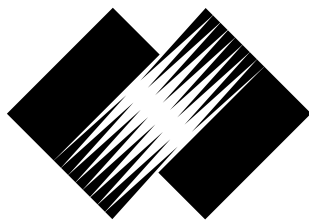


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洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED *

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

(Stock Code: 01108)

SUMMARY OF 2014 INTERIM REPORT

1 IMPORTANT NOTICE

- 1.1 This interim report summary is extracted from the interim report. Investors should carefully read the full text of the interim report as published on the websites designated by China Securities Regulatory Commission including the website of the Shanghai Stock Exchange for details.

1.2 Basic information

Stock abbreviation	Luoyang Glass	Luoyang Glass
Stock code	600876	01108
Place of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
	Secretary to the Board	Securities affairs representative
Name	Wu Zhixin	Zhao Zhiming (趙志明)
Correspondence address	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang City, Henan Province, the PRC	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang City, Henan Province, the PRC
Telephone	86-379-63908637, 63908588	86-379-63908833
Facsimile	86-379-63251984	86-379-63251984
E-mail	lywzhx@126.com	lbgsb@126.com

2. MAJOR FINANCIAL DATA AND CHANGES IN SHAREHOLDERS

2.1 Major Accounting data and financial indicators

Unit: RMB

	As at 30 June 2014	As at 31 December 2013	Increase/decrease as at 30 June 2014 from the beginning of the year (%)
Net assets attributable to shareholders of the Company	65,647,606.43	33,306,058.69	97.10
Total assets	1,262,238,557.09	1,226,528,319.88	2.91
	Reporting period	Corresponding period last year	Increase/decrease for this reporting period from the corresponding period last year (%)
Net cash flow from operating activities	6,794,700.09	-5,614,662.34	Not Applicable
Operating income	265,633,853.92	133,317,678.23	99.25
Net profit attributable to shareholders of the Company	32,267,809.50	-47,311,964.99	Not Applicable
Net profit attributable to shareholders of the Company after non-recurring items	-61,870,608.82	-49,157,900.66	Not Applicable
Basic earnings per share (<i>RMB/share</i>)	0.0645	-0.0946	Not Applicable
Diluted earnings per share (<i>RMB/share</i>)	0.0645	-0.0946	Not Applicable
Weighted average return on net assets	65.27	-43.62	Increased by 108.89 percentage points

2.2 Shareholdings of the top 10 shareholders

Total number of shareholders as at the end of the reporting period There were 17,930 shareholders of the Company in total, including 17,878 holders of A shares and 52 holders of H shares

Total number of holders of preferential shares with reinstated voting rights as at the end of the reporting period 0

Shareholdings of the top 10 shareholders

Full name of shareholder	Increase/ decrease during the reporting period	Total number of shares held as at the end of the reporting period	Shareholding Percentage (%)	Number of shares subject to trading moratorium held	Status of shares	Number of shares pledged or frozen Number	Nature of shareholder
HKSCC Nominees Limited	0	247,848,998	49.57	0	Unknown		Overseas legal person
China Luoyang Float Glass (Group) Company Limited	0	159,018,242	31.80	0	Pledged	159,018,242	State-owned legal person
Zhang Lixin	-4,944	2,760,000	0.55	0	Unknown		Domestic natural person
Mao Jianghui (毛江慧)	-11,000	2,092,599	0.42	0	Unknown		Domestic natural person
Ji Haibin (紀海濱)	-95,338	1,266,454	0.25	0	Unknown		Domestic natural person
Liu Yujun (劉宇軍)	+167,313	1,022,613	0.20	0	Unknown		Domestic natural person
Beijing Daiwei Debang Investment Consultation Co., Ltd. (北京代維德邦投資諮詢 有限公司)	0	1,021,853	0.20	0	Unknown		Domestic legal person
Zhang Ruiying (張瑞穎)	+330,000	1,000,000	0.20	0	Unknown		Domestic legal person
China Everbright Bank— Penghua Assets Longqi Chitu Quantitative Hedge Asset Management Plan (光大銀行—鵬華資產 龍旗赤兔量化對沖資產 管理計劃)	+850,100	850,100	0.17	0	Unknown		Other
Zhang Wenming (張文明)	-280,000	590,000	0.12	0	Unknown		Domestic natural person

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

Name of shareholder	Number of shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	247,848,998	Overseas listed foreign shares	247,848,998
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB	159,018,242
Zhang Lixin (張立新)	2,760,000	Ordinary shares denominated in RMB	2,760,000
Mao Jianghui (毛江慧)	2,092,599	Ordinary shares denominated in RMB	2,092,599
Ji Haibin (紀海濱)	1,266,454	Ordinary shares denominated in RMB	1,266,454
Liu Yujun (劉宇軍)	1,022,613	Ordinary shares denominated in RMB	1,022,613
Beijing Daiwei Debang Investment Consultation Co., Ltd. (北京代維德邦投資諮詢有限公司)	1,021,853	Ordinary shares denominated in RMB	1,021,853
Zhang Ruiying (張瑞穎)	1,000,000	Ordinary shares denominated in RMB	1,000,000
China Everbright Bank—Penghua Assets Longqi Chitu Quantitative Hedge Asset Management Plan (光大銀行—鵬華資產龍旗赤兔量化對沖資產管理計劃)	850,100	Ordinary shares denominated in RMB	850,100
Zhang Wenming (張文明)	590,000	Ordinary shares denominated in RMB	590,000

Explanation on connected relationship or action among the aforesaid shareholders: There are no connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies (《上市公司股東持股變動信息披露管理辦法》) issued by CSRC among the top ten shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other shareholders of circulating shares.

Note:

1. HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there were any single shareholders of H shares who held 10% or above of the Company's total share capital;
2. Save as disclosed above, as at 30 June 2014, there were no persons who have any interests or short position in any shares or underlying shares in the equity derivatives of the Company that is recorded in the register of interest kept under section 336 of the Securities and Futures Ordinance of Hong Kong.

2.3. Changes in controlling shareholder and ultimate controller of the Company

Applicable Not Applicable

III. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Discussion and Analysis on Business Operations during the Reporting Period

In the first half of 2014, the domestic glass market was trapped into the sustained downturn, especially the ex-factory price of manufacturing enterprises hit the bottom since May 2014 which led to the expansion of the scale of loss. Confronted with the adverse market situation, the Company refined target management through implementation of technical innovation. It also conducted management improvement and other measures to maintain the overall operation situation. Meanwhile, the Company accelerated adjustment on products structure, technical advance as well as transformation and upgrading to fight against the market competition and challenges in an active manner.

The Company recorded operating revenue of RMB265,633,900 for the reporting period, representing a year-on-year increase of 99.25% from RMB133,317,700 for the corresponding period of last year. The Company recorded operating profit of RMB29,359,200, to make up the deficit and achieved a surplus from RMB-51,522,200 for the corresponding period of last year. Net profit attributable to shareholders of the Company amounted to RMB32,267,800, to make up the deficit and achieved a surplus from RMB-47,312,000 for the corresponding period of last year. Basic earnings per share attributable to shareholders of the Company were RMB0.0645.

3.2 Analysis of Principal Businesses

3.2.1 Analysis of changes in relevant items in the financial statements of the Company

Unit: RMB

Item	January– June 2014	January– June 2013	Change (%)
Operating revenue	265,633,853.92	133,317,678.23	99.25
Operating costs	250,301,099.35	110,078,534.75	127.38
Selling expenses	12,629,073.36	12,127,616.18	4.13
Administration expenses	51,687,832.01	57,430,149.55	-10.00
Financial expenses	5,685,689.96	5,292,810.73	7.42
Net cash flow from operating activities	6,794,700.09	-5,614,662.34	N/A
Net cash flow from investment activities	36,718,940.00	-5,915,833.85	N/A
Net cash flow from financing activities	-23,799,531.17	-40,720,865.67	N/A
R&D expenditures	7,132,893.57	5,551,597.10	28.48

Reasons for the changes:

- (1) Operating revenue for the period increased by 99.25% year-on-year, mainly due to the increase in sales volume as a result of the increase in production capacity in the reporting period;
- (2) Operating costs for the period increased by 127.38% year-on-year, mainly due to the increase in sales volume as a result of the increase in production capacity in the reporting period;
- (3) Selling expenses for the period increased by 4.13% year-on-year, mainly due to the growth in wages of salesmen and related expenses as a result of increased production capacity;

- (4) Administrative expenses for the period decreased by 10.00% year-on-year, mainly due to the fact that the depreciation expenses of a subsidiary's production line which put back on production were no longer charged to administrative expenses;
- (5) Financial expenses for the period increased by 7.42% year-on-year, mainly due to an increase in discounting charges;
- (6) Net cash inflow from operating activities increased by RMB12,409,400 year-on-year, mainly due to the increase in revenue as a result of the increase in sales volume in the reporting period;
- (7) Net cash inflow from investment activities increased by RMB42,634,800 year-on-year, mainly attributable to the collection of payments in respect of land acquisition for reserve of previous years and the payments for disposal of equity interests in subsidiaries in the reporting period;
- (8) Net cash outflow from financing activities decreased by RMB16,921,300, mainly due to the decrease in net expense on bills due for payment and relevant deposit thereof in the reporting period as compared to the same period last year.

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

- (1) Impairment loss on assets for the period showed a year-on-year increase of RMB5,092,700, mainly due to the provision for depreciation of inventories with the signs of impairment
- (2) Investment income for the period presented an increase of 3,774.37% on a year-on year basis, which was mainly due to the revenue from disposal of the equity interest in Luobo Industrial Co., Ltd. in the period.

3.3 Analysis of Operations by Industry, Product or Region

3.3.1 Principal operations by industry and by product

Principal operations by industry

Unit: Yuan Currency: RMB

By industry	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Float glass	248,169,292.49	240,989,045.80	2.89	128.84	144.66	Decreased by 6.28 percentage points
Silica sand	12,374,634.96	6,981,955.80	43.58	-16.06	7.82	Decreased by 12.49 percentage points

Principal operations by product

Unit: Yuan Currency: RMB

By product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Float glass	248,169,292.49	240,989,045.80	2.89	128.84	144.66	Decreased by 6.28 percentage points
Including: ultra-thin glass	157,252,578.28	121,667,177.39	22.63	45.01	23.52	Increased by 13.46 percentage points
Common glass	90,916,714.21	119,321,868.41	-31.24			
Silica sand	12,374,634.96	6,981,955.80	43.58	-16.06	7.82	Decreased by 12.49 percentage points

Explanations on principal operations by industry and by product: there was no sales of or revenue from sales of common glass because the production lines of common glass were shut down due to upgrading and transformation in the same period last year.

3.3.2 Principal operations by region

Unit: Yuan Currency: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
Domestic	260,543,927.45	111.50
Overseas	<u>0</u>	<u>0</u>
Total	<u><u>260,543,927.45</u></u>	<u><u>111.50</u></u>

3.4 Analysis of core competitiveness

During the reporting period, the Company organized the production of the 0.33mm ultra-thin float glass product, which was the thinnest glass in the PRC, and launched some products into the market, which further increased the varieties of high added-value products of the Company. This has further enhanced its variety advantage, thus strengthening the competitiveness of the Company's products.

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

3.5 Analysis of investment

3.5.1 Overall analysis of external equity investment

During the reporting period, there was no increase or decrease in external investment of the Company.

Shareholdings in financial enterprises are as follows:

Name of investee	Initial amount of investment (RMB)	Percentage of shareholding at the beginning of the period (%)	Percentage of shareholding at the end of the period (%)	Carrying amount at the end of the period (RMB)	Profit or loss during the reporting period (RMB)	Change in owner's equity during the reporting period (RMB)	Accounting subject	Sources of shares
Sanmenxia Bank Holdings Limited (三門峽銀行股份有限公司)	7,000,000.00	2.92	2.92	7,000,000.00	0		Long-term equity investment	Purchase
Total	7,000,000.00	2.92	2.92	7,000,000.00	0		Long-term equity investment	Purchase

Explanation on equity interests held in financial enterprises: The Company has not received any dividend during the reporting period.

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

(1) Entrusted wealth management

During the reporting period, there was no entrusted wealth management activity.

(2) Entrusted loans

The Company did not have any external entrusted loans, while it provided entrusted loans to its subsidiaries. As at 30 June 2014, the balance of the entrusted loans provided by the Company through banks to its subsidiaries amounted to RMB416,969,000.00.

(3) Other wealth management and derivative investment

During the reporting period, there was no other wealth management and derivative investment activity.

3.5.3 Use of proceeds from fundraisings

N/A

3.5.4 Analysis of major subsidiaries and investee companies

Unit: Yuan Currency: RMB

Company name	Industry	Major products or services	Registered capital (RMB)	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
CLFG Longmen Glass Company Limited	Building materials	Manufacture of float sheet glass	20,000,000.00	226,898,808.16	-352,932,265.69	-23,441,465.16
CLFG Longfei Glass Company Limited	Building materials	Manufacture of float sheet glass	74,080,000.00	79,008,139.98	-196,948,713.20	-8,269,222.94
Yinan Mineral Products Co., Ltd. (沂南華盛礦實業有限公司)	Building materials	Mining, processing and sales of quartz sand	28,000,000.00	45,070,458.55	9,068,842.60	200,999.10
CLFG Longhai Electronic Glass Co., Ltd.	Building materials	Manufacture of float sheet glass and electronic glass	60,000,000.00	372,344,431.50	318,100,345.19	19,476,908.40
CLFG Longhao Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000.00	320,069,463.97	-177,736,303.99	-52,072,502.70
CLFG Longxiang Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000.00	73,597,388.68	-41,686,883.95	-6,166,243.47
Dengfeng CLFG Silicon Co., Ltd.	Building materials	Sales of silica sand	13,000,000.00	10,323,345.96	10,277,905.58	-310,830.05
Dengfeng Hongzhai Silicon Co., Ltd.	Building materials	Sales of silica sand	2,050,000.00	10,241,564.06	379,915.35	-51,116.65
Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司)	Building materials	Sales of glass and raw materials	500,000.00	45,228,365.55	-283,041.09	-782,736.76

3.5.5 Projects financed by non-raised capital

N/A

3.5.6 Others

(1) Bank and other loans

- a. Short-term loans: The balance at the beginning of the year amounting to RMB50,696,800 has been repaid in the reporting period and there is no balance as at the end of the reporting period.
- b. Long-term loans: The Company's long-term loans are bank loans. The balance of long-term loans as at the end of the reporting period amounted to RMB529,299,552.93, including RMB46,347,526.35 due within one year.

(2) Liquidity and capital resources

As at 30 June 2014, the Group had cash and cash equivalents of RMB48,032,274.30, including US dollar deposits of RMB115,688.55 (as at 31 December 2013: RMB113,714.38), HK dollar deposits of RMB5,731.16 (as at 31 December 2013: RMB5,630.75) and Euro deposits of RMB5.10 (as at 31 December 2013: RMB5.06). The total cash and cash equivalents increased by RMB19,716,164.20 as compared with RMB28,316,110.10 as at 31 December 2013. Cash inflows of the Group in the current period mainly came from sales revenue during the reporting period, collection of outstanding payments in respect of land acquisition for reserve in the period and gains on equity interest from disposal of subsidiary, which were mainly used as working capital and for repayment of bank loans.

(3) Gearing ratio

Gearing ratio was 1,869% for the period as compared with 1,411% for the same period last year.

(4) Contingent liabilities

At 30 June 2014, the bills that the Group had discounted or endorsed but still unexpired amounted to RMB380,016,108.01.

(5) Risk of exchange rate fluctuations

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

3.6 Business Outlook for the Second Half of 2014

In 2014, influenced by the economic environment in the PRC of structure adjustment and slow growth, the demand in downstream was low, and the support of the government on the real estate industry is damping. The increase in environmental costs resulted in the decrease of income of manufacturing enterprises. Accordingly, they would bear more operating pressure. In addition, due to the composition of various factors such as the severe overcapacity, structure adjustment, actual pressure of transformation and upgrading and etc., the glass market in 2014 was not optimistic judging from the actual operation in the first of 2014. The second half of the year is the traditional peak season with high demand in building material products. Therefore, it is expected that the absolute demand volume will increase as compared to the first half of the year, which will ease the price decline speed and pressure to some extent.

In the second half of the year, the Company will stick to the decisions and demand of the Board to proactively fight against the severe situation and challenges with the core strategy of continuous persevere in the market and the major instrument of structure adjustment. Accordingly, it will guarantee the annual operation scheme and working target.

- Coordinate controlling shareholders, de facto controllers and intermediary institutions in an active manner to promote the asset reorganization projects, accelerate the implementation of project schemes and promote the subsequent relevant works.
- Further increase the marketing promotion of 0.33mm and 0.40mm glass to maintain the steady increase of sales and stabilized profitability. Continuously enhance the market competitiveness of electronic glass business, give full play to the product advantages and synergy effect to strengthen market control capability and continuously increase its market speaking right.
- Increase and stabilize the product quality in each production line of its subsidiaries, increase the total rate of finished products to decrease production costs, increase gross profit margin and expand profit scales.
- Enhance corporate management and control, continuously consolidate management and integration results, optimize resource allocation mechanism and promote human resources management.
- Deepen compliance and internal control management to prevent various risks in an effective manner and increase regulatory operation level.

3.7 Other Disclosures

3.7.1 Repurchase, Sale and Redemption of Shares

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

3.7.2 Audit Committee

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

3.7.3 Compliance with the Corporate Governance Code

During the reporting period, the Company complied with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

3.7.4 Compliance with the Model Code

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

IV. RELATED MATTERS INVOLVING FINANCIAL STATEMENTS

- 4.1 In the reporting period, there was no change in accounting policies, accounting estimates and accounting methods.
- 4.2 In the reporting period, there were no major accounting error corrections that need retrospective restatements.
- 4.3 The consolidated scope changed as compared with the recent annual report.

As at 31 December 2013, the Company entered into the Equity Transfer Contract with Luoyang Tianyuan Real Estate Co., Ltd. (洛陽天元置業有限公司), pursuant to which, the Company transferred 100% equity interests in Luoyang Luobo Industrial Co., Ltd. (洛陽洛玻實業有限公司) to Luoyang Tianyuan Real Estate Co., Ltd. at a consideration of RMB122 million. The relevant transfer procedures were completed in February 2014. Therefore, Luoyang Luobo Industrial Co., Ltd. will not be consolidated into the Company.

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited

30 June 2014

Monetary unit: RMB

Item	30 June 2014	31 December 2013
Current assets:		
Bank balance and cash	248,052,274.30	128,509,961.33
Balances with clearing companies		
Placements with banks and other financial institutions		
Held-for-trading financial assets		
Bills receivable	990,000.00	39,799,612.49
Accounts receivable	18,219,744.20	29,651,547.60
Prepayments	17,992,824.92	13,806,820.85
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Interest receivable		
Dividends receivable		
Other receivables	40,267,736.06	81,916,322.40
Financial assets purchased under agreements to resell		
Inventories	213,932,670.85	200,349,541.58
Non-current assets due within one year		
Other current assets		
Total current assets	539,455,250.33	494,033,806.25

Non-current assets:

Entrusted loans and advances granted		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables	47,180,271.51	0.00
Long-term equity investments	7,000,000.00	7,000,000.00
Investment properties		
Fixed assets	607,786,511.83	644,340,372.61
Construction in progress	2,139,957.20	2,139,957.20
Construction materials	560,049.54	506,186.30
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	53,026,564.28	73,958,045.12
Development expenses		
Goodwill		
Long-term deferred expenses	540,000.00	0.00
Deferred income tax assets	2,437,064.61	2,437,064.61
Other non-current assets	2,112,887.79	2,112,887.79
	<hr/>	<hr/>
Total non-current assets	722,783,306.76	732,494,513.63
	<hr/> <hr/>	<hr/> <hr/>
Total assets	1,262,238,557.09	1,226,528,319.88
	<hr/> <hr/>	<hr/> <hr/>

Current liabilities:

Short-term loans	0.00	50,696,833.33
Loans from central bank		
Deposit taking and deposit in inter-bank market		
Placements from banks and other financial institutions		
Held-for-trading financial liabilities		
Bills payable	250,000,000.00	150,000,000.00
Accounts payable	306,022,998.81	282,538,381.85
Payments received in advance	63,860,214.95	41,704,096.40
Disposal of repurchased financial assets		
Handling charges and commissions payable		
Staff remuneration payables	66,112,135.32	59,538,138.48
Taxes payable	-6,510,791.80	-7,987,198.97
Interest payable		
Dividends payable		
Other payables	55,511,477.91	126,044,622.62
Reinsurance accounts payable		
Reserve for insurance contracts		
Customer deposits for trading in securities		
Customer deposits for underwriting		
Non-current liabilities due within one year	47,616,446.91	47,612,486.96
Other current liabilities		
Total current liabilities	<u>782,612,482.10</u>	<u>750,147,360.67</u>

Non-current liabilities

Long-term loans	482,952,026.58	506,104,010.11
Debentures payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities	9,404,519.67	10,179,045.75

Total non-current liabilities	492,356,546.25	516,283,055.86
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Total liabilities	1,274,969,028.35	1,266,430,416.53
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Owners' equity:

Share capital	500,018,242.00	500,018,242.00
Capital reserve	857,450,406.90	857,450,406.90
Less: Treasury shares		
Special reserve	441,632.76	367,894.52
Surplus reserve	51,365,509.04	51,365,509.04
General risk provision		
Retained earnings	-1,343,628,184.27	-1,375,895,993.77
Currency translation differences		

Total equity attributable to the owners of the Company	65,647,606.43	33,306,058.69
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Minority interests	-78,378,077.69	-73,208,155.34
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Total owners' equity	-12,730,471.26	-39,902,096.65
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Total liabilities and owners' equities	1,262,238,557.09	1,226,528,319.88
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Legal representative:

Ma Liyun

Chief accountant:

Sun Lei

*Person in charge of
accounting department:*

Chen Jing

Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited

30 June 2014

Monetary unit: RMB

Item	30 June 2014	31 December 2013
Current assets:		
Bank balance and cash	201,025,825.06	100,484,846.41
Held-for-trading financial assets		
Bills receivable	0.00	37,380,000.00
Accounts receivable	549,814,592.32	536,576,422.25
Prepayments	10,607,139.51	1,099,223.51
Interest receivable		
Dividends receivable		
Other receivables	303,389,025.43	291,258,468.88
Inventories	5,774,988.43	5,787,785.18
Non-current assets due within one year		
Other current assets		
Total current assets	<u>1,070,611,570.75</u>	<u>972,586,746.23</u>

Non-current assets:

Available-for-sale financial assets		
Held-to-maturity investments	139,969,000.00	139,969,000.00
Long-term receivables	47,180,271.51	0.00
Long-term equity investments	52,597,961.54	92,519,028.76
Investment properties		
Fixed assets	4,726,119.90	5,035,983.24
Construction in progress		
Construction materials	443,778.51	443,778.51
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	6,968,413.54	7,080,505.96
Development expenses		
Goodwill		
Long-term deferred expenses	540,000.00	0.00
Deferred income tax assets		
Other non-current assets		
	_____	_____
Total non-current assets	<u>252,425,545.00</u>	<u>245,048,296.47</u>
Total assets	<u>1,323,037,115.75</u>	<u>1,217,635,042.70</u>

Current liabilities:

Short-term loans	0.00	50,696,833.33
Held-for-trading financial liabilities		
Bills payable	250,000,000.00	150,000,000.00
Accounts payable	88,471,456.73	105,199,176.11
Payments received in advance	60,877,067.71	39,196,282.16
Staff remuneration payables	39,877,653.88	35,821,245.04
Taxes payable	3,288,701.71	678,566.99
Interest payable		
Dividends payable		
Other payables	194,796,579.88	205,350,299.14
Non-current liabilities due within one year	43,467,526.35	43,463,566.40
Other current liabilities		
Total current liabilities	680,778,986.26	630,405,969.17

Non-current liabilities:

Long-term loans	452,792,026.58	474,504,010.11
Debentures payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	452,792,026.58	474,504,010.11
Total liabilities	1,133,571,012.84	1,104,909,979.28

Owners' equity:		
Share capital	500,018,242.00	500,018,242.00
Capital reserve	891,129,782.23	891,129,782.23
Less: Treasury shares		
Special reserve		
Surplus reserve	51,365,509.04	51,365,509.04
General risk provision		
Retained earnings	<u>-1,253,047,430.36</u>	<u>-1,329,788,469.85</u>
Total owners' equity	<u><u>189,466,102.91</u></u>	<u><u>112,725,063.42</u></u>
Total liabilities and owners' equities	<u><u>1,323,037,115.75</u></u>	<u><u>1,217,635,042.70</u></u>

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

*Person in charge of
accounting department:*
Chen Jing

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2014	January–June 2013
I. Total operating revenue	265,633,853.92	133,317,678.23
Including: Operating revenue	265,633,853.92	133,317,678.23
Interest income		
Premiums earned		
Handling charges and commission income		
II. Total operating costs	329,669,173.19	187,250,455.91
Including: Operating costs	250,301,099.35	110,078,534.75
Interest expenses		
Handling charges and commission expenses		
Surrender payment		
Net expenditure for compensation payments		
Net provision for insurance contracts		
Policyholder dividend expenses		
Reinsurance costs		
Business taxes and surcharges	4,272,807.91	2,321,344.70
Selling expenses	12,629,073.36	12,127,616.18
Administrative expenses	51,687,832.01	57,430,149.55
Finance expenses	5,685,689.96	5,292,810.73
Impairment loss on assets	5,092,670.60	0.00
Others		

Add:	Gains from changes in fair value (losses are represented by “-”)		
	Investment income (losses are represented by “-”)	93,394,560.90	2,410,572.50
Including:	Gains from investment in associates and joint ventures		
	Gains from currency exchange (losses are represented by “-”)		
III. Operating profit (loss is represented by “-”)		29,359,241.63	-51,522,205.18
Add:	Non-operating income	2,228,942.66	2,897,208.34
Less:	Non-operating expenses	1,054,742.01	872,349.99
Including:	Loss from disposal of non-current assets	0.00	327,425.21
IV. Total profit (total loss is represented by “-”)		30,533,442.28	-49,497,346.83
Less:	Income tax expenses	3,503,621.19	2,813,316.51
V. Net profit (net loss is represented by “-”)		27,029,821.09	-52,310,663.34
Including:	Net profit attributable to the owners of the Company	32,267,809.50	-47,311,964.99
	Minority interests	-5,237,988.41	-4,998,698.35
VI. Earnings per share			
(1)	Basic earnings per share (RMB/share)	0.0645	-0.0946
(2)	Diluted earnings per share (RMB/share)	0.0645	-0.0946
VII. Other comprehensive income			
VIII. Total comprehensive income		27,029,821.09	-52,310,663.34
Including:	Total comprehensive income attributable to owners of the Company	32,267,809.50	-47,311,964.99
	Total comprehensive income attributable to minority interests	-5,237,988.41	-4,998,698.35

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

*Person in charge of
accounting department:*
Chen Jing

Income Statement of the Company

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2014	January–June 2013
I. Operating revenue	294,388,398.98	106,921,897.89
Less: Operating costs	289,429,370.11	104,504,140.88
Business taxes and surcharges	2,111,965.93	676,375.19
Selling expenses	1,271,732.29	957,037.09
Administrative expenses	10,708,303.93	16,048,210.85
Finance expenses	-3,312,173.01	438,065.12
Impairment loss on assets		
Others		
Add: Gains from changes in fair value		
Investment income	83,302,931.27	10,884,243.90
Including: Gains from investment in associates and joint ventures		
Gains from currency exchange (losses are represented by “-”)		
II. Operating profit	77,482,131.00	-4,817,687.34
Add: Non-operating income	278,903.85	402,543.95
Less: Non-operating expenses	1,019,995.36	437,425.21
Including: Loss from disposal of non-current assets	0.00	327,425.21

III. Total profit	76,741,039.49	-4,852,568.60
Less: Income tax expenses		
IV. Net profit	76,741,039.49	-4,852,568.60
V. Earnings per share		
(1) Basic earnings per share <i>(RMB/share)</i>		
(2) Diluted earnings per share <i>(RMB/share)</i>		
VI. Other comprehensive income		
VII. Total comprehensive income	76,741,039.49	-4,852,568.60

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

*Person in charge of
accounting department:*
Chen Jing

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2014	January–June 2013
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	140,636,459.24	78,255,170.74
Net increase in customer and interbank deposits		
Net increase in loans from central bank		
Net increase in loans from other financial institutions		
Cash received from premiums under original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment		
Net increase in disposal of held-for-trading financial assets		
Cash received from interest, handling charges and commissions		
Net increase in loans		
Net increase in income from repurchase business		
Tax rebates		
Other cash received from activities related to operation	8,364,081.92	5,267,979.47
Sub-total of cash inflow from operating activities	149,000,541.16	83,523,150.21
Cash paid for goods purchased and services rendered	80,480,437.92	31,595,239.65
Net increase in loans and advances from customers		
Net increase in deposits with central bank and interbank deposits		

Cash paid for compensation payments under original insurance contracts		
Cash paid for interest, handling charges and commissions		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employees	32,823,801.55	29,781,509.67
Tax payments	18,894,546.89	17,400,970.06
Other cash paid for activities related to operation	10,007,054.71	10,360,093.17
Sub-total of cash outflow from operating activities	142,205,841.07	89,137,812.55
Net cash flow from operating activities	6,794,700.09	-5,614,662.34

II. Cash flow from investment activities:

Cash received from disposal of investment		
Cash received from return of investments	0.00	2,410,572.50
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	38,043,000.00	2,103,211.54
Net cash received from disposal of subsidiaries and other operating entities	4,000,000.00	0.00
Other cash received from activities related to investment		
Sub-total of cash inflow from investment activities	42,043,000.00	4,513,784.04
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	324,060.00	10,429,617.89
Cash paid for investment		
Net increase in pledged loans		
Net cash paid for acquisition of subsidiaries and other operating entities		
Other cash paid for activities related to investment	5,000,000.00	0.00
Sub-total of cash outflow from investment activities	5,324,060.00	10,429,617.89
Net cash flow from investment activities	36,718,940.00	-5,915,833.85

III. Cash flow from financing activities:

Cash received from investments

Including: Proceeds received by subsidiaries

from minority shareholders'

investment

Proceeds from loans **0.00** 50,000,000.00

Cash received from issuing bonds

Other cash received from

financing-related activities

309,122,187.01

358,402,106.13

Sub-total of cash inflow from

financing activities

309,122,187.01

408,402,106.13

Repayment of loans

23,170,918.18

73,204,731.25

Cash paid for dividends, profit,

or interest payments

0.00

918,240.55

Including: Dividend and profit paid by

subsidiaries to minority

shareholders

Other cash paid for financing-related activities

309,750,800.00

375,000,000.00

Sub-total of cash outflow from

financing activities

332,921,718.18

449,122,971.80

Net cash flow from financing activities

-23,799,531.17

-40,720,865.67

IV. Effects of changes in exchange rate on**cash and cash equivalents****2,055.28**

-2,093.78

V. Net increase in cash and cash equivalents**19,716,164.20**

-52,253,455.64

Add: Opening balance of cash and

cash equivalents

28,316,110.10

55,805,556.06

VI. Closing balance of cash**and cash equivalents****48,032,274.30**

3,552,100.42

*Legal representative:***Ma Liyun***Chief accountant:***Sun Lei***Person in charge of
accounting department:***Chen Jing**

Cash Flow Statement of the Company

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2014	January–June 2013
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	128,814,707.88	47,245,800.58
Tax rebates		
Other cash received from activities related to operation	271,966,344.05	295,855,164.53
Sub-total of cash inflow from operating activities	400,781,051.93	343,100,965.11
Cash paid for goods purchased and services rendered	6,343,824.99	25,872,230.84
Cash paid to and on behalf of employees	9,078,028.03	10,563,747.82
Tax payments	1,941,394.86	1,146,504.58
Other cash paid for activities related to operation	158,105,107.64	129,350,350.22
Sub-total of cash outflow from operating activities	175,468,355.52	166,932,833.46
Net cash flow from operating activities	225,312,696.41	176,168,131.65
II. Cash flow from investment activities:		
Cash received from disposal of investment	0.00	2,946,866.81
Cash received from return of investments	38,043,000.00	780,000.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,000,000.00	0.00
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment		

Sub-total of cash inflow from investment activities	42,043,000.00	3,726,866.81
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investment	0.00	5,000,000.00
Net cash paid for acquisition of subsidiaries and other operating entities		
Other cash paid for activities related to investment	5,000,000.00	
Sub-total of cash outflow from investment activities	5,000,000.00	5,000,000.00
Net cash flow from investment activities	37,043,000.00	-1,273,133.19

III. Cash flow from financing activities:

Cash received from investments		
Proceeds from loans	0.00	50,000,000.00
Cash received from issuing bonds		
Other cash received from financing-related activities	10,000,000.00	97,561,808.49
Sub-total of cash inflow from financing activities	10,000,000.00	147,561,808.49
Repayment of loans	21,730,918.18	51,764,731.25
Cash paid for dividends, profit, or interest payments	0.00	397,129.44
Other cash paid for financing-related activities	250,000,000.00	270,000,000.00
Sub-total of cash outflow from financing activities	271,730,918.18	322,161,860.69
Net cash flow from financing activities	-261,730,918.18	-174,600,052.20

IV. Effects of changes in exchange rate on cash and cash equivalents	2,055.28	-2,093.78
V. Net increase in cash and cash equivalents	626,833.51	292,852.48
Add: Opening balance of cash and cash equivalents	398,991.55	205,919.60
VI. Closing balance of cash and cash equivalents	1,025,825.06	498,772.08

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

*Person in charge of
accounting department:*
Chen Jing

Consolidated Statement of Changes in Owners' Equity

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2014											
	Attributable to owners of the Company										Minority interests	Total owners' equity
	Share Capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total			
I. Balance at the end of last year	500,018,242.00	857,450,406.90		367,894.52	51,365,509.04		-1,375,895,993.77		33,306,058.69	-73,208,155.34	-39,902,096.65	
Add: Effects of changes in accounting policies												
Effects of correction of prior year errors												
Others												
II. Balance at the beginning of the year	500,018,242.00	857,450,406.90		367,894.52	51,365,509.04		-1,375,895,993.77		33,306,058.69	-73,208,155.34	-39,902,096.65	
III. Increase/decreased in the period (decrease is represented by "-")				73,738.24			32,267,809.50		32,341,547.74	-5,169,922.35	27,171,625.39	
(I) Net profit							32,267,809.50		32,267,809.50	-5,237,988.41	27,029,821.09	
(II) Other comprehensive income												
Sub-total of above (I) and (II)							32,267,809.50		32,267,809.50	-5,237,988.41	27,029,821.09	
(III) Owners' contribution and decrease in capital												
1. Owners' capital contribution												
2. Share based payments credited to owners' equity												
3. Others												
(IV) Profit distribution												
1. Appropriation to surplus reserve												
2. Appropriation to general risk provision												
3. Distribution to owners												
4. Others												
(v) Internal carry-forward of owners' equity												
1. Conversion of capital reserve into capital												
2. Conversion of surplus reserve into capital												
3. Making good of loss with surplus reserve												
4. Others												
(VI) Special reserve				73,738.24					73,738.24	68,066.06	141,804.30	
1. Amount withdrawn in the period				74,726.24					74,726.24	68,978.06	143,704.30	
2. Amount utilized in the period				988.00					988.00	912.00	1,900.00	
(VII) Others												
IV. Balance at the end of the period	500,018,242.00	857,450,406.90		441,632.76	51,365,509.04		-1,343,628,184.27		65,647,606.43	-78,378,077.69	-12,730,471.26	

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

Person in charge of
accounting department:
Chen Jing

Consolidated Statement of Changes in Owners' Equity

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2013										
	Attributable to owners of the Company									Minority interests	Total owners' equity
	Share Capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total		
I. Balance at the end of last year	500,018,242.00	857,450,406.90		205,847.44	51,365,509.04		-1,276,914,998.93		132,125,006.45	-61,484,589.71	70,640,416.74
Add: Effects of changes in accounting policies											
Effects of correction of prior year errors											
Others											
II. Balance at the beginning of the year	500,018,242.00	857,450,406.90		205,847.44	51,365,509.04		-1,276,914,998.93		132,125,006.45	-61,484,589.71	70,640,416.74
III. Increase/decrease in the period (decrease is represented by "-")				87,784.84			-47,311,964.99		-47,224,180.15	-4,917,666.19	-52,141,846.34
(I) Net profit							-47,311,964.99		-47,311,964.99	-4,998,698.35	-52,310,663.34
(II) Other comprehensive income											
Sub-total of above (I) and (II)							-47,311,964.99		-47,311,964.99	-4,998,698.35	-52,310,663.34
(III) Owners' contribution and decrease in capital											
1. Owners' capital contribution											
2. Share based payments credited to owners' equity											
3. Others											
(IV) Profit distribution											
1. Appropriation to surplus reserve											
2. Appropriation to general risk provision											
3. Distribution to owners											
4. Others											
(V) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into capital											
2. Conversion of surplus reserve into capital											
3. Making good of loss with surplus reserve											
4. Others											
(VI) Special reserve				87,784.84					87,784.84	81,032.16	168,817.00
1. Amount withdrawn in the period				87,784.84					87,784.84	81,032.16	168,817.00
2. Amount utilized in the period											
(VII) Others											
IV. Balance at the end of the period	500,018,242.00	857,450,406.90		293,632.28	51,365,509.04		-1,324,226,963.92		84,900,826.30	-66,402,255.90	18,498,570.40

Legal representative:

Ma Liyun

Chief accountant:

Sun Lei

Person in charge of
accounting department:

Chen Jing

Statement of Changes in Owners' Equity of the Company

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2014							
	Share Capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Total owners' equity
I. Balance at the end of last year	500,018,242.00	891,129,782.23			51,365,509.04		-1,329,788,469.85	112,725,063.42
Add: Effects of changes in accounting policies								
Effects of correction of prior year errors								
Others								
II. Balance at the beginning of the year	500,018,242.00	891,129,782.23			51,365,509.04		-1,329,788,469.85	112,725,063.42
III. Increase/decreased in the period (decrease is represented by “-”)								
(I) Net profit							76,741,039.49	76,741,039.49
(II) Other comprehensive income								
Sub-total of above (I) and (II)							76,741,039.49	76,741,039.49
(III) Owners' contribution and decrease in capital								
1. Owners' capital contribution								
2. Share based payments credited to owners' equity								
3. Others								
(IV) Profit distribution								
1. Appropriation to surplus reserve								
2. Appropriation to general risk provision								
3. Distribution to owners								
4. Others								
(V) Internal carry-forward of owners' equity								
1. Conversion of capital reserve into capital								
2. Conversion of surplus reserve into capital								
3. Making good of loss with surplus reserve								
4. Others								
(VI) Special reserve								
1. Amount withdrawn in the period								
2. Amount utilized in the period								
(VII) Others								
IV. Balance at the end of the period	500,018,242.00	891,129,782.23			51,365,509.04		-1,253,047,430.36	189,466,102.91

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

Person in charge of
accounting department:
Chen Jing

Statement of Changes in Owners' Equity of the Company

Prepared by: Luoyang Glass Company Limited

January–June 2014

Monetary unit: RMB

Item	January–June 2013							Total owners' equity
	Share Capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	
I. Balance at the end of last year	500,018,242.00	891,129,782.23			51,365,509.04		-1,369,900,445.92	72,613,087.35
Add: Effects of changes in accounting policies								
Effects of correction of prior year errors								
Others								
II. Balance at the beginning of the year	500,018,242.00	891,129,782.23			51,365,509.04		-1,369,900,445.92	72,613,087.35
III. Increase/decreased in the period (decrease is represented by “-”)								
(I) Net profit							-4,852,568.60	-4,852,568.60
(II) Other comprehensive income							-4,852,568.60	-4,852,568.60
Sub-total of above (I) and (II)							-4,852,568.60	-4,852,568.60
(III) Owners' contribution and decrease in capital								
1. Owners' capital contribution								
2. Share based payments credited to owners' equity								
3. Others								
(IV) Profit distribution								
1. Appropriation to surplus reserve								
2. Appropriation to general risk provision								
3. Distribution to owners								
4. Others								
(V) Internal carry-forward of owners' equity								
1. Conversion of capital reserve into capital								
2. Conversion of surplus reserve into capital								
3. Making good of loss with surplus reserve								
4. Others								
(VI) Special reserve								
1. Amount withdrawn in the period								
2. Amount utilized in the period								
(VII) Others								
IV. Balance at the end of the period	500,018,242.00	891,129,782.23			51,365,509.04		-1,374,753,014.52	67,760,518.75

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

Person in charge of
accounting department:
Chen Jing

NOTES TO THE FINANCIAL STATEMENTS

For the first half ended 30 June 2014 (expressed in RMB)

I. BACKGROUND OF THE COMPANY

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

II. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

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

2. Accounting period

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

3. Measurement currency

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

4. Preparation method of consolidated financial statements

The Company consolidates the controlled subsidiaries and special purpose entities into the scope of consolidated financial statements.

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

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

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

III. SEGMENT REPORTING

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

The two business segments are as follows:

1. Float sheet glass business: production and sales of float sheet glass; and sales of raw materials for production of float sheet glass.
2. Silicon sand business: manufacturing, selling and distribution of silicon sand.

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

- (1) Segments information from January to June 2014 and as at 30 June 2014:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	249,942,578.78	15,691,275.14		265,633,853.92
2. Income from inter-segment transactions		856,709.17	-856,709.17	—
3. Interest income	3,526,092.78	3,111.89	-643,500.00	2,885,704.67
4. Interest expense	242,523.11	878,471.16	-643,500.00	477,494.27
5. Asset impairment loss	5,092,670.60			5,092,670.60
6. Depreciation and amortization expenses	37,779,266.20	952,398.98		38,731,665.18
7. Total profit (“-” for loss)	31,466,961.28	-94,427.90	-839,091.10	30,533,442.28
8. Income tax expense	3,437,101.49	66,519.70		3,503,621.19
9. Net profit (“-” for loss)	28,029,859.79	-160,947.60	-839,091.10	27,029,821.09
10. Total assets	1,236,988,359.95	55,970,526.56	-30,720,329.42	1,262,238,557.09
11. Total liabilities	1,270,088,322.57	37,473,863.03	-32,593,157.25	1,274,969,028.35
12. Other important non-cash items Including: Increase in other non-current assets other than long-term equity investment (“-” for decrease)	-9,331,391.01	-379,815.86		-9,711,206.87

(2) Segments information from January to June of 2013 and as at 31 December 2013:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	114,208,594.43	19,109,083.80		133,317,678.23
2. Income from inter-segment transactions		1,108,529.01	-1,108,529.01	—
3. Interest income	3,040,180.91	3,565.77	-643,500.00	2,400,246.68
4. Interest expense	666,956.55	643,500.00	-643,500.00	666,956.55
5. Asset impairment loss				
6. Depreciation and amortization expenses	31,633,707.74	964,263.59		32,597,971.33
7. Total profit (“-” for loss)	-49,910,767.22	411,632.91	1,787.48	-49,497,346.83
8. Income tax expense	2,812,742.28	574.23		2,813,316.51
9. Net profit (“-” for loss)	-52,723,509.50	411,058.68	1,787.48	-52,310,663.34
10. Total assets	1,195,227,321.90	55,504,158.99	-31,119,625.41	1,219,611,855.48
11. Total liabilities	1,197,928,690.53	36,531,655.00	-33,347,060.45	1,201,113,285.08
12. Other important non-cash items Including: Increase in other non-current assets other than long-term equity investment (“-” for decrease)	-15,146,946.98	1,278.42		-15,145,668.56

(3) Geographic information

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

Item	Revenues from external customers		Non-current assets	
	January- June 2014	January- June 2013	30 June 2014	31 December 2013
China	<u>265,633,853.92</u>	<u>133,317,678.23</u>	<u>722,783,306.76</u>	<u>732,494,513.63</u>
Total	<u><u>265,633,853.92</u></u>	<u><u>133,317,678.23</u></u>	<u><u>722,783,306.76</u></u>	<u><u>732,494,513.63</u></u>

(4) Major customers

The Group has a diverse customer base. None of the customers, entered into transactions with amounts surpassing 10% of the Group's income.

IV. TURNOVER

Turnover represents revenue from the invoiced value of goods sold to customers, after deduction of any trade discounts and value-added tax and surcharges. Details are as follows:

(1) Details of operating income

Item	January– June 2014	January– June 2013
Income from principal operations	260,543,927.45	123,187,993.65
Other operating income	5,089,926.47	10,129,684.58
Total operating income	<u>265,633,853.92</u>	<u>133,317,678.23</u>

(2) Income from principal operations by product

Name of product or service	January– June 2014	January– June 2013
Float glass	248,169,292.49	108,446,286.73
Silicon sand	12,374,634.96	14,741,706.92
Total	<u>260,543,927.45</u>	<u>123,187,993.65</u>

V. NON-OPERATING INCOME

Item	January– June 2014	January– June 2013
Total gains on disposal of non-current assets	517,234.58	212,806.10
Including: Gain on disposal of fixed assets	517,234.58	212,806.10
Income from debt restructuring	187,500.00	238,941.43
Government grant	774,526.08	2,331,162.81
Amercement income		75,448.00
Others	749,682.00	38,850.00
Total	<u>2,228,942.66</u>	<u>2,897,208.34</u>

Note: Government grant of RMB774,526.08 (2013: RMB2,331,162.81) mainly include:

1. According to “the Reply on 2009 Additional Investment Projects Funded by the Central Government’s Budget in respect of Revitalization of Key Industries and Technical Upgrading” (關於重點產業振興和技術改造2009年新增中央預算內投資項目的覆函) (Fa Gai Ban Chan Ye [2009] No. 2425) issued by the General Office of the National Development and Reform Commission and the General Office of the Ministry of Industry and Information Technology, Longmen Company, a subsidiary of the Group, received fiscal subsidies of RMB9,720,000.00 for its ultra thin and ultra-white E-glass production line project. Among the amount, RMB607,500.00 was recognized as non-operating income in the period.
2. According to “the Notice on the Meeting Minutes of Issues about Longmen Lands” (Luo Ban Wen [2009] No. 121) (《關於龍玻公司土地問題的會議紀要的通知》) from the office of Luoyang Municipal Party Committee, a government grant of RMB2,579,200 was awarded to Longmen Company, a subsidiary of the Group for the ultra-thin and ultra-white E-glass production line project. Among the amount, RMB26,960.28 was recognized as non-operating income in the period.

3. According to the “Contract of Independent Innovation Fund Projects” entered into between Longhai Company, a member of the Group, and the Finance Department, the Development and Reform Committee and the Science and Technology Department of Henan Province in July 2011, a government grant of RMB5,000,000.00 was awarded to Longhai for the “0.45mm E-glass technology research and application projects”. A total of RMB140,065.80 out of the special fund was used by Longhai Company to cover the R&D expenses that had been incurred during the period.

VI. PROFIT BEFORE INCOME TAX

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

(1) Financial expenses

Item	January– June 2014	January– June 2013
Interest expense	242,556.30	666,956.55
Less: interest income	2,885,781.06	2,400,246.68
Exchange loss	57,952.14	27,491.34
Less: exchange income	32,573.32	125,260.64
Bills discount interest	8,141,717.65	6,526,405.37
Other expenses	161,818.25	597,464.79
	<hr/>	<hr/>
Total	<u>5,685,689.96</u>	<u>5,292,810.73</u>

(2) Investment income

Item	January– June 2014	January– June 2013
Long-term equity investment income measured by cost method		2,410,572.50
Investment income from disposal of long-term equity investment	93,394,560.90	
	<hr/>	<hr/>
Total	<u>93,394,560.90</u>	<u>2,410,572.50</u>

(3) Operating cost

Item	January– June 2014	January– June 2013
Cost of principal operations		
— Float glass	240,989,045.80	98,498,394.04
— Silicon powder	6,981,955.80	6,475,523.50
Other operating cost		
— Raw materials, water, electricity, gas and technical service, etc.	2,330,097.75	5,104,617.21
Total operating cost	<u>250,301,099.35</u>	<u>110,078,534.75</u>

(4) Business tax and surcharges

Item	Tax base	January– June 2014	January– June 2013
Business tax	5%	1,694,800.00	598,689.18
Resource tax	RMB3/t	862,225.80	1,012,902.00
City maintenance tax	5-7% of the taxable turnover tax	895,203.22	361,350.60
Education surcharges (<i>Note</i>)	3% of the taxable turnover tax	820,578.89	348,402.92
Total		<u>4,272,807.91</u>	<u>2,321,344.70</u>

Note: Education surcharges include local education surcharges. The calculation standards of the local education surcharges were 2% of the turnover tax payable.

(5) Selling expenses

Item	January– June 2014	January– June 2013
Staff's salary and welfare	4,939,632.60	2,729,801.63
Social insurance premium	1,079,216.37	813,115.65
Depreciation expenses	808,783.29	683,949.10
Transportation costs	4,008,610.08	5,048,672.74
Material consumption	811,420.03	410,632.12
Other selling expenses	981,410.99	2,441,444.94
Total	<u>12,629,073.36</u>	<u>12,127,616.18</u>

(6) Administrative expenses

Item	January– June 2014	January– June 2013
Staff's salary and welfare	13,346,615.19	12,240,705.61
Social insurance premium	4,923,107.43	5,872,196.13
Housing accumulation fund	643,350.23	847,396.76
Depreciation of fixed assets	10,405,886.19	14,262,873.94
Amortization of intangible assets	1,267,582.96	1,472,692.74
Intermediary engagement fees	4,176,579.80	5,284,200.00
Research and development expenditures	7,132,893.57	5,215,365.49
Taxes	3,006,960.88	3,078,035.17
Water and electricity charges	461,600.19	986,136.59
Other administrative expenses	6,323,255.57	8,170,547.12
Total	<u>51,687,832.01</u>	<u>57,430,149.55</u>

(7) Assets impairment losses

Item	January– June 2014	January– June 2013
1. Losses from inventory impairments	<u>5,092,670.60</u>	
Total	<u><u>5,092,670.60</u></u>	<u><u> </u></u>

(8) Non-operating expenses

Item	January– June 2014	January– June 2013
Total loss on disposal of non-current assets		327,425.21
Including: Loss on disposal of fixed assets		327,425.21
Donation		6,000.00
Indemnities, liquidated damages and penalties	1,019,995.36	93,369.27
Others	<u>34,746.65</u>	<u>445,555.51</u>
Total	<u><u>1,054,742.01</u></u>	<u><u>872,349.99</u></u>

VII. INCOME TAX EXPENSES

Item	January– June 2014	January– June 2013
Current income tax based on applicable tax laws and regulations	<u>3,503,621.19</u>	<u>2,813,316.51</u>
Total	<u>3,503,621.19</u>	<u>2,813,316.51</u>

Note: On 26 June 2013, Longhai Company, the Company’s wholly-owned subsidiary, was recognized as high-tech enterprise as verified by Henan Scientific and Technological Department, Finance Department of Henan Province, SAT, and local Taxation Bureau of Henan Province, and awarded “Hightech Enterprise Certificate” with a validity of three years. In accordance with Paragraph 2 of Article 28 of the Enterprise Income Tax Law of the PRC, Article 93 of the Regulation on the Implementation of Enterprise Income Tax Law of PRC and the relevant provisions of the Notice of the State Administration of Taxation concerning Relevant Issues for Implementation of Tax Preferential Treatment for High-Technology Enterprises (Guo Shui Han [2009] No. 203), Longhai Company enjoys 15% enterprise income tax in 2014. The applicable enterprise income tax for the Company and other subsidiaries is 25%.

VIII. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2014.

IX. BASIC EARNINGS PER SHARE

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

Item	January– June 2014	January– June 2013
Net profit attributable to ordinary shareholders of the Company	32,267,809.50	–47,311,964.99
Total number of shares at the beginning of the period	500,018,242.00	500,018,242.00
Basic earnings per share	<u>0.0645</u>	<u>–0.0946</u>

No diluted earnings per share is calculated as there are no dilutive potential shares of the Company for the six months ended 30 June 2014.

X. TRADE AND BILLS RECEIVABLES

1. Trade receivables:

Item	Closing balance	Opening balance
Trade receivables	68,850,125.51	80,281,928.91
Less : provision for bad debts	50,630,381.31	50,630,381.31
Net trade receivables	<u>18,219,744.20</u>	<u>29,651,547.60</u>

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

The aging of trade receivable based on their recording dates is analysed below:

Aging	Closing balance	Opening balance
Within 1 year	13,462,134.02	25,731,377.61
1–2 years	3,556,907.08	2,821,542.85
2–3 years	3,396,946.07	3,890,179.97
3–4 years	723,120.14	1,944,439.71
4–5 years	1,816,629.43	1,095,404.38
Over 5 years	45,894,388.77	44,798,984.39
Total	<u>68,850,125.51</u>	<u>80,281,928.91</u>

2. Bills receivables by category

Item	Closing balance	Opening balance
Bank acceptance	990,000.00	39,799,612.49
Trade acceptance		
Total	<u>990,000.00</u>	<u>39,799,612.49</u>

XI. TRADE AND BILLS PAYABLES

1. Aging of trade payables

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	166,001,363.04	54.25	130,718,211.22	46.27
1-2 years	10,473,919.00	3.42	23,075,892.73	8.17
2-3 years	16,552,898.66	5.41	72,735,956.71	25.74
Over 3 years	112,994,818.11	36.92	56,008,321.19	19.82
Total	<u>306,022,998.81</u>	<u>100.00</u>	<u>282,538,381.85</u>	<u>100.00</u>

2. Bills payables by category

Item	Closing balance	Opening balance
Bank acceptance	250,000,000.00	150,000,000.00
Trade acceptance	_____	_____
Total	<u>250,000,000.00</u>	<u>150,000,000.00</u>

Notes:

- There were no bills payable to shareholders holding 5% or more of the voting shares of the Company at the end of the period.
- Bills payable are mainly bank acceptances issued by the Group for purchase of materials, commodities or products with the repayment period ranging from one to six months.

XII. RESERVE

1. Capital reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium	787,299,489.41			787,299,489.41
Other capital reserves	<u>70,150,917.49</u>			<u>70,150,917.49</u>
Total	<u><u>857,450,406.90</u></u>			<u><u>857,450,406.90</u></u>

2. Special reserves

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Special reserve funds	<u>367,894.52</u>	<u>74,726.24</u>	<u>988.00</u>	<u>441,632.76</u>
Total	<u><u>367,894.52</u></u>	<u><u>74,726.24</u></u>	<u><u>988.00</u></u>	<u><u>441,632.76</u></u>

3. Surplus reserve

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	<u>51,365,509.04</u>			<u>51,365,509.04</u>
Total	<u><u>51,365,509.04</u></u>			<u><u>51,365,509.04</u></u>

4. Undistributed profits

Item	Closing balance	
	Amount	Percentage of allocation or distribution
Undistributed profit at the end of the previous year before adjustment	-1,375,895,993.77	
Total of adjustment of undistributed profit at the beginning of the year (+/-)		
Undistributed profit at the beginning of the year after adjustment	-1,375,895,993.77	
Add: Net profit attributable to owners of the Company during the period	32,267,809.50	—
Less: Allocation to statutory surplus reserve		
Allocation to discretionary surplus reserve		
Allocation to general risk provisions		
Dividend of ordinary shares payable		
Dividend of ordinary shares transferred into the share capital		
Undistributed profit at the end of the period	<u>-1,343,628,184.27</u>	<u> </u>

XIII. EVENTS AFTER BALANCE SHEET DATE

Nil

Chairman: Ma Liyun
Luoyang Glass Company Limited
 27 August 2014

* *For identification purpose only*