. The audited net profit of Bengbu Company in 2016 was RMB56,857,600, and its audited net profit after deducting non-recurring gain and loss was RMB35,171,000, which was, and the shortfall amounted to RMB23,783,400. On 31 March 2017, the Company had received the performance compensation amount of RMB23,783,372.88 from CLFG. So far, CLFG has fulfilled its full commitment of performance compensation for this current period.

The independent non-executive directors of the Company are of the view that CLFG has fully performed its commitment obligations under the performance commitment for 2016 and such performance is fair and reasonable and in the interests of the Shareholders as a whole.

II. Performance of Undertakings (Continued)

(II) Explanations as to whether any asset or project of Company fulfilled its profit forecast, if there is profit forecast for such asset or project, and the reporting period is covered by the profit forecast

The audited net profit of Bengbu Company in 2016 was RMB56,857,600, and its audited net profit after deducting non-recurring gain and loss was RMB35,171,000, which was lower than the forecast profit, and the shortfall amounted to RMB23,783,400.

Bengbu Company's failure to achieve the forecast profit for the year was mainly due to a sluggish real economy amid the downward macro economy in China, which resulted in lower-than-expected product prices and operating income and thus lower-than-expected net profit.

III. Appropriation of Fund and Progress of Debt Clearance During the Reporting Period

As at 31 December 2016, the amount of funds appropriated for non-operating purposes by controlling shareholders amounted to RMB23,783,400, the details of which are as follows:

During the significant asset restructuring of the Company in 2015, considering performance of Bengbu Company, being the exchange-in assets, during 2015–2017. CLFG made a commitment regarding voluntary performance compensation: If the audited net profits of Bengbu Company realized in each of 2015, 2016 and 2017, attributable to the owner of the parent company after deduction of non-recurring profit and loss, were lower than the expected net profits of corresponding years given in the appraisal report, it would make compensation to Luoyang Glass in cash.

In 2016, the net profits of Bengbu Company estimated in the appraisal report amounted to RMB58,954,400, while Bengbu Company realized audited net profits of RMB56,857,600 in 2016 and net profits after deduction of non-recurring profit and loss amounted to RMB35,171,000, failing to fulfill the performance commitment as a result. In light of the commitment, CLFG will make shortfall compensation of RMB23,783,400 to the Company in cash within six months upon the date of issue of auditor's report of Bengbu Company for the year of 2016. Since the auditor's report of Bengbu Company was issued on 30 March 2017, there was the amount of funds appropriated for non-operating purposes of RMB23,783,400 for the time being.

On 31 March 2017, the Company had received the performance compensation amount of RMB23,783,372.88 from CLFG. So far, the issue relating to the embezzlement of non-operating funds by the above-mentioned controlling shareholder as result of its performance commitment has been fully settled.

IV. Explanations of the Company on “Non-Standard Opinion Audit Report” of Accounting Firm

N/A

Significant Events

V. Analysis and Explanation of the Company on reasons for and effects of changes of Accounting Policies and Accounting Estimates and Corrections of Significant Accounting Errors

(I) Analysis and explanation of the Company on reasons for and effects of changes of accounting policies and accounting estimates

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 RMB8,988,076.02 in its provision for 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.

(II) Analysis and explanation of the Company on reasons for and effects of significant corrections of accounting errors

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 recognized 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 2016 first quarterly report of the Company. For details, please refer to the Announcement on Correction of Accounting Errors published by the Company on 29 August 2016.

VI. Appointment or Dismissal of Accounting Firms

Unit: 0,000 Currency: RMB

Current appointee	
Name of the domestic accounting firm	PKF Daxin Certified Public Accountants LLP
Remuneration for the domestic accounting firm	105
Term of the audit services provided by domestic accounting firm	9 years

Name	Remuneration
Accounting firm engaged for internal control audit	28

Explanation for appointment or dismissal of accounting firms

The re-appointment of PKF Daxin Certified Public Accountants LLP as the domestic and international auditor of the Company for 2016 was considered and approved at the fifth meeting of the eighth session of Board on 17 March 2016 and the 2015 annual general meeting of the Company on 24 May 2016.

VII. Material Litigation and Arbitration Matters

N/A

VIII. Statement of Credit-worthiness of the Company and Its Controlling Shareholders and De Facto Controllers during the Reporting Period

N/A

IX. Equity Incentives Plan, Employee Stock Ownership Plan and Other Employee Incentives and Their Effects

N/A

X. Material Related Party Transactions

(I) Related party transactions relating to daily operations

1. *Events which have been disclosed in the temporary announcement and there is no further development or change in subsequent implementation*

Overview of Events	Search Index
<p>On 14 November 2014, the Company entered into five framework agreements with CLFG, CNBMG and Triumph Technology, and estimated the 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 Company from CLFG Yuantong Energy Co., Ltd. The aforesaid continuing connected transactions were considered and approved at the 31st meeting of the seventh session of the Board on 14 November 2014 and the 2014 second extraordinary general meeting of the Company on 31 December 2014.</p>	<p>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</p>
<p>On 26 February 2016, the Company entered into the Sodium Carbonate Supply Agreement with Triumph Group, pursuant to which the Company purchased sodium carbonate from Triumph Group with an estimated annual transaction amount of no more than RMB43 million (tax inclusive). The term of the agreement commenced from the effective date to 31 December 2017.;</p>	<p>Announcement Lin No. 2016-010 on 26 February 2016 at http://www.sse.com.cn, http://www.hkexnews.hk and Announcement Lin No. 2014-018 on 15 April 2016 at http://www.sse.com.cn, http://www.hkexnews.hk</p>
<p>On 28 April 2016, Bengbu Company entered into the Wooden Boxes Supply Framework Agreement with Bengbu Chemical Engineering Machinery Manufacturing Co., Ltd., pursuant to which, Bengbu Company purchased wooden boxes from Bengbu Chemical Engineering Machinery Manufacturing Co., Ltd. with an estimated annual transaction amount of no more than RMB6 million (tax inclusive) for each of 2016 and 2017. The agreement was valid until 31 December 2017.</p>	<p>Announcement Lin No. 2016-022 on 28 April 2016 at http://www.sse.com.cn, http://www.hkexnews.hk</p>

Significant Events

X. Material Related Party Transactions (Continued)

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

- 1. *Events which have been disclosed in the temporary announcement and there is no further development or change in subsequent implementation*

N/A

- 2. *Performance with agreed target shall be disclosed during the reporting period*

For details please refer to (II) of Performance of Undertakings in this chapter.

(III) Material connected transaction relating to joint external investment

N/A

(IV) Transactions relating to creditor’s rights and debts

Events which have been disclosed in the temporary announcement and there is no further development or change in subsequent implementation

Overview of Events

Search Index

On 30 December 2016, the Company entered into the Creditor’s Rights Transfer Agreement with CLFG, the controlling shareholder, pursuant to which, the creditor’s rights of the Company (including all rights of the Company arising from the creditor’s rights) in Luoyang Crane Factory Co., Ltd. would be transferred to CLFG at a consideration of RMB9.93 million.

Announcement Lin No. 2016-062 on 30 December 2016 at <http://www.sse.com.cn>, <http://www.hkexnews.hk>

XI. Material Contracts and Implementation thereof

(I) Custody, contracting and leasing matters

N/A

(II) Guarantees

Unit: Yuan Currency: RMB

Guarantees provided by the Company and its subsidiaries to subsidiaries

Total amount of guarantees provided to subsidiaries during the reporting period	20,000,000.00
Total balance of the guarantees amount provided to subsidiaries at the end of the reporting period	20,000,000.00

Total amount of guarantees made by the Company (including those in favour of subsidiaries)

Total amount of guarantees	20,000,000.00
Percentage of total guarantee amount in net assets of the Company (%)	3.82%
Including:	
Amount of guarantees provided to shareholders, de facto controller and their related parties	0
Amount of guarantees provided directly or indirectly to parties with a gearing ratio of over 70%	0
Amount of total guarantees in excess of 50% of net assets value	0

Explanations on guarantee	Provision of guarantee to wholly-owned subsidiaries by the Company
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XII. Positive Performance of Social Responsibilities

(I) Poverty alleviation efforts of the Company

N/A

(II) Performance of social responsibilities

For details of the performance of social responsibility of the Company, please refer to the Social Responsibility Report of Luoyang Glass Company Limited in 2016 disclosed by the Company on 30 March 2017 on the websites of Shanghai Stock Exchange at www.sse.com.cn and Hong Kong Stock Exchange at www.hkexnews.hk.

Significant Events

XIII. Convertible Corporate Bonds

(I) Issuance of convertible bonds

N/A

(II) Holders and guarantors of convertible bonds during the reporting period

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

(I) Three-year continuing connected transactions entered into by the Group

Connected transactions as provided in Chapter 14A of Listing Rules of the Stock Exchange and in the Listing Rules of Shanghai Stock Exchange:

Unit: 0'000 Yuan Currency: RMB

Number	Party	Connected relationship	Content of transactions	Principle of trade pricing	Expected cap amount for trade amount for 2016	Trade amount actually incurred in 2016
1	Triumph Technology	Indirect controller's subsidiary	The Company provided Triumph 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.	22,400	10,232
2	CNBMG	De facto controller	CNBMG 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.	2,000	0
3	CNBMG	De facto controller	CNBMG 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.	30,000	0
4	CLFG	Controlling Shareholders	CLFG provided the Company with silica sand	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	360

Connected Transactions

I. Continuing Connected Transactions (Continued)

(I) Three-year continuing connected transactions entered into by the Group (Continued)

Connected transactions as provided in the Listing Rules of Shanghai Stock Exchange:

1	CNBMG	De facto controller	CNBMG and its subsidiaries provided the Company with entrusted loans, loan guarantee, 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 third party for the same or similar financial service.	110,000	94,279
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The total amount of aforesaid continuing connected transaction is RMB1,048.71 million.

I. Continuing Connected Transactions (Continued)

(II) Continuing connected transactions disclosed in temporary announcements during the reporting period

1. *Provision of sodium carbonate to the Group by Triumph Group*

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 Triumph Technology and purchased sodium carbonate from Triumph Technology. 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 Triumph Technology to the Group will not be higher than the price offered by Triumph Technology for identical or similar products to its independent third parties.

The accrued transaction amount for each year in total is expected to be up to RMB43 million. The actual trading volume for sodium carbonate procurement as of 31 December 2016 was RMB17.82 million.

2. *Provision of wooden cases to Bengbu Company by Bengbu Chemical Engineering Machinery Making Co., Ltd.*

Bengbu Chemical Engineering Machinery Making Co., Ltd. is a subsidiary controlled by the de facto controller of the Company. To meet the demand for daily transportation and packaging for glass products, Bengbu Company purchased wooden cases from Bengbu Chemical Engineering Machinery Making Co., Ltd. and the transaction price was determined upon tendering with reference to prevailing market price and was not higher than the price offered by Bengbu Chemical Engineering Machinery Making Co., Ltd. for identical or similar products to its independent third parties.

The accrued transaction amount for each year in total is expected to be up to RMB6 million. The actual trading volume for wooden cases procurement as of 31 December 2016 was RMB4.66 million.

Total amount of continuing connected transactions disclosed in temporary announcements in 2016 was RMB22.48 million.

Connected Transactions

I. Continuing Connected Transactions (*Continued*)

(II) Continuing connected transactions disclosed in temporary announcements during the reporting period (*Continued*)

2. *Provision of wooden cases to Bengbu Company by Bengbu Chemical Engineering Machinery Making Co., Ltd. (Continued)*

In conclusion, the total sum of the continuing connected transactions of the Group in 2016 amounted to RMB1,071.19 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 2016, 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 2016 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.

II. Connected Transactions in Temporary Announcements

1. On 1 April 2016, the Company and Longhao Company entered into the Production Technical Services Agreement of Float Glass Production Line (《浮法玻璃生產線生產技術服務合同》), pursuant to which the Company provided Longhao Company with technical services and relevant technical trainings such as technical organization, on-site control and temperature-rising quality control of the tin bath and anneal Lehr of the float glass production line at a contract price of RMB1,180,000.
2. On 10 July 2016, the Company and Longhao Company entered into the second Production Technical Services Agreement of Float Glass Production Line, pursuant to which the Company provided Longhao Company with technical services and guidance in respect of production stability and process control enhancement to enhance the glass production volume, quality and production yields at a contract price of RMB600,000.
3. On 14 September 2016, Bengbu Company (a wholly-owned subsidiary of the Company) and Bengbu China National Building Materials Photovoltaic Materials Company Limited (中建材(蚌埠)光電材料有限公司) (hereinafter referred as "CNBM Guangdian Company") entered into the Technology Services Agreement, pursuant to which Bengbu Company provided on-the-job training and production technical services to operational staff member of CNBM Guangdian Company with respect to the new production line at a contract price of RMB1,680,000.
4. On 1 December 2016, Bengbu Company and Bengbu China National Building Materials Photovoltaic Materials Company Limited entered into the second Technology Services Agreement, pursuant to which Bengbu Company provided technical services and transferred the license for use of some patents and know-hows at a contract price of RMB5,000,000.
5. On 1 December 2016, Bengbu Company and Bengbu Institute entered into two Technology Development (Delegate) Agreements, pursuant to which Bengbu Company conducted research and development in respect of the project of production technology of industrialization of 0.2mm high strength electronic glass and the project of production technology of 3D wear-resistant glass substrate for Bengbu Institute, at contract prices of RMB8,800,000 and RMB7,500,000 respectively. In order to increase the accuracy of experimental data of the two contracted projects, Bengbu Institute and Bengbu Company entered into a supplemental agreement to the above two Technology Development Agreements on 24 March 2017 to extend the terms of acceptance of the project and of the contract to 31 December 2018.
6. On 20 December 2016, Longhai Company and Longhao Company entered into the Tin Ingots Sales and Purchase Agreement, pursuant to which Longhai Company sold tin ingots in stock to Longhao Company at appraised value, with transaction amount of RMB9,485,190.
7. On 30 December 2016, the Company and CLFG entered into the Creditor's Rights Transfer Agreement, pursuant to which the Company transferred to CLFG the Creditor's Rights of Luoyang Crane Factory Co., Ltd. (including all rights of the Company arising from such creditor's rights), at a transfer price of RMB9,930,000.

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 (+/-)				After change		
	Number	Percentage (%)	Issue of new shares	Bonus shares	Capital reserve transferred to share	Others	Sub-total	Number	Percentage (%)
I. Share subject to trading moratorium	15,000,000	2.91	+11,748,633				11,748,633	26,748,633	5.08
1. State-owned shares									
2. State-owned legal person share	15,000,000	2.91						15,000,000	2.85
3. Other domestic shares			+11,748,633				11,748,633	11,748,633	2.23
Including: Shares held by									
domestic non-state-owned legal person			+11,748,633				11,748,633	11,748,633	2.23
4. Foreign invested shares									
II. Circulating shares not subject to trading moratorium	500,018,242	97.09						500,018,242	94.92
1. Ordinary shares denominated in RMB	250,018,242	48.55						250,018,242	47.46
2. Domestic listed foreign invested shares									
3. Overseas listed foreign invested shares	250,000,000	48.54						250,000,000	47.46
III. Total number of ordinary shares	515,018,242	100	+11,748,633				11,748,633	526,766,875	100

2. Explanation of changes in shareholding of ordinary shares

To raise counterpart funds, the Company additionally offered 11,748,633 shares to First Capital Securities Co., Ltd. and Caitong Fund Management Co., Ltd.. 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 (if any)

N/A

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	15,000,000	0	0	15,000,000	Non-public issuance	29 December 2018
First Capital Securities Co., Ltd	0	0	1,202,185	1,202,185	Non-public issuance	22 March 2017
Caitong Fund Management Co., Ltd	0	0	10,546,448	10,546,448	Non-public issuance	22 March 2017
Total	15,000,000	0	11,748,633	26,748,633	/	

II. Issue and Listing of Securities

(I) Issue of securities as at the reporting period

Unit: share Currency: RMB

Category of shares and its derivatives	Date of issue	Issue price (or issue rate)	Issue number	Listing date	Number permitted to be listed and traded	Date of transaction termination
Ordinary shares						
Ordinary shares denominated in RMB (A shares)	2 February 2016	18.30	11,748,633	22 March 2017	0	

Changes in Shareholding of Ordinary Shares and Information of Shareholders

II. Issue and Listing of Securities (Continued)

(II) Change in the total number of shares, the shareholding structure and the asset and liability structure of the Company

1. Change in the total number of shares and the shareholding structure of the Company:

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

The following table describes changes in equity structure of the Company before and after the issuance:

Type	Before issuance		After issuance	
	Amount (0'000 shares)	Percentage (%)	Amount (0'000 shares)	Percentage (%)
Shares subject to trading moratorium	1,500.00	2.91	2,674.86	5.08
Shares not subject to trading moratorium	50,001.82	97.09	50,001.82	94.92
Including:				
Ordinary shares				
denominated in RMB				
not subject to trading moratorium	25,001.82	48.55	25,001.82	47.46
Overseas listed foreign invested shares	25,000.00	48.54	25,000.00	47.46
Total number of shares	51,501.82	100.00	52,676.68	100.00

2. Change in the asset and liability structure of the Company

By the end of 2016, the amount of total assets of the Company was RMB1,356.9170 million, increasing by RMB42.8819 million from the beginning of the period. The amount of current assets was RMB582.4790 million, increasing by RMB95.1268 million from the beginning of the period; the amount of non-current assets of RMB774.4380 million, reduced by RMB52.2449 million from the beginning of the period. The amount of total debts was RMB833.6476 million, reduced by RMB202.0425 million from the beginning of the period, including RMB726.5204 million of current liabilities, increasing by RMB159.0253 million from the beginning of the period, and RMB107.1272 million of non-current liabilities, reduced by RMB361.0678 million from the beginning of the period.

III. Shareholders and De Facto Controller

(I) Total number of shareholders:

Total number of shareholders at the end of the reporting period	58,429, including 58,381 holders of A shares and 48 holders of H shares
Total number of ordinary shareholders at the end of last month of the annual report	58,432, including 58,384 holders of A shares and 48 holders of H shares

Changes in Shareholding of Ordinary Shares and Information of Shareholders

III. Shareholders and De Facto Controller (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

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	Number of shares pledged or frozen		Nature of shareholder
					Status of shares	Number	
HKSCC NOMINEES LIMITED	+408,001	248,670,699	47.21%	0	Unknown		Overseas legal person
China Luoyang Float Glass (Group) Company Limited	-69,000,000	105,018,242	19.94%	15,000,000	Pledged	41,000,000	State-owned legal-person
Bengbu Glass Industry Design Institute	+69,000,000	69,000,000	13.10%	0	None		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 Ltd. – Fullgoal CS State-owned Enterprise Reform Grading Securities Investment Fund	+243,500	1,464,200	0.28%	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
Liu Bibo	-361,600	1,000,000	0.19%	0	Unknown		Domestic natural person
Caitong Fund–Industrial and Commercial Bank of China – Qiaogeli Blue Chip Selected No. 2 Asset Management Plan	+981,065	981,065	0.19%	981,065	Unknown		Unknown
Pu Lulu	+832,090	832,090	0.16%	0	Unknown		Domestic natural person
Zhang Lixin	-200,000	800,000	0.15%	0	Unknown		Domestic natural person

Changes in Shareholding of Ordinary Shares and Information of Shareholders

III. Shareholders and De Facto Controller (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 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	248,670,699	Overseas listed foreign shares	248,670,699
China Luoyang Float Glass (Group) Company Limited	90,018,242	Ordinary shares denominated in RMB	90,018,242
Bengbu Glass Industry Design Institute	69,000,000	Ordinary shares denominated in RMB	69,000,000
Agricultural Bank of China Ltd. – Fullgoal CS State-owned Enterprise Reform Grading Securities Investment Fund	1,464,200	Ordinary shares denominated in RMB	1,464,200
Liu Bibo	1,000,000	Ordinary shares denominated in RMB	1,000,000
Pu Lulu	832,090	Ordinary shares denominated in RMB	832,090
Zhang Lixin	800,000	Ordinary shares denominated in RMB	800,000
Hong Kong Securities Clearing Company Limited	517,913	Ordinary shares denominated in RMB	517,913
CHUK YEE MEN LIZA	374,000	Overseas listed foreign shares	374,000
Boshi Value Growth Securities Investment Fund	335,500	Ordinary shares denominated in RMB	335,500

Explanation on connected relationship or action acting in concert among the aforesaid shareholders

There are connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies (“上市公司股東持股變動信息披露管理辦法”) issued by the CSRC among the top 10 shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and Bengbu Glass Industry Design Institute. The Company is not aware of any parties acting in concert or any connected relationship among other holders of circulating shares.

Explanations on preference shareholders with voting rights restored and the number of shares held

None

Changes in Shareholding of Ordinary Shares and Information of Shareholders

III. Shareholders and De Facto Controller (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 top 10 holders of shares not subject to trading moratorium (Continued)

Notes:

- Shares held by HKSCC NOMINEES LIMITED are held on behalf of various customers.
- The ordinary shares dominated in Renminbi held by Hong Kong Securities Clearing Company Limited are held on behalf of overseas investors who held these shares via Northbound Trading in the Shanghai-Hong Kong Stock Connect.

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	2018-12-29	0	Non-transferable within 36 months from the completion date of the issuance
2	Caitong Fund Management Co., Ltd.	10,546,448	2017-03-22	0	Non-transferable within 12 months from the completion date of the issuance
3	First Capital Securities Co., Ltd.	1,202,185	2017-03-22	0	Non-transferable within 12 months from the completion date of the issuance

Explanation on connected relationship or action acting in concert among the aforesaid shareholders

There are no connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies 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.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller

(I) Controlling shareholder

1 Legal person

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
Other explanations	Nil

2 Natural person

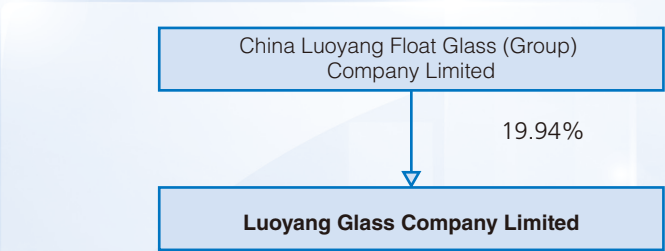
N/A

Changes in Shareholding of Ordinary Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller (Continued)

(I) Controlling shareholder (Continued)

3 **Block diagram on equity and control relationship between the Company and controlling shareholders**



(II) De facto controller

1 Legal person

Name	China National Building Material Group Co., Ltd.
Person in charge of the company or legal representative	SONG ZHIPING
Date of establishment	28 September 1981
Principal activities	Production and manufacturing of construction materials and relevant raw materials, research, development and sales of 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. Business operation of real estate featured by new building materials, technical consulting and information services relating to principal and auxiliary activities (Items that shall be approved according to law can be operated upon approval of relevant departments.) (Enterprises shall select operating items and operate autonomously according to law; items that shall be approved according to law can be operated upon approval of relevant departments; enterprises shall not engage in operations prohibited by industrial policies and restricted items in this city.)

Changes in Shareholding of Ordinary Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller (Continued)

(II) De facto controller (Continued)

1 Legal person (Continued)

Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	Directly and through its subsidiaries holding 44.27% equity interest (directly and indirectly holding 41.11% of domestic shares, directly holding 0.16% of H shares) in China National Building Material Company Limited (HK03323), through its subsidiaries holding 26.97% equity interest in China Jushi (600176), 40.13% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 26.11% equity interest in Triumph Technology Company Limited (600552), 35.73% equity interest in Beijing New Building Materials Public Limited Company (000786), 68.49% equity interest in China Building Material Test & Certification Group Co., Ltd. (國檢集團) (603060) and 23% equity interest in China Glass Holdings Limited (03300), through its subsidiaries participating 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), 9.67% equity interest in Henan Tongli Cement Co., Ltd. (000885), 5.26% equity interest in Fujian Cement Inc. (600802), 16.77% equity interest in Gansu Shangfeng Cement Co., Ltd (000672), 4.98% equity interest in Jilin Yatai (Group) Co., Ltd. (600881), 0.01% equity interest in China Galaxy Securities Co., Ltd. (06881.HK) and 12.74% equity interest in Shanghai Yaohua Pilkington Glass Group Co., Ltd. (600819).
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Other explanations Nil

2 Natural person

N/A

3 Index and date on changes in de facto controller during the reporting period

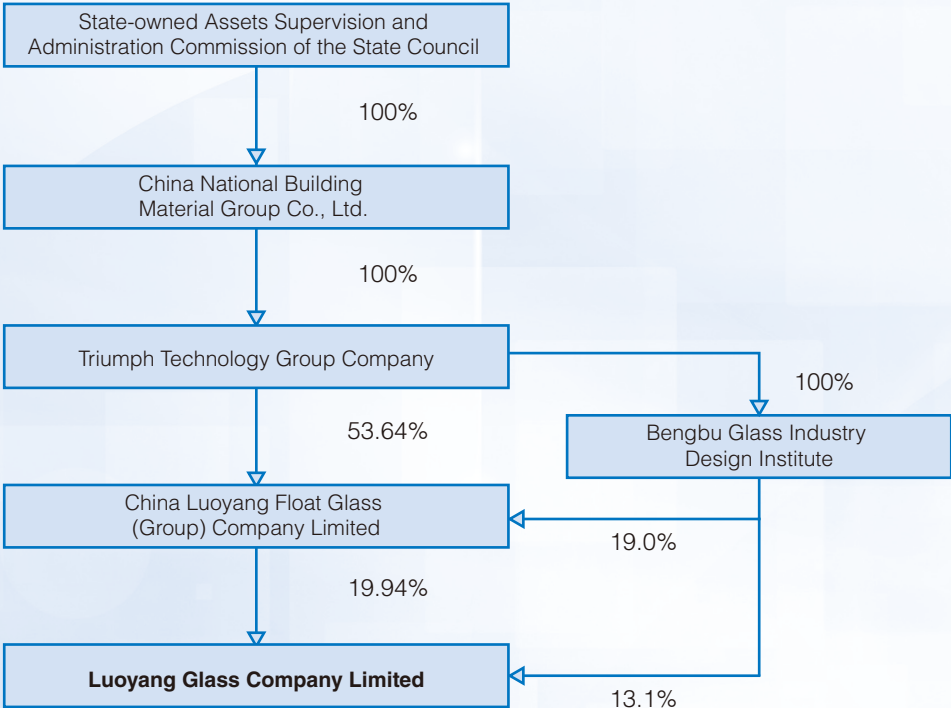
China National Building Material Group Corporation, the de facto controller of the Company, carried out reorganization with China National Materials Group Corporation Ltd.. China National Building Material Group Corporation was renamed as China National Building Material Group Co., Ltd. After the reorganization, the equity interests and controlling relationship between the Company and its controlling shareholder and the de facto controller were not changed. Details are set out in the Indicative Announcement regarding the Approval of Reorganization of China National Building Materials Group Corporation and China National Materials Group Corporation Ltd. disclosed on the websites of Shanghai Stock Exchange (www.sse.com.cn) and Hong Kong Stock Exchange (www.hkexnews.hk) on 22 August 2016.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller (Continued)

(II) De facto controller (Continued)

4 Block Diagram on Equity and Control Relationship between the Company and De Facto Controllers



(III) Other information on controlling shareholder and de factor controller

Subject to the approval by the SASAC of the State Council, CLFG transferred its 69,000,000 shares in the Company (representing 13.10% of total share capital of the Company) to Bengbu Institute by agreement. On 17 October 2016, relevant transfer registration procedure was completed with the China Securities Depository and Clearing Corporation Limited Shanghai Branch. Upon completion of the share transfer, CLFG held 105,018,242 shares in the Company, representing 19.94% of the total share capital of the Company.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

V. Other Legal Person Shareholders Holding 10% or More of Shares

Unit: Yuan Currency: RMB

Name of legal person shareholder	Person-in-charge or legal representative of the unit	Date of establishment	Code of the entity	Registered capital	Principal activities or management activities
Bengbu Glass Industry Design Institute	PENG SHOU	6 August 1996	913403004852224289	662,088,567.56	Contracting of professional engineering survey, consultancy, design and supervision projects in relation to construction and building materials; dispatch of labour required for the aforementioned overseas projects; (items aforementioned shall be operated within the effective operating period subject to license).
Explanation	Nil				

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 (RMB'000)	Whether received remuneration from the Company's related parties or not
Zhang Chong	Chairman	Male	54	2015-12-24	2018-12-22	0	0	0	Nil	0	Y
Xie Jun	Vice chairman	Male	51	2015-12-24	2018-12-22	0	0	0	Nil	0	Y
Ni Zhisen	Executive director, General Manager	Male	45	2009-05-27	2018-12-22	0	0	0	Nil	42	N
Wang Guoqiang	Executive director, Vice general manager	Male	48	2015-12-23	2018-12-22	0	0	0	Nil	40	N
Ma Yan	Executive director, Financial executive	Male	46	2015-12-23	2018-12-22	0	0	0	Nil	24	Y
Sun Lei	Former Financial executive, Vice general manager	Female	48	2013-04-18	2016-05-06	0	0	0	Nil	8.5	Y
Zhang Chengong	Non-executive director	Male	44	2010-08-25	2018-12-22	0	0	0	Nil	0	Y
Tang Liwei	Non-executive director	Male	44	2015-12-23	2018-12-22	0	0	0	Nil	0	Y
Liu Tianni	Independent director	Male	53	2012-11-09	2018-12-22	0	0	0	Nil	6	N
Jin Zhanping	Independent director	Male	53	2014-06-03	2018-12-22	0	0	0	Nil	6	N
Ye Shuhua	Independent director	Male	55	2015-12-23	2018-12-22	0	0	0	Nil	6	N
He Baofeng	Independent director	Male	44	2015-12-23	2018-12-22	0	0	0	Nil	6	N
Ren Zhenduo	Chairman of the Supervisory Committee	Male	52	2007-9-12	2018-12-22	0	0	0	Nil	0	Y
Wang Jian	Employee supervisor	Male	41	2010-05-26	2018-12-22	0	0	0	Nil	16.1	N
Ma Jiankang	Employee supervisor	Male	51	2012-12-17	2018-12-22	0	0	0	Nil	13.7	N
Ren Hongcan	Supervisor	Male	53	2015-12-23	2018-12-22	0	0	0	Nil	34.1	N
Qiu Mingwei	Supervisor	Male	45	2015-12-23	2018-12-22	0	0	0	Nil	3	N
Yan Mei	Supervisor	Female	54	2015-12-23	2018-12-22	0	0	0	Nil	3	N
Wu Zhixin	Secretary to the board	Female	50	2014-05-20		0	0	0	Nil	25	N
Liu Yuquan	Deputy general manager	Male	49	2015-12-24		0	0	0	Nil	25	N
Ye Peisen	Company secretary	Male	57	2008-08-06	2018-12-22	0	0	0	Nil	10.7	N
Total	/	/	/	/	/	0	0	0	/	269.1	/

Note:

- (1) Save as disclosed above, as at 31 December 2016, 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 2016, 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). For details, please refer to note 5(7) in Note XII.

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)

Name	Main Working Experience
Zhang Chong	a professor-grade 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 Glass Industry Design Institute (蚌埠玻璃工業設計研究院), as well as the chairman of CNBM (Hefei) New Energy Company Limited* (中建材(合肥)新能源有限公司) and CNBM (Yixing) New Energy Company Limited* (中建材(宜興)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 Glass Industry Design Institute (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.
Xie Jun	a professor-grade senior engineer with a doctor's degree in engineering and vice chairman of the Company. He is currently an deputy general manager and chief engineer of CLFG and the deputy executive general manager of Chengdu Zhongguangdian Technology Company Limited* (成都中光電科技有限公司). Mr. Xie had served as the factory manager of a branch factory and head of the production department of the Company, the party secretary and general manager of CLFG Processed Glass Co., Ltd. and party secretary and deputy general manager of the Company, etc.
Ni Zhisen	a professor-grade senior engineer with bachelor's degree. He is an Executive Director and General Manager of the Company, and concurrently serving as an executive director of Longmen Company. Mr. Ni had served as deputy general manager and party secretary of Longmen Company and Longhai Company.
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 Longmen 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	an accountant with a bachelor's degree, an Executive Director, vice general manager and chief financial controller of the Company. Mr. Ma had served as the Supervisor of Financial Department of Anhui Fengyuan Biochemistry Limited-Liability Company, the Chief Financial Controller of Bengbu Chemical Machinery Co., Ltd, assistant to the head of Financial Department of Bengbu Glass Industry Design Institute, the Chief Financial Controller of Chengdu China Optoelectronics Technology Co., Ltd and Chief Financial Controller of the Fangxing Science & Technology 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)

Name	Main Working Experience
Sun Lei	a senior accountant with a bachelor's degree. She is a former 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 Glass Industry Design Institute since February 2007. She was appointed as a deputy general manager and the chief financial controller of the Company in April 2013.
Zhang Chengong	a holder of master's degree, a Non-executive Director of the Company, currently serves as the deputy party secretary and secretary of the discipline inspection commission of Triumph Group. Mr. Zhang had served as the deputy general manager and general manager of heating supply department of Beixin Group Building Materials Company Limited* (北新集團建材股份有限公司), the associate manager of radiator committee of China Building Materials Metal Structure Association* (中國建築材料金屬結構協會), the chairman and general manager, and general manager of heating supply and pipe system business department of Beixin Plastic Pipe Company Limited* (北新塑管有限公司), director and general manager of international business department of Beixin Properties Company Limited* (北新房屋有限公司), and the assistant to general manager and deputy general manager of Beixin Group Building Materials Company Limited* (北新集團建材股份有限公司), etc.
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 Triumph Group. Mr. Tang had served as the assistant to the head of the finance department of Bengbu Glass Industry Design Institute and the head and the assistant to the president of China building materials international engineering group Co., LTD, etc.
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, a Non-executive Director of the Company. Mr. Jin is the secretary general of the Chinese Ceramic Society, and concurrently serves as an executive director of Beijing Zhonggui Exhibition Co., Ltd. (北京中硅展覽有限公司) and an independent director of Luoyang Landi Glass Machine Co., Ltd. (洛陽蘭迪玻璃機器股份有限公司). He served as the editor in charge of the Editorial Office of the Journal of Chinese Ceramics Society, and deputy head and head of the General Office, deputy secretary general of the Chinese Ceramic Society.

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)

Name	Main Working Experience
Ye Shuhua	Bachelor of laws, senior lawyer. 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.
He Baofeng	A holder of college degree, CCPA and CICTA. He had served as an Independent Supervisor of the Company. He currently serves as the chairman of Luoyang TopChina CPA Ltd. Mr. He worked in Bureau Of Finance of Wancheng District in Nanyang from 1992 to 1997 and has worked in Luoyang TopChina CPA Ltd. since October 1997.
Ren Zhenduo	a holder of bachelor's degree, the Chairman of the Supervisory Committee of the Company. He is currently the deputy secretary to the party committee, secretary to the disciplinary committee and chairman of the labour union of CLFG. He served as general manager of CLFG Longxin Glass Company Limited* (洛玻集團龍新玻璃有限公司) and deputy secretary of party committee of the Company.
Wang Jian	with a college degree, 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 to the 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 a staff representative 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.
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.

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)

Name	Main Working Experience
Yan Mei	master of management, supervisor of the Company. Ms. Yan currently is a professor and master tutor of management school of Henan University of Science and Technology. 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 treatises and teaching materials and over 50 papers.
Wu Zhixin	a senior economist with a bachelor degree, secretary to the Board and a supervisor of Longmen Company. 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.
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 general manager of Administrative and Human Resources Department and the general manager of 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 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
Zhang Chong	China Luoyang Float Glass (Group) Company Limited	General Manager	12 January 2016	
Zhang Chong	Bengbu Glass Industry Design Institute	General engineer	December 2014	
Xie Jun	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee, deputy general manager, General engineer	January 2015	
Zhang Chengong	Triumph Technology Group Company	Deputy secretary to the party committee, secretary of disciplinary committee	January 2016	
Tang Liwei	Triumph Technology Group Company	Deputy general manager, chief accountant	September 2014	
Ren Zhenduo	China Luoyang Float Glass (Group) Company Limited	Employee Director, deputy secretary to the party committee, secretary of disciplinary committee, chairman of the labour union	August 2009	
Ni Zhisen	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee	January 2010	

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
Zhang Chong	CNBM (Hefei) New Energy Company Limited* (中建材(合肥)新能源有限公司)	Chairman	August 2015	
Zhang Chong	CNBM (Yixing) New Energy Company Limited* (中建材(宜興)新能源有限公司)	Chairman	October 2016	
Xie Jun	Chengdu Zhongguangdian Technology Company Limited* (成都中光電科技有限公司)	Deputy executive general manager	28 May 2015	
Liu Tianni	Wonderful Sky Financial Group Holdings Limited	Chairman	Since 1995	
Liu Tianni	Silver Grant International Industries Limited	Executive Director	Since 1994	
Liu Tianni	Sure Spread Limited	Managing Director	Since 2004	
Liu Tianni	Chongqing Iron & Steel Company Limited	Independent Director	Since 2011	
Ye Shuhua	Henan Qianwen Law Firm	Partner	December 1996	
He Baofeng	Luoyang TopChina CPA Ltd.	Chairman	October 1997	
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	April 2003	

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	RMB2,691,000

IV. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reason for change
Ma Yan	Chief financial officer, deputy general manger	Appointed	Newly appointed
Sun Lei	Chief financial officer, deputy general manger	Resigned	Resigned

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	94
Number of in-service employees of the major subsidiaries	865
Total number of in-service employees	959
The number of retired employees whose expenses are borne by the parent Company and its major subsidiaries	2,087

Composition of professions

Type of profession	Number of staff in the profession
Production staff	730
Sales staff	27
Technical staff	73
Finance staff	29
Administrative staff	100
Total	959

Education level

Type of education level	Number of persons (headcount)
University graduates or above	145
College graduates	325
Specialised secondary school graduates	180
High school graduates	208
Junior high school or below	101
Total	959

Directors, Supervisors, Senior Management and Employees

V. Employees of the Company and Major Subsidiaries (Continued)

(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. Relevant details are as follow:

(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 11 members of the eighth session of Board of Directors of the Company during the reporting period, which 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, the Supervisory Committee of the Company 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 faire 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 nonexecutive 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. 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 labour 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

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.

II. Introduction of General Meetings

Session	Date	Inquiry index on the website on which the resolutions are publicized	Date of disclosure
2016 First Extraordinary General Meeting	15 April 2016	http://www.sse.com.cn , http://www.hkexnews.hk	15 April 2016
2015 Annual General Meeting	24 May 2016	http://www.sse.com.cn , http://www.hkexnews.hk	24 May 2016
2016 Second Extraordinary General Meeting	6 December 2016	http://www.sse.com.cn , http://www.hkexnews.hk	6 December 2016

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				Absence	Any failure in attending in person for two consecutive meetings	Attendance at General meetings
			Attendance in person	Attendance by way of communication	Attendance by proxy	Attendance at general meetings (times)			
Zhang Chong	No	18	18	5	0	0	No	3	
Xie Jun	No	18	18	11	0	0	No	3	
Ni Zhisen	No	18	18	5	0	0	No	3	
Wang Guoqiang	No	18	18	5	0	0	No	3	
Ma Yan	No	18	18	5	0	0	No	3	
Zhang Chengong	No	18	18	12	0	0	No	3	
Tang Liwei	No	18	18	12	0	0	No	3	
Liu Tianni	Yes	18	18	16	0	0	No	2	
Jin Zhanping	Yes	18	18	10	0	0	No	3	
Ye Shuhua	Yes	18	18	13	0	0	No	3	
He Baofeng	Yes	18	18	10	0	0	No	3	

Number of Board meetings held in the year	18
Including: Number of on-site meetings	1
Number of meetings held by way of communication	5
Number of meetings held on-site with attendance by way of communication	12

Corporate Governance

III. Performance of Duties by Directors (Continued)

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

N/A

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 (Examination) 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 14D3.1 to the Listing Rules.

1. Audit (Examination) Committee

The Company's Audit Committee comprises three independent non-executive Directors, including Mr. He Baofeng as the chairman of the committee, Mr. Ye Shuhua and Mr. Liu Tianni as members. Its duties and work rules are specified in the Implementation Rules for the Audit (Examination) 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 8 meetings during the reporting period, mainly engaging in carefully looking over quarterly reports, semi-annual reports and annual reports as well as Overall Risk Management Report of 2016 and Implementation Plan for Internal Control Self-Evaluation 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 2016, 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 (Examination) Committee (*Continued*)

Meeting attendance by members of the Audit Committee in 2016:

Number of meetings 8

Name	Attendance	Attendance by proxy
He Baofeng	8	0
Ye Shuhua	8	0
Liu Tianni	8	0

2. Remuneration and Review Committee

The Company's Remuneration and Review Committee comprises three Directors (including two independent non-executive Directors), including Mr. Ye Shuhua as the chairman of the committee, Mr. Zhang Chong and Mr. Liu Tianni 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 one special meetings during the reporting period for reviewing the remuneration of directors, supervisors and senior management personnel to be disclosed in 2015 annual report.

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 2016:

Number of meetings 1

Name	Attendance	Attendance by proxy
Ye Shuhua	1	0
Zhang Chong	1	0
Liu Tianni	1	0

3. Nomination Committee

The Company's Nomination Committee comprises three Directors (including two independent non-executive Directors), with Mr. Jin Zhanping as the chairman of the committee, Mr. Zhang Chong and Mr. He Baofeng 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 1 special meeting during the reporting period at which the committee examined the education background, work experience, professional ability and occupational competence of the chief financial officer newly appointed, offered professional opinions and provided reference for decision-making by the Board.

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 2016:

Number of meetings 1

Name	Attendance	Attendance by proxy
Jin Zhanping	1	0
Zhang Chong	1	0
He Baofeng	1	0

4. Strategic Committee

The Company's Strategic Committee comprises five Directors (including one independent non-executive Director), with Mr. Zhang Chong as the chairman of the committee, Mr. Zhang Chengong, Mr. Tang Liwei, 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 suspension and improvement of Longhai Company's production line and the material assets reorganization 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 2016:

Number of meetings 2

Name	Attendance	Attendance by proxy
Zhang Chong	2	0
Ni Zhisen	2	0
Zhang Chengong	2	0
Tang Liwei	2	0
Jin Zhanping	2	0

5. Compliance Committee

The Company's Compliance Committee comprises four members, including Mr. Liu Tianni (independent nonexecutive Director) as the chairman of the committee, Mr. Lo Wai Keung, Eric (Hong Kong legal advisor of the Company), Mr. Ip Pui Sum (Company Secretary) and Mr. Xie Jun (Director) 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 3 special meetings during the reporting period, at which the committee raised proposal on compliance largely on the way of assets reorganization and the performance of consideration procedures for connected transactions when considering the assets reorganization and connected transactions including transfer of creditors' right of the 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 2016:

Number of meetings 3

Name	Attendance	Attendance by proxy
Liu Tianni	3	0
Lu Weiqiang	3	0
Ip Pui Sum	3	0
Xie Jun	3	0

V. Risks Discovered by the Supervisory Committee

N/A

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

1. Business: The Company operates independently, has sole decision-making right for operations and does not depend on any controlling shareholders and their connected enterprises.
2. Personnel: The Company has been adequately staffed in respect of production, technology and management and established completely independent labour force, human resources and salary management systems.
3. Assets: There are clear property relations between the Company and controlling shareholders, and all assets of the Company belong to controlling shareholders independently.
4. Organization: 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.
5. Finance: 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.

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. Whether to disclose the Internal Control Self-Evaluation Report

Please refer to the Internal Control Self-Evaluation Report of 2016 disclosed by the Company on 30 March 2017.

IX. Information about the Internal Control Audit Report

Whether to disclose the internal control audit report: Yes

X. 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 11 directors, 4 Executive Directors include Mr. Zhang Chong (Chairman), Mr. Ni Zhisen, Mr. Wang Guoqiang and Mr. Ma Yan; 3 Non-executive Directors include Mr. Tang Liwei, Mr. Zhang Chengong and Mr. Xie Jun; 4 Independent Non-executive Directors include Mr. He Baofeng, Mr. Ye Shuhua, 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 VIII in the report.

X. Others (Continued)

(III) Directors and the Board (Continued)

1. Directors (Continued)

(2) Meeting attendance by Directors

During the reporting period, the Company convened 18 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 IV 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 independent Directors and all Directors, supervisors and senior management of the Company were organized to accomplish qualification training of SSE and position trainings carried out by Henan Listed Company Association, respectively. 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

X. Others (Continued)

(IV) Chairman and Chief Executive Officer

During the reporting period, Mr. Zhang Chong is the Chairman of the Company 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 organization 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 independence 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 section VIII in this report 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 VI of Chapter V of this report for details about the auditors' remuneration for 2016.

(VII) Directors' responsibility for the financial statements

The 2016 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 2016, the Company implemented, adopted and used the applicable accounting policies.

X. 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 2016, 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.

Auditors' Report

To the Shareholders of Luoyang Glass Company Limited:

I. Audit Opinion

We have audited the financial statements of Luoyang Glass Company Limited (hereafter referred to as "the Company"), including the consolidated and the Company's balance sheet as of 31 December 2016, 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 2016, and relevant notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the consolidated and the Company's financial position as of 31 December 2016, and the consolidated and the Company's operating results and cash flows for 2016.

II. Basis for Audit Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the Certified Public Accountants' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of these financial statements of current period. These matters were addressed in the context of our audit of these financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Related Party Transactions

During the year of 2016, the income after tax from the product sales of the Company to the related party, Anhui Bengbu Huayi Conductive Film Glass Co., Ltd., was RMB85,980,000, accounting for 22% of the total operating revenue, which recorded a significant increase compared to that of last period and had a significant impact on the net profit of this year. Since the truthfulness of related transactions and the fairness of transactions' prices have significant impact on the fair presentation of the financial statement, we're of the view that related transactions of the Company are very important to the audit.

The audit procedures we performed mainly include: examination of agreements, goods delivery notes, sales invoices, sales collection voucher and others, and verifying if related transactions had truly occurred through the procedures including confirmation and monitoring method, judgment of the fairness of those transaction prices by comparison of sales prices to related parties with that of similar products to non-related parties or market prices of similar products, understanding the necessity and fairness of related transactions by onsite visiting and interviewing the related clients.

III. Key Audit Matters (Continued)

(II) Government grant

During the year of 2016, the total government grant received and the income recognized by the Company was RMB100,830,000, which was the main source of the current period's profit and had a substantial impact on the financial statements, therefore, the truthness of the government grant and the nature of the amount were very important to the audit.

The audit procedures we performed mainly include: examination of those supportive documents such as the grant documents from the government, receipt voucher, bank statement and others, analysing the usage of the grant to judge if the government grant is related to assets or income, the written confirmation from the funding unit about the source, nature and usage of the substantial fund from the government grant.

IV. Other Information

Management is responsible for the other information. The other information comprises all of the information included in annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to review the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and those Charged with Governance for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Report

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

VI. Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP.

Chinese Certified Public Accountant: **Suo Baoguo (Engagement Partner)**

Chinese Certified Public Accountant: **Qiao Guanfang**

Beijing • the PRC
30 March 2017

Consolidated Balance Sheet

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

Item	Notes	Closing Balance	Opening Balance
Current assets:			
Bank balance and cash	V (I)	157,528,516.53	102,342,860.91
Notes receivable	V (II)	45,986,571.00	25,230,005.90
Accounts receivable	V (III)	101,891,329.13	71,678,942.58
Prepayments	V (IV)	1,638,352.47	4,329,899.13
Other receivables	V (V)	107,581,717.91	28,928,810.44
Inventory	V (VI)	132,978,500.26	195,863,112.95
Other current assets	V (VII)	34,874,034.35	58,978,537.93
Total current assets		582,479,021.65	487,352,169.84
Non-current assets:			
Available-for-sale financial assets	V (VIII)		
Long-term receivables	V (IX)	55,000,000.00	51,727,535.57
Fixed assets	V (XI)	648,972,313.06	691,522,403.10
Construction in progress	V (XII)		9,828,822.54
Intangible assets	V (XIII)	62,609,172.40	64,517,450.10
Long-term deferred expenses	V (XV)	3,515,290.90	4,995,326.04
Deferred income tax assets	V (XVI)	4,341,222.30	4,091,374.33
Total non-current assets		774,437,998.66	826,682,911.68
Total assets		1,356,917,020.31	1,314,035,081.52
Current liabilities:			
Short-term loans	V (XVII)	20,000,000.00	67,930,000.00
Notes payable	V (XVIII)	90,000,000.00	110,200,000.00
Accounts payable	V (XIX)	46,373,902.20	80,295,143.32
Payments received in advance	V (XX)	14,391,654.50	20,132,927.79
Staff remuneration payables	V (XXI)	25,743,969.95	26,291,242.89
Taxes payable	V (XXII)	15,381,067.45	14,961,097.35
Interest payable	V (XXIII)	713,868.25	
Other payables	V (XXV)	42,578,922.04	166,587,026.05
Non-current liabilities due within one year	V (XXVI)	471,337,062.91	81,097,651.66
Total current liabilities		726,520,447.30	567,495,089.06

Consolidated Balance Sheet

Item	Notes	Closing Balance	Opening Balance
Non-current liabilities:			
Long-term loans	V (XXVII)	87,836,374.23	459,170,134.47
Deferred income	V (XXIX)	19,290,781.82	9,024,861.99
Total non-current liabilities		107,127,156.05	468,194,996.46
Total liabilities		833,647,603.35	1,035,690,085.52
Owners' equity			
Share capital	V (XXX)	526,766,875.00	515,018,242.00
Capital reserve	V (XXXI)	1,473,105,039.50	1,251,445,315.32
Surplus reserve	V (XXXII)	51,365,509.04	51,365,509.04
Retained earnings	V (XXXIII)	-1,527,968,006.58	-1,539,484,070.36
Equity attributable to owners of the Company		523,269,416.96	278,344,996.00
Total owners' equity		523,269,416.96	278,344,996.00
Total liabilities and owners' equity		1,356,917,020.31	1,314,035,081.52

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Balance Sheet of the Company

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

Item	Notes	Closing Balance	Opening Balance
Current assets:			
Bank balance and cash		109,837,249.29	60,422,236.77
Notes receivable		12,832,190.32	12,298,525.67
Accounts receivable	XIII (I)	207,658,323.10	209,998,506.36
Other receivables	XIII (II)	82,751,723.72	92,782,775.21
Other current assets		52,829.24	
Total current assets		413,191,016.53	375,706,690.96
Non-current assets:			
Long-term receivables		55,000,000.00	51,727,535.57
Long-term equity investments	XIII (III)	748,986,593.99	748,986,593.99
Fixed assets		2,878,637.33	3,274,034.44
Intangible assets		6,674,333.25	7,043,817.21
Long-term deferred expenses		270,000.00	378,000.00
Total non-current assets		813,809,564.57	811,409,981.21
Total assets		1,227,000,581.10	1,187,116,672.17
Current liabilities:			
Notes payable		90,000,000.00	112,100,000.00
Accounts payable		15,317,580.28	52,825,849.20
Payments received in advance		11,625,410.24	19,236,279.29
Staff remuneration payables		8,015,791.49	8,574,407.48
Taxes payable		807,117.66	1,170,093.28
Other payables		281,486,640.75	319,420,971.97
Non-current liabilities due within one		386,428,324.30	43,393,347.08
Total current liabilities		793,680,864.72	556,720,948.30

Balance Sheet of the Company

Item	Notes	Closing Balance	Opening Balance
Non-current liabilities:			
Long-term loans		946,806.31	387,331,110.45
Total non-current liabilities		<u>946,806.31</u>	<u>387,331,110.45</u>
Total liabilities		<u>794,627,671.03</u>	<u>944,052,058.75</u>
Owners' equity:			
Share capital		526,766,875.00	515,018,242.00
Capital reserve		1,253,391,100.15	1,030,115,828.84
Surplus reserve		51,365,509.04	51,365,509.04
Retained earnings		<u>-1,399,150,574.12</u>	<u>-1,353,434,966.46</u>
Total owners' equity		<u>432,372,910.07</u>	<u>243,064,613.42</u>
Total liabilities and owners' equity		<u>1,227,000,581.10</u>	<u>1,187,116,672.17</u>

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Consolidated Income Statement

January–December 2016
Unit: Yuan Currency: RMB

Item	Notes	Current Period	Last Period
I. Total operating revenue		392,095,626.14	662,156,635.13
Including: Operating revenue	V (XXXIV)	392,095,626.14	662,156,635.13
II. Total operating costs		472,351,862.60	846,550,754.69
Including: Operating costs	V (XXXIV)	343,709,563.17	633,653,570.97
Taxes and surcharges	V (XXXV)	5,232,136.49	4,094,122.28
Selling expenses	V (XXXVI)	7,482,306.95	29,168,969.27
Administration expenses	V (XXXVII)	87,025,947.92	122,170,107.57
Finance expenses	V (XXXVIII)	8,433,936.20	8,666,023.10
Impairment loss on assets	V (XXXIX)	20,467,971.87	48,797,961.50
III. Operating profit (loss is represented by “-”)		-80,256,236.46	-184,394,119.56
Add: Non-operating income	V (XXXX)	105,878,607.94	5,490,124.60
Including: Gain on disposal of non-current assets	V (XXXX)	254,968.93	459,490.08
Less: Non-operating expenses	V (XXXXI)	4,451,875.58	6,027,096.65
Including: Loss from disposal of non-current assets	V (XXXXI)	15,875.60	14,470.37
IV. Total profit (total loss is represented by “-”)		21,170,495.90	-184,931,091.61
Less: Income tax expenses	V (XXXXII)	9,654,432.12	9,896,015.25
V. Net profit (net loss is represented by “-”)		11,516,063.78	-194,827,106.86
Net profit attributable to the owners of the Company		11,516,063.78	-184,755,120.74
Profit or loss attributable to minority interests			-10,071,986.12
VI. Other comprehensive income net of tax			
VII. Total comprehensive income		11,516,063.78	-194,827,106.86
Total comprehensive income attributable to owners of the parent company		11,516,063.78	-184,755,120.74
Total comprehensive income attributable to minority interests			-10,071,986.12
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.02	-0.36
(II) Diluted earnings per share (RMB/share)		0.02	-0.36

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Income Statement of the Company

Item	Notes	Current Period	Last Period
I. Operating revenue	XIII (IV)	181,485,316.09	321,744,003.73
Less: Operating costs	XIII (IV)	179,007,684.25	315,947,775.40
Taxes and surcharges		81,363.39	411,069.51
Selling expenses		795,650.43	2,693,060.71
Administration expenses		31,401,951.45	34,158,163.91
Finance expenses		121,920.22	-4,689,479.77
Impairment loss on assets		93,488,833.51	30,442,830.93
Add: Gains from changes in fair value (losses are represented by "-")			
Investment income (losses are represented by "-") Including: Gains from investment in associates and joint ventures	XIII (V)	11,066,925.00	23,235,852.24
II. Operating Profit (losses are represented by "-")		-112,345,162.16	-33,983,564.72
Add: Non-operating income		70,032,923.41	863,660.94
Including: Gain on disposal of non-current assets		95.03	110,298.94
Less: Non-operating expenses		3,403,368.91	568,298.28
Including: Loss from disposal of non-current assets		4,330.61	14,470.37
III. Total profit (losses are represented by "-")		-45,715,607.66	-33,688,202.06
Less: Income tax expenses			
IV. Net profit (net loss is represented by "-")		-45,715,607.66	-33,688,202.06
V. Other comprehensive income net of tax			
VI. Total comprehensive income		-45,715,607.66	-33,688,202.06
VII. Earnings per share			
(I) Basic earnings per share (RMB/share)		<u> </u>	<u> </u>
(II) Diluted earnings per share (RMB/share)		<u> </u>	<u> </u>

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Consolidated Cash Flow Statement

January–December 2016
Unit: Yuan Currency: RMB

Item	Notes	Current Period	Last Period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		136,730,044.67	290,013,349.20
Other cash received from activities related to operation	V (XXXXIII)	115,177,751.23	19,647,073.22
Sub-total of cash inflow from operating activities		251,907,795.90	309,660,422.42
Cash paid for goods purchased and services rendered		100,904,584.34	262,162,002.68
Cash paid to and on behalf of employees		75,241,190.93	103,920,662.94
Tax payments		21,684,812.32	44,025,043.10
Other cash paid for activities related to operation	V (XXXXIII)	23,524,286.36	30,590,278.40
Sub-total of cash outflow from operating activities		221,354,873.95	440,697,987.12
Net cash flow from operating activities		30,552,921.95	-131,037,564.70
II. Cash flow from investment activities:			
Net cash received from disposal of fixed assets, intangible assets and other long term assets		322,732.92	6,232.00
Other cash received from activities related to investment	V (XXXXIII)	9,930,000.00	96,430,259.30
Sub-total of cash inflow from investment activities		10,252,732.92	96,436,491.30
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		56,177,058.27	26,034,865.12
Other cash paid for activities related to investment	V (XXXXIII)	104,992,752.67	662,305.05
Sub-total of cash outflow from investment activities		161,169,810.94	26,697,170.17
Net cash flow from investment activities		-150,917,078.02	69,739,321.13
III. Cash flow from financing activities:			
Cash received from capital contributions		209,624,984.30	
Proceeds from loans		120,000,000.00	166,645,153.57
Cash received from issuing bonds			
Other cash received from financing-related activities	V (XXXXIII)	340,319,034.02	571,928,695.56
Sub-total of cash inflow from financing activities		669,944,018.32	738,573,849.13
Cash paid for repayment of loans		141,829,011.07	91,639,032.28
Cash paid for dividends, profit or interest payments		6,927,438.38	3,952,160.79
Other cash paid for financing-related activities	V (XXXXIII)	330,638,185.77	577,126,786.26
Sub-total of cash outflow from financing activities		479,394,635.22	672,717,979.33
Net cash flow from financing activities		190,549,383.10	65,855,869.80
IV. Effects of changes in exchange rate on cash and cash equivalents			
		428.59	7,344.49
V. Net increase in cash and cash equivalents			
		70,185,655.62	4,564,970.72
Add: Opening balance of cash and cash equivalents		42,342,860.91	37,777,890.19
VI. Closing balance of cash and cash equivalents			
		112,528,516.53	42,342,860.91

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Cash Flow Statement of the Company

Item	Notes	Current Period	Last Period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		73,259,614.17	94,103,592.09
Other cash received from activities related to operation		94,349,331.54	3,241,789.24
Sub-total of cash inflow from operating activities		167,608,945.71	97,345,381.33
Cash paid for goods purchased and services rendered		24,063,475.66	6,218,038.59
Cash paid to and on behalf of employees		25,871,529.56	34,941,828.98
Tax payments		798,236.01	4,802,612.75
Other cash paid for activities related to operation		15,144,757.50	20,342,908.81
Sub-total of cash outflow from operating activities		65,877,998.73	66,305,389.13
Net cash flow from operating activities		101,730,946.98	31,039,992.20
II. Cash flow from investment activities:			
Other cash received from activities related to investment		9,930,000.00	96,430,259.30
Sub-total of cash inflow from investment activities		9,930,000.00	96,430,259.30
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		55,076,952.45	213,045.15
Other cash paid for activities related to investment		104,992,752.67	
Sub-total of cash outflow from investment activities		160,069,705.12	213,045.15
Net cash flow from investment activities		-150,139,705.12	96,217,214.15
III. Cash flow from financing activities:			
Cash received from capital contributions		209,624,984.30	
Other cash received from financing-related activities		548,024,419.90	703,786,445.56
Sub-total of cash inflow from financing activities		757,649,404.20	703,786,445.56
Cash paid for repayment of loans		43,410,524.18	53,403,478.45
Cash paid for dividends, profit or interest payments		40,688.87	365,410.20
Other cash paid for financing-related activities		601,374,849.08	777,052,987.48
Sub-total of cash outflow from financing activities		644,826,062.13	830,821,876.13
Net cash flow from financing activities		112,823,342.07	-127,035,430.57
IV. Effects of changes in exchange rate on cash and cash equivalents			
		428.59	7,344.49
V. Net increase in cash and cash equivalents			
		64,415,012.52	229,120.27
Add: Opening balance of cash and cash equivalents		422,236.77	193,116.50
VI. Closing balance of cash and cash equivalents			
		64,837,249.29	422,236.77

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Consolidated Statement of Changes in Equity

January–December 2016
Unit: Yuan Currency: RMB

Item	Current Period						Total owners' equity					
	Equity attributable to owners of the Company											
	Share capital	Preferential shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	General risk provisions	Retained earnings	Minority interest	Total owners' equity
I. Balance at the end of last year	515,018,242.00				1,251,445,315.32			51,365,509.04		-1,539,494,070.36		278,344,996.00
II. Balance at the beginning of the year	515,018,242.00				1,251,445,315.32			51,365,509.04		-1,539,494,070.36		278,344,996.00
III. Increase/decrease in the year	11,748,633.00				221,659,724.18					11,516,063.78		244,924,420.96
(I) Total comprehensive income										11,516,063.78		11,516,063.78
(II) Owners' contribution and decrease in capital	11,748,633.00				221,659,724.18							233,408,357.18
1. Ordinary shares paid by shareholders	11,748,633.00				197,876,351.30							209,624,984.30
2. Others					23,783,372.88							23,783,372.88
(III) Profit distribution												
(IV) Internal carry-forward of owners' equity transfer												
(V) Special reserve												
IV. Balance at the end of the year	526,766,875.00				1,473,105,039.50			51,365,509.04		-1,527,968,006.58		523,269,416.96
Item	Share capital	Preferential shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Surplus reserve	General risk provisions	Retained earnings	Minority interest	Total owners' equity
I. Balance at the end of last year	500,018,242.00				867,450,406.90			456,157.74		-1,359,891,297.28		-39,389,515.95
II. Balance at the beginning of the year	500,018,242.00				662,516,418.00					5,162,347.66		667,678,765.66
III. Increase/decrease in the year	15,000,000.00				1,519,966,824.90			456,157.74		-1,354,728,949.62		629,289,249.71
(I) Total comprehensive income										88,786,534.35		88,786,534.35
(II) Owners' contribution and decrease in capital	15,000,000.00				-288,521,509.58			-456,157.74		-184,755,120.74		-349,944,233.71
1. Ordinary shares paid by shareholders	15,000,000.00				-288,521,509.58					-184,755,120.74		-194,827,106.86
2. Others												
(III) Profit distribution										98,860,520.47		-155,117,446.85
(IV) Internal carry-forward of owners' equity transfer												-592,759,624.04
(V) Special reserve												427,642,477.19
(VI) Others												
IV. Balance at the end of the year	515,018,242.00				1,251,445,315.32			51,365,509.04		-1,539,494,070.36		278,344,996.00

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Statement of Changes in Equity of the Parent Company

Item	Current Period						Total owners' equity				
	Share capital	Preferential shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: Treasury stock		Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
I. Balance at the end of last year	515,018,242.00				1,030,115,828.84				51,365,509.04	-1,353,434,966.46	243,064,613.42
II. Balance at the beginning 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. Increase/decrease in the year	11,746,633.00				223,275,271.31					-45,715,607.66	188,308,296.65
(I) Total comprehensive income										-45,715,607.66	-45,715,607.66
(II) Owners' contribution and decrease in capital	11,746,633.00				221,659,724.18						233,408,357.18
1. Ordinary shares paid by shareholders	11,746,633.00				197,876,351.30						208,624,984.30
2. Others					23,783,372.88						23,783,372.88
(III) Profit distribution											
(IV) Internal carry-forward of owners' equity transfer											
(V) Special reserve											
(VI) Others											
IV. Balance at the end of the year	526,766,875.00				1,615,547.13				51,365,509.04	-1,399,150,574.12	432,372,910.07
					1,253,391,100.15						1,615,547.13

Item	Last Period						Total owners' equity				
	Share capital	Preferential shares	Other equity instruments Perpetual bonds	Others	Capital reserve	Less: Treasury stock		Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
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. Balance at the beginning 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. Increase/decrease in the year	15,000,000.00				138,966,046.61					-33,666,202.06	120,297,844.55
(I) Total comprehensive income										-33,666,202.06	-33,666,202.06
(II) Owners' contribution and decrease in capital	15,000,000.00				138,966,046.61						153,966,046.61
1. Ordinary shares paid by shareholders	15,000,000.00				101,797,052.67						116,797,052.67
2. Others					37,198,993.94						37,198,993.94
(III) Profit distribution											
(IV) Internal carry-forward of owners' equity transfer											
(V) Special reserve											
(VI) Others											
IV. Balance at the end 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

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

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 solely promoted and established by China Luoyang Float Glass Group Company Limited (“CLFG”) on 6 April 1994. At the time of its establishment, the Company had a registered capital of RMB400,000,000.

The Company issued 250,000,000 H shares and 50,000,000 A shares on 29 June 1994 and 29 September 1995, respectively.

In June 2006, 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.

On 30 November 2006, CLFG took its 199,981,758 A-Shares in the Company to compensate for its debts to the Company. After the change, 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.

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 (ZJXX [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. On 26 January 2016, the Company issued 11,748,633 RMB-denominated ordinary shares of RMB1.00 each to specific investors at a fixed price. After this issuance, the Company’s general capital is 526,766,875 shares.

On 17 October 2016, CLFG transferred its 69,000,000 shares in the Company to Bengbu Institute by way of agreement. Upon completion of the transfer by way of agreement, there was no change in the Company’s de facto controller. CLFG held the Company’s 105,018,242 shares, accounting for 19.94% of the Company’s general capital. Bengbu Institute held the Company’s 69,000,000 shares, accounting for 13.10% of the Company’s general capital.

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.

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 2016, the Company’s total share capital was 526,766,875 shares.

The financial statements were approved for disclosure by the Board of the Company.

I. Company Profile (Continued)

2. Scope of Consolidated Financial Statements for the Year

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

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

As at 31 December 2016, the business operations of the Group were in normal condition with smooth financing channels and its gearing ratio was 61.44%. Although the current liabilities of the Group reached RMB144,041,425.65, exceeding current assets, the directors of the Company have made estimation that the Group was expected to generate positive business activities cash flow in the future. Meanwhile, the de facto controller of the Company, China National Building Material Group Co., Ltd., 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. The Directors of the Company believe that there is no problem about the Group’s ability to continue operation. Therefore, the Company has prepared the financial statement based on continuing operations.

III. Important Accounting Policies and Estimates

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 as of 31 December 2016, and operating results, cash flows and other relevant information for the year 2016 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").

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 of the merged party 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 by the acquirer in exchange for the control of the acquiree on the date of acquisition. 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 on the date of acquisition. When the cost of the 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 the 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.

III. Important Accounting Policies and Estimates (Continued)

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 consolidated 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.

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, mergers were deemed to have taken place when the ultimate controller began to exercise control over them, 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 recognized 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.

III. Important Accounting Policies and Estimates (Continued)

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

2. Accounting treatment for joint operations

The parties of joint operation should recognize 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 recognize their separate assets or liabilities held, and recognize the assets or liabilities jointly held according to their respective shares; to recognize the income from the disposal of their output share under joint operation; to recognize the income from the disposal of output under joint operation according to their respective shares; to recognize the expenses incurred separately, and recognize 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.

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 translated at the spot exchange rates on 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 when 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 recognized as other comprehensive income.

III. Important Accounting Policies and Estimates (Continued)

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

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 balance sheet 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 spot exchange rates. The income and expenses items in the income statement are translated into functional currency at the spot exchange rates at the transaction dates. The resulting exchange differences of the financial statements denominated in foreign currencies are presented under other comprehensive income of owner's equity item 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 on the cash 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 foreign operation shall be transferred to profit or loss for the current period either entirely or at the proportion of disposal of foreign operations.

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 held-for-trading financial assets held for the purpose of selling in the short term and financial assets designated at fair value through profit or loss upon initial recognition; 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.

III. Important Accounting Policies and Estimates (Continued)

10. Financial instruments (Continued)

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 amortized 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.

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 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 the 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.

III. Important Accounting Policies and Estimates (Continued)

10. Financial instruments (Continued)

5. Impairment of financial assets

When an impairment loss on a financial asset carried at amortized 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 recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss for the current period.

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 recognized.

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 recognized directly in equity is removed from equity and recognized in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, 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 recognized, the previously recognized impairment loss is reversed and recognized 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 recognized, the increase in its fair value in a subsequent period is recognized 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.

III. Important Accounting Policies and Estimates (Continued)

10. Financial instruments (Continued)

5. Impairment of financial assets (Continued)

Basis for determining the continuous decrease period

The rebound in the continuous fall or the period with the continuous trend of fall is less than 20%. Rebound duration not more than six months is treated as continuous decrease period.

11. Receivables

The receivables of the Company mainly included account receivables, long-term receivables and other receivables. If there is objective evidence that receivables have been impaired at the balance sheet date, impairment loss shall be recognized base on the differences between the carrying values and the present value of estimated future cash flows.

(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 difference 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 group determination

Nature of receivables and risk characteristics

The group with provision for bad debts based on aging analysis methods

Apart from those for which no provision has been paid for bad debts, receivables which are unimpaired through separate 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

- (1) Various margins and deposits related to the production and operations that are fully recoverable upon maturity;
- (2) Receivables due from related parties with good financial position;
- (3) Other balances that have positive evidence indicating they are fully recoverable.

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)

Provision methods for bad debts on group basis

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

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

Age	Provision rate for accounts receivable (%)	Provision rate for other receivables (%)
Within 1 year (including 1 year)	0	0
Including: sub-items within 1 year		
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		

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.

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 realizable 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 selling prices 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, 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 meeting the following criteria shall be recognized as assets held for sale: (i) The resolution has been made to dispose this non-current asset; (ii) there is an irrecoverable 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 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 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; assigning key management to the investee; the investee relies on the technology or technical information of the investing company; or major transactions with the investee.

III. Important Accounting Policies and Estimates (Continued)

15. Investment property

N/A

16. 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 of 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

17. 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 production or 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)

18. Borrowing costs

1. 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 for the current period 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

The capital period refers to 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.

For designated borrowings, the capitalized amount shall be 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.

III. Important Accounting Policies and Estimates (Continued)

19. 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.

(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; (5) the expenditures attributable to the development of the intangible asset could be reliably measured.

III. Important Accounting Policies and Estimates (Continued)

19. Intangible assets (Continued)

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

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.

20. Long-term asset impairment

Long-term equity investments, long-term assets such as fixed assets, construction in progress and intangible assets 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 recognized 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 recognized 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.

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

21. 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.

III. Important Accounting Policies and Estimates (Continued)

22. Employee benefits

(1) Accounting treatment of short-termed wages

Employees' wages refer to remuneration or indemnification in various forms given to employees for the company's obtaining of service provided by employees or for dissolution of labor relationship with employees. Employees' wages shall include short-term wages, after-service welfare, dismissal welfare and other long-term employees' welfare.

1. Short-termed wages

During the accounting period in which an employee provides service, short-term wages are actually recognized as liabilities and charged to profit or loss, or if otherwise required or allowed by other accounting standards, to the related costs of assets for the current period. At the time of actual occurrence, The Company's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value. Regarding to the medical and health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Company paid for employees, the Company should recognize corresponding employees benefits payable according to the appropriation basis and proportion as stipulated by relevant requirements and recognize the corresponding liabilities and include these expenses in the profits or losses of the current period or recognized as respective assets costs.

(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.

III. Important Accounting Policies and Estimates (Continued)

22. Employee benefits (Continued)

(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.

23. 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.

24. 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; 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.

III. Important Accounting Policies and Estimates (Continued)

24. Revenue (Continued)

2. Provision of labor 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.

25. 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 amortized 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.

III. Important Accounting Policies and Estimates (Continued)

26. 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.

27. 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 amortized 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.

III. Important Accounting Policies and Estimates (Continued)

28. Changes in significant accounting policies and accounting estimates

(1) *Changes in significant accounting policies*

N/A

(2) *Changes in significant accounting estimates*

Details of and reasons for changes in accounting estimates	Procedures for approval	Effective date	Note (Financial statement items and amounts affected)
Adjustments to the depreciable life of fixed assets by Bengbu Company	The eighth meeting of the eighth session of the Board convened on 24 June 2016	1 April 2016	A reduction of RMB8,988,076.02 in its accumulated depreciation

Changes in useful life are as follows:

Category	Expected useful life before changes (Year)	Expected useful life after changes (Year)
Buildings and structures	30	35
Special equipment	10	10–15
Office equipment	3	5
Transportation tools	4	8

IV. Taxes

1. Major categories of taxes and tax rates

Major categories of taxes and tax rates

Category	Tax basis	Tax rate
Value added tax	Assessable value-added part of sales revenue and labor services	13%–17%
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, Bengbu Company	15%
Other subsidiaries	25%

2. Preferential tax treatment

Longhai Company, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in December 2016 and paid the enterprise income tax at a tax rate of 15% in 2016.

Bengbu Company, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise on 21 October 2016 by Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial Office, SAT and Anhui Local Taxation Bureau, and has been granted the High-tech Enterprise Certificate (No. GR201634000360) with a term of 3 years. Bengbu Company paid the enterprise income tax at a tax rate of 15% in 2016.

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	95,219.74	43,940.18
Deposits at banks	112,433,296.79	42,298,920.73
Other monetary funds	45,000,000.00	60,000,000.00
Total	157,528,516.53	102,342,860.91

Including: total overseas deposit

Other explanations

At the end of the period, the guarantee deposit for bank acceptance in the balance of the other monetary funds was RMB45,000,000.00.

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	45,586,571.00	25,230,005.90
Trade acceptance	400,000.00	
Total	45,986,571.00	25,230,005.90

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

2. Notes receivable (Continued)

(2) 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	218,099,344.74	
Total	218,099,344.74	

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	156,466,612.01	100.00	54,575,282.88	34.88	101,891,329.13	125,374,455.66	100.00	53,695,513.08	42.83	71,678,942.58
Account receivables with insignificant single amount and individual provision for bad debts										
Total	156,466,612.01	/	54,575,282.88	/	101,891,329.13	125,374,455.66	/	53,695,513.08	/	71,678,942.58

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

3. Accounts receivable (Continued)

(1) Disclosed categorization of accounts receivable (Continued)

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 within 1 year	70,253,078.53		
1 to 2 years	1,880,549.56	564,164.86	30.00
2 to 3 years	79,720.82	39,860.41	50.00
3 to 4 years	605,589.30	605,589.30	100.00
4 to 5 years	2,672,254.67	2,672,254.67	100.00
Above 5 years	50,693,413.64	50,693,413.64	100.00
Total	126,184,606.52	54,575,282.88	43.25

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

3. Accounts receivable (Continued)

(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)	30,282,005.49	3,877,582.73
Total	30,282,005.49	3,877,582.73

Provision for bad debts for the current period is RMB879,769.80.

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

Provision for bad debts for the current period is RMB879,769.80; the recovery or withholding of the provision for bad debts is RMB0.

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

Company names	Closing balance at the end of the period	Ratio representing with respect to the total balance of accounts receivable at the end of the period (%)	Balance of provision for bad debts
Shenzhen Yongchangsheng New Materials Co., Ltd. (深圳市永昌晟新型材料有限公司)	40,719,334.97	26.02	261,691.73
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. (安徽省蚌埠華益導電膜玻璃有限公司)	28,621,134.25	18.29	
Shenzhen Jinronghua Electronic Technology Co., Ltd. (深圳市金榮華電子科技有限公司)	12,236,362.66	7.82	
Shanghai Shunsheng Glass Sales Cooperation Company (上海順勝玻璃銷售合作公司)	4,757,122.32	3.04	
Shenzhen Mingzhida Glass Co., Ltd. (深圳銘志達玻璃有限公司)	3,423,061.27	2.19	
Total	89,757,015.47	57.36	261,691.73

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

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	1,583,447.58	96.64	4,083,207.96	94.31
1 to 2 years	30,737.65	1.88	201,553.73	4.65
2 to 3 years	3,100.00	0.19	7,867.24	0.18
Above 3 years	21,067.24	1.29	37,270.20	0.86
Total	1,638,352.47	100.00	4,329,899.13	100.00

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

Name	Closing balance at the end of the period	Percentage of total prepayments (%)
Luoyang Xiniao Huayou Gas Company Limited* (洛陽新奧華油燃氣有限公司)	786,187.03	47.99
Triumph Technology Group Company	279,436.97	17.06
Henan Electric Power Corporation Luoyang Power Supply Company	187,737.98	11.46
Henan Changxing Industry Co. Ltd.	99,000.00	6.04
Henan Zhongyuan Chemistry Co., Ltd	64,536.85	3.94
Total	1,416,898.83	86.49

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

5. Other receivables

(1) Disclosed categories of other receivables

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			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision Ratio (%)	Book Value	Amount	Ratio (%)	Amount	Provision Ratio (%)	Book Value
Other receivables with significant single amount and individual provision for bad debts	10,808,704.00	6.86	10,808,704.00	100.00		10,808,704.00	12.90	10,808,704.00	100.00	
Other receivable with provision for bad debts pursuant to the group with credit risk	146,664,511.77	93.14	39,082,793.86	26.65	107,581,717.91	72,949,808.50	87.10	44,020,998.06	60.34	28,928,810.44
Other receivables with insignificant single amount and individual provision for bad debts										
Total	157,473,215.77	/	49,891,497.86	/	107,581,717.91	83,758,512.50	/	54,829,702.06	/	28,928,810.44

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)	Other receivables	Closing balance at the end of the period		
		Provision for bad debts	Provision for bad debts	Reason for making provision
Xili Sub-Branch, Zhengzhou of China Construction Bank	10,808,704.00	10,808,704.00	100.00%	Full provision for bad debts due to failure of recovery
Total	10,808,704.00	10,808,704.00	/	/

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

5. Other receivables (Continued)

(1) Disclosed categories of other receivables (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			
Sub-total within 1 year	634,542.06		
1 to 2 years	978,432.51	293,529.75	30.00
2 to 3 years	879,072.00	439,536.00	50.00
3 to 4 years	250,813.89	250,813.89	100.00
4 to 5 years	202,850.27	202,850.27	100.00
Above 5 years	37,896,063.95	37,896,063.95	100.00
Total	40,841,774.68	39,082,793.86	95.69

In the group, other receivables with no 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 party, spare fund, security deposit, etc.)	105,822,737.09	18,224,337.03
Total	105,822,737.09	18,224,337.03

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

5. Other receivables (Continued)

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

Provision for bad debts for the current period is RMB276,795.80. Provision for bad debts recovered or reversed for the current period is RMB5,215,000.00.

The significant provision for bad debt reversed or recovered for the current period:

Unit: Yuan Currency: RMB

Name	Amount reversed or recovered	Recovery method
Luoyang Crane Factory Co., Ltd.	5,215,000.00	Receivables and creditor's rights transfer
Total	<u>5,215,000.00</u> /	

Note: The opening balance of original book value of receivables due from Luoyang Crane Factory Co., Ltd. was RMB10,430,000.00, for which the opening balance of provision for bad debts by aging analysis method was RMB5,215,000.00. The repayment received from Luoyang Crane Factory Co., Ltd. for the current period was RMB500,000.00, including corresponding provision for bad debts recovered of RMB250,000.00. In December 2016, the Company entered into the Creditor's Rights Transfer Agreement with CLFG, pursuant to which all the remaining creditor's rights of Luoyang Crane Factory Co., Ltd. of RMB9,930,000.00 was transferred to CLFG by the Company at appraised value of RMB9,930,000.00. In the same month, the Company received the consideration paid by CLFG, including corresponding provision for bad debts recovered of RMB4,965,000.00.

(3) 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
Performance committed compensation for assets acquisition	23,783,372.88	
Security deposit, deposit, reserve	79,974,572.99	16,385,035.53
Current accounts	53,715,269.90	55,283,558.44
Proceeds from disposal of property		10,430,000.00
Provisional estimated input tax		1,659,918.53
Total	<u>157,473,215.77</u>	<u>83,758,512.50</u>

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

5. Other receivables (Continued)

(4) 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

Name	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
Puyang Treasury Centralized Payment Center	Security Deposit for land acquisition	55,000,000.00	Within 1 year	34.93	
China Luoyang Float Glass (Group) Company Limited	Performance committed compensation, rental and utilities	23,967,434.48	Within 1 year	15.22	
International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司)	Security deposit	13,636,363.00	1 to 2 years	8.66	
Xili Sub-Branch, Zhengzhou of China Construction Bank	Current accounts	10,808,704.00	More than 5 years	6.86	10,808,704.00
Taiping & Sinopec Financial Leasing Co., Ltd.* (太平石化金融租賃有限公司)	Security deposit	10,000,000.00	Within 1 year	6.35	
Total	/	113,412,501.48	/	72.02	10,808,704.00

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 depreciation	Book value	Carrying amount	Provision for depreciation	Book value
Raw materials	45,997,542.78	1,375,019.80	44,622,522.98	52,967,558.31	506,219.48	52,461,338.83
Products in process	2,700,674.45		2,700,674.45	3,797,511.02		3,797,511.02
Commodity inventories	117,910,829.68	32,772,117.38	85,138,712.30	192,178,496.67	53,090,824.10	139,087,672.57
Circulation materials	516,590.53		516,590.53	516,590.53		516,590.53
Consumable biological assets						
Outstanding assets completed under construction contracts						
Total	167,125,637.44	34,147,137.18	132,978,500.26	249,460,156.53	53,597,043.58	195,863,112.95

(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	506,219.48	1,375,019.80		506,219.48		1,375,019.80
Products in process						
Commodity inventories	53,090,824.10	20,679,101.89		40,997,808.61		32,772,117.38
Circulation materials						
Consumable biological assets						
Outstanding assets completed under construction contracts						
Total	53,597,043.58	22,054,121.69		41,504,028.09		34,147,137.18

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.

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
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 verified and deducted	33,708,996.77	57,910,038.63
Payment of Enterprise Income Tax in advance	1,165,037.58	1,068,499.30
Total	34,874,034.35	58,978,537.93

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		7,791,217.53	7,791,217.53	
Measured at cost	7,791,217.53	7,791,217.53		7,791,217.53	7,791,217.53	
Total	7,791,217.53	7,791,217.53		7,791,217.53	7,791,217.53	

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			At the end of the period	Provision for impairment			At the end of the period	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 beginning of the period	Increase for the current period	Decrease for the current period			
1. Luoyang Luobo Glass Fibre Co., Ltd. (Note)	4,000,000.00			4,000,000.00	4,000,000.00			4,000,000.00	35.90	
2. CLFG Luoyang Jingjiu Glass Products Company Limited (Note)	1,500,000.00			1,500,000.00	1,500,000.00			1,500,000.00	31.08	
3. CLFG New Lighting Company Limited (Note)	2,291,217.53			2,291,217.53	2,291,217.53			2,291,217.53	29.45	
Total	7,791,217.53			7,791,217.53	7,791,217.53			7,791,217.53	/	

Note: The Company is of the view that, despite the Company's shareholding in the investees exceeds 20%, since the Company did not assign any management personnel to the investees, or participate in any formulation of the investees' financial and operating policies, engage in any significant transactions with the investees, or provide any key technological information to the investees, Thus, the Company is of the view that it has no significant impact on the investees and classified as available-for-sale financial assets.

(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			
Decrease			
Balance of provision for impairment at the end of the period	7,791,217.53		7,791,217.53

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

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	6.15%
Total	55,000,000.00		55,000,000.00	51,727,535.57		51,727,535.57	/

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. The Company had received the transfer price of RMB67,000,000 paid by Tianyuan Property Company Limited. The remaining transfer price of RMB55,000,000 will be paid with physical assets, 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. As of 31 December 2016, the long-term receivables have expired and it was expected that Luoyang Tianyuan Property Company Limited will deliver property with equivalent value to the Company in 2017.

10. Investment properties

N/A

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	266,547,539.08	767,940,819.66	4,121,659.45	1,465,715.59	1,040,075,733.78
2. Increase for the current period		12,288,909.46		116,768.74	12,405,678.20
(1) Purchase		717,782.49		116,768.74	834,551.23
(2) Transferred from construction in progress		11,571,126.97			11,571,126.97
3. Decrease for the current period		56,984.27			56,984.27
(1) Disposal or retirement		56,984.27			56,984.27
4. Closing balance at the end of the period	266,547,539.08	780,172,744.85	4,121,659.45	1,582,484.33	1,052,424,427.71
II. Accumulated depreciation					
1. Opening balance at the beginning of the period	51,709,147.38	288,327,602.07	2,972,713.80	469,585.58	343,479,048.83
2. Increase for the current period	7,400,273.01	44,603,152.32	176,186.70	281,943.53	52,461,555.56
(1) Provision	7,400,273.01	44,603,152.32	176,186.70	281,943.53	52,461,555.56
3. Decrease for the current period		35,056.17			35,056.17
(1) Disposal or retirement		35,056.17			35,056.17
4. Closing balance at the end of the period	59,109,420.39	332,895,698.22	3,148,900.50	751,529.11	395,905,548.22
III. Provision for impairment					
1. Opening balance at the beginning of the period		5,074,281.85			5,074,281.85
2. Increase for the current period		2,472,284.58			2,472,284.58
(1) Provision		2,472,284.58			2,472,284.58
3. Decrease for the current period					
4. Closing balance at the end of the period		7,546,566.43			7,546,566.43
IV. Book value					
1. Book value at the end of the period	207,438,118.69	439,730,480.20	972,758.95	830,955.22	648,972,313.06
2. Book value at the beginning of the period	214,838,391.70	474,538,935.74	1,148,945.65	996,130.01	691,522,403.10

Note: Original value of the fixed assets continued to be used upon full provision for depreciation at the end of the period was RMB195,966,337.18.

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

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
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

13. Intangible Assets

(1) Intangible Assets

Unit: Yuan Currency: RMB

Item	Land use rights	patent right	Non-patent technology	Trademark rights	Software	Total
I. Original book value						
1. Opening balance at the beginning of the period	71,449,612.50			6,000,000.00	435,897.46	77,885,509.96
2. Increase for the current period						
3. Decrease for the current period	107,038.39					107,038.39
(1) Disposal	107,038.39					107,038.39
4. Closing balance at the end of the period	71,342,574.11			6,000,000.00	435,897.46	77,778,471.57
II. Accumulated amortization						
1. Opening balance at the beginning of the period	7,443,843.33			5,900,000.00	24,216.53	13,368,059.86
2. Increase for the current period	1,595,119.56			100,000.00	145,299.12	1,840,418.68
(1) Provision	1,595,119.56			100,000.00	145,299.12	1,840,418.68
3. Decrease for the current period	39,179.37					39,179.37
(1) Disposal	39,179.37					39,179.37
4. Closing balance at the end of the period	8,999,783.52			6,000,000.00	169,515.65	15,169,299.17
III. Provision for impairment						
IV. Book value						
1. Book value at the end of the period	62,342,790.59				266,381.81	62,609,172.40
2. Book value at the beginning of the period	64,005,769.17			100,000.00	411,680.93	64,517,450.10

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)

13. Intangible Assets (Continued)

(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 28–45 years.

14. Goodwill

N/A

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	378,000.00		108,000.00		270,000.00
Far East Leasing Service Fees	3,499,095.91		1,420,471.68		2,078,624.23
Expense of Melting furnace Improvement	1,118,230.13		1,010,340.78	107,889.35	
Consultation service charge		1,200,000.00	33,333.33		1,166,666.67
Total	4,995,326.04	1,200,000.00	2,572,145.79	107,889.35	3,515,290.90

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	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	16,451,510.01	2,467,726.50	23,506,872.88	3,922,624.33
Deferred income	12,489,972.00	1,873,495.80	675,000.00	168,750.00
Total	<u>28,941,482.01</u>	<u>4,341,222.30</u>	<u>24,181,872.88</u>	<u>4,091,374.33</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
Deductible temporary differences	137,500,191.85	151,480,885.22
Deductible losses	544,435,331.97	482,840,248.91
Total	<u>681,935,523.82</u>	<u>634,321,134.13</u>

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

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
2016		11,523,112.57	
2017	10,589,070.12	10,589,070.12	
2018	36,614,485.92	36,614,485.92	
2019	21,894,490.75	21,894,490.75	
2020	372,641,647.21	402,219,089.55	
2021	102,695,637.97		
Total	544,435,331.97	482,840,248.91	/

17. 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	20,000,000.00	50,000,000.00
Guaranty loan		17,930,000.00
Credit loan		
Total	20,000,000.00	67,930,000.00

Explanation of the category of short-term loans:

Note: On 31 December 2016, annual interest rate of short-term borrowing was 4.785%.

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

18. Notes payable

Unit: Yuan Currency: RMB

Category	Closing balance at the end of the period	Opening balance at the beginning of the period
Bank acceptance	90,000,000.00	110,200,000.00
Total	90,000,000.00	110,200,000.00

19. 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)	17,853,268.60	17,619,403.52
Over 1 year	28,520,633.60	62,675,739.80
Total	46,373,902.20	80,295,143.32

(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
Anlu City Mingfa Industry & Trade Co., Ltd.	3,300,000.00	Unsettled
Total	3,300,000.00	/

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

20. 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)	5,354,722.46	5,262,754.37
Over 1 year	9,036,932.04	14,870,173.42
Total	<u>14,391,654.50</u>	<u>20,132,927.79</u>

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

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Reasons for no repayment or no transfer
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	5,149,328.80	Goods undelivered
Total	<u>5,149,328.80</u>	/

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

21. 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	25,950,868.95	59,107,174.94	63,015,045.94	22,042,997.95
II. After-service welfare				
– defined provision plan	340,373.94	15,117,944.59	11,757,346.53	3,700,972.00
III. Termination benefits		9,180,471.78	9,180,471.78	
IV. Other benefits due within one year				
Total	26,291,242.89	83,405,591.31	83,952,864.25	25,743,969.95

(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	9,378,333.05	47,153,598.08	50,122,396.33	6,409,534.80
II. Staff's welfare		4,058,879.41	4,058,879.41	
III. Social insurance premium	1,334,739.89	3,944,111.84	4,381,033.14	897,818.59
Including: Medical insurance	1,208,085.52	3,346,426.72	3,790,136.44	764,375.80
Labor injury insurance	73,636.58	373,970.81	368,201.18	79,406.21
Maternity insurance	53,017.79	223,714.31	222,695.52	54,036.58
IV. Housing Provident fund	7,466,456.43	3,462,206.65	3,957,154.05	6,971,509.03
V. Labor union expenses and employee education expenses	7,771,339.58	488,378.96	495,583.01	7,764,135.53
VI. Short-period paid leave				
VII. Short-term profit sharing plan				
Total	25,950,868.95	59,107,174.94	63,015,045.94	22,042,997.95

Notes to the Financial Statements

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

21. Staff remuneration payables (Continued)

(3) Defined provision plan 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 pension insurance	66,771.50	14,476,656.89	11,025,548.41	3,517,879.98
2. Unemployment insurance	273,602.44	641,287.70	731,798.12	183,092.02
3. Enterprise annuity				
Total	340,373.94	15,117,944.59	11,757,346.53	3,700,972.00

22. 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	2,959,777.00	1,054,652.51
Business tax	75,649.29	134,257.61
Enterprise income tax	9,106,452.20	9,133,823.53
Individual income tax	154,688.43	216,587.00
City maintenance tax	294,378.96	261,316.84
Property tax	1,238,632.92	1,600,260.25
Land-use tax	1,278,844.52	1,393,474.23
Education surcharges	207,513.24	1,145,855.33
Other tax and charges	65,130.89	20,870.05
Total	15,381,067.45	14,961,097.35

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

23. Interest payable

Unit: Yuan Currency: RMB

Item	Closing balance at the end of the period	Opening balance at the beginning of the period
Interest on long-term loan with periodic payments of interest and return of principal at maturity	684,626.58	
Interests payable for short-term borrowings	29,241.67	
Total	713,868.25	

24. Dividend payable

N/A

25. 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
Announcement and intermediary fee	5,617,787.84	25,550,840.93
Current accounts	36,961,134.20	46,441,902.17
Amount for equity purchase		91,244,227.75
Amount for engineering and equipment		878,145.68
Accrued expense		2,471,909.52
Total	42,578,922.04	166,587,026.05

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

26. 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	471,337,062.91	81,097,651.66
Bonds payable due within one year		
Long-term payable due within one year		
Total	471,337,062.91	81,097,651.66

27. 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	86,889,567.92	58,919,024.02
Guaranty loan	946,806.31	400,251,110.45
Credit loan		
Total	87,836,374.23	459,170,134.47

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

27. Long-term loans (Continued)

(1) Category of Long-term loans (Continued)

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 2016, the balance of the interest-free long-term loans was RMB398,969,600.00.
 2. With respect to the mortgaged loan: (1) in June 2015, Longhai Company 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 for a financing amount of RMB50,000,000 for a lease term of 36 months. CLFG and Triumph Technology Group Company 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 2016, the balance of such long-term loan was RMB25,896,799.15 of which, the long-term loan due within one year amounted to RMB16,998,580.25. (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 2016, the balance of such long-term loan was RMB32,981,507.38 of which, the long-term loan due within one year amounted to RMB21,656,826.36. (3) In December 2016, Bengbu Company conducted its sale and leaseback financial leasing business with part of its production equipment (with original book value of RMB120,372,692.36) with Taiping & Sinopec Financial Leasing Co., Ltd.* (太平石化金融租賃有限責任公司) for financing of RMB100,000,000.00 with a term of 3 years. Triumph Technology Group Company provided joint-liability guarantee for the foregoing financing leasing matter. Bengbu Company believed that, based on the principle of “substance over form”, the transaction actually was the Lessor (Taiping & Sinopec Financial Leasing Co., Ltd.* (太平石化金融租賃有限責任公司)) provided loans to the Lessee (Bengbu Company) with the leased property as the collateral. Under such transaction, the nominal selling price of the underlying asset (the leased property) of RMB100,000,000.00 was accounted as long-term loan by Bengbu Company and the underlying asset (the leased property) was accounted at its original book value with provision for depreciation. As of 31 December 2016, the balance of such long-term loan was RMB100,000,000.00, of which, the long-term loan due within one year amounted to RMB33,333,332.00.

28. Estimated liability

N/A

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

29. Deferred income

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	9,024,861.99	15,602,667.74	5,336,747.91	19,290,781.82	
Total	9,024,861.99	15,602,667.74	5,336,747.91	19,290,781.82	/

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 non-operating 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 ultra-white glass production line	3,847,500.00		1,215,000.00		2,632,500.00	Related to assets
Land-use subsidy for ultra-thin and ultra-white glass production line project	2,359,024.38		53,920.56		2,305,103.82	Related to assets
0.45mm E-glass technology research and application projects	2,143,337.61		280,131.60		1,863,206.01	Related to income
Special fund for ultra-thin production line	675,000.00		75,000.00		600,000.00	Related to assets
Subsidy for stabilizing employment from the Social Security Bureau		2,552,667.74	2,482,648.98		70,018.76	Related to income
Special fund for innovative provincial construction of Anhui province of 2016		1,050,000.00			1,050,000.00	Related to income
Special municipal supporting funds for major provincial technology projects of 2016		2,000,000.00			2,000,000.00	Related to income
Technology projects construction funds		10,000,000.00	1,230,046.77		8,769,953.23	Related to income
Total	9,024,861.99	15,602,667.74	5,336,747.91		19,290,781.82	/

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

30. Share capital

Unit: Yuan Currency: RMB

	Opening balance at the beginning of the period	New shares	Bonus shares	Changes in this period (+, -)		Sub-total	Closing balance at the end of the period
				Capital reserve transferred to shares	Others		
Total number of shares	515,018,242.00	11,748,633.00				11,748,633.00	526,766,875.00

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 (ZJXK [2015] No. 2813) issued by China Securities Regulatory Commission on 4 December 2015, the Company issued 11,748,633 RMB denominated ordinary shares to specific investors at a par value of RMB1.00 per share on 26 January 2016.

31. Capital reserve

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
Capital premium (share capital premium)	1,179,144,842.05	221,659,724.18		1,400,804,566.23
Other capital reserves	72,300,473.27			72,300,473.27
Total	1,251,445,315.32	221,659,724.18		1,473,105,039.50

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

- Note:*
- Capital reserves increased by RMB197,876,351.30 by issuance of 11,748,633 RMB-denominated ordinary shares to specific investors at a fixed premium price in January 2016.
 - Pursuant to the performance compensation commitment to Bengbu Company issued by CLFG in November 2015, since the performance of Bengbu Company in 2016 has not reached its committed amount, RMB23,783,372.88 of performance committed compensation payable by CLFG to the Company included in the capital reserve.

Notes to the Financial Statements

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

32. Surplus reserve

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
Statutory surplus reserve	51,365,509.04			51,365,509.04
Total	51,365,509.04			51,365,509.04

33. Undistributed profit

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous year before adjustment	-1,539,484,070.36	-1,359,891,297.28
Total undistributed profits at the beginning of the adjustment period (increase expressed with +, and decrease expressed with -)		5,162,347.66
Undistributed profit at the beginning of the period after adjustment	-1,539,484,070.36	-1,354,728,949.62
Add: Net profit attributable to owners of parent company during the period	11,516,063.78	-184,755,120.74
Undistributed profit at the end of the period	-1,527,968,006.58	-1,539,484,070.36

34. Operating income and operating cost

Unit: Yuan Currency: RMB

Item	Amount for current period		Amount for previous period	
	Income	Cost	Income	Cost
Principal operations	380,091,217.36	337,501,702.46	611,606,292.33	596,718,897.17
Other operations	12,004,408.78	6,207,860.71	50,550,342.80	36,934,673.80
Total	392,095,626.14	343,709,563.17	662,156,635.13	633,653,570.97

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

35. Tax and surcharges

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Business tax	5,741.68	187,976.80
City maintenance tax	1,692,633.65	1,039,059.56
Education surcharges	275,385.63	979,727.01
Resource tax		1,883,220.51
Property tax	1,382,796.18	
Land-use tax	1,710,769.63	
Others	164,809.72	4,138.40
Total	5,232,136.49	4,094,122.28

Others:

Note: Pursuant to the "Regulations for the Accounting Treatment of VAT" (Cai Kuai [2016] No. 22) ("增值稅會計處理規定" (財會[2016]22號)), the relevant taxes such as property tax, land use tax, vehicle use tax and stamp duty used for calculation of administrative expenses occurred subsequent to 1 May 2016 were adjusted to be presented as items under the "tax and surcharges".

36. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Staff's remuneration	5,255,815.70	8,937,893.09
Depreciation expenses	237,707.59	1,287,186.07
Transportation costs	203,121.71	11,420,349.45
Handling charges	624,331.64	746,432.22
Material consumption	397,595.15	1,091,331.99
Other selling expenses	763,735.16	5,685,776.45
Total	7,482,306.95	29,168,969.27

Note: The main reason for changes in selling expenses is that, expenses of transferred-out companies were no longer included for the current period after the completion of assets swap in December 2015.

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

37. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Staff's remuneration	37,479,187.08	41,578,920.35
Depreciation of fixed assets	2,612,502.24	17,415,326.30
Amortization of intangible assets	1,840,418.68	4,396,166.82
Intermediary engagement fees	7,864,025.28	19,774,656.06
Research and development fees	21,276,277.57	14,218,171.78
Taxes	2,282,801.22	8,848,342.78
Other expenses	13,670,735.85	15,938,523.48
Total	87,025,947.92	122,170,107.57

Note: The main reason for changes in administrative expenses is that, expenses of transferred-out companies were no longer included for the current period after the completion of assets swap in December 2015.

38. Financial expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Interest expense	9,207,506.10	6,697,222.45
Less: Interest income	-3,669,695.12	-5,046,109.90
Exchange loss	148,153.54	119,978.04
Less: Exchange income	-34,209.89	-246,238.32
Handling charges (interests of discounted bill)	1,091,289.81	5,952,063.36
Other expenses	1,690,891.76	1,189,107.47
Total	8,433,936.20	8,666,023.10

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

39. Assets impairment losses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
I. Loss on bad debts	-4,058,434.40	10,272,406.73
II. Loss on inventory depreciation	22,054,121.69	37,012,050.88
III. Impairment losses on available-for-sale financial assets		
IV. Held-to-maturity investment impairment losses		
V. Impairment losses on long-term equity investment		
VI. Impairment losses on investment real estate		
VII. Impairment losses on fixed assets	2,472,284.58	1,513,503.89
VIII. Impairment losses on engineering materials		
IX. Impairment losses on construction in progress		
X. Impairment losses on productive biological assets		
XI. Impairment losses on oil and gas assets		
XII. Impairment losses on intangible assets		
XIII. Impairment losses on goodwill		
XIV. Others		
Total	20,467,971.87	48,797,961.50

40. Non-operating income

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	254,968.93	459,490.08	254,968.93
Including: Gain on disposal of fixed assets	95.03	459,490.08	95.03
Gains from disposal of intangible assets	254,873.90		254,873.90
Income from debt restructuring	3,130,969.27	88,665.10	3,130,969.27
Gains from non-monetary assets exchange			
Donations received			
Government subsidy	102,455,677.91	4,567,408.16	102,455,677.91
Other gains	36,991.83	374,561.26	36,991.83
Total	105,878,607.94	5,490,124.60	105,878,607.94

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
Supporting fund for the management committee of industrial cluster region in Puyang county	66,474,750.00		Related to earnings
Special guiding fund for new materials allocated by the Bureau of Finance of Longzihu District of Bengbu	17,000,000.00		Related to earnings
Subsidy issued by Treasury Payment Center of Yanshi (award funds for supporting enterprise-development)	10,322,700.00	340,000.00	Related to earnings
Fund for supporting enterprises issued by the Bureau of Finance of Longzihu District of Bengbu	2,500,000.00		Related to earnings
Subsidy for supporting enterprises and stabilizing employment issued by Social Security Funds Collecting Center of Bengbu	2,482,648.98	255,094.00	Related to earnings
Funds for construction of technology projects in Comprehensive Experimental Zone for Independent Innovation of Bengbu	1,230,046.77		Related to earnings
Fiscal subsidy for ultra-thin and ultra-white glass production line	1,215,000.00	1,215,000.00	Related to assets
Subsidy for stabilizing enterprise employment allocated by Social Security Center of Luoyang	540,880.00	703,362.00	Related to earnings
Special subsidy for "research and development of application technology"	280,131.60	280,131.60	Related to earnings
Special fund for ultra-thin production line	75,000.00	75,000.00	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
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
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
Others	280,600.00		Related to earnings
Total	102,455,677.91	4,567,408.16	/

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

41. Non-operating expenses

Unit: Yuan Currency: RMB

Item	2016	2015	Amount recognized as non-recurring gain or loss of the current period
Total loss on disposal of non-current assets	15,875.60	14,470.37	15,875.60
Including: Loss on disposal of fixed assets	15,875.60	14,470.37	15,875.60
Losses on scrapping of assets		25,514.21	
Indemnities, liquidated damages and penalties	4,431,441.73	4,039,106.78	4,431,441.73
Other expenses	4,558.25	1,948,005.29	4,558.25
Total	4,451,875.58	6,027,096.65	4,451,875.58

42. Income tax expenses

(1) The table for income tax expenses

Unit: Yuan Currency: RMB

Item	2016	2015
Income tax expenses for the current period	9,904,280.09	9,493,658.32
Deferred income tax expenses	-249,847.97	402,356.93
Total	9,654,432.12	9,896,015.25

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

42. Income tax expenses (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount for 2016
Total profit	21,170,495.90
Income tax expenses calculated at statutory/applicable tax rates	5,292,623.98
Effect of different tax rates applicable to subsidiaries	-5,662,799.08
Effect of costs, expenses and losses not deductible for tax purposes	3,152,807.74
Effect of utilization of deductible losses of unrecognized deferred income tax assets in previous periods	-12,647,401.98
Effect of current deductible temporary differences or deductible loss of unrecognized deferred income tax assets	22,178,736.16
Deduction of aggregate R&D expenses	-2,659,534.70
Income tax expenses	9,654,432.12

43. Consolidated Cash Flow Statement

(1) Other cash received from activities relating to operation

Unit: Yuan Currency: RMB

Item	2016	2015
Government grants	110,292,930.00	2,688,262.00
Interest income	494,397.36	1,838,248.03
Other current accounts	4,390,423.87	15,120,563.19
Total	115,177,751.23	19,647,073.22

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

Unit: Yuan Currency: RMB

Item	2016	2015
Including: Consultation and audit, assessment, legal fees, bulletin fees	11,749,333.25	5,883,634.25
Travel expense	1,095,394.87	1,646,873.10
Other current accounts and expenses	10,679,558.24	23,059,771.05
Total	23,524,286.36	30,590,278.40

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

43. Consolidated Cash Flow Statement (Continued)

(3) Other cash received from activities related to investment

Unit: Yuan Currency: RMB

Item	2016	2015
Transfer of the creditor's rights	9,930,000.00	86,430,259.30
Funds for Longhao 650t-level environmental protection project		10,000,000.00
Total	9,930,000.00	96,430,259.30

(4) Other cash paid for activities related to investment

Unit: Yuan Currency: RMB

Item	2016	2015
Intermediary fees for asset restructuring	14,263,037.36	
Amount for equity purchase	90,729,715.31	
Net cash for disposal of subsidiaries		662,305.05
Total	104,992,752.67	662,305.05

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

Unit: Yuan Currency: RMB

Item	2016	2015
Bill discount	71,042,132.42	265,423,111.66
Bill deposit	15,000,000.00	
Triumph Technology Group Company	49,000,000.00	282,655,583.90
CLFG	184,276,901.60	8,000,000.00
Bengbu China National Building Materials Photovoltaic Materials Company Limited	15,000,000.00	
CNBM (Hefei) New Energy Company Limited*	6,000,000.00	
China Building Materials International Engineering Company Limited*		10,000,000.00
Other current accounts		5,850,000.00
Total	340,319,034.02	571,928,695.56

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

43. Consolidated Cash Flow Statement (Continued)

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

Unit: Yuan Currency: RMB

Item	2016	2015
Repayment of matured bill	105,000,000.00	255,000,000.00
Triumph Technology Group Company	71,200,000.00	265,455,583.90
CLFG	115,600,000.00	23,667,739.36
CNBM (Hefei) New Energy Company Limited*	6,162,400.00	
Bengbu China National Building Materials Photovoltaic Materials Company Limited	15,440,437.50	
Bengbu Glass Industry Design Institute	6,354,402.59	
Financing security deposits	10,000,000.00	
Bill deposit		15,000,000.00
Far East service fees and security deposit		12,153,463.00
Other current accounts	880,945.68	5,850,000.00
Total	330,638,185.77	577,126,786.26

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

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	2016	2015
1. Net profit adjusted to cash flow of operating activities:		
Net profit	11,516,063.78	-194,827,106.86
Add: Provision for impairment of assets	20,467,971.87	48,797,961.50
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	52,461,555.56	101,779,659.95
Amortization of intangible assets	1,840,418.68	4,352,751.12
Amortization of long-term deferred expenses	2,572,145.79	801,520.48
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-239,093.33	-445,019.71
Losses on scrapping of fixed assets ("-" for gains)		25,514.21
Finance expenses ("-" for gains)	7,016,163.30	9,618,708.15
Investment losses ("-" for gains)		
Decrease in deferred income tax assets ("-" for increase)	-249,847.97	402,356.93
Decrease in inventories ("-" for increase)	41,175,096.14	-21,535,533.46
Decrease in operating receivables ("-" for increase)	-44,018,592.18	-84,014,815.23
Increase in operating payables ("-" for decrease)	-61,988,959.69	4,006,438.22
Net cash flow from operating activities	30,552,921.95	-131,037,564.70
2. Significant investing and financing activities that do not involve cash receipts and payment:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	112,528,516.53	42,342,860.91
Less: Opening balance of cash	42,342,860.91	37,777,890.19
Net increase in cash and cash equivalents	70,185,655.62	4,564,970.72

Note: Banker's acceptance bill of non-cash commodity sale summed up RMB283,285,854.17.

(2) Net cash acquired from subsidiaries for the current period

N/A

(3) Net gains on disposal of subsidiaries for the current period

N/A

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

44. Supplementary information of cash flow statement (Continued)

(4) 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	112,528,516.53	42,342,860.91
Including: Cash on hand	95,219.74	43,940.18
Bank deposit available for payment at any time	112,433,296.79	42,298,920.73
2. Cash equivalents		
3. Cash and cash equivalents at the end of period	112,528,516.53	42,342,860.91

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	45,000,000.00	Security for notes
Fixed assets	174,093,824.18	Mortgage loan
Total	219,093,824.18	/

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

V. Notes to Significant Items of the Consolidated Financial Statements (Continued)

46. Monetary item in foreign currency

(1) 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			6,647.27
Including: USD	33.80	6.9370	234.47
EURO	0.60	7.3000	4.38
HKD	7,164.17	0.8945	6,408.42
Other payables			4,508,123.03
Including: HKD	5,039,768.18	0.8945	4,508,123.03
Long-term loan			1,325,530.61
Including: USD			
EURO	181,410.55	7.3068	1,325,530.61

(2) Details of the overseas entities for operations, including the principal place of business, functional currency and the basis of the decision and the reasons for the changes in the functional currency for major overseas entities for operations

N/A

VI. Change in the Scope of Merger

N/A

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 Company Limited	Yanshi City	Yanshi City	Producing and selling	100		investment
CLFG Longhai Electronic Glass Co., Ltd.	Yanshi City	Yanshi City	Producing and selling	100		investment
Luoyang Luobo Furuida Commerce Co., Ltd.	Luoyang City	Luoyang City	Trading	100		investment
Bengbu CNBM Information Display Material Co., Ltd.	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 2016 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.

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.

The Group's risk of changes in fair value of financial instruments resulted from the changes in interest rates was mainly associated with floating-rate bank loans, for which the Group aims to maintain those floating rates to eliminate fair value risks arising from changes in interest rate.

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 54.46% of the total amount of account receivable of the Group (without deducting bad debt reserve).

VIII. Risks Relating Financial Instruments (Continued)

1. Financial risks (Continued)

1.2 Credit risk (Continued)

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 banks, the management does not expect any risk of the banks' being unable to fulfill the commitment.

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 3 years	Total
Monetary funds	157,528,516.53			157,528,516.53
Bills receivable	45,986,571.00			45,986,571.00
Accounts receivable	156,466,612.01			156,466,612.01
Other receivables	157,473,215.77			157,473,215.77
Long-term receivables	55,000,000.00			55,000,000.00
Total financial assets	572,454,915.31			572,454,915.31
Short-term loans	20,000,000.00			20,000,000.00
Bills payable	90,000,000.00			90,000,000.00
Accounts payable	46,373,902.20			46,373,902.20
Other payables	42,578,922.04			42,578,922.04
Other non-current liabilities due within one year	471,337,062.91			471,337,062.91
Long-term loan		53,934,956.22	33,901,418.01	87,836,374.23
Total financial liability	670,289,887.15	53,934,956.22	33,901,418.01	758,126,261.38

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 2016, the Group did not have any financial instruments that are accounted for by fair value measurements. For the year ended 31 December 2016, 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 Limited	Luoyang China	Production of glass, related raw materials and complete sets of equipment	1,286,740,000.00	19.94	19.94

2. Subsidiaries

For details, please refer to "VII. Interests in other subsidiaries".

X. Related Party and Related Party Transactions (Continued)

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
CLFG Warehousing & Logistics Company Limited	Wholly owned subsidiary of the parent company
Luoyang Luobo Glass Fibre Co., Ltd.	Controlled subsidiary of the parent company
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
Triumph Science & Technology Co., Ltd	Brother company of the Group
CTIEC Shenzhen Scieno-tech Engineering 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
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
Bengbu China National Building Materials Photovoltaic Materials Company Limited	Brother company of the Group
CNBM (Hefei) New Energy Company Limited*	Controlled subsidiary of the parent company
Dengfeng CLFG Silicon Co. Ltd.	Controlled subsidiary of the parent company
CNBM Triumph Robotics (Shanghai) Co., Ltd.	Brother company of the Group
Wonderful Sky Financial Group Limited	Other

X. Related Party and Related Party Transactions (Continued)

4. Related party transactions

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

Purchasing of goods/receiving of services

Unit: Yuan Currency: RMB

Name of related party	Content of related party transaction	2016	2015
China Luoyang Float Glass (Group) Company Limited	Interest expense	1,009,966.91	554,227.78
Bengbu Glass Industry Design Institute	Raw material, electricity, maintenance	1,460,358.39	2,890,466.52
Bengbu Glass Industry Design Institute	Interest expense	211,458.34	402,986.11
Bengbu Glass Industry Design Institute	Guarantee fee		59,900.00
Triumph Bengbu Engineering and Technology Company Limited	Raw material	35,017.09	70,743.60
Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	Raw material	19,735.05	96,258.13
Bengbu Chemical Engineering Machinery Making Co., Ltd.	Raw material, maintenance	3,986,538.45	3,512,769.15
Triumph Technology Group Company	Raw material	15,232,131.66	5,284,202.20
Triumph Technology Group Company	Interest expense	14,811.32	
Bengbu China National Building Materials Photovoltaic Materials Company Limited	Interest expense	440,437.50	
CNBM (Hefei) New Energy Company Limited*	Interest expense	162,400.00	
Dengfeng CLFG Silicon Co. Ltd.	Raw material	2,992,250.98	
Yinan Huasheng Mineral Products Industry Co., Ltd.	Raw material	82,096.24	
CTIEC Shenzhen Scieno-tech Engineering Company Limited. Bengbu Branch	Raw material	20,341.88	
Wonderful Sky Financial Group Limited	Bulletin fees	2,404,865.49	3,004,987.58

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

X. Related Party and Related Party Transactions (Continued)

4. Related party transactions (Continued)

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

Sales of goods/provision of services

Unit: Yuan Currency: RMB

Name of related party	Content of related party transaction	2016	2015
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Float glass	85,980,878.54	18,656,866.95
China Triumph International Engineering Co., Ltd.	Technical Service Fee		1,132,075.48
China Luoyang Float Glass (Group) Company Limited	Shattered glass		2,061,598.72
China Luoyang Float Glass (Group) Company Limited	Float glass		17,752,459.99
China Luoyang Float Glass (Group) Company Limited	Tin		1,041,601.04
China Luoyang Float Glass (Group) Company Limited	Tenant and utilities	164,549.58	
Triumph Science & Technology Co., Ltd	Float glass	1,469,883.78	1,664,246.52
Luoyang New Jingrun Engineering Glass Co., Ltd.	Float glass		2,156,379.88
Henan Zhonglian Glass Co., Ltd.	Silica sands		1,592,186.19
CLFG Longhao Glass Co. Ltd.	Technical services	1,679,245.29	
CLFG Longhao Glass Co. Ltd.	Tin	8,107,000.00	
CNBM (Bengbu) Guangdian Materials Company*	Technical services	377,358.48	

(2) Related party guarantees

The Company as the guarantor

Unit: Yuan Currency: RMB

Guaranteed party	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
Bengbu CNBM Information Display Material Co., Ltd.	20,000,000.00	27 May 2016	27 May 2017	No

Note: Bengbu CNBM Information Display Material Co., Ltd. is a wholly-owned subsidiary of the Company.

X. Related Party and Related Party Transactions (Continued)

4. Related party transactions (Continued)

(2) Related party guarantees (Continued)

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 Co., Ltd.	12,920,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Co., Ltd.	72,093,600.00	1 February 2010	31 January 2017	No
China National Building Material Group Co., Ltd.	92,701,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Co., Ltd.	107,882,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Co., Ltd.	35,853,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Co., Ltd.	32,300,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Co., Ltd.	45,220,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Co., Ltd.	45,000,000.00	8 August 2016	8 February 2017	No
China Luoyang Float Glass (Group) Company Limited, Triumph Technology Group Company	50,000,000.00	19 June 2015	18 June 2018	No
China Luoyang Float Glass (Group) Company Limited, Triumph Technology Group Company	63,636,363.00	23 June 2015	22 June 2018	No
Triumph Technology Group Company	100,000,000.00	9 December 2016	8 December 2017	No

(3) Remuneration of Key Management Personnel

Unit: Yuan Currency: RMB

Item	2016	2015
Remuneration of key management personnel	3,061,026.44	2,667,315.79

X. Related Party and Related Party Transactions (Continued)**4. Related party transactions (Continued)****(3) Remuneration of Key Management Personnel (Continued)***(1) Remuneration of Directors and Supervisors*

The remuneration of each director and supervisor in 2016 is as follows:

Name	Fees	Bonus	Salary, allowance and benefit in kind	Defined contribution plan contribution	Total	Note
Executive directors						
Ni Zhisen			420,000.00	51,929.46	471,929.46	
Ma Yan			240,000.00	35,858.40	275,858.40	Appointed in May 2016
Wang Guoqiang			400,000.00	51,373.40	451,373.40	
Sun Lei			85,272.00	24,292.00	109,564.00	Resigned in May 2016
Independent directors						
Jin Zhanping	60,000.00				60,000.00	
Liu Tianni	60,000.00				60,000.00	
Ye Shuhua	60,000.00				60,000.00	
He Baofeng	60,000.00				60,000.00	
Supervisors						
Ren Hongcan			340,440.00	48,259.38	388,699.38	
Qiu Mingwei	30,000.00				30,000.00	
Yan Mei	30,000.00				30,000.00	
Employee supervisors						
Wang Jian			161,298.00	49,246.86	210,544.86	
Ma Jiankang			137,057.00	32,373.58	169,430.58	
Total	<u>300,000.00</u>		<u>1,784,067.00</u>	<u>293,333.08</u>	<u>2,377,400.08</u>	

X. Related Party and Related Party Transactions (Continued)

4. Related party transactions (Continued)

(3) Remuneration of Key Management Personnel (Continued)

(1) Remuneration of Directors and Supervisors (Continued)

The remuneration of each director and supervisor in 2015 is as follows:

Name	Fees	Bonus	Salary, allowance and benefit in kind	Defined contribution plan contribution	Total	Note
Independent directors						
Ni Zhisen			398,436.00	45,614.82	444,050.82	
Xiejun			21,701.00	3,621.20	25,322.20	Appointed as vice chairman on 24 December 2015
Sun Lei			247,044.00	94,809.68	341,853.68	Resigned on 23 December 2015
Wang Guoqiang			385,270.00	45,109.82	430,379.82	Appointed on 23 December 2015
Independent directors						
Huang Ping	40,000.00				40,000.00	Resigned on 23 December 2015
Dong Jiachun	40,000.00				40,000.00	Resigned on 23 December 2015
Jin Zhanping	40,000.00				40,000.00	
Liu Tianni	40,000.00				40,000.00	
Ye Shuhua	1,480.00				1,480.00	Appointed on 23 December 2015
He Baofeng	1,480.00				1,480.00	Appointed on 23 December 2015
Supervisors						
Guo Hao	20,000.00				20,000.00	Resigned on 23 December 2015
Wang Ruiqin			122,058.00	42,402.72	164,460.72	Resigned on 23 December 2015
Ren Hongcan			330,000.00	60,407.28	390,407.28	Appointed on 23 December 2015
Qiu Mingwei	740.00				740.00	Appointed on 23 December 2015
Yan Mei	740.00				740.00	Appointed on 23 December 2015
Employee supervisors						
Wang Jian			172,589.00	42,412.18	215,001.18	
Ma Jiankang			111,717.00	31,762.93	143,479.93	
Total	184,440.00		1,788,815.00	366,140.63	2,339,395.63	

X. Related Party and Related Party Transactions (Continued)**4. Related party transactions (Continued)****(3) Remuneration of Key Management Personnel (Continued)****(2) The five individuals whose remuneration are the highest**

The five individuals whose remuneration were the highest during 2016, included two directors and one supervisor, whose remuneration has set out as above. The total remunerations paid to other two persons (2015: one) during the year are set out as below:

Item	2016	2015
Salary, allowance and benefit in kind	500,000.00	202,416.00
Defined contribution, plan contribution	76,626.36	24,704.16
Total	<u>576,626.36</u>	<u>227,120.16</u>

The range of remunerations of the two highest paid individuals (2015: one):

Item	2016	2015
Nil to HK\$1,000,000.00	2	1

(4) Other connected transactions

- (1) In December 2016, the Company entered into the Creditor's Rights Transfer Agreement with CLFG, pursuant to which, the creditor's rights of the Company (including all rights of the Company arising from the creditor's rights) in Luoyang Crane Factory Co., Ltd. would be transferred to CLFG at a consideration of RMB9,930,000. The consideration was determined based on the appraised value as at the appraisal base date (i.e. 1 December 2016) appraised by China United Assets Appraisal Group Co., Ltd. The appraised value of the above creditor's rights was RMB9,930,000 based on the cost approach. As at 31 December 2016, the Company has received the payment of such creditor's rights transfer.

X. Related Party and Related Party Transactions (Continued)

4. Related party transactions (Continued)

(4) Other connected transactions (Continued)

(2) On 1 December 2016, Bengbu Company and Bengbu Glass Industry Design Institute entered into two technology development (delegate) agreements, pursuant to which Bengbu Company conducted research and development in respect of the project of production technology of industrialization of 0.2mm high strength electronic glass and the project of production technology of 3D wear-resistant glass substrate for Bengbu Glass Industry Design Institute, at contract prices of RMB8,800,000 and RMB7,500,000 respectively. In order to increase the accuracy of experimental data of the two contracted projects, the parties entered into individual supplemental agreements to the two technology development (delegate) agreement on 24 March 2017 to extend the terms of acceptance of the project and of the contract to 31 December 2018.

(3) On 1 December 2016, Bengbu Company and Bengbu China National Building Materials Photovoltaic Materials Company Limited entered into the Technology Services Agreement, pursuant to which Bengbu Company provided technical services and transferred the license for use of some patents and know-hows to Bengbu China National Building Materials Photovoltaic Materials Company Limited at a contract price of RMB5,000,000.

(4) Entrusted loans

As at 31 December 2016, the Company has furnished the entrusted loans of RMB205,000,000.00 to subsidiaries through the bank.

(5) Financial assistance from related parties

In 2016, Triumph Technology Group Company provided an aggregate fund of RMB49,000,000.00 on behalf of the Group, CLFG provided an aggregate fund of RMB189,173,393.60 directly to the Company, Bengbu China National Building Materials Photovoltaic Materials Company Limited furnished an aggregate fund of RMB15,000,000.00 on behalf of the Group, and CNBM (Hefei) New Energy Company Limited* provided an aggregate fund of RMB6,000,000.00 on behalf of the Group.

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

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 receivable	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	28,621,134.25		951,397.68	
Accounts receivable	Anhui Huaguang Photoelectric Materials Technology Group Co., Ltd.	289,079.90		889,079.90	
Accounts receivable	Luoyang New Jingrun Engineering Glass Co., Ltd.	1,349,753.33		1,349,753.33	
Accounts receivable	Triumph Science & Technology Co., Ltd	22,038.01		687,351.82	
Prepayments	Triumph Bengbu Engineering and Technology Company Limited	13,500.00		11,658.10	
Prepayments	Triumph Technology Group Company	279,436.97		110,007.97	
Prepayments	CNBM Triumph Robotics (Shanghai) Co., Ltd.	5,600.00			
Other receivables	China Luoyang Float Glass (Group) Company Limited	23,982,714.48		22,795.40	
Other receivables	China Triumph International Engineering Co., Ltd.	1,650,000.00		1,650,000.00	
Other receivables	CLFG (Beijing) International Engineering Co., Ltd.	82,796.95		82,796.95	
Other receivables	Luoyang Luobo Glass Fibre Co., Ltd.	150,738.92		150,738.92	

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 carrying balance	Opening carrying balance
Accounts payable	Bengbu Chemical Engineering Machinery Making Co., Ltd.	1,279,458.02	884,038.46
Accounts payable	Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.	3,544,508.91	3,017,684.73
Accounts payable	Triumph Technology Group Company	4,611,449.84	3,293,562.08
Accounts payable	Bengbu Glass Industry Design Institute	963,003.08	
Accounts payable	Dengfeng CLFG Silicon Co. Ltd.	517,453.69	
Accounts payable	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	135,400.00	
Accounts payable	Yinan Huasheng Mineral Products Industry Co., Ltd.	2,714.60	
Payments received in advance	Triumph Science & Technology Co., Ltd		5,181,103.61
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	5,496,513.80	347,185.00
Payments received in advance	Bengbu China National Building Materials Photovoltaic Materials Company Limited	1,800,000.00	
Payments received in advance	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	6,552.00	
Other payables	China Luoyang Float Glass (Group) Company Limited	18,899,748.61	91,246,227.75
Other payables	Bengbu Glass Industry Design Institute	239,181.20	6,902,312.39
Other payables	China Triumph International Engineering Co., Ltd. Bengbu Branch	140,000.00	140,000.00
Other payables	Triumph Technology Group Company	9,000,000.00	31,200,000.00
Other payables	Bengbu Chemical Engineering Machinery Making Co., Ltd.	3,500.00	
Other payables	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	1,600.00	
Other payables	Wonderful Sky Financial Group Limited	2,659,797.02	3,261,179.04

X. Related Party and Related Party Transactions (Continued)

6. Commitments of related parties

During significant asset restructuring in 2015, 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 2017, 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.

For the year of 2016, the net profit of Bengbu Company estimated in the appraisal report was RMB58,954,400. As audited, the net profit of Bengbu Company in 2016 was RMB56,857,600, and the net profit with the deduction of non-recurring profit and loss was RMB35,171,000, which did not meet the performance commitment. Therefore, CLFG would make compensation for the differences of RMB23,783,400 to the Company in cash within six months after the date of 2016 audit report of Bengbu Company.

XI. Subsequent Events after the Date of Balance Sheet

1. Explanation of other subsequent events after the date of balance sheet

(1) Transaction Relating To Issuance Of Shares To Acquire Assets And Raise Supporting Funds

On 7 February 2017, the 22nd meeting of the eighth session of the Board considered and approve that, by taking 31 October 2016 as the valuation base date and by means of issuance of shares, the Company proposed to acquire an aggregate of 100% equity interest in CNBM (Hefei) New Energy Company Limited* (中建材(合肥)新能源有限公司) held by CLFG and Hefei High-Tech Construction Investment Group Company* (合肥高新建設投資集團公司), an aggregate of 100% equity interest in CNBM (Tongcheng) New Energy Materials Company Limited* (中國建材桐城新能源材料有限公司) held by Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd (安徽華光電材料科技集團有限公司), Bengbu Glass Industry Design Institute (蚌埠玻璃工業設計研究院) and China Triumph International Engineering Co., Ltd. (中國建材國際工程集團有限公司), and an aggregate of 70.99% equity interest in CNBM (Yixing) New Energy Company Limited* (中建材(宜興)新能源有限公司) held by Triumph Technology Group Company* (凱盛科技集團公司), Yixing Environmental Technology Innovation Venture Investment Company Limited* (宜興環保科技創新創業投資有限公司) and GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司), and issued shares to no more than 10 specific investors including Triumph Group to raise supporting funds of up to RMB573,457,000.

XI. Subsequent Events after the Date of Balance Sheet (Continued)

1. Explanation of other subsequent events after the date of balance sheet (Continued)

(2) Changes in Matters Including Name and Registered Address of Our Subsidiary Furuida

On 14 February 2017, the 23rd meeting of the eighth session of the Board considered and approved to rename Furuida as "CNBMG (Puyang) Photoelectric Material Co., Ltd.* (中建材(濮陽)光電材料有限公司) ("Puyang Company") and change its registered address from "No. 18 Tanggong Middle Road, Xigong District, Luoyang" to "Industrial Cluster District of Puyang County, Henan Province" with an aim to satisfy the demand of construction of Puyang ultra-white solar thermal material project. The Company proposes to make an additional capital contribution of RMB239,500,000 to Puyang Company. After the capital increase, the registered capital of Puyang Company increased from RMB500,000 to RMB240,000,000, and the newly added registered capital will be used in the construction of ultra-white solar thermal material project. Puyang Company has completed the business registration of changes on 1 March 2017.

(3) External Investment

On 14 February 2017, the 23rd meeting of the eighth session of the Board considered and approved the investment and construction of the Ultra-White Solar Thermal Material Project in the industrial cluster district of Puyang County, Henan Province (with Puyang Company as the investment entity) in compliance with the development strategies of the Company. The project newly built an ultra-white solar thermal material production line with a daily melting capacity of 400 tonnes, which could produce 14 million square meters of solar thermal power generation raw materials for glasses production and 2.80 million square meters of high-end auto windshield and dashboard glass materials annually, and an ancillary deep processing production line of solar thermal power generation reflector with an annual production capacity of 6.80 million square meters. The total investment amount of the project was RMB800,300,000.

XII. Other Significant Events

1. Correction of accounting errors in the previous period

N/A

2. Segment information

(1) Determination basis and accounting policy of reporting segment:

The Group's revenue mainly came from the sale of ultra-thin glass products, thus it is regarded as the only reportable segment. The management of the Group reviews the Group's performance based on such segment and regularly reviews its financial information to decide on resources allocation thereto and assess its performance.

XII. Other Significant Events (Continued)

2. Segment information (Continued)

(2) Other explanations:

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 (excluding financial assets and deferred income tax assets). The geographical location of customers is stated as the location at which goods were delivered to customers. The geographical location of fixed assets, construction in progress and lease prepayments under non-current assets is determined as the physical location of the assets; the geographical location of intangible assets and exploration and evaluation assets is determined as the location of relevant operations; the geographical location of interests in associates and other investments is determined as the location of their respective operations.

Item	Revenue from external customers		Non-current assets	
	2016	2015	31 December 2016	31 December 2015
China	392,095,626.14	662,156,635.13	774,437,998.66	826,682,911.68
Total	392,095,626.14	662,156,635.13	774,437,998.66	826,682,911.68

2. Major customers

The Group has a concentrated group of major customers that the total sales to the top five customers accounted for over 50% of the Group's revenue in 2016.

XIII. 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				Opening balance				
	Carrying balance		Bad debt provision		Carrying balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Amount	Ratio (%)	Amount	Provision ratio (%)	
Account receivables with significant single amount and individual provision for bad debts	219,348,939.58	77.85	22,868,491.89	10.43	196,480,447.69				
Accounts receivable provided for bad debts in groups with credit risk characteristics	62,400,361.33	22.15	51,222,485.92	82.09	11,177,875.41	260,902,854.08	100.00	50,904,347.72	19.51
Total	281,749,300.91	/	74,090,977.81	/	207,658,323.10	260,902,854.08	/	50,904,347.72	/

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)	Accounts receivable	Bad debt provision	Closing balance Provision Ratio	Reason for making provision
Longmen Company	219,348,939.58	22,868,491.89	10.43%	It is expected that the recovered amount is lower than the carrying amount
Total	219,348,939.58	22,868,491.89	/	/

XIII. 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 group, accounts receivable with provision for bad debts made based on aging analysis:

Unit: Yuan Currency: RMB

Aging	Closing balance		Provision Ratio
	Accounts receivable	Bad debt provision	
Within 1 year			
Sub-total within 1 year	9,788,260.17		
1 to 2 years	2.14	0.64	30.00
2 to 3 years	79,720.82	39,860.41	50.00
3 to 4 years	604,439.11	604,439.11	100.00
4 to 5 years	24,318.62	24,318.62	100.00
Above 5 years	50,553,867.14	50,553,867.14	100.00
Total	61,050,608.00	51,222,485.92	83.90

In 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)	1,349,753.33	201,930,878.10
Total	1,349,753.33	201,930,878.10

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

Provision for bad debts for the current period is RMB23,186,630.09; the recovery or reversed of the provision for bad debts for the current period is RMB0.

XIII. Notes to Significant items of the Parent Company's Financial Statements (Continued)

1. Accounts receivable (Continued)

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

Name of Unit	Closing balance at the end of the period	Ratio with respect to the total accounts receivable (%)	Bad debt provision balance
CLFG Longmen Glass Company Limited	219,348,939.58	77.85	22,868,491.89
Shenzhen Yongchangsheng New Materials Co., Ltd.	5,537,593.09	1.97	
Shanghai Shunsheng Glass Sales Cooperation Company	4,757,122.32	1.69	4,757,122.32
Luoyang Kangyao Electronics Co. Ltd.	2,836,342.58	1.01	
Australia CAMDEN LUOYANG GLASS P/L	2,820,625.92	1.00	2,820,625.92
Total	235,300,623.49	83.52	30,446,240.13

2. Other receivables

(1) Other accounts receivable by category:

Unit: Yuan Currency: RMB

Category	Closing balance				Book value	Opening balance				
	Carrying balance Amount	Ratio (%)	Bad debt provision Amount	Provision ratio (%)		Carrying balance Amount	Ratio (%)	Bad debt provision Amount	Provision ratio (%)	Book value
Other receivables with significant single amount and individual provision for bad debts	241,515,980.86	69.91	241,515,980.86	100.00		221,462,460.10	77.66	166,164,548.38	75.03	55,297,911.72
Other receivables provided for bad debts in groups with credit risk characteristics	103,942,012.09	30.09	21,190,288.37	20.39	82,751,723.72	63,724,380.92	22.34	26,239,517.43	41.18	37,484,863.49
Total	345,457,992.95	/	262,706,269.23	/	82,751,723.72	285,186,841.02	/	192,404,065.81	/	92,782,775.21

XIII. Notes to Significant items of the Parent Company's Financial Statements (Continued)

2. Other receivables (Continued)

(1) Other accounts receivable by category: (Continued)

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)	Other receivables	Bad debt provision	Closing balance	
			Provision Ratio	Reason for making provision
CLFG Longmen Glass Company Limited	230,707,276.86	230,707,276.86	100.00	It is expected that the recovered amount is lower than the carrying amount
Xili Sub-branch, Zhengzhou of China Construction Bank	10,808,704.00	10,808,704.00	100.00	It is expected to be unrecoverable
Total	<u>241,515,980.86</u>	<u>241,515,980.86</u>	/	/

In the group, other receivables with provision for bad debts made based on aging analysis:

Unit: Yuan Currency: RMB

Aging	Other receivables	Closing balance	
		Bad debt provision	Provision Ratio
Within 1 year			
Sub-total within 1 year	111,939.44		
1 to 2 years	844,296.51	253,288.95	30.00
2 to 3 years	783,600.00	391,800.00	50.00
3 to 4 years	113,085.89	113,085.89	100.00
4 to 5 years	53,928.57	53,928.57	100.00
Above 5 years	20,378,184.96	20,378,184.96	100.00
Total	<u>22,285,035.37</u>	<u>21,190,288.37</u>	<u>95.09</u>

XIII. Notes to Significant items of the Parent Company's Financial Statements (Continued)

2. Other receivables (Continued)

(1) Other accounts receivable by category: (Continued)

In the groups, other receivables without provision for bad debts are as follows:

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.)	<u>81,656,976.72</u>	<u>28,616,427.00</u>
Total	<u><u>81,656,976.72</u></u>	<u><u>28,616,427.00</u></u>

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

Provision for bad debts for the current period is RMB75,517,203.42. Provision for bad debts recovered or reversed for the current period is RMB5,215,000.00.

Of which, provision for bad debts recovered or reversed with significant amount:

Unit: Yuan Currency: RMB

Name of Unit	Amount recovered or reversed	Recovery method
Luoyang Crane Factory Co., Ltd.	<u>5,215,000.00</u>	Settlement and transfer of the creditor's rights
Total	<u><u>5,215,000.00</u></u>	/

Notes to the Financial Statements

31 December 2016
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

XIII. Notes to Significant items of the Parent Company's Financial Statements (Continued)

2. Other receivables (Continued)

(3) 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
Amounts due from subsidiaries	231,720,141.78	237,409,444.18
Compensation for performance commitment	23,783,372.88	
Land deposits	55,000,000.00	
Reserves	64,237.86	535,437.71
Provisional estimated input tax		781,631.47
Proceeds from disposal of properties		10,430,000.00
Current accounts	34,890,240.43	36,030,327.66
Total	345,457,992.95	285,186,841.02

(4) 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
CLFG Longmen Glass Company Limited	Loans from subsidiaries	230,707,276.86	1 year or above	66.78	230,707,276.86
Puyang Treasury Centralized Payment Center	Security deposit	55,000,000.00	Within 1 year	15.92	
China Luoyang Float Glass (Group) Company Limited	Compensation for performance commitment	23,783,372.88	Within 1 year	6.88	
Xili Sub-branch, Zhengzhou of China Construction Bank	Current accounts	10,808,704.00	Above 5 years	3.13	10,808,704.00
Shenzhen Cynthia Industrial Company Limited	Current accounts	4,600,000.00	Above 5 years	1.33	4,600,000.00
Total	/	324,899,353.74	/	94.04	246,115,980.86

XIII. Notes to Significant items of the Parent Company's Financial Statements (Continued)

3. Long-term equity investment

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying balance	Provision for impairment	Book value	Carrying balance	Provision for impairment	Book value
Investment in subsidiaries	813,499,984.17	64,513,390.18	748,986,593.99	813,499,984.17	64,513,390.18	748,986,593.99
Total	813,499,984.17	64,513,390.18	748,986,593.99	813,499,984.17	64,513,390.18	748,986,593.99

(1) Investment in subsidiaries

Unit: Yuan Currency: RMB

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Provision for impairment for the current period	Balance of the provision for impairment at the end of the period
CLFG Longmen Glass Company Limited	64,513,390.18			64,513,390.18		64,513,390.18
CLFG Longhai Electronic Glass Limited	48,941,425.28			48,941,425.28		
Bengbu CNBM Information Display Material Co., Ltd.	699,545,168.71			699,545,168.71		
Luoyang Luobo Furuida Commerce Co., Ltd.	500,000.00			500,000.00		
Total	813,499,984.17			813,499,984.17		64,513,390.18

XIII. Notes to Significant items of the Parent Company's Financial Statements (Continued)

4. Operating income and operating costs:

Unit: Yuan Currency: RMB

Item	2016		2015	
	Income	Costs	Income	Costs
Principal business	173,506,737.82	172,572,839.84	252,490,719.62	249,991,192.89
Other business	7,978,578.27	6,434,844.41	69,253,284.11	65,956,582.51
Total	181,485,316.09	179,007,684.25	321,744,003.73	315,947,775.40

5. Investment income

Unit: Yuan Currency: RMB

Item	2016	2015
Investment income from investments held for maturity	11,066,925.00	23,235,852.24
Total	11,066,925.00	23,235,852.24

XIV. Supplementary Information

1. Breakdown of non-recurring profit and loss for the current period

Unit: Yuan Currency: RMB

Item	Amounts	Explanation
Profit or loss on disposal of non-current assets	239,093.33	
Tax return and deduction due to ultra vires approval or without formal approval documents		
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)	102,455,677.91	
Profit or loss of debt restructuring	3,130,969.27	
Enterprise restructuring costs, such as expenditures on staff placement and integration costs	-9,171,745.41	
Other non-operating income and expenses except for mentioned above	-4,399,008.15	
Other profits or losses items within the definition of non-recurring profit or loss		
Effect of income taxation	-3,827,036.47	
Total	88,427,950.48	

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
Net profit attributable to holders of ordinary shares of the Company	2.42	0.0219	0.0219
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit and loss	-16.15	-0.1463	-0.1463

3. Difference between data under domestic and international accounting standards

N/A

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.
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: 30 March 2017