



# 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

# 2014

ANNUAL REPORT

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## Important Notice

- I. The board of directors (the "Board"), the supervisory committee and the directors (the "Directors"), supervisors and senior management of the Company confirm that the information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
- II. Mr. Liu Tianni, being an independent non-executive Director of the Company, appointed Mr. Huang Ping, being an independent non-executive Director, to exercise voting rights on his behalf in respect of all matters considered at the meeting. The other 9 Directors attended the Board meeting.
- III. PKF DAXIN Certified Public Accountants LLP has issued an auditors' report with standard unqualified opinions for the Company.
- IV. Ma Liyun, the Chairman of the Company, Sun Lei, the Chief Financial Controller and 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 2014 was RMB16,004,700, together with the undistributed profit RMB-1,375,896,000 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,359,891,300. Therefore, the Company will not distribute profit for 2014 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. Has the controlling shareholder of the Company and its associates misappropriated the Company's funds?  
No
- VIII. Has the Company provided external guarantees in violation of any specified decision-making procedures?  
No

# Definitions and Notice of Significant Risks

## I. Definitions

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

### Definitions of frequently-used terms

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

## II. Notice of Significant Risks

The Company has described in detail the existing risk factors in this report. Please refer to the content about potential risk factors and countermeasures in the discussion and analysis about future development of the Company in the Report of the Directors.



# Company Profile

## 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	Ma Liyun

## II. Contact Persons and Contact Methods

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

## III. Basic Information

Registered address	No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the People's Republic of China (the "PRC")
Postal code	471009
Office address	No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the People's Republic of China
Postal code	471009
Website of the Company	<a href="http://www.zhglb.com/">http://www.zhglb.com/</a>
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	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
Place for inspection of annual reports	Secretary Office of the Board of Luoyang Glass Company Limited

## V. Basic Information of the Company's Shares

### 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 the change
A share	Shanghai Stock Exchange	洛陽玻璃	600876	
H share	The Stock Exchange of Hong Kong Limited	Luoyang Glass	01108	

# Company Profile

## VI. Changes in Registration Particulars of the Company during the Reporting Period

### (I) Basic information

There was no change in registration particulars of the Company during the reporting period.

### (II) Enquiry index relating to initial registration particulars of the Company

Details of the initial registration particulars of the Company are available in the Basic Corporate Information section of the 1994 annual report.

### (III) Changes in principal operations since the Company was Listed

There was no change in principal operations since the Company was listed.

### (IV) Changes in controlling shareholder since the Company was listed

There has been no change in the controlling shareholder (i.e. China Luoyang Float Glass (Group) Company Limited) since the Company was listed.

## VII. Other information

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

## VIII. 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

# Summary of Accounting Data and Financial Indicators

## I. 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: RMB

Major accounting data	2014	2013	Increase/decrease over the same period last year (%)	2012
Operating income	<b>612,541,199.49</b>	375,735,014.43	63.02	553,687,171.35
Net profit attributable to shareholders of the listed company	<b>16,004,696.49</b>	-98,980,994.84	N/A	5,093,137.28
Net profit attributable to shareholders of the listed company after deducting extraordinary profit or loss	<b>-152,872,896.29</b>	-126,902,481.73	N/A	-62,801,994.21
Net cash flow from operating activities	<b>-40,828,687.97</b>	10,986,238.59	-471.63	8,734,731.95

	As at the end of 2014	As at the end of 2013	Increase/decrease over the end of the same period last year (%)	As at the end of 2012
Net assets attributable to shareholders of the listed company	<b>49,399,018.40</b>	33,306,058.69	48.32	132,125,006.45
Total assets	<b>1,057,067,719.83</b>	1,226,528,319.88	-13.82	1,302,782,333.52

### (II) Major Financial Indicators

Major Financial Indicators	2014	2013	Increase/decrease over the same period last year (%)	2012
Basic earnings per share (RMB/share)	<b>0.0320</b>	-0.1980	N/A	0.0102
Diluted earnings per share (RMB/share)	<b>0.0320</b>	-0.1980	N/A	0.0102
Basic earnings per share after deducting extraordinary profit or loss (RMB/share)	<b>-0.3057</b>	-0.2538	N/A	-0.1256
Weighted average return on net assets (%)	<b>38.74</b>	-119.78	Increased by 158.52 percentage points	3.93
Weighted average return on net assets after deducting extraordinary profit or loss (%)	<b>-370.08</b>	-153.57	Decreased by 216.51 percentage points	-48.47

# Summary of Accounting Data and Financial Indicators

## II. Difference under Domestic and International Accounting Standards

N/A

## III. Extraordinary Items and Amounts

Unit: RMB

Extraordinary Items	2014	Note (if applicable)	2013	2012
Profit/loss on disposal of non-current assets	<b>94,060,093.39</b>		18,426,457.56	4,797,498.51
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	<b>63,601,752.16</b>		10,105,688.89	61,845,855.41
Profit/loss from debt restructuring	<b>237,500.00</b>		677,002.87	695,482.34
Costs of corporate reorganisation, i.e. expenses for staff settlement, integration costs, etc				-407,925.00
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	<b>4,223,405.41</b>			
Other non-operating income and expenses other than the aforesaid items, net	<b>7,220,118.93</b>		-1,248,574.33	1,158,948.75
Amount of effect on minority interest	<b>-524,995.74</b>		140,277.65	-114,322.50
Amount of effect on income tax	<b>59,718.63</b>		-179,365.75	-80,456.02
Total	<b>168,877,592.78</b>		27,921,486.89	67,895,081.49

## IV. Items Measured at Fair Value

N/A

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation of the Company during the Reporting Period

During the Reporting Period, the Company was still confronted with numerous adverse factors, including the continuous downturn in the common glass market, contradiction between supply and demand in the electronic glass market and the increase in cost resulting from the rise in natural gas price, etc. Through measures including scientific renovation, structural adjustment, management optimization, assets disposal, the Company kept the continuous operation of production and operation and basically achieved the annual profit targets.

During the Reporting Period, the Company recorded an operation revenue of RMB612,541,200, representing a year-on-year increase of 63.02%; recorded an operating profit of RMB-63,256,600, representing a year-on-year reduction of loss of 72,270,700; recorded a net profit attributable to the shareholders of the company of RMB16,004,700, representing a year-on-year increase of RMB114,985,700, mainly attributable to gain from disposal of equity interests of subsidiaries and government grant.

The operations during the Reporting Period are as follows:

— **Implement innovation to promote the profitability of products.**

The Company proactively undertook research and development of new innovative products with high techniques and proprietary intellectual property rights. During the Reporting Period, 0.33mm ultra-thin glass achieved commercial production smoothly. The number of the categories of ultra-thin glass of the Company were increased to twelve, which further consolidated and improved the market competitiveness in the ultra-thin glass region. 1.1mm ultra-white and ultra-thin glass was approved to be a strategic creative production project in the national major new products scheme in 2014.

During the Reporting Period, the Company held new products presentation regarding 0.33mm and 0.4mm ultra-thin electronic float glass as well as 0.6mm and 0.7mm ultra-white and ultra-thin glass float glass, at which, the new products of the Company were recognized by the market and customers.

— **Implement significant asset restructuring to facilitate the transformation and upgrade, with the purpose of enhancing the continuous profitability.**

In order to strengthen its competitiveness and continuous profitability, the Company implemented significant asset restructuring in order to achieve the material adjustments of development strategies. On 30 June 2014, the shares of the Company were suspended from trading. On 31 December 2014, the Company entered into the Framework Agreement in Relation to the significant asset exchange and the issue of Shares, as well as raising funds (the "Framework Agreement") with China Luoyang Float Glass (Group) Company Limited. According to the Framework Agreement, the Company intended to exchange its equity interests in the subsidiaries which operated ordinary float glass business and other business and the amounts due from the subsidiaries to the Company ("the Disposal") for 100.00% equity interest in Bengbu China Building Information Display Materials Co. Ltd.\* (蚌埠中建材信息顯示材料有限公司). The difference between the considerations of the Disposal and the Acquisition will be settled by the issue of Shares by the Company to CLFG. Meanwhile, in order to promote the integrated efficiency of this transaction, the Company intended to issue shares to no more than other ten specific investors to raise funds. The amount of gross funds raised will not exceed 25% of the transaction amount. On 2 and 5 January 2015, the shares of the Company resumed its trading in Hong Kong and Shanghai.

At present, the restructuring work has entered the relevant appraisal and filing process with SASAC. Upon completion of relevant work, the Company will enter into a formal agreement to supersede the Framework Agreement, and will hold another Board meeting to consider all issues in relation to this transaction, and proposed them to the general meeting for consideration.



# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation *(Continued)*

If the restructuring is successfully completed, the Company will possess three electronic glass production lines, becoming the largest electronic glass production enterprise, and will basically realize the successful transformation from the traditional construction material region to electronic information display region. This transformation will effectively promote the asset quality, financial position and profitability of the Company, and be in favor of the interests of the shareholders of the Company.

- Optimize management and control mode to enhance performance assessment and promote management efficiency. First, the Company reformed the performance assessment model in the ultra-thin glass production lines and relevant production units to enlarge the production of high added value products, like A-class products, and the monthly remuneration weight of provisions for new products, in order to stimulate quality improvement and consumption reduction, product creation and market innovative potential. Second, the Company reinforced benchmark management. Through monthly on-site benchmark meetings and participation in China Building glass platform benchmark meetings, the Company compared and analyzed the differences between the production and operation indicators with the annual targets and progress plans of each subsidiary, to find out reasons and stipulate measures to improve, enhance and promote the management. Third, the Company revised, optimized and integrated more than ten management systems to promote normalization, systematicness and suitability. Meanwhile, we strengthened the supervision, examination and assessment on the implement of systems to enhance management efficiency and reduce management cost.
- Continue the promotion of disposal of idle assets to increase income. During the Reporting Period, the Company acquired long-term equity investment disposal income of RMB93,394,600, and endeavored to obtain land reserve financial grant of RMB60,012,700.
- Proactively promoted the construction of energy conservation and environment protection projects. The Company accomplished the establishment of glass production lines cogeneration projects of Longhao Company and put it into grid-connected operation, which will better achieve the target of realization of energy comprehensive utilization and reduction of production and operation cost. In addition, the Company has all-roundly started the denitration, desulfuration, dedusting environmental protection projects regarding the production lines in operation. Upon completion of production, the projects will reach the national and industrial environmental protection requirements.

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (I) Analysis of Principal Businesses

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

Unit: RMB

Item	2014	2013	Change (%)
Operating income	<b>612,541,199.49</b>	375,735,014.43	63.02
Operating costs	<b>576,252,408.19</b>	322,728,783.02	78.56
Selling expenses	<b>26,065,248.80</b>	22,648,035.94	15.09
Administration expenses	<b>110,155,298.65</b>	107,131,092.30	2.82
Finance expenses	<b>6,160,463.44</b>	9,554,004.27	-35.52
Net cash flow from operating activities	<b>-40,828,687.97</b>	10,986,238.59	- 471.63
Net cash flow from investment activities	<b>94,559,344.33</b>	-74,851.10	N/A
Net cash flow from financing activities	<b>-58,609,501.28</b>	-38,397,140.08	N/A
R&D expenditures	<b>12,235,056.31</b>	8,929,713.21	37.02

#### 2. Revenue

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

The income from business operations of the Company is mainly from sales of physical products (glass and silicon sand). During the Reporting Period, the Company recorded an operating revenue of RMB612,541,200, representing an increase of 63.02% as compared to that of last year.

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

During the Reporting Period, the sales of glass products of the Company recorded a significant growth due to the increase in production. Therefore, the income from glass products increase attributable to the increase in sales.

##### (3) Impact analysis of new products and new services

In January 2014, the Company successfully researched and developed 0.33mm ultra-thin glass products, which is the thinnest glass in the PRC. Accordingly, we achieved continuous and stable production. The successful and stable production of 0.33mm ultra-thin glass products further enriched the categories of high added value products of the Company.

##### (4) Major sales to customers

The total sales to the top five customers amounted to RMB135,191,553.84, representing 22.07% of the Company's total operating income, among which, the sales to Huayi Glass, one of the top five customers, accounted for 3.55% of the Company's total operating income for the year. Huayi Glass is a subsidiary controlled by CNBMG, the de facto controller of the Company.

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (I) Analysis of Principal Businesses (Continued)

#### 3. Costs

##### (1) Analytical Statement of Costs

Unit: RMB

##### By industry

By industry	Component of cost	2014	Percentage over total cost for the current period (%)	2013	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)	Explanation
Float glass	Direct materials	451,628,467.57	80.91	242,233,937.54	80.33	86.44	Increase in sales
	Direct labour	27,042,582.07	4.84	14,353,487.12	4.76	88.40	
	Manufacturing expenses	79,504,348.11	14.25	44,962,044.26	14.91	76.83	
Silica sand	Direct materials	10,489,190.17	78.92	8,880,160.25	80.11	18.12	Increase in sales
	Direct labour	1,457,039.47	10.96	1,105,999.34	9.98	31.74	
	Manufacturing expenses	1,344,719.63	10.12	1,099,015.31	9.91	22.36	

##### By products

By products	Component of cost	2014	Percentage over total cost for the current period (%)	2013	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)	Explanation
Common glass	Direct materials	267,177,481.79	84.23	52,021,080.34	86.07	413.59	Increase in sales
	Direct labour	10,349,347.78	3.26	2,300,199.70	3.80	349.93	
	Manufacturing expenses	39,661,991.32	12.51	6,121,481.15	10.13	547.91	
Ultra-thin glass	Direct materials	184,450,985.78	76.54	190,212,857.20	78.89	-3.03	Increase in labour expenses due to bonus of the research and development of new products
	Labour	16,693,234.29	6.93	12,053,287.42	5.00	38.50	
	Manufacturing expenses	39,842,356.79	16.53	38,840,563.11	16.11	2.58	
Silica sand	Direct materials	10,489,190.17	78.92	8,880,160.25	80.11	18.12	Increase in sales
	Direct labour	1,457,039.47	10.96	1,105,999.34	9.98	31.74	
	Manufacturing expenses	1,344,719.63	10.12	1,099,015.31	9.91	22.36	

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (I) Analysis of Principal Businesses (Continued)

#### 3. Costs (Continued)

##### (2) Major Suppliers

The procurement amount of the top five suppliers was RMB317,738,226.95, representing 60.54% of the total procurement amount, among which CLFG Yuantong Energy Co., Ltd. is the largest supplier (accounting for 21.39% of the total procurement amount), the Directors and vice chairman of which was Mr. Guo Yimin, the formal director of the Company.

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

#### 4. Expenses

Unit: RMB

Item	2014	2013	Changes (%)	Reasons of changes
Selling expenses	<b>26,065,248.80</b>	22,648,035.94	15.09	Increase in remunerations and relevant expenses in the period
Administration expenses	<b>110,155,298.65</b>	107,131,092.30	2.82	
Financial expenses	<b>6,160,463.44</b>	9,554,004.27	-35.52	Decrease in interest expenditure, discount charge, commission charge of trust loans
Income tax expenses	<b>8,125,432.82</b>	3,287,385.84	147.17	Increase in profit of Longhai Company, a subsidiary of the Company

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (I) Analysis of Principal Businesses (Continued)

#### 5. R&D expenditures

##### (1) R&D expenditures

Unit: RMB

Expensed research and development expenditure in the period	12,235,056.31
Capitalized research and development expenditure in the period	
Total research and development expenditure	12,235,056.31
Percentage of total research and development expenditure to net assets (%)	N/A
Percentage of total research and development expenditure to operating revenue (%)	2.00

##### (2) Explanation

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

#### 6. Cash flow

- (1) The net cash flow from operating activities amounted to RMB-40,828,700, representing an increase in net expenditure of RMB51,814,900 over RMB10,986,200 for the same period last year, mainly due to the increase in material expenses and employee remuneration expenses during the period.
- (2) The net cash flow from investing activities amounted to RMB94,559,300, representing an increase of net inflow of RMB94,634,200 over RMB-74,900 for the same period last year, mainly due to that the Company received the land purchase and reserve excess funds and government grant during the period.
- (3) The net cash flow from financing activities amounted to RMB-58,609,500, representing an increase of net outflow of RMB20,212,400 over RMB-38,397,100 for the same period last year, mainly due to the increase in the borrowings received and borrowings repaid during the period.



# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (I) Analysis of Principal Businesses (Continued)

#### 7. Others

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

- ① **Investment income:** During the Reporting Period, investment income increased by 4,000.38% to RMB98,842,500 from the same period last year, mainly due to income generated from disposal of equity interest in subsidiaries during the period.
- ② **Non-operating income:** During the Reporting Period, non-operating income increased by 163.30% to RMB81,654,500 from the same period last year, mainly due to increase in government subsidy received during the period.

##### (2) Implementation progress of the Company on Financing Activities and Significant Asset Restructuring

During the reporting period, the Company initiated the significant asset restructuring.

On 30 June 2014, shares of the Company suspended trading due to significant event.

On 14 July 2014, shares of the Company continued to suspended trading due to significant asset restructuring. The Company started to organize relevant intermediaries including the auditors, appraisal institutions, legal adviser, financial adviser and independent financial adviser to carry out various works. During the suspension of trading, the Company earnestly fulfill its information disclosure liabilities and published announcement on the progress of the significant asset restructuring based on the progress of the restructuring every five trading days.

On 31 December 2014, the plan for the restructuring was approved at the 33rd meeting of the seventh session of the Board of the Company. The Company entered into the Framework Agreement in Relation to the Significant Asset Exchange and the Issue of Consideration Shares, as well as the Proposed A Share Placing with China Luoyang Float Glass (Group) Company Limited (“CLFG”)(《洛陽玻璃股份有限公司與中國洛陽浮法玻璃集團有限責任公司關於重大資產置換及發行股份購買資產並募集配套資金的框架協議》)(the “Framework Agreement”).

On 2 and 5 January 2015, the H shares and A shares of the Company resumed trading on the Hong Kong Stock Exchange and Shanghai Stock Exchange respectively.

Up to now, the following decision-making and approval procedures have been performed: the board of directors of CLFG considered and approved the relevant resolutions in relation to the restructuring; SASAC has pre-reviewed and approved the restructuring; after the plan for the restructuring was considered and approved at the 33rd meeting of the seventh session of the Board of the Company, the Company entered into the Framework Agreement with the counterparty.

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation *(Continued)*

### (I) Analysis of Principal Businesses *(Continued)*

#### 7. Others *(Continued)*

#### (2) Implementation progress of the Company on Financing Activities and Significant Asset Restructuring *(Continued)*

The restructuring is still subject to, including but not limited to, the following decision-making and approval procedures:

To file the valuation report of transaction object with the SASAC; to consider and approve resolutions relating to the restructuring by the Board of the Company, and enter into agreement with the counterparty;

To obtain approval of SASAC for the significant assets restructuring;

To obtain approval of non-connected shareholders in respect of this transaction at the general meeting and class meeting for holders of A shares of the Company; to approve acquisition of shares of the Company by CLFG by way of general offer at the general meeting of the Company;

To obtain approval of independent shareholders (under relevant regulations of Hong Kong Securities Regulatory Authorities) in respect of this transaction at the general meeting and class meeting for holders of H shares; to approve Whitewash Waiver relating to this transaction at the general meeting of the Company;

To be granted Whitewash Waiver by The Hong Kong Securities and Futures Commission;

To obtain approval from CSRC in respect of this significant assets restructuring.

The implementation of the restructuring is subject to approval for all of the aforesaid matters.

#### (3) Progress of development strategies and operating plan

In order to solve peer competition and promote the continuous profitability, the Company started material asset restructuring to realize the successful transformation from the traditional construction material region to electronic information display region.

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (II) Analysis of operations by industry, products or regions

#### 1. Statement of the principal operations by industry and products

Unit: RMB

#### Principal operations by industry

By industry	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease of operating income as compared with last year (%)	Increase/decrease of operating costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
Float glass	578,920,975.34	558,175,397.75	3.58	75.18	85.10	Decreased by 5.17 percentage points
Silica sand	23,861,594.36	13,290,949.27	44.30	-0.75	19.90	Decreased by 9.59 percentage points

#### Principal operations by products

By products	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease of operating income as compared with last year (%)	Increase/decrease of operating costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
Common glass	246,722,694.09	317,188,820.89	-28.56	348.63	424.78	Decreased by 18.65 percentage points
Ultra-thin glass	332,198,281.25	240,986,576.86	27.46	20.59	-0.05	Increased by 14.99 percentage points
Silica sand	23,861,594.36	13,290,949.27	44.30	-0.75	19.90	Decreased by 9.59 percentage points

Explanation of principal operations by industry and products

Increase in ultra-thin glass was attributable to the new additional profit drivers created for the Company through research and development of new products during the Reporting Period.

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation *(Continued)*

### (II) Analysis of operations by industry, products or regions *(Continued)*

#### 2. Principal operations by regions *(Continued)*

Unit: RMB

Regions	Revenue from principal operations (RMB)	Increase/decrease of revenue from principal operations as compared with last year (%)
PRC	602,782,569.70	70.03

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

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (III) Analysis of assets and liabilities

#### 1. Analytical statement of assets and liabilities

Unit: RMB

Item	Closing balance of this period	Percentage of closing balance of this period over the total assets (%)	Closing balance of last period	Percentage of closing balance of last period over the total assets (%)	Increase/ decrease of closing balance of this period over closing balance of last period (%)	Explanation
Monetary funds	68,478,221.61	6.48	128,509,961.33	10.48	-46.71	Mainly due to the increase in notes deposits
Bills receivable	400,000.00	0.04	39,799,612.49	3.24	-98.99	Mainly due to the increase in payments of products fee by notes
Prepayment	7,692,326.00	0.73	13,806,820.85	1.13	-44.29	Mainly due to the settlement of prepayments of the bulk raw material fee
Other receivables	37,020,177.60	3.50	81,916,322.40	6.68	-54.81	Mainly due to the receiving of balances of land purchase and reserve fee in the previous years
Other current assets	21,865,034.21	2.07	0	0		Mainly due to the reclassification of the amount of the debtor from the tax payables to this item
Held-for-sale financial assets	4,343,500.00	0.41	7,000,000.00	0.57	-37.95	Mainly due to the disposal of certain equity interest
Long-term receivables	48,649,780.65	4.60	0	0		Mainly due to the disposal of equity interest in the subsidiaries
Short-term borrowings	10,000,000.00	0.95	50,696,833.33	4.13	-80.27	Mainly due to the repayment of borrowings
Bills payables	90,000,000.00	8.51	150,000,000.00	12.23	-40.00	Mainly due to the payment of expired bills
Receivables	57,399,049.54	5.43	41,704,096.40	3.4	37.63	Mainly due to the increase in prepayment for goods
Tax payables	27,800,706.43	2.63	-7,987,198.97	-0.65	448.07	Mainly due to the reclassification of the amount of the debtor in the tax payables from this item to other current asset item
Other payables	80,705,153.66	7.63	126,044,622.62	10.28	-35.97	Mainly due to the roll out of first batch of amount received in the preliminary disposal resulted from the completion of disposal transaction of industrial equity



# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation *(Continued)*

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

#### 1. Analytical statement of assets and liabilities *(Continued)*

##### (1) Capital liquidity

As at 31 December 2014, the Group's liquidity ratio was 0.59 (31 December 2013: 0.66) and quick ratio was 0.25 (31 December 2013: 0.39). The turnover rate of accounts receivable for the year was 7.84 times (31 December 2013: 3.46); and the turnover rate of inventory was 2.17 (31 December 2013: 1.32 times).

##### (2) Financial resources

As at 31 December 2014, the Group's cash and cash equivalents amounted to RMB23,437,695.65, including 99.49% of RMB and 0.51% of US\$ and other foreign currencies.

As at 31 December 2014, the Group's bank loans amounted to RMB515,829,398.25 (31 December 2013: 603,144,409.84), including short-term loans amounting to RMB10,000,000.00 (31 December 2013: 50,696,833.33) and long-term loans amounting to RMB505,829,398.25 (31 December 2013: 552,447,576.51).

##### (3) Capital structure

As at 31 December 2014, the Group's current liabilities amounted to RMB627,022,560.25 (31 December 2013: RMB748,878,440.11), representing a decrease of 16.27% from 2013; long term liabilities amounted to RMB469,434,675.53 (31 December 2013: RMB517,551,976.42), representing a decrease of 9.30% from 2013; and equity attributable to shareholders of the Company amounted to RMB49,399,018.40 (31 December 2013: RMB33,306,058.69), representing an increase of 48.32% from 2013.

#### 2. Explanation for changes in assets measured by fair value and measure nature of major assets

There is no changes in assets measured by fair value and measure nature of major assets.

### (IV) Analysis of core competitiveness

- Brand advantage.** The Company is the place of origin for one of three major float glass manufacturing methods in the world — "Luoyang Float Glass Technology". The Company has successively won "National Quality Award for Float Glass - Silver Award (國家浮法玻璃質量獎 — 銀質獎)", "Gold Invention Award (金質發明獎)", "National Consumer Trustworthy Product (全國消費者信得過產品)", "Well-known Trademark (馳名商標)", "National Science & Technology Progress Award (first class) (國家科學技術進步一等獎)", etc. "CLFG" (洛玻) brand still domestically enjoys certain popularity and brand recognition.
- Strong capacity in respect of technical development and innovation.** The Company possesses core production technology of float glass and a number of proprietary intellectual property rights and holds a leading position in the industry in terms of the production technology of ultra-thin, ultra-thin and ultra-white, and ultra-thick float glass. In addition, it owns teams of and experience in product research and development and tackling key problems in production technology.

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (IV) Analysis of core competitiveness (Continued)

3. **Many varieties of ultra-thin glass products and high market share.** During the reporting period, the Company has successfully launched the production of the 0.33mm ultra-thin float glass, increased the varieties of the Company's ultra-thin glass products to twelve, which further enhanced the variety advantage of ultra-thin glass products of the Company, thus strengthening the competitiveness of the Company's products.

In March 2015, the thinnest 0.28mm and 0.25mm ultra-thin glass products researched and developed by the Company also realized commercial production, which further enriched the categories of high added-value products of the Company.

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

### (V) Analysis of Investment

#### 1. Overall Analysis of External Equity Investment

##### Statement of the Company's investment in 2014

Name of investee	Principal activities	Percentage of equity in the investee (%)
CLFG Jingwei Glass Fibre Co., Ltd.	Manufacture of glass fibre and relevant products	35.90
CLFG Luoyang Jingjiu Glass Products Company Limited	Manufacture of glass packaging containers	31.08
CLFG New Lighting Company Limited	Manufacture of daily use glass products	29.45
Zhongyuan Bank Holdings Limited (中原銀行股份有限公司)	Monetary and banking services	0.0457
Luoyang Jingxin Ceramic Co., Ltd.	Manufacture of daily use ceramic products	49.00
CLFG Mineral Products Company Limited	Mining of clay and other soil, sand and stone	40.29

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (V) Analysis of Investment (Continued)

#### 1. Overall Analysis of External Equity Investment (Continued)

##### Statement of changes in external equity investment

Unit: RMB

Amount of external equity investment in the period	12,134,717.53
Amount of external equity investment in the last period	14,791,217.53
Change amount of the amount of external equity investment in the period over the amount of external equity investment in the last period	-2,656,500.00
Change of the amount of external equity investment in the period over the amount of external equity investment in the last period (%)	-17.96

#### (1) Securities Investment

The Company did not invest in any securities.

#### (2) Equity interest in other listed companies

The Company did not hold equity interests in other listed companies.

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (V) Analysis of Investment (Continued)

#### 1. Overall Analysis of External Equity Investment (Continued)

##### (3) Equity held in unlisted financial enterprises

Unit: RMB

Name of investee	Initial amount of investment	Number of shares held (Share)	Percentage of equity in the company (%)	Carrying amount at the end of the period	Profit or loss during the Reporting Period	Change in owner's equity during the Reporting Period	Accounting Subject	Source of Share
Zhongyuan Bank Holdings Limited (中原銀行股份有限公司)	7,000,000	7,039,484	0.0457	4,343,500.00	5,447,976.24		Available-for-sale financial assets	purchase
Total	7,000,000	7,039,484	0.0457	4,343,500.00	5,447,976.24	/	/	/

Explanation of equity held in unlisted financial enterprises

During the Reporting Period, the Company received a dividend of RMB1,224,570.83 from Sanmenxia Bank and disposed the 3,659,521 shares in Sanmenxia Bank held by it, receiving investment income of RMB4,223,405.41. In December 2014, Sanmenxia Bank Holdings Limited reorganized and set up Zhongyuan Bank Holdings Limited together with the other twelve city commercial banks. Upon completion of the reorganization, the total share capital of Zhongyuan Bank was 15,420,540,741 shares, of which, Longfei Company held 7,039,484 shares, accounting for 0.0457% of the total share capital.

#### 2. Entrusted wealth management and derivative investment with non-financial corporations

##### (1) Entrusted wealth management

Nil

##### (2) Entrusted loans

As at 31 December 2014, the balance of the entrusted loans provided by the Company through banks to its subsidiaries amounted to RMB412,089,000.00.

##### (3) Other entrusted wealth management and derivative investment

Nil

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (V) Analysis of Investment (Continued)

#### 3. Use of proceeds

Nil

#### 4. Analysis of major subsidiaries and investee companies

##### (1) Basic information on major subsidiaries and investee companies

Unit: RMB

Company name	Industry	Major products or services	Registered capital	Total assets	Net assets	Net profit
CLFG Longmen Glass Company Limited	Building materials	Manufacture of float sheet glass	20,000,000	225,724,040.09	-370,039,831.39	-40,549,030.86
CLFG Longfei Glass Company Limited	Building materials	Manufacture of float sheet glass	74,080,000	77,728,145.59	-209,052,093.74	-20,372,603.48
Yinan Mineral Products Co., Ltd. (沂南華盛礦產實業有限公司)	Building materials	Mining, processing and sales of quartz sand	28,000,000	44,472,712.48	3,772,669.81	-5,123,106.34
CLFG Longhai Electronic Glass Co., Ltd.	Building materials	Manufacture of float sheet glass and electronic glass	60,000,000	221,241,417.93	168,866,064.91	46,242,628.12
CLFG Longhao Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000	334,166,861.32	-264,406,434.54	-138,742,633.25
CLFG Longxiang Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000	67,143,637.08	-48,972,714.58	-13,452,074.10
Dengfeng CLFG Silicon Co., Ltd.	Building materials	Sales of silica sand	13,000,000	10,210,919.06	9,897,104.81	-691,630.82
Dengfeng Hongzhai Silicon Co., Ltd.	Building materials	Sales of silica sand	2,050,000	9,078,709.42	-822,939.29	-1,253,971.29
Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司)	Trading	Sales of glass and raw materials	500,000	20,393,393.21	-1,040,705.89	-1,540,401.56

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

Company name	Way of disposal	Impact on the overall production, operation and performance of the Company
Luoyang Luobo Industrial Co., Ltd.	Disposal of 100% equity interest	Net investment income incurred amounted to RMB93,394,560.90

#### 5. Projects not financed by proceeds

Nil



# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation (Continued)

### (VI) Special Purpose Entities Controlled by the Company

Nil

### (VII) Five-year Financial Highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2014 are summarised below:

#### Operating results

Unit: RMB

Items	2014	2013	2012	2011	2010
Operating revenue	<b>612,541,199.49</b>	375,735,014.43	553,687,171.35	920,942,939.77	1,168,481,659.06
Total profit	<b>8,468,276.57</b>	(107,566,756.55)	4,232,247.06	2,931,576.70	72,984,475.22
Income tax	<b>8,125,432.82</b>	3,287,385.84	12,320,312.18	20,563,646.03	18,356,189.14
Net profit	<b>342,843.75</b>	(110,854,142.39)	(8,088,065.12)	(17,632,069.33)	54,628,286.08
Minority interests	<b>(15,661,852.74)</b>	(11,873,147.55)	(13,181,202.40)	(29,966,628.93)	(6,159,518.23)
Net profit attributable to owners of the Company	<b>16,004,696.49</b>	(98,980,994.84)	5,093,137.28	12,334,559.60	60,787,804.31

#### Assets and liabilities

Unit: RMB

Items	2014	2013	2012	2011	2010
Bank balance and cash	<b>68,478,221.61</b>	128,509,961.33	236,619,040.45	234,137,383.86	133,207,882.32
Inventories	<b>211,781,486.51</b>	200,349,541.58	211,968,354.99	214,581,784.76	202,066,328.31
Fixed assets	<b>568,040,126.38</b>	644,340,372.61	539,787,058.69	650,334,194.36	685,824,554.04
Construction in progress	<b>698,734.75</b>	2,139,957.20	74,565,910.15	21,667,229.11	136,851,711.48
Non-current assets	<b>686,418,384.40</b>	732,494,513.63	691,983,408.59	748,309,271.91	925,541,206.00
Current liabilities	<b>627,022,560.25</b>	748,878,440.11	665,674,813.63	728,371,191.42	655,239,864.76
Non-current liabilities	<b>469,434,675.53</b>	517,551,976.42	566,467,103.15	608,704,756.66	690,079,874.01
Share capital	<b>500,018,242.00</b>	500,018,242.00	500,018,242.00	500,018,242.00	500,018,242.00
Equity attributable to owners of the Company	<b>49,399,018.40</b>	33,306,058.69	132,125,006.45	127,013,633.44	115,555,651.36
Minority interests	<b>(88,788,534.35)</b>	(73,208,155.34)	(61,484,589.71)	(48,304,436.73)	(21,360,666.47)

# Report of the Directors

## I. Discussion and Analysis of the Board about Business Operation *(Continued)*

### (VIII) Others

#### 1. *Gearing ratio*

Gearing ratio remained unchanged at 103.73% as compared with the corresponding period last year.

#### 2. *Net foreign exchange loss*

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

#### 3. *Taxation*

Details about taxation during the reporting period are set out in Note IV. "Taxation" and Notes V.(VII), V.(XXII), V.(XXXII) and V.(XL) 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 Notes V.(XI) and V.(XIII) to the financial statements.

#### 5. *Bank and other loans*

Details of bank and other loans during the reporting period are set out in Notes V.(XVII), V.(XXIV) and V.(XXV) 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 Notes V.(XXVIII), V.(XXIX) and V.(XXX) to the financial statements.

#### 9. *Accumulated losses*

As at 31 December 2014, the accumulated loss of the Company was RMB1,359,891,297.28.

#### 10. *Retirement plan of the Group*

Details of the retirement plan of the Group are set out in Note XI to the financial statements.

# Report of the Directors

## II. Discussion and Analysis of the Board on Future Development of the Company

### (I) Industry competition pattern and development trend

The national government encouraged and supported the development of the ultra-thin electronic glass industry. The "Development Guidance for the Construction Materials Industry for the Twelfth Five-Year Plan" definitely stated that the government will pay attention to develop "solar glass, ultra-thin plat glass and other highly-processed products".

During the recent years, along with the focus of the global panel display industry to the PRC, China has become the largest consumption market of panel display in the world. The consumption of LED TV, 3D TV, smart phones, panel personal computers and other electronic products will drive the development of the industry. Major downstream industries of ultra-thin glass are still in the development period, thereby the overall market demand is expected to keep the increase trend in the future. Liquid crystal display screen glass plate, glass plate used in touch screens and protection screen glass, have great demand on ultra-thin glass. At present, the national ultra-thin glass products account for a relatively small proportion of the market share, the remaining majority part is imported. Accordingly, there is still room to increase in the future.

However, in the meantime, most of the domestic enterprises started to produce ultra-thin glass, with several production lines successively put into operation. Especially since the second half of 2014, in order to fight for market shares, domestic ultra-thin glass producers enlarged the production volume of 1.1mm and 0.7mm glass, which weakened the price monopoly of foreign enterprises and resulted in the downturn of market prices of low and medium end products.

In summary, the market demand for high-end ultra-thin glass will continue the upturn in 2015, while the low and medium ultra-thin glass market will present obvious contraction of oversupply with intensifying competitions.

### (II) Development strategy

Guided by electronic float glass, the Company implemented innovative impetus on the strategic innovative products in the industry. In addition, the Company comprehensively improved and continued to optimize the techniques and equipment regarding the "Luoyang Float Glass Technology". We continuously expanded the new region of application of float glass, in a bid to become the most competitive electronic glass provider.

### (III) Business plan and measures

#### 1. Business plan for 2015

Output of float glass:	8,408,900 boxes
Sales:	8,546,200 boxes
Sales revenue:	RMB960,457,800
Cost and expenses as a proportion of the sales revenue:	97.92%

# Report of the Directors

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

### (III) Business plan and measures (Continued)

#### 2. Working policies and measures to be adopted in 2015

In 2015, the Company will spare no effort in promoting the significant asset restructuring to innovate operation system. Through acceleration of the structural adjustment and promotion of transform and upgrade, we will enhance the core competitiveness to comprehensively elevate the enterprise image, which will lead to the healthy and continuous development of Luoyang Glass. In addition, we will guarantee to complete the annual operation target to create more value for shareholders. The main tasks are as follows:

The Company will continue to advance the various subsequent work regarding the significant asset restructuring of the Company to guarantee the smooth implement of the significant asset restructuring project.

The Company will strengthen the techniques and business process as well as the adaptive matching and standard of organization structure to improve the effectiveness of operation and management. Furthermore, we will optimize the management procedures and innovate management mechanism to promote department simplification and staff elitism. With department simplification, the Company will increase efficiency and reduce cost. With hierarchy reduction, the Company will achieve flat management. With reducing redundant staff, the Company improved the labor productivity.

The Company will continue to implement product innovation. With the multi-element profile of high added-value products and innovative products, the Company could resist the risks caused by market changes. In addition, we will continue to stabilize the yield and quality of 0.33mm and 0.4mm high gross margin products to consolidate and increase the market share. We will enlarge the investment in research and development to continuously develop new products and make it a new profit growth point of the Company. Furthermore, we will perfect, optimize and improve the techniques to further improve the quality of "double-ultra" products and develop new "double-ultra" products to guide the new demand of the market, in a bid to realize the long-term production, stability and profit of "double-ultra" products.

The Company will reinforce marketing innovation and enhance market management to increase the possibility of generating profit in the marketing link. Moreover, the Company will strengthen the marketing publicity and expansion of "double-ultra" products as well as 0.25mm and 0.28mm new products to explore the market potential demand. In 2015, the Company will strive to achieve a sales of 1 million square meters of 0.25mm and 0.28mm new products, a sales of more than 2.3 million square meters of the two products of 0.4mm and 0.33mm, and an annual sales of double-ultra products of more than 1.7 million square meters.

The Company will plan and coordinate the synergy between the products of each ultra-thin glass production line and the market to give full play to the advantages of each production line to complement each other. Therefore, the Company will guarantee and better satisfy the multilevel and multi-aspect demands of the market in the links of breed structure, product quality, regional position and date of delivery, etc. In addition, the Company will improve its right of speech and pricing power in the domestic ultra-thin glass market to increase its overall competition and anti-risk capability and develop the economies of scale. The Company will focus on the business training of marketing staff to increase the comprehensive quality, increase the marketing techniques and the quality of after-sales service.

# Report of the Directors

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

### (III) Business plan and measures (Continued)

#### 2. Working policies and measures to be adopted in 2015 (Continued)

The Company will emphasize refined management to consolidate the foundation, improve endogenous power and increase the profitability of principle business. Furthermore, we will enhance the optimization of technical process, reinforce the control of technical cost and reduce the time of invalid work. The Company will increase the raw and auxiliary material utilization efficiency to reduce the production cost. In addition, the Company will promote the utilization of new techniques regarding energy conservation and environment protection to decrease energy consumption and achieve clean production. In respect of storage management, the Company stringently regulates the procedures in relation to storage, discharge and receipt of inventory material, and strictly implements regular examination system to control storage loss. Accordingly, the inventory decreased by 10% on a year-on-year basis. As for the procurement, the Company will strictly control the surrogate products, quality and cost to ensure the stability of the supply channel. In addition, we will enhance the supervision and examination to increase the work efficiency and implementation as well as the management level.

The Company will explore to implement the reform of simulative marketization remuneration system and make use of the incentive and constraint functions of remuneration and assessment to achieve person-post matching. Therefore, everyone will fully display his talents. With preferences to efficiency and benefits, we could establish a fair and transparent distribution mechanism. Furthermore, we will explore to establish the internal simulative marketization talent flow mechanism to enhance position rotation and training to cultivate inter-disciplinary talent in many aspects.

### (IV) Capital need of the Company for maintaining current operation and completing investment projects in progress

In 2015, the capital need for relevant projects will be financed by internal resources, bank loans and other ways.

### (V) Potential Risks

#### 1. Risks arising from policies and the industry

The Ministry of Industry and Information Technology newly issued the "Specifications and Conditions of the Plate Glass Industry (2014) (平板玻璃行業規範條件(2014年本))" to implement the "Guiding Opinions of the State Council on Resolving Serious Production Overcapacity Conflicts (Guo Fa [2013] No. 41) (《國務院關於化解產能嚴重過剩矛盾的指導意見》(國發[2013]41號))". The Industry Specifications further reinforced the standard constraint regarding environmental protection, energy consumption, safety and others, which is favor of promoting the restructuring and integration as well as industrial upgrade of the glass industry. Accordingly, the glass industry will develop in a healthy and orderly manner, and the investment in environmental protection of production enterprises will be increased as well.

The adjustments on the development strategies of the Company are in line with the industrial development direction and upgrade path which are encouraged and supported by the national government. Under the premise of fulfilling the demand on environmental protection by the central government, the Company proactively seeks the measures regarding energy saving and consumption reduction, cost decreasing and benefit increasing.

# Report of the Directors

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

### (V) Potential Risks (Continued)

#### 2. Risks arising from product price

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

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

#### 3. Risks arising from price of raw materials

The major raw materials of the Company's products include fuel, sodium carbonate and silica sands, the procurement costs represent a significant percentage of the product cost. Price fluctuation of raw and fuel materials might bring in certain risks in respect of increase in costs.

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

#### 4. Financial Risks

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

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

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

#### 5. Technological risks

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

# Report of the Directors

## III. Profit Distribution or Proposal for Conversion of Capital Reserve

### (I) Formulation, implementation or adjustments of cash dividend policies

Pursuant to the requirements under the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” published by CSRC and the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” (Henan Supervisory Bureau Yu Zheng Jian Fa [2012] No. 214), the Company, based on its own situation, has made amendments and improvements to Article 210 in respect of profit distribution policy in the Articles of Association of the Company. According to the “Regulatory guidelines for listed companies No. 3 — distribution of cash dividend by listed companies”, the Company further amended and improved the articles relating to cash dividend distribution in the Articles of Association in 2015.

### (II) Plan or proposal for profit distribution or for conversion of capital reserve into share capital of the Company for the last three years (including the reporting period)

Unit: RMB

Year	Bonus share for every 10 shares (share)	Dividend for every 10 shares (tax inclusive)	Conversion into share capital for every 10 shares (share)	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the Company based on the consolidated statements for the corresponding year	Percentage in net profit attributable to shareholders of the Company based on the consolidated statements (%)
2014	0	0	0	0	16,004,696.49	0
2013	0	0	0	0	-98,980,994.84	0
2012	0	0	0	0	5,093,137.28	0

### (III) Profit Distribution or Proposal for Conversion of Capital Reserve

Under the PRC GAAP, the net profit of the Company attributable to owners of the Company for 2014 was RMB16,004,700, together with the undistributed profit RMB-1,375,896,000 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,359,891,300. Therefore, the Company will not distribute profit for 2014 or convert capital reserve to the share capital.

### (IV) If profits and undistributed profit of the Company were positive during the reporting period, yet no cash dividend distribution plan has been proposed, the Company shall disclose in detail the reasons for and use and utilisation plan of the undistributed profit.

N/A



# Report of the Directors

## IV. Positive Performance of Social Responsibilities

### (I) Performance of social responsibilities

During the reporting period, the Company fully discharged its social responsibilities in accordance with the Directive of SASAC on Central Enterprises Performing Social Responsibilities. By sticking to the core idea of “maximization of resources and construction of services”, and taking “cultivation, innovation, performance, harmony and responsibility” as the core values, the Company achieved healthy and sustainable development between enterprise and employees, between enterprise and society, and between enterprise and environment. For details of the Social Responsibility Report of the Company in 2014, please refer to the Social Responsibility Report of Luoyang Glass Company Limited in 2014 disclosed by the Company on the websites of Shanghai Stock Exchange at <http://www.sse.com.cn> and Hong Kong Stock Exchange at <http://www.hkexnews.hk> for details.

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

N/A

## V. Other Disclosure Matters

### 1. Service Contracts of Directors and Supervisors

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

### 2. Management Contracts

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

### 3. Repurchase, Sale and Redemption of Shares

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

### 4. Pre-emptive Rights

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

### 5. Public Float

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

### 6. Tax Deduction for Holders of Listed Securities

During the year ended 31 December 2014, holders of listed securities of the Company were not entitled to any tax relief by reason of their holding of such securities pursuant to the laws of the PRC.

### 7. Compliance with the Corporate Governance Code

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

# Significant Events

## I. Material Litigation, Arbitration and Matters Commonly Questioned by Media

The Company did not have any material litigation, arbitration and matters commonly questioned by media during the reporting period.

## II. Appropriation of Funds and Repayment of Debt during the Reporting Period

The funds appropriated by the controlling shareholder of the Company for non-operative purposes amounted to RMB40.90 million at the beginning of the reporting period, which had been paid off during the reporting period. As at the end of the reporting period, the balance was 0. Details are as follows:

In November of 2013, it has been decided at the office meeting presided by the mayor of municipal people's government of Luoyang to deposit the spare money of the company after purchasing land to the account of the controlling shareholder, CLFG, which is an account jointly managed by the State-owned Assets Supervision and Administration Commission of Luoyang and CLFG, exclusively used for solving resettlement of the company's staff and problems left over by the past. From February to March of 2014, RMB3.8058 million deposited in the account has been used to pay out the arrearage of staff's social security and housing funds of the staff, and the spare money has been transferred to the account of the Company on 27 March 2014.

## III. Asset Transactions and Business Combinations

### (I) Acquisition, disposal of assets and business combinations disclosed in interim announcements without subsequent changes during implementation

#### Disposal of assets:

#### Overview and type of events

#### Search index

The Company disposed of 100% equity interest in Luoyang Luobo Industrial Co., Ltd. by way of public auction to Luoyang Tianyuan Real-estate Company Limited at a hammer price of RMB122 million.	Announcement Lin No. 2014-001 on 2 January 2014 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>
The transaction has been considered and approved at the 2014 first extraordinary general meeting of the Company on 21 February 2014. Relevant procedures for equity transfer were completed in March 2014.	

### (II) Events not disclosed in interim announcements or with subsequent development

#### 1. Acquisition of assets

Nil

# Significant Events

## III. Asset Transactions and Business Combinations (Continued)

### (II) Events not disclosed in interim announcements or with subsequent development (Continued)

#### 2. Disposal of assets

Unit: RMB

Counterparty	Assets disposed of	Date of disposal	Disposal price	Net profit contributed to the Company from the beginning of the year to the date of disposal	Profit or loss from the disposal	Whether a connected transaction (if so, please elaborate the pricing principle)	Pricing principle	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred	Percentage of net profit of the Company attributable to the asset disposal in total profit (%)	Connected relations
Sanmenxia Yutong Materials Co., Ltd.	3,659,521 shares of Sanmenxia Bank Co., Ltd.	2014.10	6,879,905.41	464,759.17	4,223,405.41	No	Agreement Price	Yes		33.82	Other

## IV. Material Related Party Transactions

### (I) Related party transactions relating to daily operations

#### 1. Events disclosed in interim announcements without subsequent development or changes during implementation

##### Overview of Events

##### Search Index

Longhao Company leased a 600T/D online LOW-E production line, plants, equipment and all of the assets from CLFG.

Announcement Lin. No. 2014-016 and No. 2014-027 at <http://www.sse.com.cn>, <http://www.hkexnews.hk> on 17 April 2014 and 3 June 2014 respectively

On 14 November 2014, the Company entered into five framework agreements with CLFG, CNBMG Group and Fangxing Science & Technology, and estimated the annual caps for continuing connected transactions for 2015-2017. The agreements is relating to financial service, engineering equipment and materials supply, technical services, raw materials supply and product sale, as well as purchase of natural gas by Longhao Glass from CLFG Yuantong Energy Co., Ltd. The aforesaid continuing connected transactions was considered and approved at the 31st meeting of the seven session of the Board on 14 November 2014 and the 2014 second extraordinary general meeting of the Company on 31 December 2014.

Announcement Lin. No. 2014-061 and No. 2014-081 at <http://www.sse.com.cn>, <http://www.hkexnews.hk> on 14 November 2014 and 31 December 2014 respectively

For the actual performance of the continuing connected transactions during reporting period, please refer to the section "Connected Relationship and Related Party Transactions" in the Financial Statements of this annual report.

#### 2. Events disclosed in interim announcements but with subsequent development or changes during implementation

Nil

# Significant Events

## IV. Material Related Party Transactions (Continued)

### (II) Related party transactions relating to acquisition and disposal of assets

1. *Events disclosed in interim announcements without subsequent development or changes during implementation*

Nil

2. *Events disclosed in interim announcements but with subsequent development or changes during implementation*

Nil

3. *Events not disclosed in interim announcements*

Unit:RMB

Related party	Relationship	Type	Content	Pricing Principle	Book value of transferred Assets	Appraised value of transferred assets	Fair market value	Transfer price	Settlement method	Gain from transfer of assets	Impact on the operating result and the financial condition of the Company	Reasons for the substantial difference between the transfer price and the book value or the appraised value, fair market value
CLFG	Controlling shareholder	Disposal of assets other than goods	Transfer of fixed assets	Agreement price	308,950.86			866,236.04	Bank transfer	540,626.8	Minor impact	

### (III) Material related party transaction relating to joint external investment

1. *Events disclosed in interim announcements without subsequent development or changes during implementation*

Nil

### (IV) Creditor's rights and debts between the Company and related parties

1. *Events disclosed in interim announcements without subsequent development or changes during implementation*

Nil

# Significant Events

## IV. Material Related Party Transactions (Continued)

### (IV) Creditor's rights and debts between the Company and related parties (Continued)

#### 2. Events disclosed in interim announcements but with subsequent development or changes during implementation

Overview of Events	Search Index
Kaisheng Technology Group Company would advance not more than RMB250 million on behalf of the Company and its subsidiaries as at 31 December 2014. During the reporting period, the actual amount paid was RMB106.50 million.	Announcement Lin. No. 2014006 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> on 20 February 2014.

#### 3. Events not disclosed in interim announcements

In 2014, CLFG, the controlling shareholder of the Company, directly provided financial assistance of RMB1,500,000.00 on accumulative basis for the Company. As at 31 December 2014, the Company had repaid such amount.

### (V) Others

1. As at 31 December 2014, the Company provided entrusted loans of RMB412,089,000.00 through banks to its subsidiaries.

2. In 2014, CLFG entrusted the banks to accumulatively provide RMB10,000,000.00 of loans to the Company. Meanwhile, the Company had repaid the opening balance of the loans amounting to RMB31,000,000.00, and the interest expenses for the period amounted to RMB359,049.90 in total. As at 31 December 2014, the Company's balance of borrowings due to CLFG amounted to RMB10,000,000.00.

#### 3. Connected transaction in relation to engineering design and construction installment and equipment procurement of Longhao Glass

On 17 April 2014, Longhao Glass entered into the Project Design and Construction Agreement and Equipment Supply Agreement with Shenzhen Kaisheng Science and Technology Engineering Company Limited ("Shenzhen Kaisheng"), pursuant to which Shenzhen Kaisheng has agreed to provide project design, construction and installation services as well as procurement of relevant equipment for the project in respect of residual heat power generation from the glass production lines of Longhao Glass, at a total consideration of RMB13.98 million.

On 20 May 2014, Longhao Glass entered into the Project Design and Construction Agreement and Equipment Supply Agreement with Shenzhen Kaisheng, pursuant to which Shenzhen Kaisheng has agreed to provide Longhao Glass with project design, construction and installation services and procurement of relevant equipment for the project in respect of smoke gas treatment for the glass production lines, at a total consideration of RMB15.96 million.

As at 31 December 2014, Longhao Glass has paid RMB2.99 million in total in respect of the aforesaid agreements.

# Significant Events

## IV. Material Related Party Transactions (Continued)

### (V) Others (Continued)

#### 4. Connected Transactions in relation to Longhai Company and Longmen Company production line smoke gas dust removal and denitration project design and installation

On 14 November 2014, Longhai Company and Longmen Company respectively entered into agreement with Jiangsu CNBM Environment Protection Research Institute Limited (“EPR Institute”), pursuant to which EPR Institute agreed to provide equipment, design and installation services in respect of the project of smoke gas dust removal and denitration for the production lines of Longhai Company and Longmen Company. The total contract value for Longhai Company and Longmen Company amounted to RMB5.20 million and RMB6.40 million respectively.

## V. Material Contracts and Implementation Thereof

### 1 Custody, contracting and leasing

#### (1) Custody

The 50% equity interest held by CLFG in Longxin Company under the custody of the Company has substantially terminated because Longxin Company has stopped production and entered into the bankruptcy proceedings.

#### (2) Leasing

Unit: RMB

Name of lessor	Name of lessee	Details of lease of assets	Amount of the leased assets	Starting date of lease	Ending date of lease	Gain/ expenses from lease	Basis for determining such gain	Effect of such gain on the Company	Whether a connected transaction	Connected relations
Longhao Glass	CLFG	Land use rights over a land of 183.30 mu		1 January 2014	31 December 2014	680,000.00	Agreed price	Minor	Yes	Controlling shareholder
CLFG	Longhao Glass	600t/d online LOW-E glass production line		3 June 2014	31 December 2014	16,358,291.30	Agreed price	Cost plus expenses	Yes	Controlling shareholder

#### Explanation for the leasing

The term for lease of 600t/d online LOW-E glass production line is 3 years, from 3 June 2014 to 2 June 2017, with annual rent of RMB31,900,000. As the lease started from 3 June 2014, the lease expense recognized in 2014 amounted to RMB16,358,291.30.

### 2 Guarantee

Nil

# Significant Events

## VI. Performance of Undertakings

### (I) Undertakings of the Company or shareholders with shareholding of 5% or more shareholdings during or subsisted to the reporting period.

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

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

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

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

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

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



# Significant Events

## VI. Performance of Undertakings (Continued)

### (I) Undertakings of the Company or shareholders with shareholding of 5% or more shareholdings during or subsisted to the reporting period. (Continued)

4. In transferring relevant equity interests, CNBMG and Kaisheng Technology, the de facto controllers of the Company, undertook on 9 December 2010 that: they would come up with a comprehensive solution to the problem of horizontal competition between the Company and Longxin Company, Fangxing Science & Technology and Zhonglian Glass by way of consolidation in the form of a series of business and asset restructuring with the Company as a platform in the coming three years.

With respect to aforesaid undertakings, CNBM and CNBM GLASS COMPANY also respectively have taken targeting measures to solve relevant horizontal competition problems over the last years. However, relevant undertakings have not been fulfilled according to schedule due to the effect of some factors like macro-economic situation and industry policies, and so on. On 27 June 2014, CNBM standardize and update the undertakings in accordance with the related requirements of No. 4 Regulatory Guideline on Listed Companies — Actual Controller, Shareholders, Affiliated Parties, Buyer of Listed Companies and Undertakings and Performance of Undertakings of Listed Companies issued by CSRC, undertaking that it will assist the Company to strip the ordinary float glass business away before 30 June 2015 through feasible methods of business and asset restructuring and others.

As at the end of the reporting period, the restructuring for purpose of performing such undertaking was progressing.

## VII. Appointment or Dismissal of Certified Public Accountants

Unit: RMB

Whether re-appointed accounting firm: No

	Original appointee	Current appointee
Name of the domestic accounting firm	PKF DAXIN Certified Public Accountants LLP	PKF DAXIN Certified Public Accountants LLP
Remuneration for the domestic accounting firm		RMB1,680,000
Audit years of the domestic accounting firm	7	7

	Name	Remuneration
Accounting firm for internal control audit	PKF DAXIN Certified Public Accountants LLP	RMB280,000

### Explanation for appointment or dismissal of certified public accountants:

The re-appointment of PKF DAXIN Certified Public Accountants LLP as the domestic and international auditor of the Company for 2014 was considered and approved at the 23rd meeting of the 7th session of Board on 27 March 2014 and the 2013 annual general meeting on 3 June 2014.

# Significant Events

## **VIII. Punishment and Rectification of the Company and its Directors, Supervisors, Senior Management, Shareholders Holding More Than 5% of Shares, De Facto Controllers and Acquiring Parties**

During the year, the Company and its Directors, supervisors, senior management, shareholders holding more than 5% of shares and de facto controllers and acquiring parties have not been inspected by the CSRC, have not received any administrative punishment, have not been the subject of notice of criticism and have not been openly criticized by stock exchanges.

## **IX. Impact of adoption of new accounting standards on the consolidated financial statements**

The Ministry of Finance revised and issued eight Accounting Standards for Business Enterprises including Accounting Standards for Business Enterprises No.2 -Long-term Equity Investments in 2014. Except for Accounting Standards for Business Enterprises No. 37 -Presentation of Financial Instruments, which was adopted in 2014 and the subsequent years, other standards will be implemented since 1 July 2014 in enterprises which implement the Accounting Standards for Business Enterprises. The Company re-determined relevant accounting policies in accordance with the standards, and restated the comparative financial statements for 2014 with the application of retrospective adjustment method. For details, please refer to the Note III(XXIX) to the financial statements about the explanation for change in the accounting policies.

# 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) During the year ended 31 December 2014, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011):**

**1. Supply of products by the Group to a subsidiary of CLFG**

CLFG Jingrun Coating Film Co., Ltd. (晶潤鍍膜公司), a subsidiary of CLFG, needed to purchase the float glass products of the Group due to its business demand. The products were priced with reference to the market price at the time the products were supplied or not less than that offered to third parties for the same or similar products.

During the year 2014, the total transaction amount for supply of products was RMB1.87 million, representing an increase of RMB1.87 million as compared with 2013, mainly due to no appropriate products as a result of the shutdown of the Group's common float glass production lines for upgrading and transformation in 2013.

**2. Supply of raw materials by the Group to a subsidiary of CLFG**

In order to achieve the scale effect of raw material procurement and enhance bargaining capacity with the suppliers, the Group implements a centralized procurement for certain bulk raw materials. As Longxin Company was managed by the Company under custody, the Company procured raw materials on its behalf. The Group determined the transaction price with reference to the then market price for supply of raw materials, and supplied certain raw materials to Longxin Company, including alkali, coal, sodium sulfate, silicon powder, dolomite powder, limestone powder and potassium feldspar powder.

During the year 2014, the total transaction amount for supply of raw materials was RMB0, unchanged from 2013, mainly because Longxin Company had stopped production for the last two years.

# Connected Transactions

## I. Continuing Connected Transactions *(Continued)*

(I) **During the year ended 31 December 2014, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011):** *(Continued)*

### 3. *Provision of composite services by the Group to a subsidiary of CLFG*

To facilitate the effective operation of subsidiaries of CLFG, the Company entered into a composite services agreement with CLFG based on terms basically same with those provided to the subsidiaries of the Company, pursuant to which the Company will provide the following services to CLFG:

1. technology usage and consultation services;
2. establishment and organization of production safety and environmental protection system;
3. implementation of glass color change according to the market demand;
4. preparation of glass technology software to implement the technology operation on theoretical and practical basis;
5. analytical services for defected glass;
6. examination of oven and main equipment and preparation of repairing proposal;
7. examination of production instruments and testing devices; ;
8. assistance in restoration of production after serious accident;
9. storage services;
10. transportation services;
11. management training in a continuous manner; and
12. brand management services.

The price will be determined with reference to the prevailing market price at the time of transaction.

During the year 2014, the total transaction amount for provision of composite services was RMB0, unchanged from 2013, mainly because Longxin Company had stopped production for the last two years.

# Connected Transactions

## I. Continuing Connected Transactions *(Continued)*

- (I) **During the year ended 31 December 2014, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011):** *(Continued)*

**4. *Provision of equity custodian by the Group to CLFG***

In order to solve competition between the Company and Longxin Company in the same industry, the Company agreed to manage the 50% equity interest held by CLFG in Longxin Company. After both parties considered the operational condition of Longxin Company in the recent years, the custodian fee would be 15% of the realized profit attributable to shareholders of Longxin Company for the year (irrespective of the unrecovered losses of Longxin Company in previous years), where such annual management fee shall not be less than RMB1,000,000 but not more than RMB3,000,000. The Company shall not be responsible for and assume no liabilities whatsoever in respect of any loss in relation to the equity under custody.

During the year 2014, the total transaction amount for provision of equity custodian was RMB0, unchanged from 2013, mainly because Longxin Company has been under bankruptcy proceedings since 2013, no real custodian relationship existed.

**5. *Provision of water and electricity supply services by the Group to CLFG and its subsidiaries***

As the Group can not be independent from CLFG and its subsidiaries in terms of water and electricity facilities, the Company provided CLFG and its subsidiaries with water and electricity supply and asset use services on ongoing basis, the price of which was determined with reference to the relevant state-prescribed requirements and on normal commercial terms in respect of water and electricity supply.

During the year 2014, the total transaction amount for provision of water and electricity supply and asset use services was RMB0, representing a decrease of RMB520,000, as the Group ceased to provide water and electricity supply services after the Company relocated its office building in the second half of 2013.

**6. *Provision of composite services by CLFG to the Group***

CLFG is the promoter for the listing and the substantial shareholder of the Company. Apart from reliance on the professional technical advantages of CLFG, the Group was provided with various services as defined in the Prospectus on an ongoing basis. The services provided by CLFG included: development of float glass technology services and the relevant technology consultation services; patents licensing; technology analysis and assessment; technology examination, proposal and information; products development; analysis and test services and other technology services; staff training services, management services of retired staff affairs and training of armed militiamen; civil air-raid shelters services; advertising services, etc.

**The price for the provision of the above services would be determined with reference to:**

a. the applicable price set by the state government of the PRC; or b. if there is no applicable State Price for any such services, the market price shall be used. The price for providing the same or similar services to independent third parties in Luoyang City or areas near Luoyang City will be considered when determining the market price. The price paid by the Company would not be higher than that offered to third parties customers of the Group for the same or similar services.

# Connected Transactions

## I. Continuing Connected Transactions *(Continued)*

(I) **During the year ended 31 December 2014, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011): *(Continued)***

**6. *Provision of composite services by CLFG to the Group (Continued)***

During the year 2014, the transaction amount for provision of such composite services was RMB0, unchanged from 2013, mainly due to that less services were provided and CLFG did not collect any fee in the last two years.

**7. *Supply of silicon power by subsidiaries of CLFG to the Group***

CLFG and its controlled companies or other entities and/or CLFG Mineral Company (which is held as to 40.29% and 59.71% by the Company and CLFG, respectively) and Yinan Huasheng (which is directly and indirectly held as to 52% and 25% by the Company and CLFG, respectively) which CLFG holds shares with more than 10% voting rights in and both are non-wholly owned subsidiaries of the Company, provide silicon powder to the Group on an annual basis. The Group had a priority over other third parties in purchasing silicon powder from the subsidiaries of CLFG. The purchase price was determined with reference to the prevailing market price at the time of each purchase.

During the year 2014, the transaction amount for supply of silicon power was RMB1,820,000, representing a decrease of RMB90,000 as compared with 2013, basically unchanged.

**8. *Supply of products by a subsidiary of CLFG to the Company***

In order to achieve the scale sales, enhance the synergy effect of products in the market, and strengthen the bargaining capacity with distributors, the Company implements a centralized sales to common float glass products. As Longxin Company, a subsidiary of CLFG, was entrusted to be managed by the Company, the Company sold products on its behalf. Longxin Company provided float glass products to the Company, the price of which was determined with reference to the prevailing market price at the time of transaction.

During the year 2014, the transaction amount for supply of products was RMB0, unchanged from 2013, mainly because Longxin Company had stopped production for last two years.

**9. *Provision of engineering technical services by a subsidiary of CLFG to the Group***

CLFG Luoyang Glass Engineering Design and Research Co., Ltd., a wholly-owned subsidiary of CLFG, provided the Group with project feasibility plans for and design of float glass production lines as well as float glass production equipment. The price of such services was determined with reference to the prevailing market price at the time of transaction.

During the year 2014, the transaction amount for provision of engineering technical services and production equipment was RMB0, unchanged from 2013, because no engineering technical service and production equipment were provided in the last two years.

# Connected Transactions

## I. Continuing Connected Transactions *(Continued)*

- (I) **During the year ended 31 December 2014, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011): *(Continued)***

**10. *Connected transaction in relation to supply of products by the Group to CNBMG and its subsidiaries***

Huayi Glass is a subsidiary of CNBMG, the ultimate controlling shareholder of the Company, Huayi Glass therefore is a related party of the Company. Longhai Company and Longmen Company, both being wholly-owned subsidiaries of the Company, provided ultra-thin float glass to Huayi Glass, the price of which was determined with reference to the prevailing market price at the time of transaction.

During the year 2014, the transaction amount for sales of products was RMB21,750,000, representing a decrease of RMB24,030,000 as compared with 2012, mainly due to the decrease in products provided by the Group and sale price as a result of the fierce competition in the electronic glass market.

**11. *Provision of engineering technical services by CNBMG and its subsidiaries to the Group***

CNBMG and its subsidiaries provided the Group with project feasibility plans for and design of float glass production lines as well as engineering construction of such production lines. The price of such services was determined with reference to the prevailing market price at the time of transaction.

During the year 2014, the transaction amount for provision of engineering technical services was RMB0, unchanged from 2013.

**12. *Supply of engineering materials by CNBMG and its subsidiaries to the Group***

CNBMG and its subsidiaries provided the Company with float glass production equipment and refractory materials, the price of which was determined with reference to the prevailing market price at the time of transaction.

During the year 2014, the transaction amount for supply of engineering materials was RMB0, unchanged from 2013.

**13. *Provision of financial services by CNBMG and its subsidiaries to the Group***

CNBMG and its subsidiaries provided the Company with financial services including entrusted loans and loan guarantees, the price of which was determined with reference to the prevailing market price at the time of transaction.

During the year 2014, the connected transaction amount for provision of financial services was RMB360,000, representing a decrease of RMB400,000 from 2013, mainly due to the decrease in expenses as a result of smaller scale of entrusted loans.

**The total amount recorded by the Group in 2014 was RMB25,800,000 for the three-year continuing connected transactions disclosed in the 2011 announcement.**



# Connected Transactions

## I. Continuing Connected Transactions (Continued)

### (II) Continuing connected transactions disclosed during the reporting period

#### 1. *Provision of advance payment service by CNBMG and its subsidiaries to the Group*

CNBM Glass Company, a wholly-owned subsidiary of CNBM, provides financial assistance to the Company, and advances funds to the supplier for the Group to relieve financial pressure of the Company.

The sum of connected transactions accrued in 2014 for advance funds for the Group reaches RMB106.50 million, representing a decrease of RMB71.07 million as compared with 2013, mainly due to the decrease in the need for advance funds from the Company.

#### 2. *Provision fuels by a subsidiary of CLFG to a subsidiary of the Group*

Yuantong Energy Limited Company, a subsidiary of CLFG, supplied natural gas to Longhao Company, a wholly-owned subsidiary of the Group, the price of which was determined with reference to the prevailing market price at the time of transaction.

The sum of connected transactions accrued in 2014 for supplying natural gas amounted to RMB112.26 million, representing an increase of RMB65.73 million as compared with 2013, mainly due to higher demand for natural gas as a result of expanded production capacity.

#### 3. *Provision of products by the Group to Anhui Fangxing Science & Technology Co., Ltd.*

Anhui Fangxing Science & Technology Co., Ltd. is a subsidiary of CNBM (the ultimate controlling shareholder of the Company), Fangxing Science & Technology is therefore a connected party of the Company. Longhai Company and Longmen Company, both being wholly-owned subsidiaries of the Company, provided ultra-thin float glass to Fangxing Science & Technology, the price of which was determined with reference to the prevailing market price at the time of transaction.

The sum of connected transactions accrued in 2014 for sale of products amounted to RMB9.27 million, representing an increase of RMB9.27 million as compared with 2013, mainly due to higher demand from Fangxing Science & Technology for the products of the Company as a result of production of new products.

#### 4. *Provision of silica powder by Dengfeng Longde Silicon Company Limited to the Company*

As Ms. Fu Fen, the director of Dengfeng CLFG Silicon Company Limited (an indirect non wholly-owned subsidiary of the Company), is the biggest shareholder of Dengfeng Longde, she is also the biggest shareholder of Guoan Silica Sand Company Limited, a shareholder of Dengfeng CLFG Silicon, Dengfeng Longde is therefore a connected person of the Company. The silica powder provided by Dengfeng Longde to the Group will be priced with reference to the prevailing market price at the time of transaction.

The sum of connected transactions accrued in 2014 for provision of silica powder amounted to RMB11.10 million, representing an increase of RMB11.10 million as compared with 2013, mainly because the former silica powder provider failed to satisfy the demand of the Company after the Company leased 600T/D production lines in June 2014.

**In 2014, the total sum of the continuing connected transactions disclosed in 2014 announcements amounted to RMB239.13 million.**

# Connected Transactions

## I. Continuing Connected Transactions *(Continued)*

### (II) Continuing connected transactions disclosed during the reporting period *(Continued)*

#### 4. Provision of silica powder by Dengfeng Longde Silicon Company Limited to the Company *(Continued)*

**In conclusion, the total sum of the continuing connected transactions of the Group in 2014 amounted to RMB264.93 million.**

The Company has engaged PKF DAXIN 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 2014, as set forth in the aforesaid No. 1 to 12 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 2014 and confirmed that these transactions were:

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

# Changes in Shares and Information of Shareholders

## I. Changes in Shares Capital

### (I) Changes in shares

#### 1. Changes in shares

Unit: share

	Before change		Change (+/-)				After change		
	Number	Percentage (%)	Issue of new shares	Bonus issue	Share converted from public reserve	Others	Sub-total	Number	Percentage (%)
<b>I. Share subject to trading moratorium</b>									
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Including: Shares held by non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign invested shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
<b>II. Circulating shares not subject to trading moratorium</b>									
1. Ordinary shares denominated in RMB	500,018,242	100						500,018,242	100
2. Domestically listed foreign invested shares	250,018,242	50						250,018,242	50
3. Overseas listed foreign invested shares	250,000,000	50						250,000,000	50
4. Others									
<b>III. Total number of shares</b>	<b>500,018,242</b>	<b>100</b>						<b>500,018,242</b>	<b>100</b>

#### 2. Explanation for changes in shares

During the reporting period, there was no change in the total number of shares and structure of share capital of the Company.

### (II) Changes in shares subject to trading moratorium

During the reporting period, there was no change in shares subject to trading moratorium.

# Changes in Shares and Information of Shareholders

## II. Issue and Listing of Securities

### (I) Issue of securities over the last three years up to the end of the reporting period

For the three years up to the end of the reporting period, the Company has not issued or listed any securities.

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

During the reporting period, there was no change in the total number of shares and shareholding structure of the Company due to issue of bonus shares, placement of shares or other reasons.

### (III) Existing internal employee's shares

There were no internal employee's shares of the Company as at the end of the reporting period.

## III. Shareholders and De Facto Controller

### (I) Total number of shareholders:

Total number of shareholders at the end of the reporting period	17,681, including 17,624 holders of A shares and 57 holders of H shares
Total number of shareholders as at the end of the fifth trading day before the disclosure date of the annual report	17,594, including 175,37 holders of A shares and 57 holders of H shares
Total number of holders of preference shares with restored voting rights as at the end of the reporting period	0
Total number of holders of preference shares with restored voting rights as at the end of the fifth trading day before the disclosure date of the annual report	0

# Changes in 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 (full name)	Increase/ decrease during the reporting period	Total number of shares held as at the end of the reporting period	Shareholding percentage (%)	Number of shares subject to trading moratorium held	Number of shares pledged or frozen		Nature of shareholder
					Status of shares	Number	
HKSCC Nominees Limited	+12,000	247,860,998	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	-11,000	2,092,599	0.42	0	Unknown		Domestic natural person
Ji Haibin	-95,338	1,266,454	0.25	0	Unknown		Domestic natural person
Liu Yujun	+167,313	1,022,613	0.20	0	Unknown		Domestic natural person
Beijing Daiwei Debang Investment Consultation Co., Ltd.	0	1,021,853	0.20	0	Unknown		Domestic non- state-owned legal person
Zhang Ruiying	330,000	1,000,000	0.20	0	Unknown		Domestic natural person
Penghua assets-China Everbright Bank- Penghua assets Longqi Chitu assets quantitative hedging management plan (騰華資產-光大銀行-騰華資產龍旗 赤免量化對沖資產管理計劃)	+850,100	850,100	0.17	0	Unknown		Unknown
Zhang Wenming	-280,000	590,000	0.12	0	Unknown		Domestic natural person

# Changes in 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 the top 10 holders of shares not subject to trading moratorium

Name of shareholder	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	247,860,998	Overseas listed foreign shares	247,860,998
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB	159,018,242
Zhang Lixin	2,760,000	Ordinary shares denominated in RMB	2,760,000
Mao Jianghui	2,092,599	Ordinary shares denominated in RMB	2,092,599
Ji Haibin	1,266,454	Ordinary shares denominated in RMB	1,266,454
Liu Yujun	1,022,613	Ordinary shares denominated in RMB	1,022,613
Beijing Daiwei Debang Investment Consultation Co., Ltd.	1,021,853	Ordinary shares denominated in RMB	1,021,853
Zhang Ruiying	1,000,000	Ordinary shares denominated in RMB	1,000,000
Penghua assets-China Everbright Bank-Penghua assets Longqi Chitu assets quantitative hedging management plan	850,100	Ordinary shares denominated in RMB	850,100
Zhang Wenming	590,000	Ordinary shares denominated in RMB	590,000

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

Among the top ten shareholders of the Company, there are no connected relationship or parties acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies (上市公司股東持股變動信息披露管理辦法) between CLFG and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other holders of circulating shares. Shares were held by HKSCC Nominees Limited, representing its various customers.

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

Nil

# Changes in Shares and Information of Shareholders

## IV. Changes in Controlling Shareholder and De Facto Controller

### (I) Controlling shareholder

#### 1 Legal person

Unit:RMB

	China Luoyang Float Glass (Group) Company Limited
Person in charge of the company or legal representative	Peng Shou
Date of establishment	25 December 1996
Organisation code	16995844-1
Registered capital	1,286,740,000
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).
Future development strategy	Focusing on development of electronic information display glass, energy-saving and solar photovoltaic glass, and high-quality float glass, CLFG will enhance the "Luoyang float glass process" technology and ultra-thin glass process technology and equipment level, aiming to reach the advanced level in the world; it will endeavour to make breakthrough in resources restructuring, rapidly press ahead adjustment of industrial structure, and target to the new growth area of products, so as to increase the high technology level and market share of its products; based on innovation and enhancement of core technology, CLFG will enhance its competitiveness and increase economic benefits, thus improving the life quality of its employees; dedicating to developing the national glass industry, CLFG will press ahead the joint restructuring under the coordination of CNBMG and Kaisheng Technology Group, enable the company to produce more quality products, enhance its strength and expand its scale, so as to build itself into a large scale conglomerate with top-notch management, strong innovation capacity, high market share, admirable economic benefits, predominant advantages, sustainable growth and strong competitiveness in the world.
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



# Changes in Shares and Information of Shareholders

## IV. Changes in Controlling Shareholder and De Facto Controller (Continued)

### (I) Controlling shareholder (Continued)

#### 2. Index and date on changes in controlling shareholder during the reporting period

There was no change in the controlling shareholder of the Company during the reporting period.

### (II) De facto controller

#### 1. Legal person

Unit:RMB

	China National Building Material Group Corporation
Person in charge of the company or legal representative	Song Zhiping
Date of establishment	28 September 1981
Organisation code	100000489
Registered capital	6,191,338,572.84
Principal activities	General business scope: research, development and sales of construction materials and relevant raw materials, production technologies and equipment; design, sales and construction of complete sets of buildings of the new building material system; sales of decorative materials; design and construction of building engineering; warehousing; investment and assets operations relating to building materials and related sectors; technical consulting and information services and exhibition services relating to the above activities; processing and sales of mineral products.
Future development strategy	The company is committed to becoming a world-leading comprehensive building materials conglomerate with strong and quality products, sustained innovation capability and international competitiveness, and will continuously adhere to the "market-oriented and central government-controlled" growth model, push forward market-driven reforms and management enhancement, strengthen joint restructuring and advance market competition and cooperation with the operational target of "seeking progress amid stabilization", press ahead with innovation of technologies and business model, and transformation and upgrade of the company and the industry, strengthen efforts in quality improvement and efficiency enhancement, and build itself into a "innovative and profitable, energy saving, environmental friendly and socially responsible" (四型企业) enterprise, thus making additional contributions to the sustainable and healthy growth of the national economy.
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	The company held 44.11% equity interest in China National Building Material Company Limited (HK3323), 44.67% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 30.04% equity interest in Anhui Fangxing Science & Technology Co., Ltd. (600552), 45.2% equity interest in Beijing New Building Materials Public Limited Company (000786), and 32.79% equity interest in China Fiberglass Co., Ltd. (600176).
Other explanations	Nil

# Changes in Shares and Information of Shareholders

## IV. Changes in Controlling Shareholder and De Facto Controller (Continued)

### (II) De facto controller (Continued)

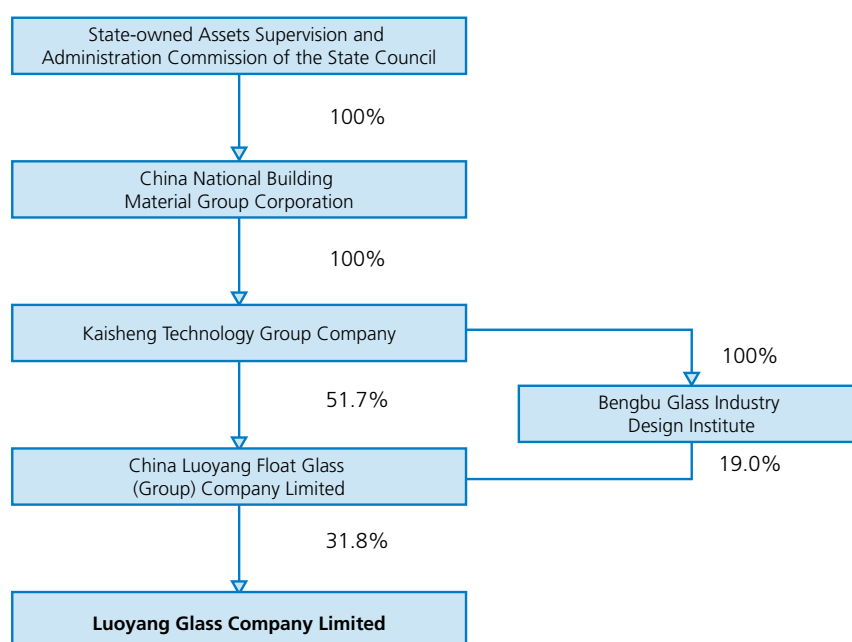
#### 2. Special Explanation for no de facto controller for the Company

Nil.

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

There was no change in the de facto controller of the Company during the reporting period.

#### 4. The chart on the ownership and control relationship between the Company and its de facto controller



#### 5. De facto controller controlled the Company by way of trust or other assets management methods

Nil.

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

As at the end of the reporting period, there was no other legal person shareholder with 10% or more shareholdings in the Company. On 31 December 2014, CLFG entered into a share transfer agreement with Bengbu Institute, pursuant to which CLFG had proposed to transfer 69,000,000 shares in the Company (representing approximately 13.80% of the total share capital of the Company) held by it to Bengbu Institute. The share transfer is subject to approval by the SASAC.

# 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	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 received from the Company during the reporting period	Total remuneration received from shareholder entities during the reporting period
										(RMB'000)	(before tax)
<i>(Note)</i>											
Ma Lijun	Chairman	Male	51	6 June 2013 (Director) 7 June 2013 (Chairman)	8 November 2015	0	0	0	N/A		50
Zhang Chong	Non-executive Director, Vice Chairman	Male	52	6 June 2013 (Director) 7 June 2013 (Vice Chairman)	8 November 2015	0	0	0	N/A		48
Ni Zhisen	Executive Director, General Manager	Male	43	27 May 2009 (General Manager) 28 May 2009 (Director)	8 November 2015	0	0	0	N/A	39.25	
Xie Jun	Executive Director, former Deputy General Manager	Male	49	18 April 2013 (Deputy General Manager) 29 July 2013 (Executive Director)	2 February 2015, 8 November 2015	0	0	0	N/A	38.65	
Sun Lei	Executive Director, Deputy General Manager, Chief Financial Controller	Female	46	18 April 2013 (Deputy General Manager, Chief Financial Controller) 6 June 2013 (Executive Director)	8 November 2015	0	0	0	N/A	24.34	
Zhang Chengong	Non-executive Director	Male	42	25 August 2010	8 November 2015	0	0	0	N/A		33
Guo Yimin	Former non-executive Director	Male	50	28 September 2009	10 September 2014	0	0	0	N/A		27
Huang Ping	Independent Director	Male	46	18 May 2009	8 November 2015	0	0	0	N/A		4
Dong Jiachun	Independent Director	Male	58	28 September 2009	8 November 2015	0	0	0	N/A		4
Zeng Shaojin	Former Independent Director	Male	70	9 November 2012	7 March 2014	0	0	0	N/A		1.16
Liu Tianni	Independent Director	Male	51	9 November 2012	8 November 2015	0	0	0	N/A		4
Jin Zhanping	Independent Director	Male	51	3 June 2014	8 November 2015	0	0	0	N/A		2.33
Ren Zhenduo	Chairman of the Supervisory Committee	Male	50	10 September 2007 (Supervisor) 12 September 2007 (Chairman of the Supervisory Committee)	8 November 2015	0	0	0	N/A		30
Guo Hao	Supervisor	Male	57	18 May 2009	8 November 2015	0	0	0	N/A		2
Wang Ruiqin	Supervisor	Female	54	19 July 2013	8 November 2015	0	0	0	N/A		12.20
Wang Jian	Employee Supervisor	Male	39	26 May 2010	8 November 2015	0	0	0	N/A		18.48
Ma Jiankang	Employee Supervisor	Male	50	17 December 2012	8 November 2015	0	0	0	N/A		10.73
Wang Guoqiáng	Deputy general manager	Male	46	27 March 2014	8 November 2015	0	0	0	N/A		21.50
Wu Zhixin	Wu Zhixin	Female	48	20 May 2014	8 November 2015	0	0	0	N/A		13.46
He Jiang	Former Secretary to the Board	Male	38	20 May 2013	20 May 2014	0	0	0	N/A		7.15
Ip Pui Sum	Company Secretary	Male	55	6 August 2008	8 November 2015	0	0	0	N/A	12(HKS)	
Total	/	/	/	/	/	0	0	0	/	212.86	/

# 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)*

- Notes: (1) Save as disclosed above, as at 31 December 2014, 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 2014, 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) During the reporting period, Zhang Chengong, Guo Yimin and Zhang Chong, the non-executive directors of the Company, and Ren Zhenduo, the supervisor of the Company, who held positions in shareholder entities or connected entities of the shareholder, did not receive any remuneration from the Company. Wang Ruiqin, Wang Jian, and Ma Jiankang, the supervisors who held positions in the Company, did not receive supervisor allowance from the Company except the remuneration for their positions.
- (4) "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 the Note X.(V).7.

### (II) Latest five-year work experience of the existing and resigned Directors, supervisors and senior management during the reporting period

**Ma Liyun** is a professor-grade senior engineer with a master's degree. He is currently the Chairman of the Company. Since August 1985, he has worked with Bengbu Institute as head of the glass division, deputy general manager of the engineering company, chief project designer, director of the research and development center, assistant to the president, deputy party secretary and secretary of the discipline inspection commission successively. In April 2013, he was appointed as the general manager and deputy party secretary of CLFG. He was appointed as party secretary of CLFG in February 2014 and executive deputy president of Bengbu Institute in December 2014.

**Zhang Chong** is a professor-grade senior engineer with a master's degree. He is currently a non-executive Director and the Vice Chairman of the Company. From February 2003 to August 2009, he served as the chief engineer and the head of the domestic engineering department of China Building Materials International Engineering Co., Ltd. Since August 2009, he has served as the executive deputy general manager of Chengdu COE Technology Co., Ltd.

**Ni Zhisen** is a senior engineer with bachelor's degree. He is an Executive Director and General Manager of the Company. Mr. Ni had served as deputy general manager and party secretary of Longmen Company and Longhai Company. He concurrently serves as a director of Longbo Company and Longfei Company, and the chairman of Yinan Huasheng and Dengfeng Silicon.

**Xie Jun** is a professor-grade senior engineer with a doctor's degree in engineering. He is currently an executive Director and the party secretary of the Company. Since he joined the Company in October 1988, he has served as the factory manager of a branch factory of the Company, head of the production department, general manager of a subsidiary, and party secretary and deputy general manager of the Company, successively. From December 2005 to March 2008, he served as the party secretary and general manager of CLFG Processed Glass Co., Ltd. From September 2007 to August 2009, he was an executive Director of the Company. He currently serves as a member of the standing party committee and the chief engineer of CLFG.

# Directors, Supervisors, Senior Management and Employees

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

### (II) Latest five-year work experience of the existing and resigned Directors, supervisors and senior management during the reporting period (Continued)

**Sun Lei** is a senior accountant with a bachelor's degree. She is currently an executive Director, a deputy general manager and the chief financial controller of the Company. Ms. Sun has served as the assistant to the head, and the deputy head of the finance department of Bengbu Design & Research Institute for Glass Industry since February 2007. She was appointed as a deputy general manager and the chief financial controller of the Company in April 2013.

**Zhang Chengong** is a holder of master's degree, a Non-executive Director of the Company, currently serves as the deputy general manager of CNBMG Kaisheng Technology Group Company. Mr. Zhang held the positions of assistant to general manager and deputy general manager of Beijing New Building Material Company Limited.

**Guo Yimin** is a senior economist with bachelor's degree, a former Non-executive Director of the Company. Mr. Guo had served as deputy general manager of CLFG Financial Company, head of Investment Department of CLFG, assistant financial controller and general accountant of CLFG.

**Huang Ping** is a security specialized accountant and an Independent Director of the Company. He is currently the deputy head of Luoyang China Certified Public Accountants. Mr. Huang had served as the head of the finance department of Luoyang Yutong Automobile Company Limited. He has worked in Luoyang China Certified Public Accountants since 1997.

**Dong Jiachun** is a senior engineer with a master's degree in engineering. Mr. Dong is an Independent Director of the Company. He engaged in industry research in Luoyang Securities Company from May 2001 to April 2003. Mr. Dong has served in Central China Securities Holdings Co. Ltd. since April 2003. He has been an Independent Director of the Company since September 2009, an independent director of Zhong Yuan Environmental Protection Co., Ltd.\* (中原環保股份有限公司) since June 2010 and an independent director of Henan Zhongyuan Expressway Company Limited\* (河南中原高速公路股份有限公司) since January 2010.

**Zeng Shaojin** is a professor-grade senior engineer entitled to special subsidies from the State Council, and was a former Independent Director of the Company. He once served as the department head of Henan Province Geology and Mineral Resources Department (Bureau), the chief of the Geological Survey Department of Ministry of Geology and Mineral Resources, the dean of the Chinese Academy of Geological Survey Technologies, the chief of the Department of Mineral Exploitation of the Ministry of Land and Resources, etc. From 2005 to November 2011, Mr. Zeng served as the executive vice president of China Mining Association.

**Jin Zhanping** is a master degree holder and senior engineer. Mr. Jin has worked with the Chinese Ceramic Society since July 1988. He served as the editor in charge of the Editorial Office of the Journal of Chinese Ceramics Society, deputy head and head of the General Office, deputy secretary general and secretary general of the Chinese Ceramic Society. Mr. Jin concurrently serves as the executive director of Beijing Zhonggui Exhibition Co., Ltd. (北京中矽展覽有限公司), and the independent director of Luoyang Landi Glass Machine Co., Ltd. (洛陽蘭迪玻璃機器股份有限公司).

**Liu Tianni** is 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.

# Directors, Supervisors, Senior Management and Employees

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

### (II) Latest five-year work experience of the existing and resigned Directors, supervisors and senior management during the reporting period *(Continued)*

**Ren Zhenduo**, a holder of bachelor's degree, is currently the Chairman of the Supervisory Committee of the Company. He successively served as general manager of Longxin Company (a subsidiary of CLFG) and deputy secretary of party committee of the Company, etc. Since May and August 2009, Mr. Ren began to serve as employee director, deputy secretary of party committee, secretary of disciplinary committee and chairman of the labor union of CLFG respectively.

**Guo Hao** has a master's degree and is an associate professor and PRC certified public accountant. He is currently a Supervisor of the Company, the deputy dean of Economics and Management School of Henan University of Science and Technology and the deputy head of MBA Education Center of Henan University of Science and Technology. He is concurrently a standing member of the Chinese Institute of Business Administration and a member of Henan Accounting Association.

**Wang Ruiqin** has a bachelor degree and is a senior teacher in secondary school. Ms. Wang is currently a Supervisor and the chairman of the labour union of the Company. Ms. Wang served as the education section chief, deputy secretary of the party committee, secretary of the party committee and the head of CLFG education center, vice chairman of the labour union of CLFG, the secretariat head of the board of CLFG and the secretary of the discipline inspection commission of the Company respectively. Ms. Wang is also a director of Yinan Huasheng and the chairman of the supervisory committee of Dengfeng Silicon.

**Wang Jian**, with a postgraduate qualification, currently serves as the staff representative Supervisor of the Company. Mr. Wang joined the Company in November 1993, and has held the positions of section chief, assistant head and deputy chief of technology section, etc. He has been a deputy general manager of Longhai Company since February 2013.

**Ma Jiankang**, holder of a bachelor's degree, currently serves as an Employee Supervisor of the Company. He was a deputy general manager of Longxin Company from February 2008 to October 2010, and has been a deputy general manager of Longhao Company from October 2010 to February 2013, and of Longmen Company since February 2013.

**Wang Guoqiang** is a bachelor-degree holder and a senior engineer with professorship. He currently serves as the general manager and secretary to the party committee of CLFG Luoyang Longhai Electric Glass Company Limited ("Longhai Company"), and deputy general manager of the Company.

**Wu Zhixin** is a senior economist with a bachelor degree. She served as the deputy director to the secretariat of the Board and the securities affairs representative of the Company from 2006 to May 2014. She has been the secretary to the Board since May 2014.

**He Jiang**, with a bachelor degree, was the former Secretary to the Board of the Company. From April 2011 to April 2013, Mr. He worked at CLFG as deputy head of finance department and asset management department respectively.

**Ip Pui Sum**, graduated from the Hong Kong Polytechnic University in 1982 with a MBA degree, is currently 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.

# Directors, Supervisors, Senior Management and Employees

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

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

Applicable  Not applicable

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

### (I) Positions in Shareholder Entities

Name	Name of shareholder entity	Position held	Starting date of term of office	Expiry date of term of office
Ma Liyun	China Luoyang Float Glass (Group) Company Limited	Director, General Manager, Party secretary	April 2013 April 2013 February 2014	
Ma Liyun	Bengbu Glass Industry Design Institute	Deputy party secretary, Secretary of disciplinary committee, Executive deputy president	January 2009 17 December 2014	16 December 2014
Zhang Chengong	Kaisheng Technology Group Company	Deputy general manger	March 2011	
Ren Zhenduo	China Luoyang Float Glass (Group) Company Limited	Employee Director, Deputy party secretary, Secretary of disciplinary committee, Chairman of the labor union	August 2009 May 2009 May 2009 June 2009	
Guo Yimin	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee, Director, Chief Accountant	July 2010 April 2013 January 2010	10 September 2014
Ni Zhisen	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee	Since January 2010	
Xie Jun	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee, Deputy general manager, General engineer	April 2006 January 2015 May 2009	



# 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	Chengdu COE Technology Co., Ltd.	Executive deputy general manager	June 2013	
Huang Ping	Luoyang China Certified Public Accountants	Deputy head	March 1997	
Dong Jiachun	Investment banking head office of Central China Securities Holdings Co., Ltd. (中原證券股份有限公司投資銀行總部)	Managing director	April 2005	
Dong Jiachun	Zhong Yuan Environmental Protection Co., Ltd. (中原環保股份有限公司)	Independent Director	June 2010	
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 2009	
Liu Tianni	Qingling Motors Co. Ltd.	Independent Director	Since 2011	
Guo Hao	Henan University of Science and Technology	Deputy dean of Economics and Management School		

## 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	RMB2,128,600

# Directors, Supervisors, Senior Management and Employees

## IV. Changes in Directors, Supervisors and Senior Management

Name	Position	Change	Reasons for change
Zeng Shaojin	Independent Director	Resigned	Resignation
He Jiang	Secretary to the Board	Resigned	Resignation
Guo Yimin	Non-executive director	Resigned	Resignation
Wang Guoqiang	Deputy general manager	Appointed	By-election for a vacancy for senior management members
Wu Zhixin	Secretary to the Board	Appointed	By-election for a vacancy for Secretary to the Board
Jin Zhanping	Independent Director	Appointed	By-election for a vacancy for independent directors

## V. The Core Technical Team or Key Technical Staff of the Company

There was no change in the core technical team or key technical staff of the Company during the reporting period.

## VI. Employees of the Company and Major Subsidiaries

### (I) Employees

Number of in-service employees of the Company	260
Number of in-service employees of the major subsidiaries	1,652
Total number of in-service employees	1,912
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	2,069

### Composition of professions

Type of profession	Number of staff in the profession
Production staff	1,513
Sales staff	42
Technical staff	112
Finance staff	48
Administrative staff	197
Total	1,912

### Education level

Type of education level	Number of persons (Headcount)
University graduates or above	188
College graduates	540
Specialised secondary school graduates	410
High school graduates	430
Junior high school or below	344
Total	1,912

# Directors, Supervisors, Senior Management and Employees

## VI. Employees of the Company and Major Subsidiaries (Continued)

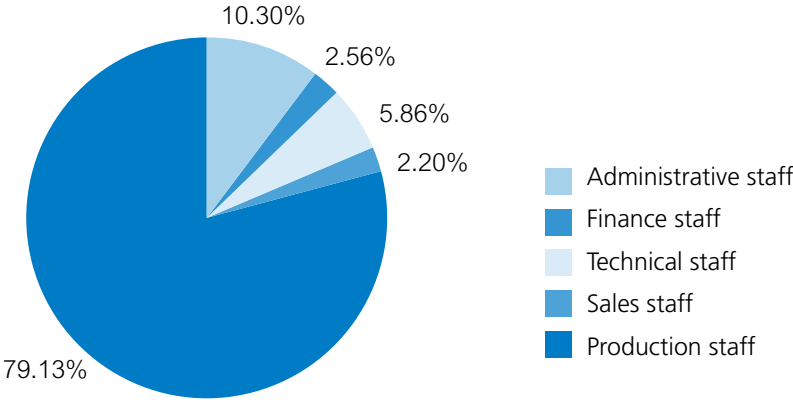
### (II) Remuneration policy

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.

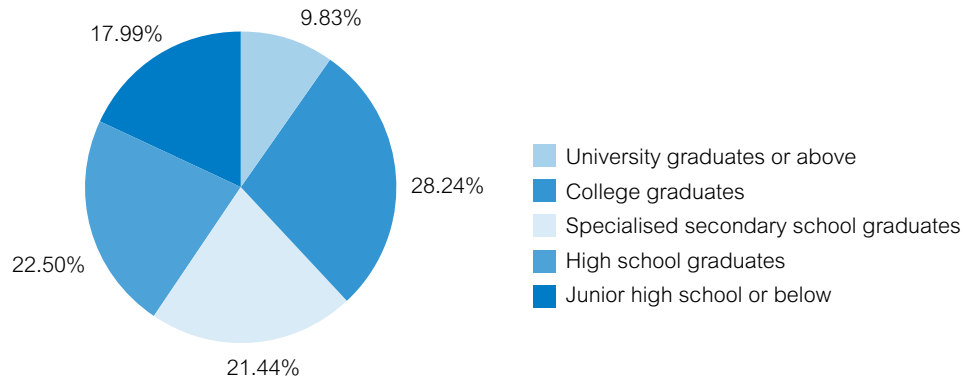
### (IV) Statistical chart on composition of professions



# Directors, Supervisors, Senior Management and Employees

## VI. Employees of the Company and Major Subsidiaries (Continued)

### (V) Statistical chart on education level



### (VI) Labour Outsourcing

N/A

# Corporate Governance

## I. Corporate Governance and Insider Registration and Management

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.

During the Reporting Period, the corporate governance structure of the Company was in line with the Company Law and other relevant regulations of the CSRC.

**1. Based on well-defined power and responsibility, proper performance of respective duties, mutual checks and balances and coordinated operation between the general meeting, the Board of Directors, the Supervisory Committee and senior management of the Company, standard operation of the Company is ensured and governance level is enhanced constantly.**

The general meeting exercises voting rights of material matters such as operating principle, capital raising and profit distribution in accordance with laws. 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. During the reporting period, the Company convened 3 general meetings. The convening, holding and voting procedures of the Company's general meetings are implemented in strict compliance with relevant laws and the Rules of Procedures of General Meetings of the Company.

The Company attaches great importance to the construction of the Board. The number and composition of the Board of the Company comply with the relevant laws and regulations. The Board exercises its rights in accordance with laws, regulations and the Articles of Association. During the reporting period, the Board convened meeting regularly and held extraordinary meeting as required in a timely manner. In accordance with the Listing Rules, the Board has established five special committees including audit committee, remuneration and review committee, nomination committee, strategic committee and compliance committee.

The Supervisory Committee is the supervisory organization of the Company. It conducts supervision and examination on acts of directors, the general manager and other senior management and daily operation and financial position of the Company and is responsible for general meeting and reports work to it.

The Company adopts the general manager responsibility system and exercises powers of operation and management on each controlled subsidiary and functional department and ensures normal operation of the Company through various activities such as providing leadership, coordination, management and supervision. Each controlled subsidiary and functional department implement specific activities of production and operation and daily management affairs.

**2. Information disclosure and registration management of insiders**

The company, as required by CSRC and both stock exchanges, has formulated and released the Management System for Registration of Insiders and the Prevention and Control Plan against Insider Trading, and strictly implements related requirements, conducting registration management of insiders. During the reporting period, there is no occurrence that any insider buys or sells stock of the company by making use of inside information preliminary to the disclosure of major sensitive information that will affect stock price of the company.

# Corporate Governance

## II. Shareholders' General Meetings

### 1. 2014 first extraordinary general meeting

On 21 February 2014, the Company convened the 2014 first extraordinary general meeting to consider and approve the disposal of 100% equity interest in Luoyang Luobo Industrial Co., Ltd. and the relevant contents under the agreement and the implementation thereof.

The resolution was passed. For details, please refer to the announcement published by the Company on China Securities Journal, Shanghai Securities News and Securities Daily (<http://www.sse.com.cn>, <http://www.hkexnews.hk>) on 22 February 2014.

### 2. 2013 annual general meeting

On 3 June 2014, the Company convened the 2013 annual general meeting, at which the following 10 proposals were considered and approved: the working report of the Board of the Company for the year 2013; the working report of the supervisory committee of the Company for the year 2013; the final accounts report of the Company for the year 2013; the Company's annual report 2013 and its summary; the profit distribution plan of the Company for the year 2013; the financial budget report of the Company for the year 2014; the reappointment of PKF Daxin Certified Public Accountants LLP as the auditor of the Company for the year 2014 and authorization to the Board for determining its remunerations according to the audit workload; the appointment of Mr. Jin Zhanping to be the independent non-executive Director of the seventh Board of the Company for a term from 3 June 2014 to 8 November 2015; the connected transaction in relation to lease of the 600T/D production line of China Luoyang Float Glass (Group) Company Limited by CLFG Longhao Glass Company Limited and the relevant contents under the agreement and the implementation thereof; to approve, ratify and confirm any one of the Directors for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Assets Leasing Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Assets Leasing Agreement that may in their discretion consider to be desirable and in the interest of the Company and all the Directors' acts as aforesaid.

All resolutions were passed. For details, please refer to the announcement published by the Company on China Securities Journal, Shanghai Securities News and Securities Daily (<http://www.sse.com.cn>, <http://www.hkexnews.hk>) on 4 June 2014.

# Corporate Governance

## II. Shareholders' General Meetings *(Continued)*

### 3. 2014 second extraordinary general meeting

On 31 December 2014, the Company convened the 2014 second extraordinary general meeting, at which the following 12 proposals were considered and approved: the contents of Longhai Glass Production Line Smoke Gas Dust Removal and Denitration Project Equipment Agreement and the implementation thereof; the contents of Longhai Glass Production Line Smoke Gas Dust Removal and Denitration Project Equipment Agreement and the implementation thereof; the contents of Longmen Glass Production Line Smoke Gas Dust Removal and Denitration Project Equipment Agreement and the implementation thereof; the contents of Raw Materials Sale Framework Agreement between the Company and CLFG, its proposed annual caps and the implementation thereof; the Ultra-thin Float Glass Sale and Purchase Framework Agreement between the Company and Fangxing Science & Technology, its proposed annual caps and the implementation thereof; the Engineering Equipment and Materials Supply Framework Agreement between the Company and CNBMG, its proposed annual caps and the implementation thereof; the Engineering Technical Services Framework Agreement between the Company and CNBMG, its proposed annual caps and the implementation thereof; the Financial Services Framework Agreement between the Company and CNBMG, its proposed annual caps and the implementation thereof; the 2014 Piped Natural Gas Supply Supplemental Agreement between the Company and Longhao Company, its revised annual caps, and the implementation thereof; the 2015 Piped Natural Gas Supply Framework Agreement between the Company and Longhao Company, its annual caps, and the implementation thereof; To approve, ratify and confirm any one of the Directors for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable giving effect to and implement the Longhai Glass Production Line Smoke Gas Dust Removal and Denitration Project Design and Installation Agreement, Longhai Glass Production Line Smoke Gas Dust Removal and Denitration Project Equipment Agreement, Longmen Glass Production Line Smoke Gas Dust Removal and Denitration Project Design and Installation Agreement, Longmen Glass Production Line Smoke Gas Dust Removal and Denitration Project Equipment Agreement, CLFG Raw Materials Sale Framework Agreement, Ultra-thin Float Glass Sale and Purchase Framework Agreement, CNBMG Engineering Equipment and Materials Supply Framework Agreement, CNBMG Engineering Technical Services Framework Agreement, CNBMG Financial Services Framework Agreement, 2014 Piped Natural Gas Supply Supplemental Agreement of Longhao Company and 2015 Piped Natural Gas Supply Framework Agreement of Longhao Company.

All resolutions were passed. For details, please refer to the announcement published by the Company on China Securities Journal, Shanghai Securities News and Securities Daily (<http://www.sse.com.cn>, <http://www.hkxnews.hk>) on 5 January 2014.



# Corporate Governance

## 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)			
Ma Liyun	No	14	14	7	0	0	No	3	
Zhang Chong	No	14	14	12	0	0	No	3	
Ni Zhisen	No	14	14	7	0	0	No	3	
Xie Jun	No	14	14	7	0	0	No	3	
Sun Lei	No	14	14	7	0	0	No	3	
Zhang Chengong	No	14	13	12	1	0	No	3	
Guo Yimin	No	9	9	6	0	0	No	2	
Huang Ping	Yes	14	14	12	0	0	No	3	
Dong Jiachun	Yes	14	14	12	0	0	No	3	
Liu Tianni	Yes	14	12	12	2	0	No	2	
Jin Zhanping	Yes	6	6	3	0	0	No	2	
Zeng Shaojin	Yes	3	3	3	0	0	No	1	

Number of Board meetings held in the year	14
Including: Number of on-site meetings	2
Number of meetings held by way of communication	7
Number of meetings held on-site with attendance by way of communication	5

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

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

# Corporate Governance

## **IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period**

Under the Board of the Company are established five special committees, i.e. the Audit Committee, the Remuneration and Review Committee, the Nomination Committee, the Strategic Committee and the Compliance Committee. Each of them carried out their work according to the laws, regulations, the Articles of Association and the working rules of such committees, fulfilled their duties, concretely performed the duties and authorities granted by the Board, and played a positive role in improving the corporate governance structure and promoting the development of the Company.

During the reporting period, all the special committees voted for the resolutions they considered and did not raise other different opinions. The significant opinions and recommendations proposed included:

1. During the reporting period, the nomination committee has paid close attention to and reviewed the process of by-electing directors and senior executives, and put forward professional opinions to the company in combination with educational background, professional experience, professional competence and professional quality of directors and senior executive candidates.
2. In the process of connected transactions between Longhao Company and the affiliated party of gas supply, since the gas price rises and the quantity demanded increases, the originally estimated transaction amount is far from the actual needs. Then the compliance committee under the board of directors has suggested that the company adjust the estimation of gas supply in 2014 as soon as possible, and reasonably calculate the estimation in 2015, so as to ensure compliance. The audit committee has checked the contents of transactions and the terms of agreements carefully, and offered a rationalization proposal with respect to the terms of agreements and review procedures.
3. The Strategic Committee of the Company proposed reasonable opinions and recommendations on the lease of CLFG's production line by Longhao Company and the suspension of trading in relation to material assets reorganisation of the Company.

## **V. Risks Discovered by the Supervisory Committee**

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

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

# Corporate Governance

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

1. **With respect to business**, the Company independently carries out operations, and has decision-making powers on independent operation. The operation of Company is not dependent on the Controlling Shareholder and its associated companies.
2. **With respect to personnel**, the Company has been adequately staffed in respect of production, technology and management, and its management over labor, personnel and remuneration is completely independent.
3. **With respect to assets**, there is a clear delineation in property title relations between the Company and the Controlling Shareholder. The assets of the Company are completely independent of the Controlling Shareholder.
4. **With respect to organization**, the Company has a sound organization structure. All the organs have their respective terms of reference, completely independent of each other, and are not subordinated to the Controlling Shareholder and its functional departments.
5. **With respect to finance**, the Company has its independent finance department and established an independent accounting and auditing system and financial management system. It has implemented independent accounting and auditing, capital operation and tax payment.

## 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.

## VIII. Corporate Governance Report

### (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.

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (III) Directors and the Board

#### 1. Directors

- (1) **The current Board is composed of 10 directors, including:** 4 Executive Directors including Mr. Ma Liyun (Chairman), Mr. Ni Zhisen, Mr. Xie Jun and Ms. Sun Lei, 2 Non-executive Directors including Mr. Zhang Chong and Mr. Zhang Chengong, and 4 Independent Non-executive Directors including Mr. Huang Ping, Mr. Dong Jiachun, Mr. Liu Tianni and Mr. Jin Zhanping.

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

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

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

- (2) **Meeting attendance by Directors**

During the reporting period, the Company convened 14 Board meetings and 3 general meetings. Please refer to Part III of this chapter for attendance at Board meetings and general meetings by the Directors in details.

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

- (3) **Enhancement of professional skills by Directors**

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

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (III) Directors and the Board (Continued)

#### 1. Directors (Continued)

##### (3) Enhancement of professional skills by Directors (Continued)

Time of training	Trainees	Training content	Sponsor
17 April – 18 April 2014	Wang Jian Ma Jiankang	Regulation of listed companies and case analysis Internal control of enterprise value	Henan Listed Company Association
6 May – 8 May 2014	Sun Lei	Follow-up training for chief financial officers	Shanghai Stock Exchange
29 May – 30 May 2014	Xie Jun Wang Guoqiang Wang Ruiqin	Information disclosure system and regulation of listed companies Education on investigation and warning of insider transactions Rights, obligations and legal responsibilities of directors, supervisors and senior management of listed companies	Henan Listed Company Association
8 August – 9 August 2014	Zhang Chong Guo Hao	Regulation of listed companies in transformation Case analysis of inspection of violations against laws and regulations by listed companies, the way to better utilize the futures market to serve listed companies and other contents	Henan Listed Company Association
22 December – 23 December 2014	Zhang Chengong Ren Zhenduo	Information disclosure of listed companies Listed companies delisting rules and Interpretation of Guidelines on Performance of Duties by Independent Directors of Listed Companies (《上市公司獨立董事履職指引》) and other relevant contents	Henan Listed Company Association

#### 2. The Board

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

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

# Corporate Governance

## VIII. Corporate Governance Report *(Continued)*

### (IV) Chairman and Chief Executive Officer

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

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

Pursuant to the Articles of Association, Non-executive Directors are elected at the general meeting with a term of office of 3 years. The directors are eligible for re-election and reappointment upon expiry. However, the term of office for independent non-executive Directors shall be not more than six years. Please refer to Chapter VIII of 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) Special committees under the Board

Under the Board of the Company are established the Strategic Committee, the Audit Committee, the Nomination Committee, the Remuneration and Review Committee and the Compliance Committee. The above five committees performed their duties in accordance with working standards, assisted the Board to perform and complete various functions set out the Appendix 14 D3.1 of the Listing Rules more effectively.

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (VI) Special committees under the Board (Continued)

#### 1. Audit Committee

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

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

Working progresses during the reporting period:

The audit committee under the board of directors has convened 8 meetings during the reporting period, mainly engaging in carefully looking over quarterly reports, semi-annual reports and annual reports of the company, supervising and assessing the work of external audit organizations, instructing internal audit work of the company, assessing the validity of internal control of the company, coordinating the communication between the management, internal audit department and related departments and external audit organizations, and checking major connected transactions of the company, etc., to give full play of its function of examination and supervision. The audit committee has developed the Report on the Fulfillment of Responsibilities in 2014, which has been disclosed on the websites of both stock exchanges together with the annual reports of the company.

Meeting attendance by members of the Audit Committee in 2013:

Number of meetings 8

Name	Attendance	Attendance by proxy
Huang Ping	8	0
Dong Jiachun	8	0
Liu Tianni	8	0



# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (VI) Special committees under the Board (Continued)

#### 2. Remuneration and Review Committee

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

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

The Company's Remuneration and Review Committee held 1 special meeting during the reporting period, at which the committee reviewed the payment of remuneration payable by the Company to the Directors, supervisors and senior management as disclosed in the 2013 annual report.

Meeting attendance by members of the Remuneration and Review Committee in 2014:

Number of meetings 1

<b>Name</b>	<b>Attendance</b>	<b>Attendance by proxy</b>
Dong Jiachun	1	0
Ma Liyun	1	0
Liu Tianni	1	0

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (VI) Special committees under the Board (Continued)

#### 3. Nomination Committee

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

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

The Nomination Committee held 3 special meetings during the reporting period at which the committee examined the education background, work experience, professional ability and occupational competence of the candidates for the new session of the Board and senior management, offered professional opinions and provided reference for decision-making by the Board.

Meeting attendance by members of the Nomination Committee in 2014:

Number of meetings 3

Name	Attendance	Attendance by proxy
Jin Zhanping	0	0
Ma Liyun	3	0
Huang Ping	3	0

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (VI) Special committees under the Board (Continued)

#### 4. Strategic Committee

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

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

The Strategic Committee held 3 special meetings during the reporting period. The Strategic Committee proposed reasonable recommendations on the lease of CLFG's production line by Longhao Company and the suspension of trading in relation to material assets reorganisation of the Company.

Meeting attendance by members of the Strategic Committee in 2014:

Number of meetings 3

<b>Name</b>	<b>Attendance</b>	<b>Attendance by proxy</b>
Ma Liyun	3	0
Ni Zhisen	3	0
Zhang Chengong	3	0
Zhang Chong	3	0
Jin Zhanping	1	0

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (VI) Special committees under the Board (Continued)

#### 5. Compliance Committee

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

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

The Compliance Committee held 2 special meetings during the reporting period, at which the committee raised proposal on compliance on the way of assets reorganisation and caps of connected transactions and performance of consideration procedures when considering the assets reorganization and continuing connected transactions of the Company for the next three years, and ensured compliant and legitimate operation of the Company.

Meeting attendance by members of the Compliance Committee in 2014:

Number of meetings 2

<b>Name</b>	<b>Attendance</b>	<b>Attendance by proxy</b>
Liu Tianni	2	0
Guo Yimin (resigned)	1	0
Lo Wai Keung, Eric	2	0
Ip Pui Sum	2	0

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (VII) Auditors' remuneration

Please refer to Part IX under the section headed "V. Significant Events" for details about the auditors' remuneration for 2014.

### (VIII) Directors' responsibility for the financial statements

The 2014 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 respective 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 2014, the Company implemented, adopted and used the applicable accounting policies.

### (IX) 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 2014, 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.

### (X) 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.

# Corporate Governance

## VIII. Corporate Governance Report *(Continued)*

### (XI) Investor relations

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

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

# Internal Control

## I. Responsibility Statement on Internal Control and Development of the Internal Control System

### (I) Responsibility statement on internal control

According to the requirements of internal control regulation systems, it is the responsibility of the Board to put in place a sound and effective internal control mechanism, assess its effectiveness and honestly disclose in the internal control assessment reports; the Supervisory Committee conducts supervision on the establishment and implementation of internal control by the Board; the executives are responsible for organizing and leading daily operation of internal control of the Company; The Board, Supervisory Committee and Directors, supervisors and the senior management of the Company hereby warrant that there are no false representations, misleading statements contained in or material omissions from this Annual Report, and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information herein contained; the objectives of the internal control are to reasonably ensure that the Company's operation and management are in compliance with laws and regulations, to guarantee assets safety and that the financial reports and relevant information are true and accurate, to improve efficiency and effect of operation, and to facilitate achievement of the Company's development strategies. Given its intrinsic limitations, internal control can only provide reasonable assurance for the above objectives. In addition, changes in circumstances may render the internal control inappropriate or relevant policies and procedures followed at a lower level. There are risks involved in forecasting the effectiveness of future internal control based on the results of internal control assessment.

### (2) Development of the internal control system:

In 2014, the Company followed the principle of legitimacy, all-roundedness, importance, effectiveness, check and balance, adaptability and cost effectiveness for internal control, incorporated the Basic Standards for Enterprise Internal Control and relevant requirements of the supporting guidelines into the Internal Control Manual of Luoyang Glass in the form of management systems, business process and risk control matrix, thus established an internal control systematic framework starting from risk management, focused on clear definition of duties and responsibilities, backed by the improvement and implementation of system construction, and based on process analysis standards. During the Reporting Period, the Company improved 6 management systems and the business processes and risk control matrixes thereunder, thereby reasonably ensuring the legitimate and compliant operation and management of the enterprise, assets safety, truthfulness and completeness of financial reports and relevant information.

In order to guarantee the effective development of internal control system, the Company strictly exercised the function of the internal control supervision mechanism, and carried out special audits of finance, inventory materials, fixed assets and other internal controls. By inspecting and assessing the existence, soundness, compliance and benefits of the above control systems and processes, the Company brought into full play to the role of internal control systems and provided guarantee for the continuing and health development of the Company.

Whether to disclose the self-evaluation report on internal control: Yes



# Internal Control

## **II. Matters relating to the Audit Report on Internal Control**

The Company appointed Daxin Certified Public Accountants (Special General Partnership) to audit the effectiveness of internal control over the financial report for the year ended 31 December 2014, which produced an audit report with standard and unqualified opinions. For details of the Audit Report on Internal Control, please refer to the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

Whether to disclose the audit report on internal control: Yes

## **III. Accountability System for Material Errors in Annual Reports and its Implementation**

In accordance with the relevant requirements of the CSRC, and the stock exchanges in Shanghai and Hong Kong, the Company formulated the Management System for Information Disclosure Matters of Luoyang Glass Company Limited(《洛陽玻璃股份有限公司信息披露事務管理制度》), specifically stipulating the procedures, requirements and penal measures for rule breaches of information disclosure including annual reports, so as to ensure the quality of annual reports information disclosure.

During the reporting period, the Company had no significant accounting errors or material omissions.

# Auditors' Report

Daxin Shen Zi [2015] No. 2-00220

## To the Shareholders of Luoyang Glass Company Limited:

We have audited the accompanying financial statements of Luoyang Glass Company Limited (hereafter referred to as "the Company"), including the consolidated and the Company's balance sheet as of December 31, 2014, 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 2014, and notes to the financial statements.

### I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### II. AUDITORS' RESPONSIBILITY

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

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

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

### III. AUDIT OPINION

In our opinion, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the Company's financial position as of December 31, 2014, and the Company's operating results and cash flows for 2014.

#### **PKF DAXIN Certified Public Accountants LLP**

*Chinese Certified Public Accountant: Qiao Guanfang*

*Chinese Certified Public Accountant: Wang Haizhou*

Beijing • the PRC

March 27, 2015

# Consolidated Balance Sheet

Item	Notes	December 31, 2014	December 31, 2013
<b>Current assets:</b>			
Bank balance and cash	V (I)	68,478,221.61	128,509,961.33
Balances with clearing companies			
Placements with banks and other financial institutions			
Financial assets classified into financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	V (II)	400,000.00	39,799,612.49
Accounts receivable	V (III)	23,412,089.50	29,651,547.60
Prepayments	V (IV)	7,692,326.00	13,806,820.85
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable			
Other receivables	V (V)	37,020,177.60	81,916,322.40
Financial assets purchased under resale agreements			
Inventory	V (VI)	211,781,486.51	200,349,541.58
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	V (VII)	21,865,034.21	
<b>Total current assets</b>		<b>370,649,335.43</b>	<b>494,033,806.25</b>
<b>Non-current assets:</b>			
Loans and advances granted			
Available-for-sale financial assets	V (VIII)	4,343,500.00	7,000,000.00
Held-to-maturity investments			
Long-term receivables	V (IX)	48,649,780.65	
Long-term equity investments	V (X)		
Investment properties			
Fixed assets	V (XI)	568,040,126.38	644,340,372.61
Construction in progress	V (XII)	698,734.75	2,139,957.20
Construction materials		428,213.56	506,186.30
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	V (XIII)	54,815,729.68	73,958,045.12
Development expenses	V (XIV)		
Goodwill			
Long-term deferred expenses		486,000.00	
Deferred income tax assets	V (XV)	3,821,811.59	2,437,064.61
Other non-current assets	V (XVI)	5,134,487.79	2,112,887.79
<b>Total non-current assets</b>		<b>686,418,384.40</b>	<b>732,494,513.63</b>
<b>Total assets</b>		<b>1,057,067,719.83</b>	<b>1,226,528,319.88</b>

# Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited  
December 31, 2014  
Unit: RMB

Item	Notes	December 31, 2014	December 31, 2013
<b>Current liabilities:</b>			
Short-term loans	V (XVII)	10,000,000.00	50,696,833.33
Loans from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Financial liabilities classified into financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	V (XVIII)	90,000,000.00	150,000,000.00
Accounts payable	V (XIX)	266,198,092.81	282,538,381.85
Payments received in advance	V (XX)	57,399,049.54	41,704,096.40
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payables	V (XXI)	48,625,920.94	59,538,138.48
Taxes payable	V (XXII)	27,800,706.43	-7,987,198.97
Interest payable			
Dividends payable			
Other payables	V (XXIII)	80,705,153.66	126,044,622.62
Reinsurance accounts payable			
Reserve for insurance contracts			
Customer deposits for trading in securities			
Customer deposits for underwriting			
Liabilities classified as held for sale			
Non-current liabilities due within one year	V (XXIV)	46,293,636.87	46,343,566.40
Other current liabilities			
<b>Total current liabilities</b>		<b>627,022,560.25</b>	<b>748,878,440.11</b>
<b>Non-current liabilities:</b>			
Long-term loans	V (XXV)	459,535,761.38	506,104,010.11
Debentures payable			
Including: Preferential shares			
Perpetual bonds			
Long-term payables			
Long-term employee remuneration payable			
Specific payables			
Accrued liabilities			
Deferred income	V (XXVI)	9,898,914.15	11,447,966.31
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>469,434,675.53</b>	<b>517,551,976.42</b>
<b>Total liabilities</b>		<b>1,096,457,235.78</b>	<b>1,266,430,416.53</b>

# Consolidated Balance Sheet

Item	Notes	December 31, 2014	December 31, 2013
<b>Owners' equity:</b>			
Share capital	V (XXVII)	<b>500,018,242.00</b>	500,018,242.00
Other equity instruments Including: Preferential shares Perpetual bonds			
Capital reserve	V (XXVIII)	<b>857,450,406.90</b>	857,450,406.90
Less: Treasury stock			
Other comprehensive income			
Special reserve		<b>456,157.74</b>	367,894.52
Surplus reserve	V (XXIX)	<b>51,365,509.04</b>	51,365,509.04
General risk provision			
Retained earnings	V (XXX)	<b>-1,359,891,297.28</b>	-1,375,895,993.77
<b>Total equity attributable to the equity holders of the Company</b>		<b>49,399,018.40</b>	33,306,058.69
<b>Minority interests</b>		<b>-88,788,534.35</b>	-73,208,155.34
<b>Total owners' equity</b>		<b>-39,389,515.95</b>	-39,902,096.65
<b>Total liabilities and shareholders' equities</b>		<b>1,057,067,719.83</b>	1,226,528,319.88

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  
December 31, 2014  
Unit: RMB

Item	Notes	December 31, 2014	December 31, 2013
<b>Current assets:</b>			
Bank balance and cash		45,193,116.50	100,484,846.41
Financial assets classified into financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			37,380,000.00
Accounts receivable	XV (I)	556,257,598.52	536,576,422.25
Prepayments		1,485,067.67	1,099,223.51
Interest receivable			
Dividends receivable			
Other receivables	XV (II)	179,069,893.00	291,258,468.88
Inventory			5,787,785.18
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
<b>Total current assets</b>		<b>782,005,675.69</b>	<b>972,586,746.23</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets			
Held-to-maturity investments			139,969,000.00
Long-term receivables		48,649,780.65	
Long-term equity investments	XV (III)	52,597,961.54	92,519,028.76
Investment properties			
Fixed assets		3,813,540.76	5,035,983.24
Construction in progress			
Construction materials		428,213.56	443,778.51
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		6,856,321.12	7,080,505.96
Development expenses			
Goodwill			
Long-term deferred expenses		486,000.00	
Deferred income tax assets			
Other non-current assets			
<b>Total non-current assets</b>		<b>112,831,817.63</b>	<b>245,048,296.47</b>
<b>Total assets</b>		<b>894,837,493.32</b>	<b>1,217,635,042.70</b>

# Balance Sheet of the Company

Item	Notes	December 31, 2014	December 31, 2013
<b>Current liabilities:</b>			
Short-term loans		10,000,000.00	50,696,833.33
Financial liabilities: classified into financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		90,000,000.00	150,000,000.00
Accounts payable		75,935,633.93	105,199,176.11
Payments received in advance		50,176,727.50	39,196,282.16
Staff remuneration payables		13,822,236.57	35,821,245.04
Taxes payable		7,262,758.60	678,566.99
Interest payable			
Dividends payable			
Other payables		50,643,969.60	205,350,299.14
Liabilities classified as held for sale			
Non-current liabilities due within one year		43,413,636.87	43,463,566.40
Other current liabilities			
<b>Total current liabilities</b>		<b>341,254,963.07</b>	<b>630,405,969.17</b>
<b>Non-current liabilities:</b>			
Long-term loans		430,815,761.38	474,504,010.11
Debentures payable			
Including: Preferential shares			
Perpetual bonds			
Long-term payables			
Long-term employee remuneration payable			
Specific payables			
Accrued liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>430,815,761.38</b>	<b>474,504,010.11</b>
<b>Total liabilities</b>		<b>772,070,724.45</b>	<b>1,104,909,979.28</b>



# Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited  
December 31, 2014  
Unit: RMB

Item	Notes	December 31, 2014	December 31, 2013
<b>Owners' equity:</b>			
Share capital		500,018,242.00	500,018,242.00
Other equity instruments			
Including: Preferential shares			
Perpetual bonds			
Capital reserve		891,129,782.23	891,129,782.23
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		51,365,509.04	51,365,509.04
Retained earnings		-1,319,746,764.40	-1,329,788,469.85
<b>Total owners' equity</b>		<b>122,766,768.87</b>	112,725,063.42
<b>Total liabilities and shareholders' equities</b>		<b>894,837,493.32</b>	1,217,635,042.70

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

Person in charge of accounting  
department:  
**Chen Jing**

# Consolidated Income Statement

Item	Notes	2014	2013
<b>I. Total operating revenue</b>		<b>612,541,199.49</b>	375,735,014.43
Including: Operating revenue	V (XXXI)	<b>612,541,199.49</b>	375,735,014.43
Interest income			
Premiums earned			
Handling charges and commission income			
<b>II. Total operating costs</b>		<b>774,640,363.64</b>	513,672,918.47
Including: Operating costs	V (XXXI)	<b>576,252,408.19</b>	322,728,783.02
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	V (XXXII)	<b>6,598,685.62</b>	4,945,624.54
Selling expenses	V (XXXIII)	<b>26,065,248.80</b>	22,648,035.94
Administration expenses	V (XXXIV)	<b>110,155,298.65</b>	107,131,092.30
Finance expenses	V (XXXV)	<b>6,160,463.44</b>	9,554,004.27
Impairment loss on assets	V (XXXVI)	<b>49,408,258.94</b>	46,665,378.40
Add: Gains from changes in fair value (losses are represented by "-")			
Investment income (losses are represented by "-")	V (XXXVII)	<b>98,842,537.14</b>	2,410,572.50
Including: Gains from investment in associates and joint ventures			
Gains from currency exchange (losses are represented by "-")			
<b>III. Operating profit (loss is represented by "-")</b>		<b>-63,256,627.01</b>	-135,527,331.54
Add: Non-operating income	V (XXXVIII)	<b>81,654,516.83</b>	31,012,446.69
Including: gain on disposal of non-current assets	V (XXXVIII)	<b>2,294,067.72</b>	20,099,782.07
Less: Non-operating expenses	V (XXXIX)	<b>9,929,613.25</b>	3,051,871.70
Including: Loss from disposal of non-current assets	V (XXXIX)	<b>1,628,535.23</b>	1,673,324.51
<b>IV. Total profit (total loss is represented by "-")</b>		<b>8,468,276.57</b>	-107,566,756.55
Less: Income tax expenses	V (XL)	<b>8,125,432.82</b>	3,287,385.84
<b>V. Net profit (net loss is represented by "-")</b>		<b>342,843.75</b>	-110,854,142.39
Net profit attributable to the owners of the Company		<b>16,004,696.49</b>	-98,980,994.84
Minority interests		<b>-15,661,852.74</b>	-11,873,147.55

# Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
Unit: RMB

Item	Notes	2014	2013
<b>VI. Other comprehensive income net of tax</b>			
Net comprehensive income after tax attributable to equity holders of the Company			
(I) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Shares of other comprehensive income of investees that may not be reclassified to profit or loss under the equity method			
(II) Other comprehensive income that will be subsequently reclassified into profit and loss			
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Others			
Net other comprehensive income after tax attributable to minority interests			
<b>VII. Total comprehensive income</b>		<b>342,843.75</b>	-110,854,142.39
Total comprehensive income attributable to owners of the parent company		<b>16,004,696.49</b>	-98,980,994.84
Total comprehensive income attributable to minority interests		<b>-15,661,852.74</b>	-11,873,147.55
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share (RMB/share)		<b>0.0320</b>	-0.1980
(II) Diluted earnings per share (RMB/share)		<b>0.0320</b>	-0.1980

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

Person in charge of accounting  
department:  
**Chen Jing**

# Income Statement of the Company

Item	Notes	2014	2013
<b>I. Operating revenue</b>	XV (IV)	<b>715,403,789.93</b>	444,758,638.37
Less: Operating costs	XV (IV)	<b>702,105,154.31</b>	415,670,940.26
Business taxes and surcharges		<b>2,544,953.25</b>	883,856.67
Selling expenses		<b>2,457,715.83</b>	2,937,640.86
Administration expenses		<b>23,386,907.28</b>	23,881,432.01
Finance expenses		<b>-6,287,017.61</b>	-343,993.97
Impairment loss on assets		<b>321,657,803.07</b>	1,898,152.14
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	XV (V)	<b>270,997,339.33</b>	23,124,763.96
<b>II. Operating Profit (losses are represented by "-")</b>		<b>-59,464,386.87</b>	22,955,374.36
Add: Non-operating income		<b>72,550,822.52</b>	19,362,784.25
Including: Gain on disposal of non-current assets		<b>1,889,196.38</b>	18,649,703.38
Less: Non-operating expenses		<b>3,044,730.20</b>	2,206,182.54
Including: Loss from disposal of non-current assets		<b>298,792.54</b>	1,630,927.34
<b>III. Total profit (losses are represented by "-")</b>		<b>10,041,705.45</b>	40,111,976.07
Less: Income tax expenses			
<b>IV. Net profit (losses are represented by "-")</b>		<b>10,041,705.45</b>	40,111,976.07
<b>V. Other comprehensive income net of tax</b>			
(I) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods			
1. Changes in net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Shares of other comprehensive income of investees that may not be reclassified to profit or loss under the equity method			
(II) Other comprehensive income that will be subsequently reclassified into profit and loss			
1. Shares of other comprehensive income of investees that may be reclassified to profit or loss under the equity method subsequently			
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassifying held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of cash flow adjusted for hedging gains or losses			
5. Exchange differences from retranslation of financial statements			
6. Others			
<b>VI. Total comprehensive income</b>		<b>10,041,705.45</b>	40,111,976.07
<b>VII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)		<b>0.0201</b>	0.0802
(II) Diluted earnings per share (RMB/share)		<b>0.0201</b>	0.0802

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 - December 2014  
Unit: RMB

Item	Notes	2014	2013
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or rendering of services		<b>319,135,078.49</b>	185,908,945.36
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 financial assets classified into financial assets at fair value through profit or loss			
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	V (XLI)	<b>16,382,969.13</b>	13,445,194.56
Sub-total of cash inflow from operating activities		<b>335,518,047.62</b>	199,354,139.92
Cash paid for goods purchased and services rendered		<b>202,349,909.55</b>	80,997,979.90
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		<b>104,900,603.91</b>	54,971,205.12
Tax payments		<b>44,490,722.23</b>	30,671,267.60
Other cash paid for activities related to operation	V (XLI)	<b>24,605,499.90</b>	21,727,448.71
Sub-total of cash outflow from operating activities		<b>376,346,735.59</b>	188,367,901.33
Net cash flow from operating activities		<b>-40,828,687.97</b>	10,986,238.59

# Consolidated Cash Flow Statement

Item	Notes	2014	2013
<b>II. Cash flow from investment activities:</b>			
Cash received from disposal of investment			23,000,000.00
Cash received from return of investments		<b>1,224,570.83</b>	2,410,572.50
Net cash received from disposal of fixed assets, intangible assets and other long term assets		<b>38,441,655.62</b>	15,635,926.98
Net cash received from disposal of subsidiaries and other operating entities		<b>4,000,000.00</b>	
Other cash received from activities related to investment	V (XLI)	<b>60,012,700.00</b>	5,000,000.00
Sub-total of cash inflow from investment activities		<b>103,678,926.45</b>	46,046,499.48
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		<b>4,119,582.12</b>	45,778,122.90
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	V (XLI)	<b>5,000,000.00</b>	343,227.68
Sub-total of cash outflow from investment activities		<b>9,119,582.12</b>	46,121,350.58
Net cash flow from investment activities		<b>94,559,344.33</b>	-74,851.10
<b>III. Cash flow from financing activities:</b>			
Cash received from investments			
Including: Proceeds received by subsidiaries from minority shareholders' investment			
Proceeds from loans		<b>10,000,000.00</b>	106,039,000.00
Cash received from issuing bonds			
Other cash received from financing-related activities	V (XLI)	<b>485,705,546.54</b>	690,929,578.87
Sub-total of cash inflow from financing activities		<b>495,705,546.54</b>	796,968,578.87
Cash paid for repayment of loans		<b>46,343,246.66</b>	121,326,087.29
Cash paid for dividends, profit, or interest payments		<b>221,001.16</b>	1,469,631.66
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities	V (XLI)	<b>507,750,800.00</b>	712,570,000.00
Sub-total of cash outflow from financing activities		<b>554,315,047.82</b>	835,365,718.95
Net cash flow from financing activities		<b>-58,609,501.28</b>	-38,397,140.08
<b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>			
		<b>430.47</b>	-3,693.37
<b>V. Net increase in cash and cash equivalents</b>			
		<b>-4,878,414.45</b>	-27,489,445.96
Add: Opening balance of cash and cash equivalents		<b>28,316,110.10</b>	55,805,556.06
<b>VI. Closing balance of cash and cash equivalents</b>			
		<b>23,437,695.65</b>	28,316,110.10

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 - December 2014  
Unit: RMB

Item	Notes	2014	2013
<b>I. Cash flow from operating activities:</b>			
Cash received from sale of goods and provision of services		274,277,887.70	153,349,599.68
Tax rebates			
Other cash received from activities related to operation		353,892,935.63	498,996,320.15
Sub-total of cash inflow from operating activities		628,170,823.33	652,345,919.83
Cash paid for goods purchased and service rendered		270,328,215.47	137,093,052.81
Cash paid to and on behalf of employees		52,915,520.72	18,165,945.07
Tax payments		6,744,426.47	1,666,303.01
Other cash paid for activities related to operation		26,826,503.99	131,100,851.68
Sub-total of cash outflow from operating activities		356,814,666.65	288,026,152.57
Net cash flow from operating activities		271,356,156.68	364,319,767.26
<b>II. Cash flow from investment activities:</b>			
Cash received from disposal of investments			
Cash received from return of investments			2,946,866.81
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		38,441,655.62	658,937.40
Net cash received from disposal of subsidiaries and other operating entities		4,000,000.00	
Other cash received from activities related to investment		60,012,700.00	5,000,000.00
Sub-total of cash inflow from investment activities		102,454,355.62	8,605,804.21
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		332,570.00	355,705.78
Cash paid for investment			7,000,000.00
Net cash paid for acquisition of subsidiaries and other operating entities			
Other cash paid for activities related to investment		5,000,000.00	343,227.68
Sub-total of cash outflow from investment activities		5,332,570.00	7,698,933.46
Net cash flow from investment activities		97,121,785.62	906,870.75
<b>III. Cash flow from financing activities:</b>			
Cash received from investments			
Proceeds from loans		10,000,000.00	106,000,000.00
Other cash received from activities related to financing		113,000,000.00	135,934,735.15
Sub-total of cash inflow from financing activities		123,000,000.00	241,934,735.15
Cash paid for repayment of loans		43,463,246.66	98,446,087.29
Cash paid for dividends, profit, or interest payment		221,001.16	948,520.55
Other cash paid for financing-related activities		448,000,000.00	507,570,000.00
Sub-total of cash outflow from financing activities		491,684,247.82	606,964,607.84
Net cash flow from financing activities		-368,684,247.82	-365,029,872.69
<b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>		430.47	-3,693.37
<b>V. Net increase in cash and cash equivalents</b>		-205,875.05	193,071.95
Add: Opening balance of cash and cash equivalents		398,991.55	205,919.60
<b>VI. Closing balance of cash and cash equivalents</b>		193,116.50	398,991.55

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

Person in charge of accounting  
department:  
**Chen Jing**



# Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
Unit: RMB

Item	2014											Total shareholder's equity	
	Other equity instruments				Equity attributable to owners of the Company								
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Less: comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit		Minority interest
<b>I. Balance at the end of last year</b>	500,018,242.00				857,450,406.90			367,894.52	51,365,509.04		-1,375,895,993.77	-73,208,155.34	-39,902,096.65
Add: Effects of changes in accounting policies													
Effects of correction of prior year errors													
Business combination under common control													
Others													
<b>II. Balance at the beginning of the year</b>	500,018,242.00				857,450,406.90			367,894.52	51,365,509.04		-1,375,895,993.77	-73,208,155.34	-39,902,096.65
<b>III. Increase/decrease in the year</b> (decrease is represented by "-")								88,263.22			16,004,696.49	-15,580,379.01	512,580.70
(I) Total comprehensive income											16,004,696.49	-15,580,379.01	342,843.75
(II) Owners' contribution and decrease in capital													
1. Ordinary shares paid by shareholders													
2. Capital paid by holders of other equity instruments													
3. Capital paid by holders of other equity instruments													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserve													
2. Appropriation to general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal carry-forward of owners' equity													
1. Conversion of capital reserve into capital (or share capital)													
2. Conversion of surplus reserve into capital (or share capital)													
3. Making good of loss with surplus reserve													
4. Others													
(V) Special reserve								88,263.22				81,473.73	169,736.95
1. Amount withdrawn in the year								131,116.42				121,030.53	252,146.95
2. Amount utilized in the year								-42,853.20				-39,556.80	-82,410.00
(VI) Others													
<b>IV. Balance at the end of the year</b>	500,018,242.00				857,450,406.90			456,157.74	51,365,509.04		-1,359,891,297.28	-88,788,534.35	-39,389,515.95

# Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
Unit: RMB

Item	Other equity instruments				Equity attributable to owners of the Company					Minority interest	Total shareholder's equity		
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve			General risk provisions	Undistributed profit
<b>I. Balance at the end of last year</b>	500,018,242.00				857,450,406.90			205,847.44	51,365,509.04		-1,276,914,998.93	-61,484,589.71	70,640,416.74
Add:													
Effects of changes in accounting policies													
Effects of correction of prior year errors													
Business combination under common control													
Others													
<b>II. Balance at the beginning of the year</b>	500,018,242.00				857,450,406.90			205,847.44	51,365,509.04		-1,276,914,998.93	-61,484,589.71	70,640,416.74
<b>III. Increase/decrease in the year (decrease is represented by "-")</b>								162,047.08			-98,980,994.84	-11,723,565.63	-110,542,513.39
(I) Total comprehensive income											-98,980,994.84	-11,723,565.63	-110,542,513.39
(II) Owners' contribution and decrease in capital													
1. Ordinary shares paid by shareholders													
2. Capital paid by holders of other equity instruments													
3. Capital paid by holders of other equity instruments													
4. Others													
(III) Profit distribution													
1. Appropriation to surplus reserve													
2. Appropriation to general risk provision													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal carry-forward of owners' equity													
1. Conversion of capital reserve into capital (or share capital)													
2. Conversion of surplus reserve into capital (or share capital)													
3. Making good of loss with surplus reserve													
4. Others													
(V) Special reserve								162,047.08				149,581.92	311,629.00
1. Amount withdrawn in the year								189,739.68				175,144.32	364,884.00
2. Amount utilized in the year								-27,692.6				-25,562.40	-53,255.00
(VI) Others													
<b>IV. Balance at the end of the year</b>	500,018,242.00				857,450,406.90			367,894.52	51,365,509.04		-1,375,895,993.77	-73,208,155.34	-39,902,096.65

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

Person in charge of accounting department:  
**Chen Jing**

# Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
Unit: RMB

Item	2014							Special reserve	Surplus reserve	Undistributed profit	Total shareholder's equity
	Share capital	Preferential shares	Perpetual bonds	Other equity instruments Others	Capital reserve	Less: Treasury stock	Other comprehensive income				
<b>I. Balance at the end of last year</b>	500,018,242.00				891,129,782.23			51,365,509.04	-132,978,469.85	112,725,063.42	
Add: Effects of changes in accounting policies											
Effects of correction of prior year errors											
Others											
<b>II. Balance at the beginning of the year</b>	500,018,242.00				891,129,782.23			51,365,509.04	-132,978,469.85	112,725,063.42	
<b>III. Increase/decrease in the year</b> (decrease is represented by "-")									10,041,705.45	10,041,705.45	
(I) Total comprehensive income									10,041,705.45	10,041,705.45	
(II) Owners' contribution and decrease in capital											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Capital paid by holders of other equity instruments											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into capital (or share capital)											
2. Conversion of surplus reserve into capital (or share capital)											
3. Making good of loss with surplus reserve											
4. Others											
(V) Special reserve											
1. Amount withdrawn in the year											
2. Amount utilized in the year											
(VII) Others											
<b>IV. Balance at the end of the year</b>	500,018,242.00				891,129,782.23			51,365,509.04	-1,319,746,764.40	122,766,768.87	

# Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
Unit: RMB

Item	2013										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder's equity
<b>I. Balance at the end of last year</b>	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											
<b>II. Balance at the beginning of the year</b>	500,018,242.00				891,129,782.23				51,365,509.04	-1,369,900,445.92	72,613,087.35
<b>III. Increase/decrease in the year (decrease is represented by "-")</b>										40,111,976.07	40,111,976.07
(I) Total comprehensive income										40,111,976.07	40,111,976.07
(II) Owners' contribution and decrease in capital											
1. Ordinary shares paid by shareholders											
2. Capital paid by holders of other equity instruments											
3. Capital paid by holders of other equity instruments											
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserve											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into capital (or share capital)											
2. Conversion of surplus reserve into capital (or share capital)											
3. Making good of loss with surplus reserve											
4. Others											
(V) Special reserve											
1. Amount withdrawn in the year											
2. Amount utilized in the year											
(VII) Others											
<b>IV. Balance at the end of the year</b>	500,018,242.00				891,129,782.23				51,365,509.04	-1,329,788,469.85	112,725,063.42

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

Person in charge of accounting department:  
**Chen Jing**

# Notes to the Financial Statements

## I. Basic Information on the Company

### I. Company Profile

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.

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

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

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

The principal activities of the Company and its subsidiaries ("the Group") are manufacturing and sale of float sheet glass. The scope of business includes manufacturing of glass and relevant sophisticated processing goods, mechanical equipment, electric appliances and accessories, sale of self-produced products, provision of technical consultancy and technical services. The major products include various types of float sheet glass.

Legal Person Business Registration	410300400003275
Number of the Company:	
Legal representative:	Ma Liyun
Registered address and address of head office:	No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang

As at 31 December 2014, the Company's total share capital was 500,018,242 shares.

The financial statements were approved for disclosure by the Board of the Company on 27 March 2015.

### 2. Scope of consolidated financial statements for the years

No.	Name of subsidiary	Abbreviation
1	CLFG Longmen Glass Co. Ltd.	Longmen Company
2	CLFG Longfei Glass Co. Ltd.	Longfei Company
3	Yinan Huacheng Mineral Enterprise Company Limited	Huasheng Company
4	CLFG Longhai Electronic Glass Limited	Longhai Company
5	CLFG Longhao Glass Limited	Longhao Company
6	CLFG Longxiang Glass Co. Ltd.	Longxiang Company
7	Dengfeng CLFG Silicon Company Limited	Silicon Company
8	Dengfeng Hongzhai Silicon Co., Ltd.	Hongzhai Company
9	Luoyang Luobo Furuida Commerce Co., Ltd.	Furuida

# Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
(The amount is expressed in RMB unless otherwise specified)

## II. Basis of preparation of financial statements

1. Basis of preparation: The financial statements of the Company have been prepared on a going concern basis in respect of the actual transactions and events in accordance with the requirements of the Accounting Standards for Business Enterprises – Basic Standards and the detailed accounting standards (the “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and based on the following significant accounting policies and estimates.
2. Going concern: On 31 December 2014, the current liabilities of the Group reached RMB256,373,224.82, exceeding current assets. Directors of the Company have made estimation that with the adjustment of the product structure of the Company, and the upgrading and rebuilding of production line, the Group was expected to generate positive business activities cash flow. Meanwhile, the actual controller, CNBMG, and the controlling shareholder, CLFG, have respectively made undertakings to offer financial aid to the company, which can meet the needs of settlement of debts and committed capital funds of the group. Directors of the Company believe that there is no problem about the Group’s ability to continue. Therefore, the Company has prepared the financial statement based on continuing operations.

## III. Important accounting policies and estimates

### (I) Declaration on compliance with Accounting Standards for Business Enterprises

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

### (II) Accounting period

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

### (III) 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.

### (IV) Measurement currency

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

### (V) Enterprise merger

#### 1. Enterprise merger under common control

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

### III. Important accounting policies and estimates (Continued)

#### (V) Enterprise merger (Continued)

##### 2. Enterprise merger not under common control

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

#### (VI) Preparation method of consolidated financial statements

##### 1. Scope of consolidated financial statements

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

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

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

##### 3. Offset matters in the consolidated financial statements

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

##### 4. Accounting treatment of subsidiaries acquired from merger

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



# Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
(The amount is expressed in RMB unless otherwise specified)

## III. Important accounting policies and estimates (Continued)

### (VII) Accounting for disposal of subsidiaries achieved in stages until losing control

1. *Accounting for transactions regarding disposal of subsidiaries achieved in stages until losing control which are not “a series of transactions” in the financial statements of the parent company and consolidated financial statements*

For transactions before losing control, the difference between the consideration for disposal and the carrying amount of long-term equity investments disposed of is recognised as investment income in the financial statements of the parent company; the difference between the consideration for disposal and the share of net assets entitled to in the subsidiary concerned, for which continuous calculation has been conducted since the date of acquisition or combination, as a result of disposal of the long-term equity investments shall be adjusted to capital reserve (or premium on share capital). If the capital reserve (or premium on share capital) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

For transactions at losing control which will have no control, common control or material effects over the investee, in the financial statements of the parent company, the remaining equity interests will be subject to accounting in accordance with the standards for recognition and measurement of financial instruments, and the difference between the fair value and carrying amount as at the date of losing control should be recognised as investment income.

For transactions at losing control for which the remaining equity interests after disposal will have common control or material effects over the original subsidiary, in the financial statements of the parent company, accounting will be performed in accordance with relevant provisions on changing cost method into equity method. In the consolidated financial statements, the remaining equity interests will be subject to re-measurement at fair value as at the date of losing control. The sum of consideration for disposal of equity interests and the fair value of the remaining equity interests less the share of net assets entitled to in the subsidiary according to the original shareholding prior to disposal, for which continuous calculation has been conducted since the date of acquisition, will be recognised as investment income for current period upon losing control. Other comprehensive income in relation to the equity investments of the original subsidiary will be recognized as investment income for current period of losing control.

2. *Accounting for transactions regarding disposal of subsidiaries achieved in stages until losing control which are “a series of transactions” in the financial statements of the parent company and consolidated financial statements*

For transactions that form “a series of transactions”, each transaction is accounted for as a disposal of interest in a subsidiary and losing control. In the parent company’s financial statements, the difference between the consideration for disposal and the book value of investment disposed of for each transaction is recognised in investment income for the current period. In the consolidated financial statements, the difference between the consideration for disposal and the share of carrying amount of the net assets entitled to in the subsidiary concerned, for which continuous calculation has been conducted since the date of acquisition, as a result of disposal of investment is recognized as other comprehensive income and transferred to profit or loss for the current period of losing control upon losing control.

### III. Important accounting policies and estimates (Continued)

#### (VIII) Classification of joint arrangements and accounting for joint operations

##### 1. Classification of joint arrangements

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

##### 2. Accounting treatment for joint operations

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

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

##### 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.

#### (IX) 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.

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## III. Important accounting policies and estimates (Continued)

### (X) Translation of foreign currency transactions and financial statements denominated in foreign currency

#### 1. Translation of foreign currency transactions

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

#### 2. Translation of financial statements denominated in foreign currency

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

## III. Important accounting policies and estimates (Continued)

### (XI) Financial instruments

#### 1. Classification and recognition of financial instruments

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

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

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

#### 2. Measurement of financial instruments

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

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

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

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## III. Important accounting policies and estimates (Continued)

### (XI) Financial instruments (Continued)

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

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

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

#### 5. Impairment of financial assets

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

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

Where there is objective evidence that an impairment loss on available-for-sale financial assets occurs, the cumulative loss arising from the decline in fair value that had been recognised directly in equity is removed from equity and recognised in impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed and recognised in profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised in equity directly.

### III. Important accounting policies and estimates (Continued)

#### (XI) Financial instruments (Continued)

##### 5. Impairment of financial assets (Continued)

For investments in equity instruments, the specific quantitative criteria for the Company to determine "serious" or "not temporary" decrease in their fair value, cost computing method, method for determining closing fair value, and basis for determining the continuous decrease period are set out below:

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

#### (XII) Receivables

Receivables include accounts receivable, 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 balance between the carrying values and the present value of estimated future cash flows

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## III. Important accounting policies and estimates (Continued)

### (XII) Receivables (Continued)

#### 2. Receivables with provision for bad debts on a group basis

Basis for group determination	Nature of receivables and risk characteristics
The group with provision for bad debts based on aging analysis	Apart from those for which no provision has been paid for bad debts, receivables which are unimpaired through separately test of impairment are divided into certain portfolios of credit risk in accordance with the aging analysis methods, and then the provision for bad debts is made in proportion to the balance of these receivable portfolios.
The group without provision for bad debts	(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.

#### Provision methods for bad debts in group

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

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

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



## III. Important accounting policies and estimates (Continued)

### (XII) Receivables (Continued)

#### 3. Individually insignificant receivables with provision for bad debts on an individual basis

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

### (XIII) Inventories

#### 1. Classification

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

#### 2. Measurement for delivered inventories

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

#### 3. Provision for impairment

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

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

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## III. Important accounting policies and estimates (Continued)

### (XIII) Inventories (Continued)

#### 3. Provision for impairment (Continued)

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

#### 4. Inventory system

The Company adopts perpetual inventory system.

#### 5. Amortization of low-value consumables and packaging materials

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

### (XIV) Recognition of assets held for sale

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

### (XV) Long-term equity investments

#### 1. Determination of initial investment cost

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

### III. Important accounting policies and estimates (Continued)

#### (XV) Long-term equity investments (Continued)

##### 2. Subsequent measurement and profit or loss recognition

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

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

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

#### (XVI) Investment properties

Investment properties of the Company include land use rights and buildings for leasing and land use rights held for resale after appreciation in value. An investment property is initially measured at cost, and cost method is adopted for subsequent measurement.

The building of an investment property is depreciated over its useful life. The overall measurement policy is the same as fixed assets. For land use rights leased out or held for resale after appreciation in value, they are amortized over their useful lives using the straight-line method. The overall measurement policy is the same as intangible assets.

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## III. Important accounting policies and estimates (Continued)

### (XVII) Fixed assets

#### 1. Recognition of fixed assets

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

#### 2. Classification and depreciation methods for fixed assets

Fixed assets held by the Company are mainly classified as: buildings and structures, machinery, and transportation equipment. Depreciation is provided based upon the straight-line method. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Estimated useful lives (years)	Expected net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	30-50	3-5	1.90-3.23
Machinery	4-28	3-5	3.39-24.25
Electronic equipment	10	3	9.70
Transportation equipment	6-12	3-5	7.92-16.17
Other equipment	4-28	3-5	3.39-24.25

#### 3. Recognition and measurement of fixed assets under finance lease

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

### (XVIII) Construction in progress

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

### III. Important accounting policies and estimates (Continued)

#### (XIX) 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 when incurred. Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

##### 2. Calculation of amount to be capitalized

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

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

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

#### (XX) Intangible assets

##### 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.

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## III. Important accounting policies and estimates (Continued)

### (XX) Intangible assets (Continued)

#### 1. Measurement of intangible assets (Continued)

The exploration right of the Company is included in other non-current liabilities as the cost less the provision for impairment. The charges for the use of the exploration rights, the cost of the exploration right and other costs paid by the Company for acquiring the exploration right is included into "the exploration and development cost" when it is actually incurred. Once it can be reasonably confirmed that the mine can be used for commercial production and the relevant mining right has been obtained, the exploration and development cost incurred can be transferred to "intangible assets – mining rights" and amortised using the straight-line method. In the event that any project has been abandoned at the development stage or cannot proceed due to the failure to obtain the mining right, the total expenses shall be written-off and included in the expenses for the current period.

#### 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.

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

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

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

### III. Important accounting policies and estimates *(Continued)*

#### **(XXI) Assets impairment**

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

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

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

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

#### **(XXII) 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.



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## III. Important accounting policies and estimates (Continued)

### (XXIII) Employee benefits

Employee benefits are all forms of considerations given by an entity in exchange for services rendered by employees or for the termination of employment. Employee benefits include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

#### 1. Short-term benefits

In the period of employee services, short-term benefits 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. Post-employment benefits

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

#### 3. Termination benefits

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. Other long-term employee benefits.

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

### III. Important accounting policies and estimates (Continued)

#### (XXIV) 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.

#### (XXV) Revenue

##### 1. Sales of goods

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

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

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

##### 2. Provision of labour services

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

##### 3. Abalienating the right to use an asset

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

# Notes to the Financial Statements

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## III. Important accounting policies and estimates (Continued)

### (XXVI) Government grants

#### 1. Accounting treatment for government grants related to assets

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

#### 2. Accounting treatment for government grants related to income

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

#### 3. Specific standards for differentiating governmental subsidy relating to asset from that relating to income

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

### (XXVII) Deferred tax assets and deferred tax liabilities

1. Deferred tax assets and liabilities are recognized based on the temporary difference between the carrying amount and the tax base amount of an asset or liability (asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference), and the expected applicable tax rate at the time of recovering the relevant asset or discharge of relevant liability.
2. Deferred tax asset is recognized to the extent that there is enough future profit for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the deferred asset not previously recognized is recognized in current period. If there is not sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the carrying value of the deferred asset reduced in current period.
3. Deferred tax liability is recognized for assessable temporary difference related to the investments of the subsidiaries and associated companies, unless the Company could control the time for the reversal of the temporary differences and the temporary differences would not be reserved in the foreseeable future. Deferred tax asset is recognized for the deductible temporary difference related to the investments of subsidiaries and associated enterprises, if such temporary differences are much likely to be reversed in the foreseeable future and there will be enough future profit for the utilization of such deductible temporary difference.

# Notes to the Financial Statements

## III. Important accounting policies and estimates (Continued)

### (XXVIII) Lease

1. Accounting treatment for operating lease: Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period.
2. Accounting treatment for finance lease: At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge, using the effective interest method amortization during the lease term. Minimum lease payments deducting unrecognized financing charges are listed as long-term payables.

### (XXIX) Changes in significant accounting policies and accounting estimates

#### 1. Changes in significant accounting policies

The Ministry of Finance revised and issued eight Accounting Standards for Business Enterprises including Accounting Standards for Business Enterprises No.2 —Long-term Equity Investments in 2014. Except for Accounting Standards for Business Enterprises No. 37 —Presentation of Financial Instruments, which was adopted in 2014 and the subsequent years, other standards will be implemented since 1 July 2014 in enterprises which implement the Accounting Standards for Business Enterprises. The Company re-determined relevant accounting policies in accordance with the standards, and restated the comparative financial statements for 2014 with the application of retrospective adjustment method.

Pursuant to the stipulations in the revised Accounting Standards for Business Enterprises including Accounting Standards for Business Enterprises No. 2 —Long-term Equity Investments, the Group adjusted the equity interest without control, common control, significant influence and quotations in open and active market, to calculate as available-for-sale financial assets with the cost approach. According to the stipulations in Accounting Standards for Business Enterprises No. 30 —Presentation of Financial Statements, the Company adjusted the government grant presented in non-current liabilities to deferred income. The influence of the above-mentioned changes in accounting policies on the relevant items in the comparative financial statements are as follows:

Changes in accounting policies and the influences thereof on the Company	Item	Amount affected in the items of relevant financial statements as at 31 December 2013/for 2013	
		Increase +/ decrease – in amount affected	
Accounting Standards for Business Enterprises No. 30 —Presentation of Financial Statements (revised in 2014)	Deferred income	11,447,966.31	
	Non-current liabilities due within one year	-1,268,920.56	
	Other non-current liabilities	-10,179,045.75	
Accounting Standards for Business Enterprises No. 2 —Long-term Equity Investments (revised in 2014)	Available-for-sale financial assets	7,000,000.00	
	Long-term equity investments	-7,000,000.00	

# Notes to the Financial Statements

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## III. Important accounting policies and estimates (Continued)

### (XXIX) Changes in significant accounting policies and accounting estimates (Continued)

#### 1. Changes in significant accounting policies (Continued)

Changes in accounting policies and the influences thereof on the Company	Item	Amount affected in the items of relevant financial statements as at 1 January 2013/for 2012
		Increase +/- decrease - in amount affected
Accounting Standards for Business Enterprises No. 30 —Presentation of Financial Statements (revised in 2014)	Deferred income	14,053,655.20
	Non-current liabilities due within one year	-2,325,557.29
	Other non-current liabilities	-11,728,097.91
Accounting Standards for Business Enterprises No. 2 —Long-term Equity Investments (revised in 2014)	Available-for-sale financial assets	7,000,000.00
	Long-term equity investments	-7,000,000.00

The changes in the accounting policies only have influences on the above-presented items in the financial statements, and do not have any influence on the total assets, total liabilities, net assets as at the end of 2013 and 2012, as well as the net profit for 2013 and 2012.

## IV. TAXES

### (I) Major categories of taxes and tax rates

Category	Tax basis	Tax rate
Value added tax	Assessable value-added part of sales revenue, and revenue from processing and repair, fitting and labour services	13%-17%
Resources tax	Sales volume	RMB3/tonne
Business tax	Business revenue	5%
City maintenance and construction tax	Value added tax and business tax paid	5%-7%
Educational surcharges	Value added tax and business tax paid	3%
Enterprise income tax	Enterprise income	15%, 25%

### (II) Major preferential tax treatment and approvals

On 26 June 2013, Longhai Company, the Company's wholly-owned subsidiary, was recognized as high-tech enterprise as verified by Henan Scientific and Technological Department, Henan Finance Department, National Taxation Bureau of Henan Province and Local Taxation Bureau of Henan Province, and awarded "High-tech Enterprise Certificate" with an effective period of three years. In accordance with Paragraph 2 of Article 28 of the Enterprise Income Tax Law of the PRC, Article 93 of the Regulation on the Implementation of Enterprise Income Tax Law of PRC and the relevant provisions of the Notice of the State Administration of Taxation concerning Relevant Issues for Implementation of Tax Preferential Treatment for High-Technology Enterprises (Guo Shui Han [2009] No. 203), Longhai Company was taxed at a rate of 15% in 2014.

# Notes to the Financial Statements

## V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

### (I) Bank balance and cash

Category	Closing balance	Opening balance
Cash	183,692.84	75,851.25
Deposits at banks	23,274,528.77	28,414,110.08
Other monetary funds	45,020,000.00	100,020,000.00
Total	68,478,221.61	128,509,961.33

- Notes
- In the closing balance of bank balance and cash, the funds of RMB20,525.96 were frozen by the court..
  - In the closing balance of other monetary funds, the funds of RMB45,000,000.00 represent the security deposit for bank acceptance notes.

### (II) Notes receivable

Category	Closing balance	Opening balance
bank acceptance	400,000.00	39,799,612.49
Total	400,000.00	39,799,612.49

Note: As at the end of the reporting period, the Group's bills endorsed but not yet due amounted to RMB185,947,830.72, bills discounted but not yet due amounted to RMB101,639,560.24, including bank acceptance bills of RMB90,000,000.00 issued by the Company, which had been discounted by the Company's subsidiaries. The expire date of these bills was from 1 January 2015 to 30 June 2015, the Group has derecognised the bills discounted or endorsed but not yet due.

### (III) Accounts receivable

Item	Carrying amount	Opening balance
Account receivable	75,951,368.06	80,281,928.91
Less: provision for bad debts	52,539,278.56	50,630,381.31
Net amount	23,412,089.50	29,651,547.60

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

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

### (III) Accounts receivable (Continued)

#### 1. The aging of accounts receivable based on their recording dates is analysed below:

Aging	Closing balance	Opening balance
Within 1 year	<b>19,048,408.58</b>	25,731,377.61
1-2 years	<b>2,352,408.18</b>	2,821,542.85
2-3 years	<b>2,821,542.85</b>	3,890,179.97
3-4 years	<b>3,890,179.97</b>	1,944,439.71
4-5 years	<b>1,944,439.71</b>	1,095,404.38
Over 5 years	<b>45,894,388.77</b>	44,798,984.39
Total	<b>75,951,368.06</b>	80,281,928.91

#### 2. Category

Category	At 31 December 2014			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Account receivables with significant single amount and individual provision for bad debts				
Accounts receivable provided for bad debts in groups	<b>75,951,368.06</b>	<b>100.00</b>	<b>52,539,278.56</b>	<b>69.17</b>
Account receivables with insignificant single amount and individual provision for bad debts				
Total	<b>75,951,368.06</b>	<b>100.00</b>	<b>52,539,278.56</b>	<b>69.17</b>

Category	At 1 January 2014			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Account receivables with significant single amount and individual provision for bad debts				
Accounts receivable provided for bad debts in groups	80,281,928.91	100.00	50,630,381.31	63.07
Account receivables with insignificant single amount and individual provision for bad debts				
Total	<b>80,281,928.91</b>	<b>100.00</b>	<b>50,630,381.31</b>	<b>63.07</b>



# Notes to the Financial Statements

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

### (III) Accounts receivable (Continued)

#### 2. Category (Continued)

Accounts receivable provided for bad debts in groups:

#### ① Accounts receivable with provision for bad debts based on the aging analysis

Age	At 31 December 2014			At 1 January 2014		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	17,059,693.77			25,731,377.61		
1-2 years	2,352,408.18	30.00	705,722.46	2,821,542.85	30.00	846,462.84
2-3 years	2,750,011.41	50.00	1,375,005.72	3,890,179.97	50.00	1,945,089.99
3-4 years	2,747,532.18	100.00	2,747,532.18	1,944,439.71	100.00	1,944,439.71
4-5 years	1,816,629.43	100.00	1,816,629.43	1,095,404.38	100.00	1,095,404.38
Over 5 years	45,894,388.77	100.00	45,894,388.77	44,798,984.39	100.00	44,798,984.39
<b>Total</b>	<b>72,620,663.74</b>	<b>72.35</b>	<b>52,539,278.56</b>	<b>80,281,928.91</b>	<b>63.07</b>	<b>50,630,381.31</b>

#### ② In the groups, account receivables without provision for bad debts:

Item	At 31 December 2014	At 1 January 2014
Group without provision for bad debts (related party)	3,330,704.32	
<b>Total</b>	<b>3,330,704.32</b>	

#### 3. Top five debtors in the closing balance of account receivables

The aggregate account receivables from top five debtors amounted to RMB17,003,857.70, accounting for 22.38% of the total account receivables as at 31 December 2014, and the total provision for bad debts for such top five debtors amounted to RMB11,697,891.88 as at 31 December 2014.

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

### (IV) Prepayments

#### 1. Aging analysis of prepayments

Age	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	7,383,392.56	95.98	12,444,691.69	90.13
1-2 years	10,622.24	0.14	811,523.71	5.88
2-3 years	199,771.00	2.60	451,699.36	3.27
Over 3 years	98,540.20	1.28	98,906.09	0.72
Total	<u>7,692,326.00</u>	<u>100.00</u>	<u>13,806,820.85</u>	<u>100.00</u>

#### 2. Top five largest prepayments

The aggregate amounts of top five largest prepayments grouped based on the debtor amounted to RMB5,661,190.13, accounting for 73.59% of the total prepayments as at 31 December 2014.

### (V) Other receivables

Item	Closing balance	Opening balance
Other receivables	91,897,387.48	134,929,109.52
Less: provision for bad debts	54,877,209.88	53,012,787.12
Net other receivables	<u>37,020,177.60</u>	<u>81,916,322.40</u>

#### 1. The aging of other receivable based on their recording dates is analysed below

Age	Closing balance	Opening balance
Within 1 year	19,104,045.62	66,850,033.83
1-2 years	13,573,717.97	2,448,606.97
2-3 years	1,497,200.45	12,915,978.41
3-4 years	5,033,538.85	974,755.74
4-5 years	1,036,493.97	2,436,446.03
Over 5 years	<u>51,652,390.62</u>	<u>49,303,288.54</u>
Total	<u>91,897,387.48</u>	<u>134,929,109.52</u>

# Notes to the Financial Statements

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

### (V) Other receivables (Continued)

#### 2. Category

Category	At 31 December 2014			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amount and individual provision for bad debts	10,808,704.00	11.76	10,808,704.00	100.00
Other receivable provided for bad debts in groups	77,016,872.83	83.81	39,996,695.23	51.93
Other receivables with insignificant single amount and individual provision for bad debts	4,071,810.65	4.43	4,071,810.65	100.00
<b>Total</b>	<b>91,897,387.48</b>	<b>100.00</b>	<b>54,877,209.88</b>	<b>59.72</b>

Category	At 1 January 2014			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant single amount and individual provision for bad debts	10,808,704.00	8.01	10,808,704.00	100.00
Other receivable provided for bad debts in groups	120,048,594.87	88.97	38,132,272.47	31.76
Other receivables with insignificant single amount and individual provision for bad debts	4,071,810.65	3.02	4,071,810.65	100.00
<b>Total</b>	<b>134,929,109.52</b>	<b>100.00</b>	<b>53,012,787.12</b>	<b>39.29</b>

#### (1) Other receivables with significant single amount and individual provision for bad debts as at 31 December 2014

Debtor	Carrying amount	Bad debts amount	Age	Percentage (%)	Reason for provision of bad debts
Zhengzhou Xili Sub-branch of China Construction Bank (建行鄭州西里支行)	10,808,704.00	10,808,704.00	Over 5 years	100.00%	Provided for bad debts in full as it was unrecoverable
<b>Total</b>	<b>10,808,704.00</b>	<b>10,808,704.00</b>			

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

### (V) Other receivables (Continued)

#### 2. Category (Continued)

#### (2) Other receivable provided for bad debts in groups

① Other receivables with the provision for bad debts based on the aging analysis

Age	At 31 December 2014			At 1 January 2014		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	8,786,304.11			21,888,682.20		
1-2 years	557,821.52	30.00	167,346.46	568,428.01	30.00	170,528.40
2-3 years	539,208.27	50.00	269,604.14	2,778,144.70	50.00	1,389,072.35
3-4 years	2,951,303.86	100.00	2,951,303.86	610,223.32	100.00	610,223.32
4-5 years	693,836.32	100.00	693,836.32	1,955,378.67	100.00	1,955,378.67
Over 5 years	35,914,604.45	100.00	35,914,604.45	34,007,069.73	100.00	34,007,069.73
Total	49,443,078.53	80.89	39,996,695.23	61,807,926.63	61.69	38,132,272.47

② Other receivables without provision for bad debts

Item	At 31 December 2014	At 1 January 2014
Group of other receivables without provision for bad debts (related party, spare fund, security deposit, etc.)	27,573,794.30	58,240,668.24
Total	27,573,794.30	58,240,668.24

# Notes to the Financial Statements

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

### (V) Other receivables (Continued)

#### 2. Category (Continued)

#### (3) Other receivables with insignificant single amount and individual provision for bad debts as at 31 December 2014

Debtor	Closing balance	Bad debt amount	Age	Percentage (%)	Reason for provision of bad debts
Mianchi Glass Factory (瀋池玻璃廠)	4,071,810.65	4,071,810.65	Over 5 years	100.00%	Provided for bad debts in full as it was unrecoverable
Total	<u>4,071,810.65</u>	<u>4,071,810.65</u>			

#### 3. Other receivables by nature

Nature	Closing balance	Opening balance
Proceeds from disposal of properties	<b>12,600,000.00</b>	16,000,000.00
Estimated input tax for materials	<b>12,404,275.53</b>	2,186,642.40
Spare fund, guarantee deposit, security deposit	<b>3,832,455.62</b>	2,489,661.52
Fund transfer	<b>63,060,656.33</b>	114,252,805.60
Total	<b><u>91,897,387.48</u></b>	<u>134,929,109.52</u>

# Notes to the Financial Statements

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

### (V) Other receivables (Continued)

#### 4. Top five largest other receivables by debtors at 31 December 2014

Debtor	Nature	Closing balance	Age	Percentage of total other receivables (%)	Balance of provision for bad debts
Luoyang Hoisting Machinery Company Limited (洛陽起重機廠有限公司)	Proceeds from disposal of properties	12,600,000.00	1-2 years	13.71	
Estimated input tax	Material	12,404,275.53	Within 1 year	13.50	
Zhengzhou Xili Sub-branch of China Construction Bank (建行鄭州西里支行)	Fund transfer	10,808,704.00	Over 5 years	11.76	10,808,704.00
Government of Zhuge Township	Fund transfer	9,856,832.00	Over 5 years	10.73	9,856,832.00
Shenzhen Cynthia Industrial Company Limited (深圳新西亞實業有限公司)	Fund transfer	4,600,000.00	Over 5 years	5.01	4,600,000.00
<b>Total</b>		<b>50,269,811.53</b>		<b>54.71</b>	<b>25,265,536.00</b>

### (VI) Inventories

#### 1. Category

Category	At 31 December 2014			At 1 January 2014		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Raw materials	73,378,070.81	8,940,091.72	64,437,979.09	81,469,463.53	7,873,597.41	73,595,866.12
Work in progress	9,019,729.15	464,845.58	8,554,883.57	6,446,392.64		6,446,392.64
Goods in stock	186,049,017.88	59,350,037.67	126,698,980.21	154,679,356.95	42,254,248.80	112,425,108.15
Circulation materials	12,623,078.08	533,434.44	12,089,643.64	7,882,174.67		7,882,174.67
<b>Total</b>	<b>281,069,895.92</b>	<b>69,288,409.41</b>	<b>211,781,486.51</b>	<b>250,477,387.79</b>	<b>50,127,846.21</b>	<b>200,349,541.58</b>

# Notes to the Financial Statements

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

### (VI) Inventories (Continued)

#### 2. Change in provision for diminution in value of inventories

Inventory items	Opening balance	Provision in the period	Decrease in the period		Closing balance
			Reversal	Write-off	
Raw materials	7,873,597.41	2,218,887.12		1,152,392.81	8,940,091.72
Work in progress		1,017,194.09		552,348.51	464,845.58
Goods in stock	42,254,248.80	31,593,767.73		14,497,978.86	59,350,037.67
Circulation materials		533,434.44			533,434.44
Total	50,127,846.21	35,363,283.38		16,202,720.18	69,288,409.41

### (VII) Other current assets

Item	Closing balance	Opening balance
Tax payment deductible	21,865,034.21	
Total	21,865,034.21	

### (VIII) Available-for-sale financial assets

#### 1. Information on available-for-sale financial assets

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Available-for-sale equity instruments	12,134,717.53	7,791,217.53	4,343,500.00	14,791,217.53	7,791,217.53	7,000,000.00
Including: at cost	12,134,717.53	7,791,217.53	4,343,500.00	14,791,217.53	7,791,217.53	7,000,000.00
Total	12,134,717.53	7,791,217.53	4,343,500.00	14,791,217.53	7,791,217.53	7,000,000.00



# Notes to the Financial Statements

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

### (VIII) Available-for-sale financial assets (Continued)

#### 2. Breakdown of available-for-sale equity instruments measured at cost as at 31 December 2014

Item	Closing balance		Book value	Opening balance		Shareholding percentage in the investee (%)	Cash dividend during this period
	Carrying amount	Impairment provision		Carrying amount	Impairment provision		
1. CLFG Jingwei Glass Fibre Co., Ltd. (Note 1)	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)	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 1)	2,291,217.53	2,291,217.53		2,291,217.53	2,291,217.53	29.45	
4. Zhongyuan Bank Company Limited (Note 2)	4,343,500.00		4,343,500.00	7,000,000.00		0.0457	1,224,570.83
5. Luoyang Jingxin Ceramic Co. Ltd. (Note 3)							
<b>Total</b>	<b>12,134,717.53</b>	<b>7,791,217.53</b>	<b>4,343,500.00</b>	<b>14,791,217.53</b>	<b>7,791,217.53</b>		<b>1,224,570.83</b>

- Notes:
- The above mentioned companies are subsidiaries of CLFG, the largest shareholder of the Company. Although the Company's shareholding percentage in such investees is above 20%, the Directors of the Company consider that the Company has no significant impact on them.
  - Pursuant to the enforcement ruling of the Intermediate People's Court of Sanmenxia, Henan Province dated 28 October 2014 ((2013) San Fa Zhi Zi No. 119-2]), the 3,659,521 shares (equivalent to RMB6,879,900) held by Longfei Company in Bank of Sanmenxia Co., Ltd. at a cost of RMB2,656,500 was sold to Sanmenxia Yu Tong Materials Company Limited for the purpose of repaying the debts owed by Longfei Company to Luoyang Zhongzhan Industrial Co., Ltd.. In a consolidation and reorganization in December 2014, Bank of Sanmenxia Co., Ltd. and other 12 commercial banks jointly set up the Zhongyuan Bank Company Limited. Upon such consolidation and reorganization, Zhongyuan Bank Company Limited has a total share capital of 15,420,540,741 shares, of which 7,039,484 shares are held by Longfei Company, representing a shareholding of 0.0457%.
  - For details of investment in Luoyang Jingxin Ceramic Co. Ltd., please refer to "(X) Long-term equity investment – Note 2".

# Notes to the Financial Statements

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

### (VIII) Available-for-sale financial assets (Continued)

#### 3. Changes in impairment of available-for-sale financial assets during the reporting period

Type of available-for-sale financial assets	Available-for-sale equity instruments	Total
Balance of impairment provision at 1 January 2014	7,791,217.53	7,791,217.53
Additions		
Including: transfer from other comprehensive income		
Decrease		
Including: reverse on subsequent increase in fair value		
Balance of impairment provision at 31 December 2014	7,791,217.53	7,791,217.53

### (IX) Long-term receivables

#### Information on long-term receivables

Item	Closing balance			Opening balance			Range of discount rate
	Carrying amount	Provision for bad debts	Book value	Carrying amount	Provision for bad debts	Book value	
Receivables on disposal of equity interests in Industrial Company	55,000,000.00		55,000,000.00				
Including: unrealized financing income	-6,350,219.35		-6,350,219.35				6.15%
Total	48,649,780.65		48,649,780.65				

Note: On 31 December 2013, the Company and Luoyang Tianyuan Real Estate Co., Ltd. entered into the Equity Transfer Agreement, pursuant to which, the Company transferred 100% equity interests in Industry Company to Luoyang Tianyuan Real Estate Co., Ltd. at a consideration of RMB122 million. On 21 February 2014, the shareholders' general meeting of the Company approved the disposal of 100% equity interests in Industry Company and thereafter the Company completed the transfer procedures. Pursuant to the method and term of payment set out in the transfer agreement, the Company received the consideration for the equity transfer of RMB63 million from Luoyang Tianyuan Real Estate Co., Ltd. on 31 December 2013, and received the consideration for the equity transfer of RMB4 million in January 2014. The remaining consideration for the equity transfer of RMB55 million may be paid in kind by Luoyang Tianyuan Real Estate Co., Ltd., i.e. by delivery of frame structure properties worth RMB55 million by 31 December 2016 which could be extended to 31 December 2017 in case of difficulties. As such, the Company discounted the long-term receivables of RMB55 million at the interest rate for bank loans with the same term of 6.15% over a term of 34 months.

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

### (X) Long-term equity investment

Investees	Opening balance	Additional investment	Withdrawal of investment	Increase/decrease during this period				Provision of impairment	Others	Closing balance	Closing balance of impairment provision
				Investment loss or gains using equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distribution				
Associates											
CLFG Mineral Products Company Limited (Note 1)											
Luoyang Jingxin Ceramic Co. Ltd. (Note 2)											

- Notes:
- The initial investment cost of the Company's investment in CLFG Mineral Products Company Limited was RMB12,475,313.63, accounting for a shareholding of 40.29%, which is measured using equity method. Both the opening balance and closing balance of such long-term equity investment were nil.
  - The initial investment cost of the Company's investment in Luoyang Jingxin Ceramic Co. Ltd. was RMB20,553,050.00, accounting for a shareholding of 49%, which is measured using equity method. The opening balance of such long-term equity investment was nil. As at 31 December 2014, Luoyang Jingxin Ceramic Co. Ltd. was in the process of bankruptcy liquidation. As the Company no longer had significant influence on it, the Company changed the measurement from long-term equity investment using equity method to available-for-sale financial assets at cost and such investment was transferred to available-for-sale financial assets at nil value.

# Notes to the Financial Statements

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

### (XI) Fixed assets

#### 1. Details of fixed assets

Item	Buildings and structures	Machinery equipment	Transportation equipment	Others	Total
<b>I. Original book value</b>					
1. Opening balance	372,690,304.94	786,365,668.82	12,618,158.34	1,211,246.02	1,172,885,378.12
2. Increase in this period	3,982,880.99	3,486,200.92		11,380.35	7,480,462.26
(1) Purchase	3,634,570.98	2,363,277.51		11,380.35	6,009,228.84
(2) Transfer from construction in progress	348,310.01	1,122,923.41			1,471,233.42
3. Decrease in this period	3,072,249.38	9,694,163.99	2,892,192.35	14,443.44	15,673,049.16
(1) Disposal or scrap	3,072,249.38	9,694,163.99	2,892,192.35	14,443.44	15,673,049.16
4. Closing balance	373,600,936.55	780,157,705.75	9,725,965.99	1,208,182.93	1,164,692,791.22
<b>II. Accumulated depreciation</b>					
1. Opening balance	116,647,282.74	389,233,653.06	8,833,606.91	1,035,391.52	515,749,934.23
2. Increase in this period	14,435,322.84	58,014,553.80	639,140.47	56,946.29	73,145,963.40
(1) charges	14,435,322.84	58,014,553.80	639,140.47	56,946.29	73,145,963.40
3. Decrease in this period	1,247,056.51	8,693,639.84	2,570,375.30	12,486.44	12,523,558.09
(1) Disposal or scrap	1,247,056.51	8,693,639.84	2,570,375.30	12,486.44	12,523,558.09
4. Closing balance	129,835,549.07	438,554,567.02	6,902,372.08	1,079,851.37	576,372,339.54
<b>III. Impairment provision</b>					
1. Opening balance	1,198,314.17	11,559,194.16	37,562.95		12,795,071.28
2. Increase in this period	922,125.59	7,242,347.51			8,164,473.10
(1) Charges	922,125.59	7,242,347.51			8,164,473.10
3. Decrease in this period		679,219.08			679,219.08
(1) Disposal or scrap		679,219.08			679,219.08
4. Closing balance	2,120,439.76	18,122,322.59	37,562.95		20,280,325.30
<b>IV. Book value</b>					
1. Closing book value	241,644,947.72	323,480,816.14	2,786,030.96	128,331.56	568,040,126.38
2. Opening book value	254,844,708.03	385,572,821.60	3,746,988.48	175,854.50	644,340,372.61

Note: As at 31 December 2014, the original amount of fixed assets for which depreciation was made in full and which were still in use was RMB106,927,045.82, and the book value of fixed assets for which the title certificates have not been duly obtained was RMB79,947,587.49.

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

### (XI) Fixed assets (Continued)

#### 2. As at 31 December 2014, the temporarily idle fixed assets as below:

Category	Original book value	Accumulated depreciation	Impairment provision	Book value
Fixed assets	319,317,537.30	199,934,345.21	14,743,536.84	104,639,655.25

### (XII) Construction in progress

#### 1. Basic information

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Longxiang – Dust removal and desulfurization system of furnace flue gas	790,000.00	96,965.25	693,034.75	790,000.00		790,000.00
Longfei – Smelting furnace and second cold repair construction of 300t/d float glass production line	710,000.00	704,300.00	5,700.00	710,000.00		710,000.00
Longfei – Sporadic works				483,720.00		483,720.00
Longhao – Flue gas treatment and residual heat generation project	156,237.20	156,237.20		156,237.20		156,237.20
Total	<u>1,656,237.20</u>	<u>957,502.45</u>	<u>698,734.75</u>	<u>2,139,957.20</u>		<u>2,139,957.20</u>

#### 2. Changes in major construction in progress

Project name	Budget	At 1 January 2014	Increase in the period	Transferred to fixed assets	Other decrease	At 31 December 2014	Project investment as a percentage of budget	Construction progress	Accumulated amount of interest capitalization	including:		Source of funds
										Amount of interest capitalized in the period	Rate of interest capitalization in the period	
Planar magnetic separation			506,035.85	506,035.85								
Sewage treatment			965,197.57	965,197.57								
Total			<u>1,471,233.42</u>	<u>1,471,233.42</u>								

# Notes to the Financial Statements

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

### (XII) Construction in progress (Continued)

#### 3. Impairment provision for construction in progress

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance	Reason for impairment
Longxiang – Dust removal and desulfurization system of furnace flue gas		96,965.25		<b>96,965.25</b>	No further progress
Longfei – Smelting furnace and second cold repair construction of 300t/d float glass production line		704,300.00		<b>704,300.00</b>	No further progress
Longhao – Flue gas treatment and residual heat generation project		156,237.20		<b>156,237.20</b>	No further progress
Total		<b>957,502.45</b>		<b>957,502.45</b>	

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

### (XIII) Intangible assets

Item	Land use rights	Non-patent technology	Trademark use rights	Mining rights	Total
<b>I. Original book value</b>					
1. Opening balance	73,816,809.44	7,400,000.00	11,000,000.00	7,896,609.49	100,113,418.93
2. Increase in this period				8,226,100.00	8,226,100.00
(1) Purchase				8,226,100.00	8,226,100.00
3. Decrease in this period	24,270,444.56				24,270,444.56
(1) Decrease in scope of consolidation	24,270,444.56				24,270,444.56
4. Closing balance	49,546,364.88	7,400,000.00	11,000,000.00	16,122,709.49	84,069,074.37
<b>II. Accumulated amortisation</b>					
1. Opening balance	12,570,682.81	4,743,000.00	8,741,691.00	100,000.00	26,155,373.81
2. Increase in this period	1,142,660.02	372,000.00	1,100,004.00	4,020,007.86	6,634,671.88
(1) Charges	1,142,660.02	372,000.00	1,100,004.00	4,020,007.86	6,634,671.88
3. Decrease in this period	4,686,381.00				4,686,381.00
(1) Decrease in scope of consolidation	4,686,381.00				4,686,381.00
4. Closing balance	9,026,961.83	5,115,000.00	9,841,695.00	4,120,007.86	28,103,664.69
<b>III. Impairment provision</b>					
1. Opening balance					
2. Increase in this period				1,149,680.00	1,149,680.00
(1) charges				1,149,680.00	1,149,680.00
3. Decrease in this period					
(1) Decrease in scope of consolidation					
4. Closing balance				1,149,680.00	1,149,680.00
<b>IV. Book value</b>					
1. Closing book value	40,519,403.05	2,285,000.00	1,158,305.00	10,853,021.63	54,815,729.68
2. Opening book value	61,246,126.63	2,657,000.00	2,258,309.00	7,796,609.49	73,958,045.12



# Notes to the Financial Statements

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

### (XIII) Intangible assets (Continued)

- Note: 1. Among the Group's intangible assets as at the end of the period, the land use right certificate for lands located in the developmental zone of Luoyang with a cost of RMB9,415,764.88 was in the process of application.
2. Land use rights among the Group's intangible assets were all for lands located in the PRC with a remaining use term ranging from 29 to 46 years.

### (XIV) Development expenditures

Item	Opening balance	Increase in this period		Decrease in this period		Closing balance	Time for commencement of capitalization	Specific basis for capitalization	R&D progress as at the end of this period
		Internal development expenditure	Others	Included in the current profit or loss	Recognised as intangible assets				
Optimization of and research on the physical and chemical properties of components of 0.55-0.7mm glass		29,114.08		29,114.08					
Improvement of control over microcosmic waviness of electronic glass		899,092.48		899,092.48					
Research and application of the melting and molding production atmosphere of electronic glass		1,003,797.28		1,003,797.28					
Research and application of 0.40mm electric glass for touch screen, sensor and capacitive screen		4,536,646.18		4,536,646.18					
Development of 0.33 mm high-end ultra-thin electronic glass		5,628,484.37		5,628,484.37					
Development of purity controlling equipment of ultra-thin production protective gas		137,921.92		137,921.92					
<b>Total</b>		<b>12,235,056.31</b>		<b>12,235,056.31</b>					

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

### (XV) Deferred tax assets and deferred tax liabilities

#### 1. Deferred tax assets and deferred tax liabilities presented not on the netting basis

Item	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible/ taxable temporary differences	Deferred tax assets/liabilities	Deductible/ taxable temporary differences
Deferred tax assets:				
Provision for impairment of assets	3,821,811.59	25,478,744.02	2,437,064.61	16,247,097.40
Sub-total	<u>3,821,811.59</u>	<u>25,478,744.02</u>	<u>2,437,064.61</u>	<u>16,247,097.40</u>

#### 2. Details of deferred tax assets not recognized

Item	Closing balance	Opening balance
Deductible temporary differences	181,404,879.11	159,053,657.49
Deductible losses	<u>524,838,552.37</u>	<u>361,503,631.67</u>
Total	<u>706,243,431.48</u>	<u>520,557,289.16</u>

Note: Save for Longhai Company, such deferred tax assets of the Group were not recognized as it was uncertain whether there would be enough taxable profit in the future.

#### 3. Deductible losses not yet recognized as deferred tax assets will expire in the following years indicated

Year	Closing balance	Opening balance	Remarks
2015	42,933,274.22	37,954,309.84	
2016	146,769,155.49	91,980,612.61	
2017	89,423,147.46	87,467,501.58	
2018	86,651,779.65	89,515,684.10	
2019	<u>159,061,195.55</u>	<u>54,585,523.54</u>	
Total	<u>524,838,552.37</u>	<u>361,503,631.67</u>	

# Notes to the Financial Statements

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

### (XVI) Other non-current assets

Item	Closing balance	Opening balance
Exploration right	2,114,487.79	2,112,887.79
Prepayments for construction and equipment	3,020,000.00	
Total	5,134,487.79	2,112,887.79

### (XVII) Short-term loans

Category		
Items	Closing balance	Opening balance
Pledged loan		19,696,833.33
Pledged loan	10,000,000.00	31,000,000.00
Total	10,000,000.00	50,696,833.33

Note: Credit loan represents the bank loans granted to the Company as entrusted by CLFG at an interest rate of 5.6%.

### (XVIII) Notes payable

Item	Closing balance	Opening balance
Bank acceptance	90,000,000.00	150,000,000.00
Total	90,000,000.00	150,000,000.00

Note: In the closing balance, notes payable of RMB90,000,000.00 represents bank acceptances issued by the Company to its subsidiaries which have discounted such notes with the banks after receiving such notes.

### (XIX) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	67,875,786.71	130,718,211.22
1-2 years	94,591,759.50	23,075,892.73
2-3 years	11,562,657.38	72,735,956.71
Over 3 years	92,167,889.22	56,008,321.19
Total	266,198,092.81	282,538,381.85

# Notes to the Financial Statements

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

### (XIX) Accounts payable (Continued)

*Accounts payable with significant amount and the age of over 1 year*

Name of creditor	Closing balance	Reason for unsettlement
China Triumph International Engineering Company Limited	76,170,717.95	Due to tight capital resources
Zhengzhou Yifan Metallurgy Industrial Co., Ltd.	9,009,091.22	Due to tight capital resources
Anlu City Mingfa Industry & Trade Co., Ltd.	6,482,202.66	Due to tight capital resources
Gongyi City Xiaoyi Sub-district Office Xiaonan village Committee	5,976,111.42	Due to tight capital resources
Qinghai Gaosheng Trading Co., Ltd.	5,554,895.83	Due to tight capital resources
Luoyang City Sanyuan Packing Company Limited	5,725,103.18	Due to tight capital resources
Ningan City Huayuan Trade Co., Ltd.	4,977,521.44	Due to tight capital resources
Shandong Haitian Biochemical Industry Co., Ltd.	4,685,519.48	Due to tight capital resources
Total	<b>118,581,163.18</b>	

### (XX) Receipts in advance

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	52,886,020.49	27,006,606.15
1-2 years	443,875.42	8,728,596.23
2-3 years	2,073,848.07	437,649.18
Over 3 years	1,995,305.56	5,531,244.84
Total	<b>57,399,049.54</b>	41,704,096.40

# Notes to the Financial Statements

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

### (XXI) Staff remuneration payables

#### 1. Staff remuneration payables by category

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Short-term remuneration	31,117,553.93	<b>88,421,738.56</b>	<b>77,971,259.09</b>	<b>41,568,033.40</b>
II. Post-employment benefit – defined contribution plan	28,420,584.55	<b>16,830,555.76</b>	<b>38,193,252.77</b>	<b>7,057,887.54</b>
Total	59,538,138.48	<b>105,252,294.32</b>	<b>116,164,511.86</b>	<b>48,625,920.94</b>

#### 2. Short-term staff remuneration

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance
1. Salary, bonus, allowance and subsidy	7,180,463.84	<b>69,916,172.60</b>	<b>63,976,652.51</b>	<b>13,119,983.93</b>
2. Staff's welfare		<b>5,984,839.68</b>	<b>5,984,839.68</b>	
3. Social insurance premium including: Medicare	3,852,360.79	<b>6,536,972.14</b>	<b>6,356,453.77</b>	<b>4,032,879.16</b>
Labor injury insurance	3,164,490.18	<b>5,136,858.80</b>	<b>5,241,806.26</b>	<b>3,059,542.72</b>
Maternity insurance	446,986.08	<b>782,189.66</b>	<b>592,166.74</b>	<b>637,009.00</b>
4. Housing accumulation fund	240,884.53	<b>617,923.68</b>	<b>522,480.77</b>	<b>336,327.44</b>
5. Labor union expenses and employee education expenses	10,003,363.38	<b>4,602,690.90</b>	<b>1,288,614.53</b>	<b>13,317,439.75</b>
Total	10,081,365.92	<b>1,381,063.24</b>	<b>364,698.60</b>	<b>11,097,730.56</b>
Total	31,117,553.93	<b>88,421,738.56</b>	<b>77,971,259.09</b>	<b>41,568,033.40</b>

#### 3. Defined contribution plan

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance
1. Basic endowment insurance	27,053,925.92	<b>15,436,629.91</b>	<b>35,962,397.86</b>	<b>6,528,157.97</b>
2. Unemployment insurance	1,366,658.63	<b>1,393,925.85</b>	<b>2,230,854.91</b>	<b>529,729.57</b>
Total	28,420,584.55	<b>16,830,555.76</b>	<b>38,193,252.77</b>	<b>7,057,887.54</b>

# Notes to the Financial Statements

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

### (XXII) Tax payable

Items	Closing balance	Opening balance
Value-added tax	9,966,765.66	-13,796,106.60
Business tax	1,703,107.60	133,287.60
City maintenance tax	1,144,547.37	423,234.09
Enterprise income tax	3,919,852.04	-126,281.53
Individual income tax	200,551.37	63,273.06
Property tax	3,986,068.75	2,508,817.57
Land-use tax	5,287,622.97	2,126,216.96
Resource tax	-31,782.60	191,288.10
Education surcharges	932,900.72	271,606.39
Other tax	691,072.55	217,465.39
Total	27,800,706.43	-7,987,198.97

### (XXIII) Other payables

Item	Closing balance	Opening balance
Security deposit, guarantee deposit	2,229,000.00	7,074,000.00
Payment for construction and equipment	9,512,942.84	9,638,832.84
Announcement and intermediary fees	14,585,026.11	14,359,756.58
Lease fees	19,606,435.83	277,387.43
Accrued expenses	3,560,394.65	3,703,407.05
Receipts in advance in respect of equity interests transfer		63,000,000.00
Fund transfer	31,211,354.23	27,991,238.72
Total	80,705,153.66	126,044,622.62

#### Other payables with significant amount and the age of more than one year

Name	Closing balance	Reasons
Announcement-related fees (Wonderful Sky Financial Group, law firm, etc.)	7,044,953.02	Not yet settled
Baoding City Qingyuan County Lihuoqiao Copper Oxide Factory	1,589,000.00	Not yet settled
Yan Jun	1,288,300.00	Not yet settled
Total	9,922,253.02	—

# Notes to the Financial Statements

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

### (XXIV) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term loans due within one year	<b>46,293,636.87</b>	46,343,566.40
Total	<b>46,293,636.87</b>	46,343,566.40

### (XXV) Long-term loans

Item	Closing balance	Opening balance	Range of interest rate
Guaranteed loan	<b>505,829,398.25</b>	552,447,576.51	0-2.5%
Less: Long-term loans due within one year	<b>46,293,636.87</b>	46,343,566.40	0-2.5%
Total	<b>459,535,761.38</b>	506,104,010.11	

Note: 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 at 31 December 2014, the balance of such interest-free long-term loans was RMB503,704,000.00.

### (XXVI) Deferred income

#### 1. Deferred income by category

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance	Reason for the grants
Government grants	11,447,966.31		<b>1,549,052.16</b>	<b>9,898,914.15</b>	
Total	11,447,966.31		<b>1,549,052.16</b>	<b>9,898,914.15</b>	



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

### (XXVI) Deferred income (Continued)

#### 2. Details of projects subsidized by the government

Item	Opening balance	Amount of new subsidies for the period	Amount recognized in Non-operating income for the period	Other movements	Closing balance	Asset/income related
Fiscal subsidy for ultra-thin and ultra-white glass production line	6,277,500.00		1,215,000.00		5,062,500.00	Assets related
land-use subsidy for ultra-thin and ultra-white glass production line project	2,466,865.50		53,920.56		2,412,944.94	Assets related
0.45mm E-glass technology research and application projects	2,703,600.81		280,131.60		2,423,469.21	Income related
<b>Total</b>	<b>11,447,966.31</b>		<b>1,549,052.16</b>		<b>9,898,914.15</b>	

### (XXVII) Share capital

Item	Opening balance	Changes in this period (+,-)			Others	Sub-total	Closing balance
		Issuance of new shares	Bonus shares	Capital reserve transferred to shares			
Total number of shares	500,018,242.00						500,018,242.00

### (XXVIII) Capital reserve

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Capital premium	787,299,489.41			787,299,489.41
II. Other capital reserves	70,150,917.49			70,150,917.49
<b>Total</b>	<b>857,450,406.90</b>			<b>857,450,406.90</b>

# Notes to the Financial Statements

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

### (XXIX) Surplus reserve

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

### (XXX) 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 parent company during the period	16,004,696.49	
Less: Allocation to Statutory surplus reserve		
Allocation to discretionary surplus reserve		
Allocation to general risk provisions		
Dividend on ordinary shares payable		
Dividend on ordinary shares transferred into the share capital		
Undistributed profit at the end of the period	-1,359,891,297.28	

### (XXXI) Operating income and operating cost

Item	January-December 2014		January-December 2013	
	Income	Cost	Income	Cost
I. Income from principal operations	602,782,569.70	571,466,347.02	354,506,270.10	312,634,643.82
Float glass	578,920,975.34	558,175,397.75	330,464,988.13	301,549,468.92
Silicon sand	23,861,594.36	13,290,949.27	24,041,281.97	11,085,174.90
II. Other operating income	9,758,629.79	4,786,061.17	21,228,744.33	10,094,139.20
Raw material, water, electricity, technical services, etc.	9,758,629.79	4,786,061.17	21,228,744.33	10,094,139.20
Total	612,541,199.49	576,252,408.19	375,735,014.43	322,728,783.02

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

### (XXXII) Business tax and surcharges

Item	2014	2013
Business tax	1,718,865.00	740,221.83
City maintenance tax	1,756,920.91	1,024,024.79
Education surcharges	1,609,793.01	991,593.92
Resource tax	1,512,881.70	2,189,304.00
Others	225.00	480.00
Total	6,598,685.62	4,945,624.54

### (XXXIII) Selling expenses

Item	2014	2013
Staff's salary and welfare	10,271,762.07	6,364,921.84
Social insurance premium	2,173,372.89	1,701,049.23
Depreciation expenses	1,606,222.52	1,452,627.21
Transportation costs	8,045,348.25	8,526,521.83
Loading and unloading expenses	479,072.31	1,601,767.05
Material consumption	1,509,478.15	1,053,646.35
Other selling expenses	1,979,992.61	1,947,502.43
Total	26,065,248.80	22,648,035.94

### (XXXIV) Administrative expenses

Item	2014	2013
Staff's salary and welfare	29,976,377.58	26,266,417.49
Labor union expenses and employee education expenses	955,304.13	1,036,830.67
Social insurance premium	10,316,651.41	11,360,278.29
Housing accumulation fund	1,440,815.35	1,583,497.18
Depreciation of fixed assets	18,698,905.99	27,176,371.72
Amortization of intangible assets	6,634,671.88	2,997,470.75
Intermediary engagement fees	7,268,825.08	6,729,466.90
Including: audit fee	2,468,825.08	2,369,089.54
Research and development fees	12,235,056.31	8,929,713.21
Taxes	6,139,054.37	6,224,335.25
Water and electricity charges	710,296.59	1,768,319.45
Other administrative expenses	15,779,339.96	13,058,391.39
Total	110,155,298.65	107,131,092.30

# Notes to the Financial Statements

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

### (XXXV) Financial expenses

Item	2014	2013
Interest expense	427,051.06	1,492,792.01
Less: interest income	5,527,977.32	5,538,806.24
Exchange losses	59,576.95	154,505.20
Less: exchange income	348,705.65	125,260.85
Interests of discounted bills	11,270,268.55	12,466,386.97
Other finance expenses	280,249.85	1,104,387.18
Total	6,160,463.44	9,554,004.27

### (XXXVI) Assets impairment losses

Item	2014	2013
I. Losses on bad debts	3,773,320.01	4,849,309.68
II. Losses from inventory impairments	35,363,283.38	41,224,768.72
III. Impairment losses on fixed assets	8,164,473.10	591,300.00
IV. Impairment losses on construction in progress	957,502.45	
V. Impairment losses on intangible assets	1,149,680.00	
Total	49,408,258.94	46,665,378.40

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

### (XXXVII) Investment income

Item	2014	2013
Income from disposal of long-term equity investment (Note 1)	<b>93,394,560.90</b>	
Investment income from holding of available-for-sale financial assets (Note 2)	<b>1,224,570.83</b>	2,410,572.50
Investment income from disposal of available-for-sale financial assets (Note 3)	<b>4,223,405.41</b>	
Total	<b>98,842,537.14</b>	2,410,572.50

Notes: 1. Income from disposal of long-term equity investment represents the investment income from disposal by the Company of the 100% equity interest in Luoyang Luobo Industrial Co., Ltd. during this period.

2. Investment income from holding of available-for-sale financial assets represents the profit distribution received by Longfei Company from Bank of Sanmenxia Co., Ltd..

3. Investment income from disposal of available-for-sale financial assets represents the investment income from the partial disposal by Longfei Company of the equity interests in Bank of Sanmenxia Co., Ltd.

### (XXXVIII) Non-operating income

#### 1. Details of non-operating income

Item	2014	2013	Amount recognized as current non-recurring gain or loss
Total gains on disposal of non-current assets	<b>2,294,067.72</b>	20,099,782.07	2,294,067.72
Including: Gain on disposal of fixed assets	<b>2,294,067.72</b>	20,099,782.07	2,294,067.72
Government grant	<b>63,601,752.16</b>	10,105,688.89	63,601,752.16
Income from debt restructuring	<b>237,500.00</b>	677,002.87	237,500.00
Others	<b>15,521,196.95</b>	129,972.86	15,521,196.95
Total	<b>81,654,516.83</b>	31,012,446.69	81,654,516.83

# Notes to the Financial Statements

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

### (XXXVIII) Non-operating income (Continued)

#### 2. Government subsidy included in profit and loss for the period

Item	2014	2013	Related to assets/income
Fiscal subsidies for the ultra-thin and ultra-white glass production line	<b>1,215,000.00</b>	1,215,000.00	Related to assets
Subsidy for land use by the ultra-thin and ultra-white glass production line	<b>53,920.56</b>	53,920.56	Related to assets
Special subsidy for "research and development of application technology"	<b>280,131.60</b>	1,836,768.33	Related to income
Supporting funds for enterprise development from the industrial cluster of Ruyang County (汝陽縣產業集聚區撥付企業發展扶持資金)		7,000,000.00	Related to income
Supporting Funds of Baiping County (白坪鄉扶助資金)	<b>40,000.00</b>		Related to income
Awards for strategic creative products in national major new products (國家重點新產品計劃戰略性創新產品獎勵)	<b>2,000,000.00</b>		Related to income
Land income returns(土地收益返還) (Note)	<b>60,012,700.00</b>		Related to income
<b>Total</b>	<b>63,601,752.16</b>	<b>10,105,688.89</b>	

Note: Pursuant to the "Notice of Luoyang Municipal Finance Bureau on the Appropriation of Land Transfer Gains to Luoyang Glass Company Limited (《洛陽市財政局關於撥付洛陽玻璃股份有限公司土地收益資金的通知》)" dated 26 December 2014, the Company recognized the fund of RMB60,012,700.00 of appropriated by Luoyang Municipal Finance Bureau as non-operating income.

### (XXXIX) Non-operating expenses

Item	2014	2013	Amount recognized as current non-recurring gain or loss
Total loss on disposal of non-current assets	<b>1,628,535.23</b>	1,673,324.51	1,628,535.23
Including: Loss on disposal of fixed assets	<b>1,628,535.23</b>	1,673,324.51	1,628,535.23
Losses on scrapping of assets	<b>1,589,792.46</b>	165,684.11	1,589,792.46
Donation		7,000.00	
Indemnities, liquidated damages and penalties	<b>6,109,255.13</b>	577,707.51	6,109,255.13
Others	<b>602,030.43</b>	628,155.57	602,030.43
<b>Total</b>	<b>9,929,613.25</b>	<b>3,051,871.70</b>	<b>9,929,613.25</b>

# Notes to the Financial Statements

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

### (XL) Income Tax Expenses

#### 1. Details of Income Tax Expenses

Item	2014	2013
Current income tax based on tax laws and relevant regulations	9,510,179.80	5,724,450.45
Income Tax Expenses	<b>-1,384,746.98</b>	-2,437,064.61
Total	<b>8,125,432.82</b>	3,287,385.84

#### 2. Reconciliation between total profit and income tax expenses

Item	Amount
Total profit	8,468,276.57
Income Tax Expenses	
Income tax expenses calculated at statutory/applicable tax rates	2,117,069.14
Effect of different tax rates applicable to subsidiaries	-5,328,235.90
Effect of non-taxable income	-306,142.71
Expenses, costs and losses not deductible for tax purposes	6,175,459.66
Effect of utilization of deductible losses of unrecognized deferred income tax assets in previous periods	-39,813,033.89
Effect of current deductible temporary differences or deductible loss of unrecognized deferred tax assets	46,599,797.12
Deduction of aggregate R&D expenses	-1,319,480.60
Income tax expenses	8,125,432.82

### (XLI) Cash flow statement

#### 1. Other cash received from/paid for activities relating to operation

Item	2014	2013
Other cash received relating to other operating activities	16,382,969.13	13,445,194.56
Including: Government grant	2,040,000.00	4,500,000.00
Interest income	3,301,136.27	4,035,862.55
Industrial cluster of Ruyang County	3,000,000.00	
Other current accounts	8,041,832.86	4,909,332.01
Other cash paid relating to other operating activities	24,605,499.90	21,727,448.71
Including: Consultation and audit, assessment, legal fees, bulletin fees	4,074,409.27	1,680,316.53
Travel expense	1,189,540.75	1,990,399.13
Other current accounts and expenses	19,341,549.88	18,056,733.05



# Notes to the Financial Statements

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

### (XLI) Cash flow statement (Continued)

#### 2. Other cash received from/paid for activities relating to investing activities

Item	2014	2013
Other cash received from activities relating to investment	<b>60,012,700.00</b>	5,000,000.00
Including: Security received for bidding		5,000,000.00
Government grant	<b>60,012,700.00</b>	
Other cash paid for activities relating to investment	<b>5,000,000.00</b>	343,227.68
Including: Commission for entrusted loan		343,227.68
Security received for bidding	<b>5,000,000.00</b>	

#### 3. Other cash received from/paid for activities relating to financing activities

Item	2014	2013
Other cash received from activities relating to financing activities	<b>485,705,546.54</b>	690,929,578.87
Including: Bill discount	<b>322,705,546.54</b>	432,799,578.87
Bill deposit	<b>55,000,000.00</b>	60,000,000.00
Triumph Technology Group (凱盛科技集團) (former China Building Materials Glass Company)	<b>96,500,000.00</b>	177,570,000.00
CLFG	<b>11,500,000.00</b>	
Time deposit		20,560,000.00
Other cash paid for activities relating to financing activities	<b>507,750,800.00</b>	712,570,000.00
Including: Repayment of matured bill	<b>400,000,000.00</b>	530,000,000.00
Triumph Technology Group (former China Building Materials Glass Company)	<b>106,250,800.00</b>	182,570,000.00
CLFG	<b>1,500,000.00</b>	

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

### (XLII) Supplementary information of cash flow statement

#### 1. Supplementary information of cash flow statement

Item	2014	2013
<b>1. Net profit adjusted to cash flow of operating activities</b>		
Net profit	342,843.75	-110,854,142.39
Add: Provision for assets impairment	49,408,258.94	46,665,378.40
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	73,145,963.40	68,034,965.71
Amortization of intangible assets	6,634,671.88	2,997,470.75
Amortization of long-term deferred expenses	54,000.00	
Losses from disposal of fixed assets, intangible assets and other long-term assets ("—" for gains)	-665,532.49	-18,473,817.42
Losses on scrapping of fixed assets ("—" for gains)	1,589,792.46	
Loss from fair value change ("—" for gains)		
Finance expenses ("—" for gains)	8,723,618.47	14,199,292.03
Investment losses ("—" for gains)	-98,842,537.14	-2,410,572.50
Decrease in deferred income tax assets ("—" for increase)	-1,384,746.98	-2,437,064.61
Increase in deferred income tax liabilities ("—" for decrease)		
Decrease in inventories ("—" for increase)	-46,795,228.31	-28,572,924.64
Decrease in operating receivables ("—" for increase)	23,288,182.88	15,783,497.06
Increase in operating payables ("—" for decrease)	-56,327,974.83	26,054,156.20
Others		
Net cash flow from operating activities	-40,828,687.97	10,986,238.59
<b>2. Significant investing and financing activities that do not involve cash receipts and payment</b>		
Conversion of debt into capital		
Convertible bond due within one year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	23,437,695.65	28,316,110.10
Less: Opening balance of cash	28,316,110.10	55,805,556.06
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-4,878,414.45	-27,489,445.96

# Notes to the Financial Statements

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

### (XLII) Supplementary information of cash flow statement (Continued)

#### 2. Net cash received from disposal of subsidiaries

Item	Amount
Cash and cash equivalents received from disposal of subsidiaries	4,000,000.00
Including: Luoyang Glass Industrial Co., Ltd.	4,000,000.00
Less: Cash and cash equivalents held by subsidiaries as at the date of loss of control	
Add: Cash and cash equivalents received from disposal of subsidiaries in previous periods	
Net cash received from disposal of subsidiaries	4,000,000.00

#### 3. Cash and cash equivalents

Item	Closing balance	Opening balance
<b>1. Cash</b>	<b>23,437,695.65</b>	28,316,110.10
Including: Cash on hand	<b>183,692.84</b>	75,851.25
Bank deposit available for payment at any time	<b>23,254,002.81</b>	28,240,258.85
Other monetary funds available for payment at any time		
<b>2. Cash equivalents</b>		
Including: Bond investment due in three months		
<b>3. Cash and cash equivalents at the end of period</b>	<b>23,437,695.65</b>	28,316,110.10
Including: Utilization of cash and cash equivalents subject to restriction by the Company or subsidiaries under the Group		

### (XLIII) Assets under restricted ownership or use right

Item	Carrying amount at the end of the period	Reason for restriction
Monetary funds	<b>45,040,525.96</b>	RMB45,000,000.00 is bill deposit, RMB20,525.96 frozen due to lawsuit and RMB20,000.00 is other deposits
Total	<b>45,040,525.96</b>	

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

### (XLIV) Items of foreign currency monetary

Item	Closing foreign currency balance	Exchange rate	Balance of RMB translated from foreign currency
Monetary funds			119,830.04
Including: US Dollars	<b>18,659.08</b>	6.1190	114,175.13
Euros	<b>0.60</b>	7.4556	4.48
HK Dollars	<b>7,162.73</b>	0.7889	5,650.43
Long-term loans (including Long-term loans due within one year)			2,125,398.25
Including: Euros	<b>285,074.07</b>	7.4556	2,125,398.25

## VI. Change in the scope of consolidation

### (I) Disposal of equity interest in subsidiaries

#### 1. Loss of control over subsidiaries on a single disposal

Name of subsidiary	Consideration of disposal of equity interest	Percentage of equity interest disposed (%)	Time of loss of control	Basis for determining the time of loss of control	Difference between consideration and share of net assets of relevant subsidiary as per consolidated financial statements	Carrying amount of retained equity interest at the date of loss of control	Fair value of retained equity interest at the date of loss of control	Profits or losses retained from equity interest at fair value	Method and material estimates in determining fair value of retained equity interest at the date of loss of control	Amount converted from other comprehensive income relevant to equity investment in former subsidiary into profits or losses from investment
										into profits or losses from investment
Luoyang Glass Industrial Co., Ltd.	122,000,000.00	100	2014-3-7	Completion of procedures of delivery of assets	82,850,093.83					

# Notes to the Financial Statements

## VII. Interests in other entities

### (I) Interests in subsidiaries

#### 1. The constitution of the Group

Name of subsidiary	Registered address	Place of business	Business scope	Shareholding percentage (%)		Method of acquisition
				Directly	Indirectly	
CLFG Longmen Glass Co., Ltd.	Yanshi China	Yanshi China	Processing and selling	100		Investment
CLFG Longfei Glass Co., Ltd.	Mianchi China	Mianchi China	Processing and selling	63.98		Investment
Yinan Huacheng Mineral Enterprise Company Limited	Yi'nan China	Yi'nan China	Mining and selling	52		Investment
CLFG Longhai Electronic Glass Limited	Yanshi China	Yanshi China	Processing and selling	100		Investment
CLFG Longhao Glass Co. Ltd.	Ruyang China	Ruyang China	Processing and selling	100		Investment
CLFG Longxiang Glass Co. Ltd.	Mianchi China	Mianchi China	Processing and selling		100	Investment
Dengfeng CLFG Silicon Company Limited	Dengfeng China	Dengfeng China	Mining and selling		67	Investment
Dengfeng Hongzhai Silicon Co., Ltd.	Dengfeng China	Dengfeng China	Mining and selling		55.12	Investment
Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司)	Luoyang China	Luoyang China	Trading	100		Investment

#### 2. Major non-wholly owned subsidiaries

No.	Name of the Company	Percentage of shareholding of minority shareholders	Profits or losses attributable to minority shareholders	Dividend paid to minority shareholders	Accumulated minority interests at the end of the period
1	CLFG Longfei Glass Co., Ltd.	36.02	-12,183,648.86		-92,940,535.96

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## VII. Interests in other entities (Continued)

### (I) Interests in subsidiaries (Continued)

#### 3. Key financial information of major non-wholly owned subsidiaries

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
CLFG Longfei Glass Co., Ltd.	18,857,402.69	99,870,525.03	118,727,927.72	376,752,736.04		376,752,736.04	10,386,977.27	122,724,596.16	133,111,573.43	357,311,704.17		357,311,704.17

Name of subsidiary	2014				2013			
	Operating revenue	Net profit	Total comprehensive income	Cash flow of operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow of operating activities
CLFG Longfei Glass Co., Ltd.	592,378.26	-33,824,677.58	-33,824,677.58	-1,245,651.75	1,111,419.61	-32,954,187.49	-32,954,187.49	-1,331,758.05

### (II) Interests in joint ventures or associates

#### 1. Huge losses incurred by joint ventures or associates

Name of joint venture or associate	Unrecognized losses accumulated in previous periods	Unrecognized losses in the current period	Unrecognized losses at the end of the current period
CLFG Mineral Products Company Limited	9,536,543.11	3,481,729.41	13,018,272.52

## VIII. RISKS RELATING FINANCIAL INSTRUMENTS

### 1. Financial risks

The business of the Group involves various financial risks: market risk (inclusive of foreign exchange risk, interest rate risk and price 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 2014 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. Interest rate overview of interest bearing financial assets and interest bearing financial liabilities as of the settlement date will be stated in detail as below:

Item	2014		2013	
	Effective interest	Balance	Effective interest	Balance
Financial instruments bearing fixed interest rate				
— Financial liabilities				
— Short-term loans	5.40%	10,000,000.00	5.04%-5.40%	50,696,833.33
— Non-current liabilities				
due within one year	0.00%-2.50%	46,293,636.87	0.00%-2.50%	46,343,566.40
— Long-term loans	0.00%-2.50%	459,535,761.38	0.00%-2.50%	506,104,010.11

##### 1.1.3 Price risk

The Group will not be affected due to price fluctuation of securities and commodities. The Company will be affected due to other price fluctuation in terms of investment in subsidiary companies and affiliated companies. Because of plenty of variables relating to the development of subsidiary companies and affiliated companies in the future, no reliable sensitivity analysis on price risk of such investment has been made yet.



# Notes to the Financial Statements

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## VIII. RISKS RELATING FINANCIAL INSTRUMENTS (Continued)

### 1. Financial risks (Continued)

#### 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 0.62% (18.52% in 2013) of the total amount of account receivable of the Group (without deducting bad debt reserve).

##### 1.2.2 Bank deposits

The Group reduces deposit risk by depositing in banking institutions with high credit ratings. Due to the high credit ratings of these banks, the nonoccurrence of the risk of dishonor could be anticipated by the management.

#### 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.

# Notes to the Financial Statements

## VIII. RISKS RELATING FINANCIAL INSTRUMENTS (Continued)

### 1. Financial risks (Continued)

#### 1.3 Liquidity risk (Continued)

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	1-2 years	2-5 years	Over 5 years	Total
Monetary funds	68,478,221.61				68,478,221.61
Bills receivable	400,000.00				400,000.00
Accounts receivable	75,951,368.06				75,951,368.06
Other receivables	91,897,387.48				91,897,387.48
Long-term receivables		55,000,000.00			55,000,000.00
Total financial assets	<u>236,726,977.15</u>	<u>55,000,000.00</u>			<u>291,726,977.15</u>
Short-term loans	10,000,000.00				10,000,000.00
Bills payables	90,000,000.00				90,000,000.00
Accounts payable	266,198,092.81				266,198,092.81
Other payables	80,705,153.66				80,705,153.66
Other non-current liabilities due within one year	46,293,636.87				46,293,636.87
Long-term loans		46,293,636.87	413,242,124.51		459,535,761.38
Total financial liabilities	<u>493,196,883.34</u>	<u>46,293,636.87</u>	<u>413,242,124.51</u>		<u>952,732,644.72</u>

## 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 2014, the Group didn't have any financial instruments that are accounted for by fair value measurements. For the year ended 31 December 2014, there were not any significant transfers between level one and level two financial instruments.

# Notes to the Financial Statements

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## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### (I) Parent company

Name of Parent Company	Registered address	Nature of business	Registered capital	Equity interest in the Company (%)	Voting shares in the Company (%)
China Luoyang Float Glass (Group) Company	Luoyang China	Production of glass, related raw materials and complete sets of equipment	1,286,740,000.00	31.80	31.80

Ultimate controller of the Company is China Building Materials Group Company of Limited.

### (II) Subsidiaries

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

### (III) Joint ventures and associates

For details of joint ventures and associates, please refer to "VII. Equity interest in other entities".

### (IV) Other related parties

Name of related party	Relationship with the Company
Triumph Technology Group Company (凱盛科技集團公司)	Controlling shareholder of Parent Company
CLFG (Beijing) International Engineering Co., Ltd.	Wholly-owned subsidiary of Parent Company
Luoyang Jingrun Coating Glass Co., Ltd.	Controlled subsidiary of Parent Company
Luoyang New Jingrun Engineering Glass Co., Ltd.	Controlled subsidiary of Parent Company
CLFG Luoyang Glass Engineering Design and Research Co., Ltd.	Wholly-owned subsidiary of Parent Company
Luoyang Jiaye Commerce and Trade Co., Ltd.	Wholly-owned subsidiary of Parent Company
CLFG Warehousing & Logistics Company Limited	Wholly-owned subsidiary of Parent Company
Luoyang Luobo Glass Fibre Co., Ltd.	Controlled subsidiary of Parent Company
Luoyang Jingxin Ceramic Co. Ltd.	Controlled subsidiary of Parent Company
CLFG Yuantong Energy Co., Ltd.	Associate (enterprise in which Director of the Company holds directorship)
China Triumph International Engineering	Fellow company under the Group
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Fellow company under the Group
Henan Zhonglian Glass Co., Ltd.	Fellow company under the Group
Bengbu Glass Industry Design Institute	Fellow company under the Group
Anhui Fangxing Science and Technology (安徽方興科技股份有限公司)	Fellow company under the Group
Shenzhen Triumph Technology Engineering Co., Ltd.	Fellow company under the Group
Triumph Bengbu Engineering and Technology Company Limited	Fellow company under the Group
Dengfeng Delong Silicon Co., Ltd. (登封龍德硅砂有限公司)	Associate (enterprise in which key management of subsidiary(ies) hold(s) directorship)
Jiangsu CNBM Environment Protection Research Institute Limited (江蘇中建材環保研究院有限公司)	Fellow company under the Group

# Notes to the Financial Statements

## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions

#### 1. Purchase and sales of goods and provision and receiving of services

Name of related party	Content of related party transaction	2014	2013
Purchase of goods/receiving of services:			
CLFG Yuantong Energy Co., Ltd.	Natural gas	<b>112,263,947.26</b>	46,531,629.57
China Luoyang Float Glass (Group) Company	Transfer of raw materials	<b>3,928,654.87</b>	
China Luoyang Float Glass (Group) Company	Transfer of inventories	<b>6,350,523.35</b>	
Dengfeng Delong Silicon Co., Ltd.	Silica sands	<b>11,104,702.23</b>	
Sales of goods/provision of services:			
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Float glass	<b>21,747,691.55</b>	45,776,452.87
Henan Zhonglian Glass Co., Ltd.	Technological service		110,000.00
China Triumph International Engineering	Technological service	<b>639,622.64</b>	
China Luoyang Float Glass (Group) Company	Use of water and electricity		523,692.70
Bengbu Glass Industry Design Institute	Broken glass		461,910.26
China Luoyang Float Glass (Group) Company	Broken glass	<b>257,214.36</b>	
Anhui Fangxing Science and Technology*	Float glass	<b>9,269,484.56</b>	
Luoyang New Jingrun Engineering Glass Co., Ltd.	Float glass	<b>1,871,584.05</b>	

#### 2. Lease of related party

Lesser	Lessee	Lease assets	Income/ Expenses from lease recognized in the current period	Income/ Expenses from lease recognized in the previous period
CLFG Longhao Glass Co. Ltd.	China Luoyang Float Glass (Group) Company	Land use rights of 183.30 Mu	680,000.00	680,000.00
China Luoyang Float Glass (Group) Company	CLFG Longhao Glass Co., Ltd.	600T/D online LOW-E production line	16,358,291.30	

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## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 3. Related party guarantees

Guarantor	The guaranteed	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
China National Building Material Group Corporation	CLFG Longhai Electronic Glass Limited	15,800,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	CLFG Longhao Glass Co. Ltd.	15,800,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	88,164,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	113,365,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	131,930,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	43,845,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	39,500,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	55,300,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	45,000,000.00	5 November 2014	5 November 2015	No

#### 4. Transfer of assets and debt restructuring of related parties

Name of related party	Content of related party transaction	2014	2013
China Luoyang Float Glass (Group) Company	Transfer of fixed assets	<b>866,236.04</b>	
Luoyang Luobo Glass Fibre Co., Ltd.	Transfer of fixed assets		500,000.00
CLFG Yuantong Energy Co., Ltd.	Acquisition of fixed assets		500,000.00

# Notes to the Financial Statements

## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 5. Entrusted loans of related party

- i. As at 31 December 2014, the Company provided entrusted loans of RMB412,089,000.00 to its subsidiaries through bank.
- ii. In 2014, bank loans granted to the Company as entrusted by CLFG totaled RMB10,000,000.00. Meanwhile, the Company has paid back the opening balance of RMB31,000,000.00, the total interest paid by the Company during the period was RMB359,049.90. As at 31 December 2014, loan balance of the Company with CLFG was RMB10,000,000.00.

#### 6. Financial assistance of related parties

- i. In 2014, Triumph Technology Group Company paid a total of RMB106,500,000.00 on behalf of the Company to suppliers. As at 31 December 2014, the Company has repaid the aforesaid amounts in full.
- ii. In 2014, CLFG paid a total of RMB1,500,000.00 on behalf of the Company to suppliers. As at 31 December 2014, the Company has repaid the aforesaid amounts.

#### 7. Remuneration of Key Management Personnel

Item	2014	2013
Remuneration of key Management personnel	<u>2,366,141.49</u>	<u>1,602,660.70</u>

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## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 7. Remuneration of Key Management Personnel (Continued)

##### (1) Directors' and Supervisors' Remuneration

The remuneration of each Director and supervisor for 2014 is as follows:

Name	Remuneration	Bonus	Salaries, allowance and benefits allowance in kind	Contributions to defined contribution plan	Total	Note
<b>Executive directors</b>						
Ni Zhisen			392,460.00	42,306.00	434,766.00	
Xie Jun			386,460.00	42,306.00	428,766.00	
Sun Lei			243,372.00	89,743.36	333,115.36	
<b>Independent director</b>						
Huang Ping	40,000.00				40,000.00	
Dong Jiachun	40,000.00				40,000.00	
Zeng Shaojin	11,667.00				11,667.00	Resigned in March 2014
Jin Zhanping	23,333.00				23,333.00	Appointed in June 2014
Liu Tianni	40,000.00				40,000.00	
<b>Supervisor</b>						
Guo Hao	20,000.00				20,000.00	
Wang Ruiqin			121,988.00	33,225.18	155,213.18	
<b>Employee supervisors</b>						
Wang Jian			184,792.00	33,831.36	218,623.36	
Ma Jiankang			107,336.00	32,021.67	139,357.67	
<b>Total</b>	<b>175,000.00</b>		<b>1,436,408.00</b>	<b>273,433.57</b>	<b>1,884,841.57</b>	

# Notes to the Financial Statements

## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 7. Remuneration of Key Management Personnel (Continued)

##### (1) Directors' and Supervisors' Remuneration (Continued)

The remuneration of each Director and supervisor for 2013 is as follows:

Name	Remuneration	Bonus	Salaries, allowance and benefits allowance in kind	Contributions to defined contribution plan	Total	Note
<b>Executive directors</b>						
Ni Zhisen			261,412.00	60,218.00	321,630.00	
Xie Jun			173,608.00	54,361.00	227,969.00	Appointed in May 2013
Sun Lei			102,836.00	57,128.00	159,964.00	Appointed in May 2013
Song Jianming			106,808.00	20,738.96	127,546.96	Resigned in May 2013
Song Fei			53,332.00	18,269.00	71,601.00	Resigned in May 2013
<b>Non-executive directors</b>						
Zhang Chong	23,333.00				23,333.00	
<b>Independent director</b>						
Huang Ping	40,000.00				40,000.00	
Dong Jiachun	40,000.00				40,000.00	
Zeng Shaojin	40,000.00				40,000.00	
Liu Tianni	40,000.00				40,000.00	
<b>Supervisor</b>						
Guo Hao	20,000.00				20,000.00	
Wang Ruiqin	8,333.00		69,000.00	37,538.00	114,871.00	
He Baofeng	14,167.00				14,167.00	
<b>Employee supervisors</b>						
Wang Jian	10,000.00		108,320.00	47,731.80	166,051.80	
Ma Jiankang	10,000.00		63,948.00	33,842.94	107,790.94	
<b>Total</b>	<b>245,833.00</b>		<b>939,264.00</b>	<b>329,827.70</b>	<b>1,514,924.70</b>	



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## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 7. Remuneration of Key Management Personnel (Continued)

##### (2) Five Individuals with Highest Emoluments

Among the 5 individuals with the highest emoluments of the Group in 2014, 3 are Directors and 1 is a supervisor (2013: 3 Directors and 1 supervisor), whose emoluments have been listed in the above table. The total amount of emoluments paid to another (2013: 1) individual is listed as follows:

Item	2014	2013
Salaries, allowance, benefits allowance in kind	215,011.00	100,480.00
Contributions to defined/planned contribution plan	42,333.40	38,579.00
Total	257,344.40	139,059.00

Salary range for the individual (2013: one) with the highest remuneration

Item	2014	2013
HK\$0—1,000,000.00	1	1

#### 8. Other related-party transactions

##### (1) Connected transaction in relation to the project design and construction and installation and equipment purchase for Longhao Company

On 17 April 2014, Longhao Glass entered into the Project Design and Construction and Installation Agreement and the Equipment Supply Contracting Agreement, pursuant to which, Shenzhen Triumph Technology Engineering Co., Ltd. agreed to provide project design, construction and installation as well as the purchase services of relevant equipment for a residual heat power generation project for float glass production lines. The total contracted amount was RMB13,940,000.

On 20 May 2014, Longhao Company entered into a Project Design and Construction and Installation Agreement and an Equipment Supply Contracting Agreement with Shenzhen Triumph Technology Engineering Co., Ltd. in relation to the smoke gas treatment system for the float glass production lines of Longhao Company, pursuant to which, Shenzhen Triumph Technology Engineering Co., Ltd. Has agreed to provide project design, construction and installation as well as the purchase services of relevant equipment for the project. Total contracted amount was RMB15,960,000.

As at 31 December 2014, Longhao Company has paid an aggregate of RMB2,990,000 for the agreements mentioned above.

# Notes to the Financial Statements

## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (V) Related party transactions (Continued)

#### 8. Other related-party transactions (Continued)

#### (2) Connected transactions in relation to the design and installation of smoke gas dust removal and denitration project for the production lines of Longhai and Longhao Company

On 14 November 2014, Longhai Company and Longhao Company entered into agreements with Jiangsu CNBM Environment Protection Research Institute Limited respectively, pursuant to which, Jiangsu CNBM Environment Protection Research Institute Limited agreed to provide project design, construction and installation services for the purpose of the production line smoke gas dust removal and denitration project for Longhai and Longhao Company, respectively. Total contracted amount of Longhai Company was RMB5,200,000, and that of Longhao Company was RMB6,400,000.

### (VI) Accounts receivable/payable of related parties

#### 1. Items of receivable

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.	468,961.48		14,864,689.27	
Accounts receivable	Luoyang New Jingrun Engineering Glass Co., Ltd.	1,519,753.33			
Accounts receivable	CLFG Mineral Products Company Limited	1,341,989.51		1,341,989.51	
Prepayments	CLFG Yuantong Energy Co., Ltd.	1,098,495.47		2,867,695.08	
Other receivables	China Luoyang Float Glass (Group) Company	3,894,451.52		43,302,304.83	
Other receivables	China Triumph International Engineering	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 Jingxin Ceramic Co. Ltd.	3,000.00	3,000.00	3,000.00	
Other receivables	Luoyang Luobo Glass Fibre Co., Ltd.	150,738.92		150,738.92	
Other non-current assets (Prepayments for projects)	Shenzhen Triumph Technology Engineering Co., Ltd.	2,990,000.00			

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## X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### (VI) Accounts receivable/payable of related parties (Continued)

#### 2. Items of payable

Item	Name of related party	Closing balance	Opening balance
Accounts payable	CLFG (Beijing) International Engineering Co., Ltd.	<b>77,000.00</b>	77,000.00
Accounts payable	Luoyang Luobo Glass Fibre Co., Ltd.		3,450.00
Accounts payable	Bengbu Glass Industry Design Institute	<b>94,339.62</b>	94,339.62
Accounts payable	China Triumph International Engineering	<b>76,170,717.95</b>	76,848,717.95
Accounts payable	Triumph Bengbu Engineering and Technology Company Limited	<b>85,820.00</b>	308,000.00
Accounts payable	Dengfeng Delong Silicon Co., Ltd.	<b>3,422,428.68</b>	
Payments received in advance	Anhui Fangxing Science & Technology Co., Ltd.	<b>5,425,523.22</b>	
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	<b>347,185.00</b>	347,185.00
Payments received in advance	Luoyang Jingrun Coating Glass Co., Ltd.	<b>7,752.72</b>	7,752.72
Payments received in advance	Luoyang New Jingrun Engineering Glass Co., Ltd.	<b>712.26</b>	712.26
Other payables	China Luoyang Float Glass (Group) Company	<b>28,284,238.26</b>	2,000.00
Other payables	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.		7,500.00
Other payables	Luoyang Jiaye Commerce and Trade Co., Ltd.	<b>6,300.00</b>	6,300.00
Other payables	Bengbu Glass Industry Design Institute	<b>44,293.84</b>	2,906.91
Other payables	Triumph Bengbu Engineering and Technology Company Limited	<b>936,100.00</b>	936,100.00
Other payables	Shenzhen Triumph Technology Engineering Co., Ltd.	<b>300,000.00</b>	300,000.00

## XI. Employee retirement benefits

As stipulated by the regulations of the PRC, the Group has participated in defined contribution retirement plans organised by the local authorities for its employees. According to the plan, the Group is required to make contributions to the retirement plans at an applicable rate on the basic salary, bonus and certain allowances of its employees. Each employee is entitled to a pension equal to a fixed proportion of his basic salary at the retirement date. The Group has no material obligation for the payment of pension benefits beyond its annual contributions.

# Notes to the Financial Statements

## XII. CAPITAL COMMITMENTS AND CONTINGENCIES

### (I) Capital commitments

At 31 December 2014, capital commitments of the Company are summarized as follows:

Item	31 December 2014	31 December 2013
Contracted for but not provided for		
— Purchase of equipment	31,290,000.00	
— Construction project	8,040,000.00	
— Upgrading accounting system	287,280.00	287,280.00
— Lease of production line	77,070,800.00	
Total	116,688,080.00	287,280.00

### (II) Contingencies

None

## XIII. EVENTS AFTER BALANCE SHEET DATE

None

## XIV. OTHER SIGNIFICANT EVENTS

### (I) Asset swap

According to the Resolution in Relation to the Material Asset Swap and the Acquisition of Asset through the Issuance of Shares and the Raising of Supporting Funds, the Company proposed to swap 100% equity interest in CLFG Longhao Glass Co. Ltd., 63.98% equity interest in CLFG Longfei Glass Co., Ltd., 67% equity interest in Dengfeng CLFG Silicon Company Limited, 52% equity interest in Yinan Huacheng Mineral Enterprise Company Limited and 40.29% equity interest in CLFG Mineral Products Company Limited, together with the claims (including accounts receivables, other receivables and entrusted loans) in CLFG Longhao Glass Co. Ltd., CLFG Longfei Glass Co., Ltd., CLFG Longxiang Glass Co. Ltd., Yinan Huacheng Mineral Enterprise Company Limited and CLFG Mineral Products Company Limited held by it as at 31 October 2014 (being the valuation basis date) with 100% equity interest ("Proposed Acquired Assets") in Bengbu China National Building Materials Information Display Material Company\* (蚌埠中建材信息顯示材料公司) ("Bengbu Company") legally held by CLFG as audited and confirmed through valuation, difference in value between the Proposed Acquired Assets and the assets proposed to be disposed will be purchased by the Company through issuance of shares to CLFG.

According to the Framework Agreement on the Material Assets Swap and the Acquisition of Asset through the Issuance of Shares and the Raising of Supporting Funds between the Company and CLFG, the estimated consideration for the assets proposed to be disposed totalled RMB492,907,200 while that for Proposed Acquired Assets amounted to RMB670,154,000.

# Notes to the Financial Statements

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## XIV. OTHER SIGNIFICANT EVENTS (Continued)

### (I) Asset swap (Continued)

Differences in value of the Proposed Acquired Assets exceeds value of the assets proposed to be disposed by RMB177,246,800 will be acquired by the Company through issuance of shares to CLFG. Shares under issuance shall be domestic listed ordinary shares denominated in RMB (A shares) with nominal value of RMB1.00 per share, and subscription price shall be not less than 90% of the average trading price of the Company's A shares for 60 trading days prior to the price determination date, which is, RMB6.00 per share. Number of the shares to be issued shall be calculated at the difference in considerations between the Proposed Acquired Assets and the assets proposed to be disposed dividing the proposed issuance price, amounting to approximately 29,541,100 shares.

### (II) Segment reporting

For management purposes, the Group is organized into two operating divisions. The management of the Group regularly reviews the financial information of these segments to decide resources allocation and assess their performance.

The two business segments are as follows:

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

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

#### 1. Segments information for the year ended 31 December 2014:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	583,270,736.75	29,270,462.74		612,541,199.49
2. Income from inter-segment transactions		1,821,928.47	-1,821,928.47	
3. Interest income	6,810,183.12	4,794.20	-1,287,000.00	5,527,977.32
4. Interest expense	427,051.06	1,287,000.00	-1,287,000.00	427,051.06
5. Asset impairment loss	32,069,999.68	2,338,259.26	15,000,000.00	49,408,258.94
6. Depreciation and amortization expenses	73,894,161.37	5,940,473.91		79,834,635.28
7. Total profit ("-" for loss)	30,330,685.86	-6,935,629.48	-14,926,779.81	8,468,276.57
8. Income Tax Expenses	7,992,353.85	133,078.97		8,125,432.82
9. Net profit ("-" for loss)	22,338,332.01	-7,068,708.45	-14,926,779.81	342,843.75
10. Total assets	1,041,686,664.67	54,057,498.95	-38,676,443.79	1,057,067,719.83
11. Total liabilities	1,080,478,155.07	42,440,663.62	-26,461,582.91	1,096,457,235.78

# Notes to the Financial Statements

## XIV. OTHER SIGNIFICANT EVENTS (Continued)

### (II) Segment reporting (Continued)

#### 2. Segments information for the year ended 31 December 2013:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	340,537,751.30	35,197,263.13		375,735,014.43
2. Income from inter-segment transactions		1,909,785.81	-1,909,785.81	
3. Interest income	6,816,798.37	9,007.87	-1,287,000.00	5,538,806.24
4. Interest expense	1,360,433.03	1,419,358.98	-1,287,000.00	1,492,792.01
5. Asset impairment loss	46,504,215.46	161,162.94		46,665,378.40
6. Depreciation and amortization expenses	69,167,644.02	1,920,749.33		71,088,393.35
7. Total profit ("-" for loss)	-108,028,927.79	-24,100.13	486,271.37	-107,566,756.55
8. Income Tax Expenses	3,123,035.49	164,350.35		3,287,385.84
9. Net profit ("-" for loss)	-111,151,963.28	-188,450.48	486,271.37	-110,854,142.39
10. Total assets	1,201,202,109.80	54,563,948.40	-29,237,738.32	1,226,528,319.88
11. Total liabilities	1,262,331,932.21	36,048,141.57	-31,949,657.25	1,266,430,416.53

#### 3. Geographic information

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

Item	Revenues from external customers		Non-current assets	
	2014	2013	31 December 2014	31 December 2013
China	<b>612,541,199.49</b>	375,735,014.43	<b>686,418,384.40</b>	732,494,513.63
Total	<b>612,541,199.49</b>	375,735,014.43	<b>686,418,384.40</b>	732,494,513.63

#### 4. Major customers

The Group has a diverse customer base. In 2014, no customer entered into transactions with amounts surpassing 10% of the Group's income.

# Notes to the Financial Statements

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## XIV. OTHER SIGNIFICANT EVENTS (Continued)

### (III) Litigation matters pending as at 31 December 2014

#### 1. *Zhongchu Development Co., Ltd. Luoyang Branch Company sued the Company for default on payment*

Both parties entered into a contract in respect of sale and purchase of petroleum coke powder. As at 27 April 2011, the Company defaulted on the goods payment of RMB6,283,397.32. Later, the Company made part of the payment and the balance was left unpaid. On 1 September 2012, Zhongchu Development Co., Ltd. Luoyang Branch Company filed a suit against the Company to the Intermediate People's Court of Luoyang, requiring the Company to pay arrears and interests. On 4 January 2013, a judgment of payment of RMB5,783,397.52 and interests was made by the Intermediate People's Court of Luoyang with the paper of civil judgment Luo Min Yi Chu Zi (2012) No. 33. The judgment has taken effect. As at 31 December 2014, the remaining amount of RMB2,190,991.29 was still in the process of performance.

#### 2. *Ruyang Yufeng Mining Co., Ltd. ("Yufeng Company") sued the Company and Longhao Company for default on payment*

Yufeng Company and the Company entered into a sales and purchase agreement, pursuant to which Yufeng Company provides silicon sands to Longhao Company. During the process of transaction, RMB4,657,795.60 was left unpaid. Yufeng Company appealed to People's Court of Ruyang County, Henan Province demanding the Company to pay the debt and interest. On 10 April 2013, People's Court of Ruyang County issued the civil judgment (2013) Ru Min Chu Zi No. 5 ordering the Company to pay Yufeng Company RMB4,657,795.6 for goods and the accrued interest. As at 31 December 2014, the remaining amount of RMB1,957,795.61 was still in the process of performance.

#### 3. *Jiangsu Teho Metal Industry Co., Ltd. sued CLFG Longfei Glass Co., Ltd. for default on payment*

The two parties have had "copper oxide" business transaction for many times. Longfei Company has paid partial payment for goods, but there was still RMB1,996,350.96 remained outstanding. On 16 April 2013, Jiangsu Teho Metal Industry Co., Ltd. appealed to Intermediate People's Court of Sanmenxia City, Henan Province, demanding Longfei Company to make payment for goods and accrued interest. In November 2014, the Court sealed the properties and lands of Longfei Company located in Huanghua Industrial Park, for a term of two years. As at 31 December 2014, the remaining amount of RMB1,996,350.96 was still in the process of performance.

#### 4. *Ning'an Huayuan Trading Co., Ltd. sued the Company for sales and purchase contract disputes*

During the period of 2009 to 2010, Huayuan Company signed multiple copies of Sales Contract with the Company reaching an agreement that Huayuan Company should provide pulverized coal to the Company. The Company still has partial unpaid payment for goods. On 11 April 2012, Huayuan Company received two assignment of debt from Yima Huayi Trading Co., Ltd. On 30 May 2012, Huayuan Company appealed to Luoyang Intermediate People's Court demanding the Company to pay RMB9,904,231.3 for goods and interest. The Company lodged an appeal after losing the lawsuit. On 10 December 2013, Henan High People's Court made a final judgment ordering the Company to pay RMB9,754,231.3 debt and interest. As at 31 December 2014, the remaining amount of RMB4,977,521.44 was still in the process of performance.



## XIV. OTHER SIGNIFICANT EVENTS (Continued)

### (III) Litigation matters pending as at 31 December 2014 (Continued)

5. ***Xingye Glass Raw Materials Plant in Koudian County, Yanshi City sued the Company for sales and purchase contract disputes***

Xingye Company provided raw silicon sand to the Company and the Company has partial unpaid payment for goods. In September 2013, Xingye Company appealed to People Court of Xigong District demanding the Company to pay RMB2,074,298.01 for goods and interest. On 23 December 2013, People's Court of Xigong District entered a judgment ordering the Company to pay RMB2,074,298.01 million for goods and interest. As at 31 December 2014, there was still RMB1,274,298.01 in the process under performance.

6. ***Luoyang Sanyuan Packing Co., Ltd. applying for arbitrating Longhao Company for hired work contract disputes***

On 1 April 2006 and 1 April 2007, Sanyuan Company signed a Contract of Hired Work on Wooden Case with Longhao Company. Sanyuan Company manufactured wooden cases for glass packing required by Longhao Company. Longhao Company has partial unpaid payment for goods. On July 2013, Sanyuan Company applied for arbitration as agreed in the contract. On 23 December 2013, Luoyang Arbitration Commission gave a ruling claiming Longhao Company to pay RMB6,087,381.18 for goods and interests thereof. As at 31 December 2014, there was still RMB5,725,103.18 unpaid debt.

7. ***Luoyang Building Materials and Machinery Plant sued Longfei Company and the Company for default on payment***

Longfei Company failed to make partial payment of goods to Luoyang Building Materials and Machinery Plant for the selling of equipment. On 8 January 2013, Luoyang Building Materials and Machinery Plant filed a lawsuit at the Intermediate People's Court of Luoyang, requiring Longfei Company to make the payment for goods amounted to RMB3,027,346 and for redemption of losses amounted to RMB2,000,000, and claiming that Luoyang Glass Company Limited shall accept joint responsibilities. The Intermediate People's Court of Luoyang gave a judgment that Longfei Company shall make the payment and pay for the interest accrued. In August 2014, the Intermediate People's Court of Luoyang sealed the glass production line of Longfei Company. As at 31 December 2014, RMB2,896,000 remained unpaid.

8. ***Luoyang Lvhuan Environment Engineering Company Limited (洛陽市綠環環保工程有限公司) sued Longhao Company and Yuan Xiao Fang (袁曉方) for default on payment***

Luoyang Lvhuan Environment Engineering Company Limited contracted to purchase and install equipment for the flue gas desulfurisation system and for phenol waste-water and waste-water process system of the glass kiln of Longhao Company with partial accounts remained unpaid. On 20 October 2014, Luoyang Lvhuan Environment Engineering Company Limited filed a lawsuit at the People's Court of Yanshi City, requiring Longhao Company to make the payment of RMB2,145,964.9. The two parties reached a settlement on payment in installation. As at 31 December 2014, balance of RMB2,104,382.45 remained unpaid.



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## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

### (I) Accounts receivable

#### 1. Accounts receivable by category

Category	Closing balance			
	Carrying amount		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
Account receivables with significant single amount and individual provision for bad debts	250,658,701.27	36.60	79,154,997.93	31.58
Accounts receivable provided for bad debts in groups	434,156,276.99	63.40	49,402,381.81	11.38
Account receivables with insignificant single amount and individual provision for bad debts				
<b>Total</b>	<b>684,814,978.26</b>	<b>100.00</b>	<b>128,557,379.74</b>	<b>18.77</b>

Category	Opening balance			
	Carrying amount		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage of provision (%)
Account receivables with significant single amount and individual provision for bad debts				
Accounts receivable provided for bad debts in groups	584,678,596.28	100.00	48,102,174.03	8.23
Account receivables with insignificant single amount and individual provision for bad debts				
<b>Total</b>	<b>584,678,596.28</b>	<b>100.00</b>	<b>48,102,174.03</b>	<b>8.23</b>

# Notes to the Financial Statements

## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (I) Accounts receivable (Continued)

#### 1. Accounts receivable by category (Continued)

##### (1) Account receivables with significant single amount and individual provision for bad debts at the end of the period

Name of debtor	Carrying amount	Bad debts	Age	Percentage of provision	Reason for provision
CLFG Longfei Glass Co., Ltd.	153,705,041.95	44,552,924.70	0-4 years	28.99%	Expected not to be recovered in full
CLFG Longxiang Glass Co. Ltd.	96,953,659.32	34,602,073.23	0-4 years	35.69%	Expected not to be recovered in full
Total	<u>250,658,701.27</u>	<u>79,154,997.93</u>			

##### (2) Accounts receivable provided for bad debts in groups

###### ① Accounts receivable with provision for bad debts based on the aging analysis

Age	Closing balance			Opening balance		
	Carrying amount	Percentage of provision %	Bad debt provision	Carrying amount	Percentage of provision %	Bad debt provision
Within 1 year	1,040,514.35			17,920,004.75		
1-2 years	2,351,257.99	30.00	705,377.40	95,850.06	30.00	28,755.00
2-3 years	24,318.62	50.00	12,159.31	3,763,768.29	50.00	1,881,884.15
3-4 years	2,621,120.50	100.00	2,621,120.50	1,734,780.03	100.00	1,734,780.03
4-5 years	1,606,969.75	100.00	1,606,969.75	1,095,404.38	100.00	1,095,404.38
Over 5 years	44,456,754.85	100.00	44,456,754.85	43,361,350.47	100.00	43,361,350.47
Total	<u>52,100,936.06</u>	<u>94.82</u>	<u>49,402,381.81</u>	<u>67,971,157.98</u>	<u>70.77</u>	<u>48,102,174.03</u>

###### ② In the groups, account receivables without provision for bad debts:

Item	Closing balance	Opening balance
Group (Related Party) with no provision for bad debts	<u>382,055,340.93</u>	<u>516,707,438.30</u>
Total	<u>382,055,340.93</u>	<u>516,707,438.30</u>

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## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (I) Accounts receivable (Continued)

#### 2. Top five debtors in the closing balance of account receivables

The aggregate account receivables from top five debtors amounted to RMB634,140,460.20, accounting for 92.59 % of the total account receivables as at 31 December 2014, and the total provision for bad debts for such top five debtors amounted to RMB83,912,120.25 as at 31 December 2014.

### (II) Other receivables

#### 1. Other receivables

Category	Closing balance		Bad debt provision	
	Carrying amount		Amount	Percentage of provision
	Amount	Percentage (%)	Amount	(%)
Other receivables with significant single amount and individual provision for bad debts	242,360,615.67	73.33	131,757,432.90	54.36
Other receivables provided for bad debts in groups	88,157,062.58	26.67	19,690,352.35	22.34
Other receivables with insignificant single amount and individual provision for bad debts				
<b>Total</b>	<b>330,517,678.25</b>	<b>100.00</b>	<b>151,447,785.25</b>	<b>45.82</b>

Category	Opening balance		Bad debt provision	
	Carrying amount		Amount	Percentage of provision
	Amount	Percentage (%)	Amount	(%)
Other receivables with significant single amount and individual provision for bad debts	37,915,461.05	11.26	25,808,704.00	68.07
Other receivables provided for bad debts in groups	298,677,195.72	88.74	19,525,483.89	6.54
Other receivables with insignificant single amount and individual provision for bad debts				
<b>Total</b>	<b>336,592,656.77</b>	<b>100.00</b>	<b>45,334,187.89</b>	<b>13.47</b>

# Notes to the Financial Statements

## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (II) Other receivables (Continued)

#### 1. Other receivables (Continued)

##### (1) Other receivables with significant single amount and individual provision for bad debts as at 31 December 2014

Name of debtor	Carrying amount	Bad debt	Age	Percentage of provision	Reason for provision
CLFG Longmen Glass Co., Ltd.	199,617,068.60	109,271,928.90	Within or more than 1 year	54.74%	Amounts recovered is expected to be lower than the carrying amount
CLFG Longhao Glass Co. Ltd.	25,138,043.07	4,880,000.00	Within 2 years	19.41%	Amounts recovered is expected to be lower than the carrying amount
CLFG Longfei GlassCo., Ltd.	6,796,800.00	6,796,800.00	Within 2 years	100.00%	Not expected to be recovered
Zhengzhou Xili Sub-branch of China Construction Bank (建行鄭州西里支行)	10,808,704.00	10,808,704.00	Over 5 years	100.00%	Not expected to be recovered
Total	<u>242,360,615.67</u>	<u>131,757,432.90</u>			

##### (2) Other receivables in groups with provisions for bad debts

###### ① Other receivables with provisions for bad debts based on aging analysis

Age	Closing balance			Opening balance		
	Carrying amount	Percentage of provision %	Bad debt provision	Carrying amount	Percentage of provision %	Bad debt provision
Within 1 year	6,546,727.42			17,359,853.76		
1-2 years	285,692.92	30.00	85,707.88	314,887.57	30.00	94,466.27
2-3 years	309,976.57	50.00	154,988.29	161,551.20	50.00	80,775.60
3-4 years	161,551.20	100.00	161,551.20	251,464.96	100.00	251,464.96
4-5 years	248,464.96	100.00	248,464.96	1,150,870.66	100.00	1,150,870.66
Over 5 years	19,039,640.02	100.00	19,039,640.02	17,947,906.40	100.00	17,947,906.40
Total	<u>26,592,053.09</u>	<u>74.05</u>	<u>19,690,352.35</u>	<u>37,186,534.55</u>	<u>52.51</u>	<u>19,525,483.89</u>

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## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (II) Other receivables (Continued)

#### 1. Other receivables (Continued)

##### (2) Other receivables in groups with provisions for bad debts (Continued)

② Other receivables in groups with no provision for bad debts

Item	Closing balance	Opening balance
Groups (related parties, spare funds, security, etc.)	<b>61,565,009.49</b>	261,490,661.17
Total	<b>61,565,009.49</b>	261,490,661.17

#### 2. Significant bad debts provision recovered or reversed in 2014

Name of entity	Reversed	Reason for the reversion
Yinan Huacheng Mineral Enterprise Company Limited	15,000,000.00	Controlled subsidiary of the Company with operation turning for the better, the amount is expected to be recovered in full
Total	15,000,000.00	

#### 3. Items of receivables by nature

Nature	Closing balance	Opening balance
Amounts receivable from subsidiaries	<b>274,124,857.74</b>	234,592,560.69
Spare fund	<b>410,365.89</b>	421,748.89
Estimated input tax for materials	<b>5,726,828.01</b>	
Proceeds from disposal of properties	<b>12,600,000.00</b>	16,000,000.00
Fund transfer	<b>37,655,626.61</b>	85,578,347.19
Total	<b>330,517,678.25</b>	336,592,656.77

# Notes to the Financial Statements

## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (II) Other receivables (Continued)

#### 5. Top five largest other receivables by debtors

Debtor	Nature	Closing balance	Age	Percentage of total other receivables (%)	Balance of provision for bad debts
CLFG Longmen Glass Co., Ltd.	Loans to subsidiaries	199,617,068.60	Within or more than 1 year	60.40	109,271,928.90
CLFG Longhao Glass Co. Ltd.	Loans to subsidiaries	25,138,043.07	Within 2 years	7.61	4,880,000.00
Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司)	Loans to subsidiaries	21,434,099.10	Within 1 year	6.49	
Yinan Huacheng Mineral Enterprise Company Limited	Loans to subsidiaries	21,138,846.97	Over 3 years	6.40	
Luoyang Hoisting Machinery Company Limited (洛陽起重機廠有限公司)	Proceeds from disposal of properties	12,600,000.00	1 – 2 years	3.81	
Total		<u>279,928,057.74</u>		<u>84.71</u>	<u>114,151,928.90</u>

### (III) Long-term equity investment

Item	Carrying amount	Closing balance		Carrying amount	Opening balance	
		Carrying amount	Provision for impairment		Carrying amount	Provision for impairment
Investment in subsidiaries	215,815,172.39	163,217,210.85	52,597,961.54	257,258,172.39	164,739,143.63	92,519,028.76
Investment in associates and joint ventures						
Total	<u>215,815,172.39</u>	<u>163,217,210.85</u>	<u>52,597,961.54</u>	<u>257,258,172.39</u>	<u>164,739,143.63</u>	<u>92,519,028.76</u>

# Notes to the Financial Statements

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## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (III) Long-term equity investment (Continued)

#### 1. Investment in subsidiaries

Name of investee	Opening balance	Increase during the period	Decrease during the period	Closing balance	Provision for impairment during the period	Closing balance of provision for impairment
CLFG Longmen Glass Co., Ltd.	64,513,390.18			64,513,390.18		64,513,390.18
CLFG Longfei Glass Co., Ltd.	40,000,000.00			40,000,000.00		40,000,000.00
Yinan Huacheng Mineral Enterprise Company Limited	14,560,000.00			14,560,000.00		11,403,463.74
CLFG Longhao Glass Co., Ltd.	47,300,356.93			47,300,356.93		47,300,356.93
CLFG Longhai Electronic Glass Co., Ltd.	48,941,425.28			48,941,425.28		
Luoyang Glass Industrial Co., Ltd.	41,443,000.00		41,443,000.00			
Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司)	500,000.00			500,000.00		
<b>Total</b>	<b>257,258,172.39</b>		<b>41,443,000.00</b>	<b>215,815,172.39</b>		<b>163,217,210.85</b>

#### 2. Investment in associates and joint ventures

Investee	Opening balance	Additional investment	Withdrawal of investment	Increase/decrease during this period				Provision of impairment	Others	Closing balance	Closing impairment provision
				Investment loss or gains using equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profit distribution				
Associates											
CLFG Mineral Products Company Limited (Note)											
Luoyang Jingxin Ceramic Co. Ltd. (Note)											

Note: For details, please refer to "Notes V. (X)"

# Notes to the Financial Statements

## XV. NOTES TO SIGNIFICANT ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS (Continued)

### (IV) Operating income and operating costs

Item	2014		2013	
	Income	Costs	Income	Costs
1. Subtotal of principal business	<b>550,036,984.36</b>	<b>544,817,324.20</b>	345,693,370.79	342,401,872.96
Float glass	<b>550,036,984.36</b>	<b>544,817,324.20</b>	345,693,370.79	342,401,872.96
2. Subtotal of other business	<b>165,366,805.57</b>	<b>157,287,830.11</b>	99,065,267.58	73,269,067.30
Raw materials, water and electricity, technological services, etc.	<b>165,366,805.57</b>	<b>157,287,830.11</b>	99,065,267.58	73,269,067.30
Total	<b>715,403,789.93</b>	<b>702,105,154.31</b>	444,758,638.37	415,670,940.26

### (V) Investment income

Item	2014	2013
Long-term equity investment income measured by cost method	<b>176,000,000.00</b>	
Investment income from disposal of long-term equity investment	<b>71,583,611.09</b>	-295,998.17
Investment income from investments held for maturity	<b>23,413,728.24</b>	23,420,762.13
Total	<b>270,997,339.33</b>	23,124,763.96



# Notes to the Financial Statements

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## XVI. SUPPLEMENTARY INFORMATION

### (I) Non-recurring profit and loss

Item	Amount	Note
1. Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment	94,060,093.39	
2. 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	63,601,752.16	
3. Profit/loss from debt restructuring	237,500.00	
4. 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	
5. Other non-operating income and expenses except as listed above	7,220,118.93	
6. Effect of income taxation	59,718.63	
7. Effect of minority interest	-524,995.74	
Total	168,877,592.78	

### (II) Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)		Earnings per share			
	2014	2013	Basic earnings per share		Diluted earnings per share	
	2014	2013	2014	2013	2014	2013
Net profit attributable to holders of ordinary shares of the Company	38.74	-119.78	0.0320	-0.1980	0.0320	-0.1980
Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary item	-370.08	-153.57	-0.3057	-0.2538	-0.3057	-0.2538

# Notes to the Financial Statements

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### (III) Supplementary information in relation to change in accounting policies

The Company changed its accounting policies in accordance with eight accounting standards, including Accounting Standard for Business Enterprise No. 2— Long-term Equity investment issued by the Ministry of Finance in 2014 and made corresponding retrospective restatements to comparable financial statements.

Item	1 January 2013	31 December 2013	31 December 2014
<b>Current assets:</b>			
Monetary funds	236,619,040.45	128,509,961.33	<b>68,478,221.61</b>
Financial assets at fair value through profit or loss			
Derivative financial assets			
Bills receivable	9,779,980.14	39,799,612.49	<b>400,000.00</b>
Accounts receivable	76,455,808.54	29,651,547.60	<b>23,412,089.50</b>
Prepayments	14,037,265.28	13,806,820.85	<b>7,692,326.00</b>
Interests receivable			
Dividends receivable			
Other receivables	61,938,475.53	81,916,322.40	<b>37,020,177.60</b>
Inventories	211,968,354.99	200,349,541.58	<b>211,781,486.51</b>
Assets classified as held-for-trading			
Non-current assets due within one year			
Other current assets			<b>21,865,034.21</b>
Total current assets	<u>610,798,924.93</u>	<u>494,033,806.25</u>	<u><b>370,649,335.43</b></u>
<b>Non-current assets:</b>			
Available-for-sale financial assets	7,000,000.00	7,000,000.00	<b>4,343,500.00</b>
Held-to-maturity investments			
Long-term receivables			<b>48,649,780.65</b>
Long-term equity investment			
Investment properties	14,170,232.57		
Fixed assets	539,787,058.69	644,340,372.61	<b>568,040,126.38</b>
Construction in progress	74,565,910.15	2,139,957.20	<b>698,734.75</b>
Construction materials	483,109.38	506,186.30	<b>428,213.56</b>
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	50,184,175.01	73,958,045.12	<b>54,815,729.68</b>
Development expenses			
Goodwill			
Long-term deferred expenses			<b>486,000.00</b>
Deferred income tax assets		2,437,064.61	<b>3,821,811.59</b>
Other non-current assets	5,792,922.79	2,112,887.79	<b>5,134,487.79</b>
Non-current assetsTotal	<u>691,983,408.59</u>	<u>732,494,513.63</u>	<u><b>686,418,384.40</b></u>
Total assets	<u>1,302,782,333.52</u>	<u>1,226,528,319.88</u>	<u><b>1,057,067,719.83</b></u>

# Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited  
January - December 2014  
(The amount is expressed in RMB unless otherwise specified)

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### (III) Supplementary information in relation to change in accounting policies (Continued)

Item	1 January 2013	31 December 2013	31 December 2014
<b>Current liabilities:</b>			
Short-term loans	20,000,000.00	50,696,833.33	<b>10,000,000.00</b>
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Bills payables	250,000,000.00	150,000,000.00	<b>90,000,000.00</b>
Accounts payable	206,951,139.66	282,538,381.85	<b>266,198,092.81</b>
Payments received in advance	35,535,060.88	41,704,096.40	<b>57,399,049.54</b>
Staff remuneration payables	39,331,753.50	59,538,138.48	<b>48,625,920.94</b>
Taxes payable	-15,217,888.93	-7,987,198.97	<b>27,800,706.43</b>
Interests payable			
Dividends payable			
Other payables	82,736,432.67	126,044,622.62	<b>80,705,153.66</b>
Liabilities classified as held-for-trading			
Non-current liabilities due within one year	46,338,315.85	46,343,566.40	<b>46,293,636.87</b>
Other current liabilities			
Total current liabilities	<u>665,674,813.63</u>	<u>748,878,440.11</u>	<u><b>627,022,560.25</b></u>
<b>Non-current liabilities:</b>			
Long-term loans	552,413,447.95	506,104,010.11	<b>459,535,761.38</b>
Debenture payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term staff remuneration payables			
Specific payables			
Accrued liabilities			
Deferred income	14,053,655.20	11,447,966.31	<b>9,898,914.15</b>
deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities	<u>566,467,103.15</u>	<u>517,551,976.42</u>	<u><b>469,434,675.53</b></u>
Total liabilities	<u>1,232,141,916.78</u>	<u>1,266,430,416.53</u>	<u><b>1,096,457,235.78</b></u>

# Notes to the Financial Statements

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### (III) Supplementary information in relation to change in accounting policies (Continued)

Item	1 January 2013	31 December 2013	31 December 2014
<b>Owners' equity:</b>			
Share capital	500,018,242.00	500,018,242.00	<b>500,018,242.00</b>
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	857,450,406.90	857,450,406.90	<b>857,450,406.90</b>
Less: Treasury stock			
Total comprehensive income			
Special reserve	205,847.44	367,894.52	<b>456,157.74</b>
Surplus reserve	51,365,509.04	51,365,509.04	<b>51,365,509.04</b>
Retained earnings	-1,276,914,998.93	-1,375,895,993.77	<b>-1,359,891,297.28</b>
Total equity attributable to owners of the Company	132,125,006.45	33,306,058.69	<b>49,399,018.40</b>
Minority interest	-61,484,589.71	-73,208,155.34	<b>-88,788,534.35</b>
Total owner's equity	<u>70,640,416.74</u>	<u>-39,902,096.65</u>	<u><b>-39,389,515.95</b></u>
<b>Total liabilities and owners' equity</b>	<u>1,302,782,333.52</u>	<u>1,226,528,319.88</u>	<u><b>1,057,067,719.83</b></u>

# Documents Available For Inspection

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

*Chairman:* **Ma Liyun**

Reporting date as approved by the Board: 27 March 2015