



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

2017 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. All Directors of the Company attended the Board meeting.
- III. WUYIGE Certified Public Accountants LLP has issued an auditors' report with standard unqualified opinions for the Company.
- IV. Mr. Zhang Chong, the Chairman of the Company, Mr. Ma Yan, the Chief Financial Controller and Ms. Chen Jing, the Person in charge of Accounting 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 during the reporting period considered by the Board

Under the audit of WUYIGE Certified Public Accountants LLP, the net profit of the Parent Company for 2017 was RMB2.8835 million, together with the undistributed profit RMB-1,399,150,600 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,396,267,100 at the end of 2017.

According to relevant regulations of Articles of Association, the after-tax profit of the Company shall be firstly used to compensate the loss. Therefore, the Company will not distribute profit for 2017 or convert capital reserve to the share capital.
- VI. Risk statements on forward-looking statements

Forward-looking statements, including future plan and development strategy, contained in this report do not constitute a real commitment to investors by the Company. Investors should be reminded of such investment risks.
- VII. Is there any embezzlement of non-operating funds by the controlling shareholder(s) and its/their associated parties?

Yes
- VIII. Is there any decision-making procedure in violation of any provisions, providing external guaranty?

No
- IX. Notice of Significant Risks

The Company has described in detail the potential risk factors in this report. Please refer to the content about potential risk exposed to the future development of the Company discussed and analyzed in IV. "Discussion and Analysis of the Operations".

Definitions

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
SFC	The Securities and Futures Commission of Hong Kong
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 Co., Ltd.
Group	Luoyang Glass Co., Ltd. and its subsidiaries
Bengbu Company	Bengbu CNBM Information Display Materials Co., Ltd.
Longhai Company	CLFG Longhai Electronic Glass Co., Ltd.
Longmen Company	CLFG Longmen Glass Co. Ltd.
Puyang Company	CNBM (Puyang) Photoelectric Material Co., Ltd., renamed from Luoyang Luobo Furuida Commerce Co., Ltd.
CNBM	China National Building Materials Group Co., Ltd.
Triumph Group	Triumph Technology Group Co., Ltd.
CLFG	China Luoyang Float Glass Group Co., Ltd.
Bengbu Institute	Bengbu Design & Research Institute for Glass Industry
International Engineering	China Triumph International Engineering Co., Ltd.
Triumph Technology	Triumph Science & Technology Co., Ltd.
Hefei Gaoxin Investment	Hefei Gaoxin Development and Investment Group Company*
Huaguang Group	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.
Yixing Environmental Technology	Yixing Environmental Technology Innovation Venture Investment Co., Ltd.*
GCL System Integration	GCL System Integration Technology Co., Ltd.
Hefei New Energy	CNBM (Hefei) New Energy Co., Ltd.*
Tongcheng New Energy	CNBM (Tongcheng) New Energy Materials Co., Ltd.*
Yixing New Energy	CNBM (Yixing) New Energy Resources Co., Ltd
Bengbu Chemical Machinery Manufacturing	Bengbu Chemical Machinery Manufacturing Co., Ltd.

Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

Chinese name of the Company	洛陽玻璃股份有限公司
Chinese abbreviation	洛陽玻璃
English name of the Company	Luoyang Glass Co., Ltd.
English abbreviation	LYG
Legal representative of the Company	Zhang Chong

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of securities affairs
Name	Wu Zhixin	Zhao Zhiming
Correspondence address	Secretary Office of the Board of Luoyang Glass Co., Ltd., No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC	Secretary Office of the Board of Luoyang Glass Co., Ltd., 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	http://www.zhglb.com/
Email	lybl600876@163.com

IV. PLACES FOR INFORMATION DISCLOSURE AND REFERENCE

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

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 change
A Share	Shanghai Stock Exchange	Luoyang Glass	600876	N/A
H Share	The Stock Exchange of Hong Kong Limited	Luoyang Glass	01108	N/A

Company Profile and Major Financial Indicators

VI. OTHER INFORMATION

Accounting firm appointed by the Company (domestic)	Name	WUYIGE Certified Public Accountants LLP
	Office address	16 F, Bosom Friend Media Plaza, No. 31 Zhongbei Road, Wuhan, the PRC
	Names of signing accountants	Suo Baoguo (索保國), Wang Haizhou (汪海洲)

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LAST THREE YEARS

(I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2017	2016	Increase/decrease over the same period last year (%)	2015
Operating income	367,047,136.12	392,095,626.14	-6.39	662,156,635.13
Net profit attributable to shareholders of the listed company	20,568,060.51	11,516,063.78	78.60	-184,755,120.74
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	-43,601,538.34	-76,911,886.70	N/A	-215,852,344.62
Net cash flow from operating activities	50,453,331.32	30,552,921.95	65.13	-131,037,564.70

	As at the end of 2017	As at the end of 2016	Increase/decrease over the end of the same period last year (%)	As at the end of 2015
Net assets attributable to shareholders of the listed company	559,139,146.36	523,269,416.96	6.85	278,344,996.00
Total assets	1,373,132,245.83	1,356,917,020.31	1.20	1,314,035,081.52

Company Profile and Major Financial Indicators

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LAST THREE YEARS (CONTINUED)

(II) Major Financial Indicators

Major financial indicators	2017	2016	Increase/decrease for this reporting period from the corresponding period last year (%)	2015
Basic earnings per share (RMB/share)	0.0390	0.0219	78.08	-0.3587
Diluted earnings per share (RMB/share)	0.0390	0.0219	78.08	-0.3587
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	-0.0828	-0.1463	N/A	-0.4317
Weighted average return on net assets (%)	3.85	2.42	Increased by 1.43 percentage points	-29.58
Weighted average return on net assets after deducting non-recurring profit and loss (%)	-8.17	-16.15	N/A	-177.45

VIII. DIFFERENCE BETWEEN DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

N/A

IX. MAJOR QUARTERLY FINANCIAL INDICATORS IN 2017

Unit: Yuan Currency: RMB

	Q1 (January– March)	Q2 (April– June)	Q3 (July– September)	Q4 (October– December)
Operating revenue	76,356,597.31	78,612,679.73	106,469,086.57	105,608,772.51
Net profit attributable to shareholders of the Company	1,158,297.48	19,661.54	-608,779.97	19,998,881.46
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	-1,508,949.54	-16,720,256.11	-1,349,174.61	-24,023,158.08
Net cash flow from operating activities	-29,306,072.80	-46,530,296.12	47,609,488.44	78,680,211.80

Company Profile and Major Financial Indicators

X. NON-RECURRING ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring Items	2017	Note (if applicable)	2016	2015
Profit/loss on disposal of non-current assets	6,063,804.98		239,093.33	445,019.71
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	78,201,332.80		102,455,677.91	4,567,408.16
Profit/loss from debt restructuring	2,000,783.33		3,130,969.27	88,665.10
Costs of corporate reorganization, i.e. expenses for staff settlement, integration costs, etc.	-19,411,503.76		-9,171,745.41	
The current net profit and loss of subsidiary resulting from combination under common control from the beginning of the period to consolidation date				31,866,403.05
Other non-operating income and expenses other than the aforesaid items	-290,282.58		-4,399,008.15	-5,638,065.02
Amount of effect on minority interest				-89,286.37
Amount of effect on income tax	-2,394,535.92		-3,827,036.47	-142,920.75
Total	64,169,598.85		88,427,950.48	31,097,223.88

Company Profile and Major Financial Indicators

XI. OTHERS

(I) Legal Advisors

Legal advisor of the PRC: Henan Yaohua Law Firm (河南耀驊律師事務所)

Address: Rooms 914–917, Tianli Building, Bolichang Road, Xigong District, Luoyang, Henan Province, the PRC

Legal advisor of Hong Kong: Li & Partners Solicitors

Address: 21/F, World Wide House, Central, Hong Kong

(II) Share Registrars for H Shares

Hong Kong Registrars Limited

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

Business Summary of the Company

I. PRINCIPAL BUSINESSES AND OPERATION MODEL OF THE COMPANY AND INDUSTRIAL PRACTICES DURING THE REPORTING PERIOD

During the reporting period, the main business of the Company was the production and sale of ultra-thin glass substrate for information display. At present, the Company has three ultra-thin electronic glass production lines(one of which is being upgraded). The Company ranks among the leading manufacturers of ultra-thin electronic glass in China in terms of production capacity as well as product varieties and specifications. The Company takes up a larger share of the domestic ultra-thin glass market, with its products mainly sold in 18 provinces (or municipalities directly under the central government) including Anhui, Guangdong, Jiangsu, Shanghai, Zhejiang and Hebei.

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

The Company's products are mainly used in the downstream flat panel display and touch screen industries that include TN-LCD, STN-LCD, OLED and other kinds of display screens as well as the cover glass that uses ITO glass substrates and touch screen devices for touch screens. During the reporting period, the Company's products occupy approximately 15% to 20% of the domestic market share.

II. MATERIAL CHANGES TO MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

N/A

Business Summary of the Company

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Advantages in brand. The Company is the place of origin for one of three major float glass manufacturing methods in the world – “Luoyang Float Glass Technology”. The Company has successively won “National Quality Award for Float Glass – Silver Award (國家浮法玻璃質量獎—銀質獎)”, “Gold Invention Award (金質發明獎)”, “National Consumer Trustworthy Product (全國消費者信得過產品)”, “Well-known Trademark (馳名商標)”, “National Science & Technology Progress Award (first class) (國家科學技術進步一等獎)”, etc. “CLFG” (洛玻) brand still internationally and domestically enjoys certain popularity and brand recognition.
2. Strong capacity in respect of product development and continuous innovation. As the first domestic enterprise that carried out research and development and commercial production of ultra-thin float glass products, the Company has accumulated extensive knowledge and processing experience through the production and operation of ultra-thin glass substrates for over 10 years. The Company possesses core production techniques of float glass and a number of proprietary intellectual property rights, maintaining its leading industry position in terms of the production techniques of ultra-thin glass and ultra-white-ultra-thin float glass in the domestic market. Meanwhile, it fostered core technology teams in product research and development, processing technology improvement and quality control, etc. The Company has acquired multiple scientific and technical achievements and applied for a total of 12 patents during the reporting period.
3. Advantages in series and scale of products. The Company has 3 ultra-thin electronic glass production lines, and becomes the largest ultra-thin glass manufacturer in China at present capable of producing 0.15mm–2.0mm series of electronic glass in large scale. In particular, the 150t/d production line of Bengbu Company, equipped with most advanced technical equipment in China, is the only production line capable of producing 0.15mm ultra-thin electronic glass substrate for information display in large scale. The Company will fully combine the technical characteristics and different advantages of its 3 production lines, and coordinate and manage products, technologies, marketing channels, funds and personnel in a unified manner, so as to make the best out of its overall advantages in terms of personnel, technology and brand and strengthen its advantage in economies of scale and synergistic effects, thereby continuously enhancing its profitability.
4. China National Building Materials Group, the de facto controller of the Company, is an enterprise directly under the SASAC, the largest comprehensive building material group corporation in China and an enterprise of Fortune Global 500. China National Building Materials Group supports building Luoyang Glass into a capital operation and industrial integration platform specialized in ultra-thin glass substrate business and new energy glass business.

Discussion and Analysis of the Operations

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS

During the reporting period, the Company implemented the spirit of the 19th National Congress of the CPC, adhered to the management principles of "integration and optimization, quality improvement and benefit increase" and the business culture of "profit and efficiency as the first priority" and insisted on operation policies of "price stabilization, quantity assurance, cost reduction, receivables collection, inventory control, adjustment". On this basis, the Company implemented its development strategy in an all-round way so as to achieve the goals and tasks of the year.

1. **Actively promote the major asset restructuring and expand and strengthen the new glass business.**

In 2017, the Company has made substantial progress in assets acquisition by issuance of shares and supporting funds raising. It has obtained approvals from the State-owned Assets Supervision and Administration Commission of the State Council, the Shanghai Stock Exchange and Hong Kong Stock Exchange, the CSRC and the SFC, and the approvals from the Board of Directors and the general meeting of Luoyang Glass, ensuring the steady advancement of the restructuring work.

On 15 March 2018, the assets acquisition by issuance of shares and supporting funds raising (related party transaction) by the Company were approved by the CSRC.

Through this restructuring, the Company increased photovoltaic glass business on the basis of its existing optical electronic and information display glass business. The successful implementation of the restructuring broadened the scope of application of the Company's new glass products, diversified product categories and downstream markets, and reduced dependence on a single downstream market. With the expansion of the size of and the improvement of the quality of the assets of the Company, it is expected to further enhance the stability and sustainability of future business development, and enhance profitability and overall competitiveness.

2. **Steadily promote technological upgrading projects and new product projects, and strive to drive high-quality development.**

(1) The Company proactively coped with competitions in the ultrathin glass market, improved weak links, and carried out production line transformation and technological upgrading project.

During the reporting period, the Company implemented the technological transformation and upgrading of the ultra-thin electronic glass production line of Longhai Company that was discontinued in the second half of 2016, and invested to rebuild a new generation of information display ultra-thin glass substrate production line, and optimized and improved production technology and core equipment. According to the design plan, the main line's technology and equipment and automatic control of the new-generation production line will reach the advanced level of the industry. The melting capacity of the melting furnace will be 180t/d, and the annual production capacity will be about 15.5 million square meters. At present, the project is progressing in an orderly manner.

Discussion and Analysis of the Operations

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS (CONTINUED)

2. Steadily promote technological upgrading projects and new product projects, and strive to drive high-quality development. (Continued)

(2) *Consolidate and enhance the ability of continuous innovation and expand new energy materials business.*

The ultra-white solar thermal materials are the basic materials of condenser, the core basic component used for solar thermal power generation. At present, domestic glass manufacturers haven't engaged in this field. According to the development strategy of the Company, and based on the pre-project market research, technological R&D, and the unique location advantage of the project site as well as energy supply advantage, the Company started the construction of the Ultra-White Solar Thermal Material Project in the industrial cluster district of Puyang County, Henan Province in May 2017. The project is to build a ultra-white solar thermal material production line with a daily melting capacity of 400 tons, which could produce 14 million square meters of solar thermal power generation raw materials for glass production and 2.80 million square meters of high-end auto windshield and dashboard glass materials annually. And it will build an ancillary deep processing production line of solar thermal power generation reflector with an annual production capacity of 6.80 million square meters during later phase.

The Company also plans to construct a photoelectric material R&D center and its ancillary facilities in the industrial cluster district of Puyang County, Henan Province. The completion and operation of the R&D center will create a good research environment for attracting high-level talents and fostering key technical personnel and will also effectively enhance the scientific research level and innovation capabilities of the Company in new materials and strengthen the core competitiveness of the Company.

3. Manage factories internally, and expand market externally to achieve stable growth during the production and operation courses.

(1) The Company increased the production of, and intensified the marketing and market synergy of marketable and high value-added products, and steadily raised the product selling price. During the reporting period, the selling prices of various products such as 0.33mm, 0.4mm, 0.7mm and 1.1mm products have been improved to varying degrees. The sales-to-output ratio of Longmen Company reached over 110%, which is the highest level in record.

(2) It has achieved remarkable results in new product R&D, and quality improvement through technological innovation. In the two production lines of the Company, the customer use rate of Longmen Company's 1.1mm product increased by approximately 20% year on year, and the gross rate of finished products of Bengbu Company's 0.33mm product increased by 5%. 0.25mm aluminum glass product has been successfully developed and has been continuously and stably produced.

Discussion and Analysis of the Operations

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS (CONTINUED)

3. Manage factories internally, and expand market externally to achieve stable growth during the production and operation courses. (Continued)

- (3) The efforts in “improving efficiency, cutting expenditures and reducing costs” have achieved substantial results. The Company reduced procurement costs and capital costs through centralized purchasing of bulk raw material and centralized use of funds, and optimized processing technologies and upgraded equipment to save raw material consumption and improve energy efficiency. The Company also adhered to benchmarking management, strictly controlled various costs and expenditures, and revitalized stock assets. Various measures such as repairing old facilities and reusing wastes were carried out, saving a total of about RMB20,000,000.

4. Major progress has been made in scientific research projects with remarkable scientific and technological achievements.

During the reporting period, Bengbu Company undertook a total of 4 R&D projects, including the provincial-level major special project, namely Research on the Production Technology and Key Technology in the Industrialization of 0.15mm Ultra-Thin Float Electronic Glass (0.15mm及薄浮法電子玻璃工藝及產業化關鍵技術研究), the project of Research on the Production Technology of Industrialization of 0.2mm High Strength Electronic Glass (高強0.2mm電子玻璃工業化生產技術研究) and the project of Research on the Production Technology of 3D Wear-Resistant Glass Substrate (耐磨3D玻璃基板生產技術研究). The latter two projects were established as major projects of independent innovation in Bengbu City.

During the reporting period, the Company applied for a total of 12 patents, including 4 invention patents and 8 utility model patents. It has also obtained 9 authorized patents and the Building Material Innovative Technology Award of China (中國建材技術革新獎). In 2017, the technology center of Bengbu Company was rated as a city-level enterprise technology center of Bengbu City. In addition, the Company has participated in revising the national standard GB/T 20314–2006 Float Glass for Liquid Crystal Displays (《液晶顯示器用薄浮法玻璃》), which will be formally implemented from 1 August 2018.

The information-based and digitized management project of the smart factory achieved staged results. The constructed digital workshop of the united float workshop of Bengbu Company was recognized as the provincial digital workshop in Anhui Province.

5. Enhance production safety to ensure no accident in production throughout the year and achieve remarkable results in energy conservation and emission reduction.

In 2017, the comprehensive energy consumption per RMB10,000 of total output value was 1.73 tons of standard coal, which was 19.9% lower than the same period of last year. The major pollutant emission indexes, waste gas, waste water, SO₂, NO_x, particulate matter, and COD were reduced by 32%, 49.5%, 2%, 66.0%, 42.4% and 58.9% year on year respectively.

Discussion and Analysis of the Operations

I. DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATIONS (CONTINUED)

6. Optimize personnel allocation of the Company and reform the remuneration system, both yielding good results.

In line with the goal of “highly capable personnel, efficient operation, harmonious company, and development promotion”, the Company completed the resettlement of 199 redundant personnel. At the same time, the reform of the remuneration system will be implemented to achieve the initial goal of matching corresponding personnel and salary to relevant posts, and deciding remuneration based on performance. The salary level of employees has been greatly improved, which has further mobilized the enthusiasm of the staff.

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

During the reporting period, the Company's operating revenue amounted to RMB367,047,136.12, representing a year-on-year decrease of RMB25,048,490.02; operating profit amounted to RMB-6,494,041.11, representing a year-on-year decrease of RMB73,523,102.02; net profit attributable to the shareholders of the Company amounted to RMB20,568,060.51, representing a year-on-year increase of RMB9,051,996.73; and basic earnings per share attributable to shareholders of the Company amounted to RMB0.0390. Gearing ratio was 59.28%, representing a decrease of 2.16 percentage points from the beginning of the reporting period.

(I) Analysis of principal operating activities

Analytical statement of changes in relevant items in the income statement and cash flow statement

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for the same period last year	Change (%)
Operating revenue	367,047,136.12	392,095,626.14	-6.39
Operating costs	256,499,345.38	343,709,563.17	-25.37
Cost of sales	6,851,477.86	7,482,306.95	-8.43
Administrative expenses	98,426,434.95	87,025,947.92	13.10
Financial expenses	29,554,391.47	8,433,936.20	250.42
Net cash flow from operating activities	50,453,331.32	30,552,921.95	65.13
Net cash flow from investment activities	61,987,355.67	-150,917,078.02	141.07
Net cash flow from financing activities	-50,413,260.74	190,549,383.10	-126.46
R&D expenses	17,793,597.50	21,276,277.57	-16.37
Taxes and surcharges	6,956,503.80	5,232,136.49	32.96
Gain on disposal of assets (loss is represented by "-")	6,063,804.98	239,093.33	2,436.17
Other income	39,751,226.80	0.00	100
Non-operating income	40,561,205.33	105,623,639.01	-61.60

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of principal operating activities (Continued)

Reason for change in financial expenses: an increase in interest-bearing liabilities in the reporting period.

Reasons for change in net cash flow from operating activities: the decrease in cash outflows from operating activities in the reporting period.

Reasons for change in net cash flow from investment activities: On the one hand, the subsidy received for project investment in the reporting period; on the other hand, the payment of differences for asset swaps over the same period last year.

Reasons for change in net cash flow from financing activities: on the one hand, the proceeds received from the non-public issuance of shares over the same period last year, on the other hand, the decrease of financing for the period.

Reasons for change in taxes and surcharges: mainly due to the adjustment of the accounting items under the Provisions Concerning the Accounting Treatments of Value-Added Tax (Cai Kuai [2016] No.22) promulgated by the Ministry of Finance of the PRC.

Reasons for change in gains on disposal of assets: the increase in net income due to disposal of old equipment by the subsidiaries in the reporting period.

Reasons for change in other income: The government grants related to daily activities during the reporting period were presented in the "other income" item and were still presented in the "non-operating income" item during the same period last year according to the amended Accounting Standards for Business Enterprises No. 16 – Government Grants published by the Ministry of Finance of the PRC.

Reasons for change in non-operating income: The government grants related to daily activities during the reporting period were presented in the "other income" item and were still presented in the "non-operating income" item during the same period last year according to the amended Accounting Standards for Business Enterprises No. 16 –Government Grants published by the Ministry of Finance of the PRC.

1. Analysis of revenue and costs

During the reporting period, the Company recorded operating revenue of RMB367,047,100, representing a decrease of 6.39% as compared with that of last year. The operating cost amounted to RMB256,499,300, representing a decrease of 25.37% as compared with that of last year, mainly due to the sales volume of Longhai Company (a subsidiary of the Company) decreased year on year for stopped production for technical transformation and meanwhile, the gross profit was increased because the Company optimized the product structure and the sales price of the Company's products rose.

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of principal operating activities (Continued)

1. Analysis of revenue and costs (Continued)

(1) Principal operations by industry, by product and by region

Unit: Yuan Currency: RMB

By industry	Principal operations by industry					
	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease of operation revenue as compared with last year (%)	Increase/decrease of operation costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
New materials	348,115,904.29	250,159,922.45	28.14	-8.41	-25.88	increased by 16.93 percentage points

By product	Principal operations by product					
	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease of operation revenue as compared with last year (%)	Increase/decrease of operation costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
Photoelectric glass	348,115,904.29	250,159,922.45	28.14	-8.41	-25.88	increased by 16.93 percentage points

By region	Principal operations by region					
	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease of operation revenue as compared with last year (%)	Increase/decrease of operation costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
PRC	348,115,904.29	250,159,922.45	28.14	-8.41	-25.88	Increased by 16.93 percentage points

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of principal operating activities (Continued)

1. Analysis of revenue and costs (Continued)

(2) Analytical statement of output and sales

Major product	Production volume	Sales volume	Storage volume	Increase/ decrease of production as compared with last year	Increase/ decrease of sales compared with the same period last year	Increase/ decrease of storage compared with last year
				(%)	(%)	(%)
Photoelectric glass	24,930,300m ²	30,595,600m ²	5,871,800m ²	-22.71	-19.44	-49.20

Explanation on output and sales

The sales volume of Longhai Company (a wholly-owned subsidiary of the Company) decreased year on year for stopped production for technical transformation during the reporting period.

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of principal operating activities (Continued)

1. Analysis of revenue and costs (Continued)

(3) Analytical statement of costs

Unit: Yuan

By industry	Component of cost	Amount for current period	By industry				Explanation
			Percentage of amount for current period over total cost (%)	Amount for the same period last year	Percentage of amount for the same period last year over total cost (%)	Percentage of changes in amount for current period over the same period last year (%)	
New materials	Direct materials	173,582,042.22	69.39	247,219,997.05	73.25	-29.79	The production volume decreased year on year
	Direct labour	21,812,641.44	8.72	28,147,641.99	8.34	-22.51	The production volume decreased year on year
	Manufacturing expenses	54,765,238.79	21.89	62,134,063.42	18.41	-11.86	The production volume decreased year on year

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of principal operating activities (Continued)

1. Analysis of revenue and costs (Continued)

(3) Analytical statement of costs (Continued)

By product	Component of cost	Amount for current period	By product				Explanation
			Percentage of amount for current period over total cost (%)	Amount for the same period last year	Percentage of amount for the same period last year over total cost (%)	Percentage of changes in amount for current period over the same period last year (%)	
Photoelectric glass	Direct materials	173,582,042.22	69.39	247,219,997.05	73.25	-29.79	The production volume decreased year on year
	Direct labour	21,812,641.44	8.72	28,147,641.99	8.34	-22.51	The production volume decreased year on year
	Manufacturing expenses	54,765,238.79	21.89	62,134,063.42	18.41	-11.86	The production volume decreased year on year

(4) Major sales to customers and major suppliers

The total sales to the top five customers amounted to RMB202,855,700, representing 55.27% of the total annual sales, of which sales to the related party of the top five customers amounted to RMB15,257,100, representing 4.16 % of the total annual sales.

The purchase amount of top five suppliers is RMB132,785,400, representing 76.63% of total purchase amount of the year, of which the amount purchased from the related parties was RMB19,539,600, representing 11.28% of total purchase amount of the year.

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of principal operating activities (Continued)

2. Expenses

Item	2017	2016	Changes (%)	Reasons of changes
Selling expenses	6,851,477.86	7,482,306.95	-8.43	
Administration expenses	98,426,434.95	87,025,947.92	13.10	
Finance expenses	29,554,391.47	8,433,936.20	250.42	the increase in interest-bearing liabilities in the reporting period
Income tax expenses	13,098,505.13	9,654,432.12	35.67	the year-on-year increase of the profit of subsidiaries in the reporting period

3. R&D expenditures

R&D expenditures

Unit: Yuan

Expensed R&D expenditure in current period	17,793,597.50
Total of R&D expenditure	17,793,597.50
Percentage of total R&D expenditure to operating revenue (%)	4.85
Number of the Company's R&D staff	63
Percentage of R&D staff number to the Company's total number of employees (%)	9.13

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis of principal operating activities (Continued)

4. Cash flow

- (1) The net cash flow from operating activities amounted to RMB50,453,300, representing an increase in net inflow of RMB19,900,400 as compared with RMB30,552,900 for the same period last year, mainly due to the decrease of cash outflow from operating activities during the reporting period;
- (2) The net cash flow from investing activities amounted to RMB61,987,400 representing an increase of net inflow of RMB212,904,400 over RMB-150,917,100 for the same period last year, on the one hand, the subsidy received for project investment in the reporting period; on the other hand, the payment of differences for asset swap over the same period last year;
- (3) The net cash flow from financing activities amounted to RMB-50,413,300 representing a decrease of net inflow of RMB240,962,600 over RMB190,549,400 for the same period last year, mainly due to, on the one hand, the proceeds received from the non-public issuance of shares over the same period last year, on the other hand, the decrease of financing for the period.

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

During the reporting period, the subsidy received from the government was higher, of which RMB78,201,300 was included in non-recurring profit and loss.

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities

1. Analytical statement of assets and liabilities

Unit: Yuan

Item	Closing balance of current period	Percentage of closing balance of current period over the total asset (%)	Closing balance of last period	Percentage of closing balance of last period over the total assets (%)	Increase/decrease of closing balance of current period over closing balance of last period (%)	Explanation
Notes receivable	86,642,392.18	6.31	45,986,571.00	3.39	88.41	Mainly due to the increase in payment in form of notes
Prepayments	742,542.55	0.05	1,638,352.47	0.12	-54.68	Mainly due to the decrease in advances to suppliers
Inventory	87,935,528.43	6.40	132,978,500.26	9.80	-33.87	Mainly due to the decrease in inventories
Other current assets	10,632,360.95	0.77	34,874,034.35	2.57	-69.51	Mainly due to the decrease in input tax to be deducted
Intangible assets	117,435,554.98	8.55	62,609,172.40	4.61	87.57	Mainly due to the increase of land use right
Long-term deferred expenses	4,920,152.57	0.36	3,515,290.90	0.26	39.96	Mainly due to the increase in handling charges for finance and service fees
Deferred income tax assets	2,071,257.08	0.15	4,341,222.30	0.32	-52.29	Mainly due to the reversal of deferred income tax assets
Other non-current assets	6,652,062.63	0.48	0.00	0.00	100.00	Mainly due to the prepayment for Desulfurization, Denitrification and Heat Recovery Boiler Project
Short-term loans	366,009,000.00	26.66	20,000,000.00	1.47	1,730.05	Mainly due to additional working capital borrowings
Notes payable	0.00	0.00	90,000,000.00	6.63	-100.00	Mainly due to the reimbursement of bill financing due
Staff remuneration payables	14,451,972.62	1.05	25,743,969.95	1.90	-43.86	Mainly due to the increase in actual payment of staff salary
Interest payable	2,214,172.42	0.16	713,868.25	0.05	210.17	Mainly due to the increase in provision for loan interests
Non-current liabilities due within one year	87,076,248.22	6.34	471,337,062.91	34.74	-81.53	Mainly due to the repayment of long-term borrowings due
Long-term loans	130,781,745.65	9.52	87,836,374.23	6.47	48.89	Mainly due to the increase in borrowings from finance leasing
Deferred income	108,193,683.26	7.88	19,290,781.82	1.42	460.86	Mainly due to the increase in government grants related to assets

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

1. Analytical statement of assets and liabilities (Continued)

Other explanations

(1) Capital liquidity

As at 31 December 2017, the Group's liquidity ratio was 0.95 (31 December 2016: 0.80) and quick ratio was 0.74 (31 December 2016: 0.52). The turnover rate of accounts receivable for the year was 2.31 times (31 December 2016: 3.44 times); and the turnover rate of inventory was 1.85 times (31 December 2016: 1.89 times).

(2) Financial resources

As at 31 December 2017, the Group's cash and cash equivalents amounted to RMB174,555,511.45, including 99.996% dominated in RMB and 0.004% dominated in US\$ and other foreign currencies.

As at 31 December 2017, the Group's bank loans amounted to RMB583,866,993.87 (31 December 2016: RMB579,173,437.14), including short-term loans amounting to RMB366,009,000.00 (31 December 2016: RMB20,000,000.00) and long-term loans amounting to RMB217,857,993.87 (31 December 2016: RMB559,173,437.14).

(3) Capital structure

As at 31 December 2017, the Group's current liabilities amounted to RMB575,017,670.56 (31 December 2016: RMB726,520,447.30), representing a decrease of 20.85% from 2016; non-current liabilities amounted to RMB238,975,428.91 (31 December 2016: RMB107,127,156.05), representing an increase of 123.08% from 2016; and equity attributable to shareholders of the Parent Company amounted to RMB559,139,146.36 (31 December 2016: RMB523,269,416.96), representing an increase of 6.85% from 2016.

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

Item	Book value at the end of the period	Reasons for restriction
Monetary funds	1,400,000.00	Deposit certificate pledge
Notes receivable	4,904,564.47	Pledged loan
Fixed assets	307,732,175.62	Mortgage loan
Total	314,036,740.09	—

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Analysis on industry operating information

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

(V) Analysis of investment

The company proposed to acquire 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy by means of issuance of shares. As of the date of this report, the matter has been approved by the China Securities Regulatory Commission.

(VI) Sale of significant assets and equity interests

N/A

(VII) Analysis of major subsidiaries and investee companies

Company name	Industry	Major products or services	Registered capital	Total assets	Net assets	Net profit
CLFG Longmen Glass Co., Ltd.	New materials	Photoelectric glass	20,000,000	148,032,166.38	-547,025,836.06	-37,134,946.08
CLFG Longhai Electronic Glass Co., Ltd.	New materials	Photoelectric glass	100,000,000	213,944,003.78	166,093,810.83	-10,396,410.41
Bengbu CNBM Information Display Material Co., Ltd.	New materials	Photoelectric glass	632,764,300	1,066,867,264.66	824,350,103.80	67,947,367.99
CNBM (Puyang) Photoelectric Material Co., Ltd.	New materials	Photoelectric glass	240,000,000	180,507,862.40	79,640,165.66	627,828.68

Notes: As at 1 March 2017, Luoyang Luobo Furuida Commerce Co., Ltd. was renamed CNBM (Puyang) Photoelectric Material Co., Ltd.

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(VIII) Five-year financial highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2017 are summarized below:

Operating results

Unit: Yuan Currency: RMB

Item	2017	2016	2015	2014	2013
Operating income	367,047,136.12	392,095,626.14	662,156,635.13	660,058,269.97	375,735,014.43
Total profit	33,666,565.64	21,170,495.90	-184,931,091.61	15,730,223.86	-107,556,313.57
Income tax	13,098,505.13	9,654,432.12	9,896,015.25	10,232,864.68	3,289,996.59
Net profit	20,568,060.51	11,516,063.78	-194,827,106.86	5,497,359.18	-110,846,310.16
Minority interests			-10,071,986.12	-15,661,852.74	-11,873,147.55
Net profit attributable to the owners of the Parent Company	20,568,060.51	11,516,063.78	-184,755,120.74	21,159,211.92	-98,973,162.61

Assets and liabilities

Unit: Yuan Currency: RMB

Item	2017	2016	2015	2014	2013
Monetary funds	175,955,511.45	157,528,516.53	102,342,860.91	92,747,084.60	172,571,033.76
Inventory	87,935,528.43	132,978,500.26	195,863,112.95	249,259,177.59	227,712,719.89
Fixed assets	561,330,800.42	648,972,313.06	691,522,403.10	1,113,933,571.51	644,866,173.19
Construction in progress	80,258,263.80		9,828,822.54	698,734.75	5,243,811.06
Non-current assets	827,682,072.06	774,437,998.66	826,682,911.68	1,270,128,923.40	736,124,168.07
Current liabilities	575,017,670.56	726,520,447.30	567,495,089.06	674,259,284.43	756,121,624.86
Non-current liabilities	238,975,428.91	107,127,156.05	468,194,996.46	470,184,675.53	517,551,976.42
Share capital	526,766,875.00	526,766,875.00	515,018,242.00	500,018,242.00	500,018,242.00
Equity attributable to owners of the Parent Company	559,139,146.36	523,269,416.96	278,344,996.00	717,077,784.06	103,313,890.92
Minority interests				-88,788,534.35	-73,208,155.34

(IX) Others

1. Gearing ratio

As at the end of the reporting period, the gearing ratio was 59.28%, down 2.16 percentage points as compared with the corresponding period last year.

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IX) Others (Continued)

2. *Net foreign exchange loss*

Details about foreign exchange profit and loss during the reporting period are set out in Note V (note 40) to the financial statements.

3. *Taxation*

Details about taxation during the reporting period are set out in "Taxation" of Note IV and Note V (notes 25, 44, 9 and 37) to the financial statements.

4. *Fixed assets and intangible assets*

Details about fixed assets and intangible assets during the reporting period are set out in Note V (notes 13 and 16) to the financial statements.

5. *Bank and other loans*

Details of bank and other loans during the reporting period are set out in Note V (notes 20, 29 and 30) to the financial statements.

6. *Capitalization of interests*

There was no capitalization of interests during the reporting period.

7. *Land appreciation tax*

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

8. *Reserves*

Details about reserves during the reporting period are set out in Note V (notes 33, 34 and 35) to the financial statements.

9. *Accumulated losses*

As at 31 December 2017, the accumulated loss of the Company was RMB-1,507,399,946.07.

10. *Retirement plan of the Group*

The Group has participated in the Social Insurance Plan established by the labor and social security department for employees according to relevant regulations. Pursuant to the Plan, the Group needs to make pension contributions in proportion to the salary of employees or the local average salary in the previous year. Except as the aforesaid monthly defined contributions, the Group is not obligated to pay any other significant retirement benefits.

Discussion and Analysis of the Operations

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry competition pattern and development trend

2018 is the first year for the full implementation of the spirit of the 19th CPC National Congress and is also a crucial year for the completion of building of a moderately prosperous society in all respects and the implementation of the 13th Five-Year Plan. The report of the 19th CPC National Congress explicitly pointed out that China's economy has been transitioning from a phase of rapid growth to a stage of high-quality development, and that this is a pivotal stage for transforming our growth model, improving our economic structure, and fostering new drivers of growth. The strategic goal of China's economic development is to develop a modernized economy, raise total factor productivity and steadily strengthen the innovation capacity and competitiveness of economy based on efforts for better quality, higher efficiency, and more robust drivers of economic growth through reform. In the new historical period, opportunities coexist with challenges.

The market demand for ultra-thin glass for information display mainly derives from the demand increase in downstream markets and the expansion of application fields. The mobile Internet application penetrates into all aspects of consumption in daily life more quickly, and the intelligentization in professional application fields including on-board equipment, industrial control, intelligent household appliances and medical treatment continued to intensify in an accelerated manner. It is expected that the demand for ultra-thin glass substrate, as a core material for touch screen, will reach 101 million square meters by 2020. China has become the largest producer and exporter of ITO conductive glass, TP touch screen glass, cover glass and protective shields. The overall market developments show favorable signs as domestic and international markets have maintained stable growth driven by the expansion, upgrading and growth of relevant consumer markets.

In recent years, China has introduced a series of industrial policies to promote the healthy development of the photovoltaic industry, which promotes the growth of China's domestic photovoltaic application market and the extensive application of photovoltaic energy. From 2013 to 2016, the annual growth rate of new PV installed capacity was 54.80%. According to Guidelines of the National Energy Administration on the Implementation of the 13th Five-Year Development Plan for Renewable Energy (Guo Neng Fa Xin Neng [2017] No. 31) (《國家能源局關於可再生能源發展“十三五”規劃實施的指導意見》(國能發新能[2017]31號)), the additional construction scale of photovoltaic power generation for 2017 to 2020 is 86.50GW. Photovoltaic glass is one of the important components of the photovoltaic industry, and its development is closely related to the development of the photovoltaic industry. At present, China is the world's largest producer of photovoltaic glass. According to statistics, 93% of photovoltaic modules in the world use photovoltaic glass produced in China in 2015. With the diversified application and scale development of photovoltaic power generation technology, solar energy will gradually transit from complementary energy in some regions to alternative energy for the whole country. Driven by domestic and international demand for photovoltaic power generation, photovoltaic glass will have a larger market as it is an indispensable key material for photovoltaic module packaging.

At the same time, new production capacity is also increasing, so the market competition must be fiercer. 2018 will be a year of competitions in the quality of manufacturers.

Discussion and Analysis of the Operations

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(II) Development strategy

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

(III) Business plan

In 2018, by adopting a quality-oriented approach, the Company will continue to conduct business operations based on a high starting point, and focusing on pursuing high standards, high level, and high efficiency. In the courses of production and operation, the Company will conduct assets restructuring, and put the projects into production and make those projects reach design capacity and meet production standards, which can drive the growth of the Company. Taking strengthening the internal control and management as the focus of efforts, the Company will continue to reduce cost and improve efficiency. We will take pride in hard work, face the market with a high sense of mission and a strong sense of responsibility, and wholeheartedly provide customers with high-standard and strictly-required products and services, so as to create reliable brands, powerful strengths, strong innovation ability and creativity.

In 2018, the Company's main operation targets are to strive to achieve production volume of 89.62 million square meters, to realize operating revenue of RMB1,741,190,000 and fully complete major development projects of the Company.

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

1. *Continue to do a good job in production and operation and fully complete the goals and tasks of production and operation.*

- (1) The Company will create marketing synergy to produce synergy effects. Adhering to the operation guiding principle of "Price-Cost-Profit", the Company will stabilize the price and increase the quantity of products, and sale products with current quality level. It will make efforts to consolidate traditional markets, expand deeper into market segments, and secure major customers and big contracts. It will also pay attention to product prices, stabilize its existing market share, and help to maintain market stability.
- (2) The Company will continue to make technological innovation, do a good job in production and management, and promote the steady improvement of product quality and output.
- (3) The Company will implement fine management and control cost. Emphasis should be placed on key indicators such as revenue and profit to create an atmosphere in which every employee pays attention to the operation and development of the Company. The Company will effectively reduce costs and fees, increase profitability, strictly control the risk of accounts receivable, and reduce inventory and capital occupation.

Discussion and Analysis of the Operations

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(III) Business plan (Continued)

1. *Continue to do a good job in production and operation and fully complete the goals and tasks of production and operation. (Continued)*

- (4) The Company will continue to intensify efforts in "improving efficiency, cutting expenditures and reducing costs", which is a long-term activity that has no finishing line and requires full participation of the staff. The Company will proactively implement the "eight measures", insist on benchmarking management, strictly control costs and reduce various types of consumption. We will innovate process technology, strengthen lean management to improve the quality and output of products, realize cost reduction and efficiency improvement, increase revenue and reduce expenditures. In 2018, we expect to realize the goal of "improving efficiency, cutting expenditures and reducing costs" to increase our revenue by more than 20% year on year.
- (5) Focusing on project construction and production and operation activities, the Company will raise funds to meet the capital requirements for project construction and daily production and operation activities.

2. *Promote major special projects in a solid manner and create reliable brands and hard strengths of the Company.*

- (1) The Company should make asset delivery and other relevant works conducted smoothly followed the major assets restructuring, and start to raise supporting funds in due course.
- (2) The Company will actively push forward the construction of the cold repair technology upgrading project and the Ultra-White Solar Thermal Materials Project in Puyang of Longhai Company. According to the project network schedule, we will make reasonable arrangements and conduct scientific construction to ensure safety, good quality and high efficiency. After the upgrading project of Longhai Company is completed and put into production, we will fully meet the requirements on high-end ITO glass from downstream market, to become a leading manufacturer in the industry and truly achieve the desired results. We will make the Ultra-White Solar Thermal Materials Project in Puyang a quality project, which will enable our company to become a benchmarking enterprise in the region. We will ensure that the project will be put into production on schedule and start to produce photothermal glass in 2018.
- (3) The Company will plan to conduct the upgrading project of Longmen Company. The melting furnace of Longmen Company is about to expire. We will plan to carry out the upgrading of the production line as soon as possible, conduct pre-project investigation and feasibility studies, go through the various procedures for project approval, and start construction as soon as possible.

Discussion and Analysis of the Operations

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(III) Business plan (Continued)

3. *Deepen internal mechanism reform, strengthen internal control and management and prevent various risks.*

- (1) The Company will establish a new type of management and control mode that meets the Company's future requirements to achieve efficient operations. Combining the reorganization of the Company and the addition of new companies and business segments after the completion of the project construction, the internal control will be further optimized to ensure the efficient operation of the Company. At the same time, upon the completion of the reorganization, we must integrate and optimize the business, personnel, and corporate culture of newly joined companies to create synergy effects and become united as one.
- (2) The Company will deepen the reform of internal mechanisms. Giving priority to efficiency, we will reform the mechanism to make it show a positive correlation between the interests of management, employees, and corporate profits. We will improve the performance evaluation system of the Company, so that management personnel and employees can share the growing corporate value and benefits. We will research the professional manager system and stock appreciation right incentive in due course, and in accordance with the market-based principles, foster energetic professional managers with strong political position and good management capability, explore enterprise annuity system to encourage employees develop with the Company.
- (3) The Company will strengthen internal control and management and prevent various risks. All departments of the Company must follow the requirements of the Internal Control Manual (《內控手冊》) to ensure the legal compliance of the Company's operations and asset security. We will strengthen the self-evaluation of the effectiveness of the Company's internal control structure and procedures. We will also strengthen risk management and control, fully implement the risk management system to effectively control various risk points and ensure the safe and efficient operation of the Company.
- (4) The Company will strengthen production safety, energy saving and emission reduction. We must always make unremitting efforts to ensure safe production and no accidents, and realize the goal of energy conservation and emission reduction. Production and business units must put production safety first, strictly implement the safety responsibility system, and conduct standard operations in strict compliance with the requirements of the operational procedures to prevent the occurrence of major safety accidents, so as to ensure production safety, equipment in good condition, personal safety, and property security. We will strictly follow the requirements of the Notice on Soliciting the Opinions on Revising the Work Plan for the Prevention and Control of Atmospheric Pollution in Henan Province in 2018 (Exposure Draft) (《關於徵求河南省2018年大氣污染防治攻堅戰工作方案(徵求意見稿)修改意見的通知》) to upgrade existing environmental protection facilities to meet the "ultra-low emission" standard.

Discussion and Analysis of the Operations

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(III) Business plan (Continued)

4. *Strengthen cultural construction and team building*

We will carry out extensive learning activity throughout the Company to remind the staff to stay true to their original selves, enable them to know the mission of the Company, learn to shoulder responsibility and improve skills. We will actively implement the management training plan and the reserve talent training plan to make every effort to build a team of cadres who have the overall awareness, sense of innovation, pioneering spirit, courage to undertake responsibility, and willingness to work hard, and who have the comprehensive ability and qualities of wanting to work hard, being able to serve and achieving success, daring to take responsibility, and doing good in their posts, and to train a group of competent leaders, a number of managers with strong will, and a group of first-line employees with the craftsmanship. We will strengthen the cultivation of reserve talents, select and emphatically train a group of young talents in the whole Company who will have a promising future after training and are loyal to the Company, establish a system of trainee foremen and trainee directors (managers), and accelerate the growth of reserve talents.

The Company will establish professional talent pools to handle the Company's various urgent production technology problems and provide talent support. The Company will also establish a growth mechanism for technical talents, operational talents, and management talents, set up professional positions of chief engineers, chief technicians, and senior managers to give full play to the role of various talents.

(IV) Potential Risks

1. *Risks arising from policies and the industry*

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

Countermeasures: The Company has a core technical team and has strong technical strength in product R&D, process technology improvement, and quality control. The Company will further increase the research and development of new products, continue to innovate and improve to strive to become the industry leader.

Discussion and Analysis of the Operations

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY (CONTINUED)

(IV) Potential Risks (Continued)

2. *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 fully capitalize on its centralized procurement platform and take good advantage of large scale procurement; accurately follow the fluctuations of prices to purchase in due course so as to reduce purchasing costs. In addition, the Company will expand supply channels to ensure the stability and efficiency of its supply channels.

3. *Risks arising from new engineering projects*

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

Countermeasures: The Company will proactively raise funds to guarantee project construction progress, doing project construction management to ensure project quality; collect information from different ways to enhance forward-looking forecast and analysis of the market; organize resources to produce marketable new products; enhance training and reserve of the front-line staff and formulate comprehensive and reasonable remuneration system to increase staff's welfare and keep a stable talents team.

4. *Financial risks*

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

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

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

5. *Technological risks*

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

Discussion and Analysis of the Operations

IV. EXPLANATIONS ON FAILURE TO MAKE DISCLOSURES IN ACCORDANCE WITH RELEVANT STANDARDS DUE TO INAPPLICABILITY OF THE STANDARDS OR STATE OR TRADE SECRETS OR SPECIAL REASONS

N/A

V. OTHER DISCLOSURES

1. Service Contracts of Directors and Supervisors

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

2. Management Contracts

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

3. Repurchase, Sale and Redemption of Shares

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

4. Pre-emptive Rights

Neither the Articles of Association of the Company nor the relevant laws of the PRC contain any provision on pre-emptive rights.

5. Public Float

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

6. Tax Deduction for Holders of Listed Securities

During the year ended 31 December 2017, holders of listed securities of the Company were not entitled to any tax relief by reason of their holding of such securities pursuant to the laws of the PRC.

7. Compliance with the Corporate Governance Code

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

Significant Events

I. PROPOSAL FOR PROFIT DISTRIBUTION ON ORDINARY SHARES OR CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL

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

N/A

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

Unit: Yuan Currency: RMB

Year	Bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB, tax inclusive)	Conversion into share capital for every 10 shares (share)	Amount of cash dividends (tax included)	Net profit attributable to holders of ordinary shares of the Company based on the consolidated statements for the corresponding year	Percentage in net profit attributable to holders of ordinary shares of the Company based on the consolidated statements (%)
2017	0	0	0	0	20,568,060.51	0
2016	0	0	0	0	11,516,063.78	0
2015	0	0	0	0	-184,755,120.74	0

(III) Inclusion of cash-based repurchased shares in cash dividends

N/A

Significant Events

II. PERFORMANCE OF UNDERTAKINGS

(I) **Commitments of commitment-relevant parties including the Company's de facto controllers, shareholders, related parties, purchasers and the Company during or until the reporting period**

1. *Commitment on limiting horizontal competition:*

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

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

2. *Commitment on limiting related party transactions:*

On 31 December 2014, CLFG and CNBM committed to avoid or minimize related party transactions between them and any other enterprises under their actual control or material influence and the Company upon completion of the transaction. Any inevitable connected business or transaction should be concluded on the transaction principles of openness, fairness and equity and at fair and reasonable market prices. In addition, the decision-making procedure for related party transactions should be in accordance with relevant laws, regulations, regulatory documents and the Articles of Associations of the Company, and the obligation for information disclosure should be fulfilled as required. CLFG and CNBM committed not to transfer the benefits of the Company through related party transactions, nor to cause damage to the legitimate rights and interests of the Company and other shareholders via exerting influence over the operation and decision-making process of the Company.

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

3. *Commitment on restricting share transfer:*

On 31 December 2014, when the Company underwent significant asset restructuring for 2015, CLFG committed not to transfer the shares obtained through the restructuring within 36 months after the issuance.

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

II. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

(I) Commitments of commitment-relevant parties including the Company's de facto controllers, shareholders, related parties, purchasers and the Company during or until the reporting period (Continued)

4. *Commitment on patent rights:*

On 2 November 2015, Bengbu Institute and International Engineering made the following commitments regarding 16 patent rights jointly owned by themselves and Bengbu Company: 1) being joint owners of aforesaid 16 patent rights, Bengbu Institute and International Engineering would not use these patent rights in any form within the valid period of the patent rights. Without the approval of Bengbu Company, Bengbu Institute and International Engineering shall have no right to transfer or dispose the aforesaid 16 patent rights to any other third parties, or permit any other third parties to use these patent rights. 2) Bengbu Company has the right to independently exercise the jointly-owned patent rights, and all incomes incurred therefrom should be solely owned by Bengbu Company. 3) In case of any breach of the aforesaid commitment, Bengbu Institute and International Engineering should bear corresponding legal liabilities and compensate relevant parties for the loss they suffer as a result of such breach.

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

5. *Commitment on profit forecast and compensation:*

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

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

For the year of 2017, the net profit of Bengbu Company as forecast in the appraisal report was RMB69,680,000. The audited net profit of Bengbu Company in 2017 was RMB67,947,400, and its audited net profit after deducting non-recurring gain and loss was RMB54,378,300, which was, and the shortfall amounted to RMB15,301,700. On 29 March 2018, the Company had received the performance compensation amount of RMB15,301,668.89 from CLFG. So far, CLFG has fulfilled its full commitment of performance compensation for this current period.

Significant Events

II. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

(I) Commitments of commitment-relevant parties including the Company's de facto controllers, shareholders, related parties, purchasers and the Company during or until the reporting period (Continued)

5. *Commitment on profit forecast and compensation: (Continued)*

The independent non-executive directors of the Company are of the view that CLFG has fully performed its commitment obligations under the performance commitment for 2017 and such performance is fair and reasonable and in the interests of the Shareholders as a whole.

6. *Significant assets restructuring in 2017 and commitment on restricting share transfer*

- (1) CLFG, Huaguang Group, Bengbu Institute, International Engineering and Triumph Group committed not to transfer the shares obtained through the transaction within 36 months after the issuance. If the closing price of A shares of Luoyang Glass is lower than the issue price for 20 consecutive trading days within the six-month period from the completion of the transaction, or the closing price of A shares as at the end of the six-month period after the completion of the transaction is lower than the issue price, the lock-up period of shares of Luoyang Glass obtained through the transaction will be automatically extended for at least six months. Should the aforesaid requirements regarding the lock-up period/restriction period of shares of Luoyang Glass obtained through the transaction be contrary to the latest regulatory opinion of the CSRC, corresponding adjustment will be made in accordance with the regulatory opinion of the CSRC. Upon the completion of the restructuring and within the lock-up period, all additional shares to be held by Luoyang Glass as a result of Luoyang Glass' issuance of bonus shares and conversion to share capital are also subject to the above arrangement.

This transaction has not been eventually completed as of the end of the reporting period.

- (2) Hefei Gaoxin Investment committed not to transfer the shares of Luoyang Glass obtained through the transaction within 12 months after the issuance.

This transaction has not been eventually completed as of the end of the reporting period.

- (3) Yixing Environmental Technology and GCL System Integration committed not to transfer the shares of Luoyang Glass obtained through the transaction within 36 months after the issuance.

This transaction has not been eventually completed as of the end of the reporting period.

- (4) CLFG and Bengbu Institute will not transfer the shares of the Company held before the transaction within 12 months after the completion of the transaction. In case the increased shares due to reasons such as bonus shares, capitalization of capital reserve by the Company, then the increased shares will also be locked up for a 12-month period as mentioned above.

This transaction has not been eventually completed as of the end of the reporting period.

II. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

(I) Commitments of commitment-relevant parties including the Company's de facto controllers, shareholders, related parties, purchasers and the Company during or until the reporting period (Continued)

7. Significant assets restructuring in 2017 and commitment on limiting horizontal competition

- (1) CLFG and CNBM undertook that: 1. they would not directly or indirectly engage in any business that is the same as or similar to the main business of Luoyang Glass or its wholly-owned or controlled subsidiaries after the completion of the transaction, to avoid possible direct or indirect business competition for the production and operation of Luoyang Glass, and they would procure enterprises that are directly or indirectly controlled by them not to directly or indirectly engage in any business or activity that competes with or may compete with the main business of the Luoyang Glass or its wholly-owned or controlled subsidiaries in the commercial field; 2. in case that CLFG and CNBM or their directly or indirectly controlled enterprises participate in or have the opportunity to participate in any business that directly or indirectly competes with or may compete with the main business of the Luoyang Glass or its wholly-owned or controlled subsidiaries, CLFG and CNBM shall abandon or cause their directly or indirectly controlled enterprises to abandon such business or opportunity that may be competitive, or facilitate to offer the business or opportunity to the listed Company or its wholly-owned or controlled subsidiaries on fair and reasonable terms, or transfer the business or opportunity to any other third parties not related to any of them.

This transaction has not been eventually completed as of the end of the reporting period.

- (2) Huaguang Group, Bengbu Institute, International Engineering and Triumph Group undertook that they would not directly or indirectly engage in any business that is the same as or similar to the main business of the Company or its wholly-owned or controlled subsidiaries after the completion of the transaction, to avoid possible direct or indirect business competition for the production and operation of Luoyang Glass, and that they would procure enterprises that are directly or indirectly controlled by them not to directly or indirectly engage in any business or activity that competes with or may compete with the main business of the Company or its wholly-owned or controlled subsidiaries in the commercial field. In case that they participate in or have the opportunity to participate in any business that directly or indirectly competes with or may compete with the main business of the Company or its wholly-owned or controlled subsidiaries, they shall abandon or cause their directly or indirectly controlled enterprises to abandon such business or opportunity that may be competitive, or facilitate to offer the business or opportunity to the Company or its wholly-owned or controlled subsidiaries on fair and reasonable terms, or transfer the business or opportunity to any other third parties not related to any of them.

This transaction has not been eventually completed as of the end of the reporting period.

Significant Events

II. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

(I) Commitments of commitment-relevant parties including the Company's de facto controllers, shareholders, related parties, purchasers and the Company during or until the reporting period (Continued)

8. *Significant assets restructuring in 2017 and commitment on limiting related party transaction*

CLFG, Hefei Gaoxin Investment, Huaguang Group, Bengbu Institute, International Engineering, Triumph Group, Yixing Environmental Technology, GCL System Integration and CNBM committed to avoid or minimize related party transactions between the Company (including enterprises controlled by the Company at present or in the future) upon the completion of the transaction. Any inevitable related business or transaction should be concluded on the market transaction principles of openness, fairness and equity and at fair and reasonable market prices. In addition, the decision-making procedure for related party transactions should be fulfilled in accordance with relevant laws, regulations, regulatory documents and the Articles of Associations of the Company, and the obligation for information disclosure should be fulfilled as required.

This transaction has not been eventually completed as of the end of the reporting period.

9. *Significant assets restructuring in 2017 and commitment on profit compensation*

(1) The counterparties, CLFG, Hefei Gaoxin Investment Investment, Huaguang Group, Bengbu Institute, International Engineering, Triumph Group, Yixing Environmental Technology, GCL System Integration undertook that the actual net profit of the target companies for the profit compensation period from 2018 to 2020 shall not be lower than the expected net profit set out in the Assets Valuation Report, in the event that the target companies fail to achieve the committed net profit, counterparties shall compensate the target company according to the arrangements of the Profit Guarantee Indemnity Agreements in relation to Acquisition of Assets by Issuance of Shares and the supplemental agreement.

This transaction has not been eventually completed as of the end of the reporting period.

(2) Triumph Group undertook that if the audited accumulated actual net profit in 2017 of the target companies involved in the transaction is lower than the accumulated expected net profit in 2017 of the target companies expected in the valuation report as at 31 October 2016, Triumph Group or its designated party will compensate the difference between the accumulated actual net profit and the accumulated expected net profit in cash to Luoyang Glass within 2 months upon the delivery of the target assets in the transaction.

This transaction has not been eventually completed as of the end of the reporting period.

II. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

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

The audited net profit of Bengbu Company in 2017 was RMB67,947,400, and its audited net profit after deducting non-recurring gain and loss was RMB54,378,300, which was lower than the forecast profit, and the shortfall amounted to RMB15,301,700.

Bengbu Company's failure to achieve the forecast profit for the year was mainly due to: Firstly, the capacity of electronic glass grows too rapidly in China, producing a greater shock to the market. Although the industry's competitive pattern has been gradually stabilized with higher prices in the second half of the year through effective measures such as price coordination, the annual average selling price is still lower than expected. Secondly, to improve product competitiveness and maintain sustained profitability, Bengbu Company increased R&D input, developed and produced new products, optimized process technologies, and made a number of achievements in scientific research during the reporting period. However, these efforts have a certain impact on current production.

III. APPROPRIATION OF FUND AND PROGRESS OF DEBT CLEARANCE DURING THE REPORTING PERIOD

As at 31 December 2017, the amount of funds appropriated for non-operating purposes by controlling shareholders mounted to RMB15,301,700, the details of which are as follows:

During the significant asset restructuring of the Company in 2015, considering performance of Bengbu Company, being the exchange-in assets, during 2015–2017, CLFG made a commitment regarding voluntary performance compensation: If the audited net profits of Bengbu Company realized in each of 2015, 2016 and 2017, attributable to the owner of the Parent Company after deduction of non-recurring profit and loss, were lower than the expected net profits of corresponding years given in the appraisal report, it would make compensation to Luoyang Glass in cash. In 2017, the net profits of Bengbu Company estimated in the appraisal report amounted to RMB69,680,000, while Bengbu Company realized the audited net profits after deduction of non-recurring profit and loss amounted to RMB54,378,300, failing to fulfill the performance commitment as a result. In light of the commitment, CLFG will make shortfall compensation of RMB15,301,700 to the Company in cash within six months upon the date of issue of auditor's report of Bengbu Company for the year of 2017. Since the auditor's report of Bengbu Company was issued on 22 March 2018, there was the amount of funds appropriated for non-operating purposes of RMB15,301,700 for the time being.

On 29 March 2018, the Company had received the performance compensation amount of RMB15,301,668.89 from CLFG. So far, the issue relating to the embezzlement of non-operating funds by the above-mentioned controlling shareholder as result of its performance commitment has been fully settled.

Debt clearance of the funds appropriated for non-operating purposes by controlling shareholders during the reporting period is as follows:

Significant Events

III. APPROPRIATION OF FUND AND PROGRESS OF DEBT CLEARANCE DURING THE REPORTING PERIOD (CONTINUED)

On 31 December 2016, the amount of funds appropriated for non-operating purposes of CLFG due to the performance commitment amounted to RMB23,783,372.88. On 31 March 2017, CLFG paid the performance compensation amount of RMB23,783,372.88 to the Company. So far, the issue relating to the embezzlement of non-operating funds has been fully settled.

IV. ANALYSIS AND EXPLANATION OF THE COMPANY ON REASONS FOR AND EFFECTS OF CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS

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

In 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation, which took effect on 28 May 2017. Non-current assets and disposal groups held for sale and termination of business operation existing on the date of the implementation shall be handled with prospective application method.

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 16 – Government Grants, and the revised standards will be implemented since 12 June 2017. The government grant existing on 1 January 2017 shall be handled with prospective application method; and the new government grant from 1 January 2017 to the date of the implementation shall also be adjusted according to the revised standard.

In 2017, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (《財政部關於修訂印發一般企業財務報表格式的通知》)(Cai Kuai [2017] No. 30). Enterprises that apply the Accounting Standards for Business Enterprises shall prepare the financial statements for 2017 and the future periods in accordance with the Accounting Standards for Business Enterprises and the requirements of the Notice.

The main impacts of the Company's implementation of the above two standards and the Notice (Cai Kuai [2017] No. 30) are as follows:

Changes in accounting policies and causes	Affected items of financial statement	The amount of affected items of financial statement during the current period	Restated amount of the previous period	The amount of non-operating income reported in the previous period	The amount of non-operating expenses reported in the previous period
1. Government grants related to the daily operations of the Company are included in other income	Other income	39,751,226.80	-	21,647,581.14	-
2. Adjustment to the presentation of gains and losses from asset disposal	Gains from asset disposal	6,063,804.98	239,093.33	254,968.93	15,875.60

Significant Events

V. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRMS

Unit: 0,000 Currency: RMB

Current appointee	
Name of the domestic accounting firm	WUYIGE Certified Public Accountants LLP
Remuneration for the domestic accounting firm	105
Term of the audit services provided by domestic accounting firm	10

Name	Remuneration
A accounting firm engaged for internal control audit	WUYIGE Certified Public Accountants LLP 28

Explanation for appointment or dismissal of accounting firms

As considered and approved by shareholders at the 2017 second extraordinary general meeting of the Company on 21 August 2017, WUYIGE Certified Public Accountants LLP was reappointed as the auditor of the Company for the year of 2017.

VI. MATERIAL LITIGATION AND ARBITRATION MATTERS

N/A

VII. PUNISHMENT AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS AND ACQUIRING PARTIES

N/A

VIII. EQUITY INCENTIVES PLAN, EMPLOYEE STOCK OWNERSHIP PLAN AND OTHER EMPLOYEE INCENTIVES AND THEIR EFFECTS

N/A

Significant Events

IX. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transactions relating to daily operations

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

Overview of Events	Search Index
<p>On 31 December 2014, the following were considered and approved by the 2014 second extraordinary general meeting of the Company: the Ultra-thin Float Glass Sale Framework Contract (《超薄浮法玻璃買賣框架合同》) by and between the Company and Triumph Technology (previously known as “Fangxin Science & Technology”) and the Annual Cap thereof; the Engineering Technical Service Framework Agreement (《工程技術服務框架協議》) by and between the Company and CNBM and the Annual Cap thereof; the Engineering Equipment and Material Supply Framework Agreement (《工程設備材料供應框架協議》) by and between the Company and CNBM and the Annual Cap thereof; the Financial Service Framework Agreement (《金融服務框架協議》) by and between the Company and CNBM and the Annual Cap thereof; the Raw Fuels Sales Framework Agreement (《原燃材料銷售框架協議》) by and between the Company and CLFG and the Annual Cap thereof. For details, please refer to the Luoyang Glass Co., Ltd.’s Announcement Regarding Continuing Related Party Transactions for 2015–2017 (《洛陽玻璃股份有限公司關於2015–2017年持續關聯交易的公告》) disclosed on 14 November 2014 and the Announcement Regarding the Resolutions of the 2014 Second Extraordinary General Meeting of Luoyang Glass Co., Ltd. (《洛陽玻璃股份有限公司2014年第二次臨時股東大會決議公告》) released on 31 December 2014.</p>	<p>Announcement Lin No. 2014–061 on 14 November 2014 and Announcement Lin No. 2014–081 on 31 December 2014 at http://www.sse.com.cn and http://www.hkexnews.hk</p>
<p>On 15 April 2016, the Sodium Carbonate Supply Agreement entered into between the Company and Triumph Group and the accumulative annual cap of RMB43,000,000 thereof were approved at the 2016 first extraordinary general meeting of the Company, with an effective term up to 31 December 2017.</p>	<p>Announcement Lin No. 2016–010 on 26 February 2016 and Announcement Lin No. 2016–018 on 15 April 2016 at http://www.sse.com.cn and http://www.hkexnews.hk</p>

IX. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Overview of Events	Search Index
On 28 April 2016, the Wooden Boxes Supply Framework Agreement entered into between Bengbu Company and Bengbu Chemical Machinery Manufacturing Co., Ltd.* and the accumulative annual cap of RMB6,000,000 thereof were approved at the sixth meeting of the eighth session of the Board of the Company, with an effective term up to 31 December 2017.	Announcement Lin No. 2016-022 on 28 April 2016 at http://www.sse.com.cn and http://www.hkexnews.hk
On 13 December 2017, Longhai Company, a wholly-owned subsidiary of the Company, and China Triumph International Engineering Co., Ltd. entered into the Civil Engineering Contract at a total contract price of RMB28.3 million.	Announcement Lin No. 2016-078 on 13 December 2016 at http://www.sse.com.cn and http://www.hkexnews.hk

2. *Events which have been disclosed in the temporary announcement but there is further development or change in subsequent implementation*

Overview of Events	Search Index
On 1 December 2016, Bengbu Company and Bengbu Institute entered into two Technology Development (Delegate) Agreements, pursuant to which Bengbu Company conducted research and development in respect of the project of production technology of industrialization of 0.2mm high strength electronic glass and the project of production technology of 3D wear-resistant glass substrate for Bengbu Institute, at contract prices of RMB8,800,000 and RMB7,500,000 respectively. In order to increase the accuracy of experimental data of the two contracted projects, Bengbu Institute and Bengbu Company entered into a supplemental agreement to the above two Technology Development Agreements on 24 March 2017 to extend the terms of acceptance of the project and of the contract to 31 December 2018.	Announcement Lin No. 2016-053 on 2 December 2016 and Announcement Lin No. 2017-025 on 25 March 2017 at http://www.sse.com.cn and http://www.hkexnews.hk

Significant Events

IX. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Overview of Events	Search Index
On 13 December 2017, Longhai Company and Bengbu Triumph Engineering Technology Co., Ltd. entered into the Facility Transfer Contract at a total contract price of RMB9,863,627.67 (tax inclusive).	Announcement Lin No. 2016-078 on 13 December 2016 at http://www.sse.com.cn and http://www.hkexnews.hk

2. *Events which have been disclosed in the temporary announcement but there is further development or change in subsequent implementation*

Overview of Events	Search Index
By means of issuance of shares, the Company proposed to acquire 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy while raising supporting funds. The proposal was considered and approved at the extraordinary general meeting of the Company and A/H-share general meeting on 27 October 2017 and examined and approved by CSRC.	Announcement Lin No. 2017-009, Announcement Lin No. 2017-017, Announcement Lin No. 2017-051, Announcement Lin No. 2017-062 and Announcement Lin No. 2018-019 at http://www.sse.com.cn and http://www.hkexnews.hk

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

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

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

N/A

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

N/A

X. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

(I) Custody, contracting and leasing matters

N/A

(II) Guarantees

Unit: Yuan Currency: RMB

Guarantees provided by the Company and its subsidiaries to subsidiaries

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

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

Total amount of guarantees	20,000,000.00
Percentage of total guarantee amount in net assets of the Company (%)	3.58

(III) Entrusting others to manage cash assets

N/A

XI. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation efforts of the listed Company

N/A

(II) Performance of social responsibilities

For details of the performance of social responsibility of the Company, please refer to the Social Responsibility Report of Luoyang Glass Co., Ltd. in 2017 disclosed by the Company on 23 March 2018 on the websites of Shanghai Stock Exchange at www.sse.com.cn and Hong Kong Stock Exchange at www.hkexnews.hk.

XII. CONVERTIBLE CORPORATE BONDS

N/A

Related Party Transactions

Apart from the related party transactions as disclosed in this chapter, there are no other related party transactions or continuing related party transactions subject to disclosure under the listing rules of the Stock Exchange. Other details about the related party transactions of the Group are set out as in the note "related party transactions" to the audited consolidated financial statements prepared for this year under the China Accounting Standards for Business Enterprises.

I. CONTINUING RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2017 ACCORDING TO THE APPROVED FRAMEWORK AGREEMENT AND THE TRANSACTIONS THEREUNDER

Unit: 0,000 Currency: RMB

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

Number	Party	Related relationship	Content of transactions	Principle of trade pricing	Expected cap for trade amount for 2017	Trade amount actually incurred in 2017
1	Triumph Technology	Indirect controlling shareholder's subsidiary	The Company provided Triumph Technology with ultra-thin glass products	Transaction price is determined subject to the market price at that time and should not be lower than the price of such same or similar products provided by the Company to an independent third party.	23,400	1,841
2	CNBM	De facto controller	CNBM and its subsidiaries provided the Company and its subsidiaries with engineering technical service	Should there be a State price, such State price should be implemented. Should there be no applicable State price, market price shall prevail and not be higher than the fee(s) charged for the same or similar technical service provided by the supplier to an independent third party.	2,000	1,215
3	CNBM	De facto controller	CNBM and its subsidiaries provided the Company with such engineering materials and equipment as required	Transaction price is determined subject to the market price at that time and should not be higher than the fee(s) charged for the same or similar engineering equipment and materials provided by the supplier to an independent third party.	30,000	25,700
4	CLFG	Controlling shareholders	CLFG provided the Company's subsidiaries with silica sand	Transaction price is determined subject to the market price at that time and should not be higher than the fee(s) charged for the same or similar products provided by the supplier to an independent third party.	950	90
5	Triumph Group	Indirect controlling shareholder	Provision of sodium carbonate to the Company's subsidiaries by Triumph Group	Transaction price is determined through a tendering process based on the market price at that time and not higher than the price offered by Triumph Group for identical or similar products to its independent third parties.	4,300	2,286
6	Bengbu Chemical Machinery Manufacturing	Subsidiary controlled by the indirect controlling shareholder	Provision of wooden cases to Bengbu Company by Bengbu Chemical Machinery Manufacturing	Transaction price is determined upon tendering with reference to prevailing market price and not higher than the price offered by Bengbu Chemical Machinery Manufacturing for identical or similar products to its independent third parties.	600	435

Related Party Transactions

I. CONTINUING RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2017 ACCORDING TO THE APPROVED FRAMEWORK AGREEMENT AND THE TRANSACTIONS THEREUNDER (CONTINUED)

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

Number	Party	Related relationship	Content of transactions	Principle of trade pricing	Expected cap for trade amount for 2017	Trade amount actually incurred in 2017
1	CNBM	De facto controller	CNBM and its subsidiaries provided the Company with entrusted loans, loan guarantee, fund paid on behalf of a company and other financial services	Loan guarantee service charge shall be determined subject to the market price at that time. The lending rate shall be calculated based on the rate not higher than the benchmark interest rate for loan for the same period provided by the People's Bank of China. The interest rate for the capital paid on behalf of a company shall be calculated based on the rate not higher than the benchmark interest rate for loan for the same period provided by the People's Bank of China. Financial service charge shall not be higher than such fee charged by the supplier to an independent third party for the same or similar financial service.	110,000	101,814

In conclusion, the total amount of the continuing related party transactions actually incurred for the year ended 31 December 2017 was RMB1,333,810,000.

The Company has engaged WUYIGE Certified Public Accountants LLP as the auditor of the Company to perform related audit procedures as to the continuing related party transactions of the Company as at 31 December 2017, as set forth in the aforesaid transactions in accordance with No. 3000 of "verification except auditing or reviewing historical financial information" of the Hong Kong Verification Standard promulgated by Hong Kong Institute of Certified Public Accountants (HKICPA), and by reference to No.740 of "continuing related party 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.

Related Party Transactions

I. CONTINUING RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2017 ACCORDING TO THE APPROVED FRAMEWORK AGREEMENT AND THE TRANSACTIONS THEREUNDER (CONTINUED)

The independent non-executive Directors have reviewed the above-mentioned continuing related party transactions that took place during the year ended 31 December 2017 and confirmed that these transactions were:

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

II. RELATED PARTY TRANSACTIONS DISCLOSED IN TEMPORARY ANNOUNCEMENTS DURING THE REPORTING PERIOD

1. On 7 February 2017, the Company entered into three Agreements on Acquisition of Assets by Issuance of Shares subject to effective conditions and three Profit Guarantee Indemnity Agreements in relation to Acquisition of Assets by Issuance of Shares with eight counterparties, namely, CLFG, Hefei Gaoxin Investment, Huaguang Group, Bengbu Institute, International Engineering, Triumph Group, Yixing Environmental Technology and GCL System Integration, respectively, and entered into a Share Subscription Agreement subject to effective conditions with Triumph Group, pursuant to which, the Company proposed to acquire 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy jointly held by the eight counterparties by means of issuance of shares, and to issue shares to no more than 10 specific investors including Triumph Group to raise supporting funds. Meanwhile, the eight counterparties have made commitments of performance compensation on the profitability of the underlying assets.

On 24 February 2017, the Company made adjustment to the plan on acquisition of assets and raising supporting funds by issuance of shares and entered into a Supplemental Agreement to Share Subscription Agreement subject to effective conditions with Triumph Group in accordance with the requirements newly issued by the CSRC.

On 7 August 2017, the Company entered into three Supplemental Agreements to the Agreements on Acquisition of Assets by Issuance of Shares subject to effective conditions and three Supplemental Agreements to the Profit Guarantee Indemnity Agreements in relation to Acquisition of Assets by Issuance of Shares with the aforesaid eight counterparties, and further specified and agreed on the transaction figures in accordance with the appraised results of the underlying assets filed with the SASAC.

Related Party Transactions

II. RELATED PARTY TRANSACTIONS DISCLOSED IN TEMPORARY ANNOUNCEMENTS DURING THE REPORTING PERIOD (CONTINUED)

2. On 1 December 2016, Bengbu Company and Bengbu Institute entered into two Technology Development (Delegate) Agreements, pursuant to which Bengbu Company conducted research and development in respect of the project of production technology of industrialization of 0.2mm high strength electronic glass and the project of production technology of 3D wear-resistant glass substrate for Bengbu Institute, at contract prices of RMB8,800,000 and RMB7,500,000 respectively. In order to increase the accuracy of experimental data of the two contracted projects, Bengbu Institute and Bengbu Company entered into a supplemental agreement to the above two Technology Development Agreements through consultation on 24 March 2017.
3. On 30 June 2017, Bengbu Company entered into Transfer Contracts of Land Use Rights with Bengbu China Optoelectronics Technology Co., Ltd. (蚌埠中光電科技有限公司) and CNBM (Bengbu) Photoelectric Materials Co., Ltd. (中建材蚌埠光電材料有限公司), respectively, with a total contract amount of RMB1,948,600.
4. On 11 October 2017, Puyang Company and China Triumph International Engineering Co., Ltd. entered into the Contract of Ultra-white Photothermal Materials Project of CNBM (Puyang) Photoelectric Material Co., Ltd. at a total contract price of RMB439 million; Puyang Company and Shenzhen Triumph Science & Technology Engineering Co., Ltd. ("Shenzhen Triumph") entered into the Equipment Procurement and Installation and Construction Contract of the Supporting Smoke Gas Treatment Project for the Ultra-white Photothermal Materials Project of CNBM (Puyang) Photoelectric Material Co., Ltd., at a total contract price of RMB22 million; and Puyang Company and Shenzhen Triumph entered into the Equipment Procurement and Design and Installation Contract of the Supporting Waste Heat Boiler Room Project for the Ultra-white Photothermal Materials Project of CNBM (Puyang) Photoelectric Material Co., Ltd., at a total contract price of RMB7.5 million. The independent shareholders considered and approved the above-mentioned contracts and the transactions thereunder at the 2017 fourth extraordinary general meeting of the Company on 7 December 2017.
5. On 13 December 2017, Longhai Company and China Triumph International Engineering Co., Ltd. entered into the Civil Engineering Contract at a total contract price of RMB28.3 million.
6. On 13 December 2017, Longhai Company and Bengbu Triumph Engineering Technology Co., Ltd. entered into the Facility Transfer Contract at a total contract price of RMB9,863,600 (tax inclusive).

Changes In Shareholding of Ordinary Shares And Information of Shareholders

I. CHANGE IN SHARE CAPITAL

(I) Changes in shares

N/A

(II) Changes in shares subject to trading moratorium

Unit: share

Shareholder's name	Number of shares subject to trading moratorium at the beginning of the year	Number of shares released from trading moratorium during the year	Increase in shares subject to trading moratorium during the year	Number of shares subject to trading moratorium at the end of the year	Reason for moratorium	Date of Shares released from trading moratorium
CLFG	15,000,000	0	0	15,000,000	Non-public issuance	29 December 2018
First Capital Securities Co., Ltd	1,202,185	1,202,185	0	0	Non-public issuance	22 March 2017
Caitong Fund Management Co., Ltd	10,546,448	10,546,448	0	0	Non-public issuance	22 March 2017
Total	26,748,633	11,748,633	0	15,000,000	/	/

II. ISSUE AND LISTING OF SECURITIES

N/A

III. INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Total number of shareholders

Total number of holders of ordinary shares as at the end of the reporting period (*shareholder*)

There were 57,229 shareholders of the Company in total, including 57,183 holders of A shares and 46 holders of H shares

Total number of ordinary shareholders at the end of the previous month before the date of disclosure of annual report

There were 56,329 shareholders of the Company in total, including 56,283 holders of A shares and 46 holders of H shares

Changes In Shareholding of Ordinary Shares And Information of Shareholders

III. INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

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

Unit: share

Shareholdings of top 10 shareholders

Name of shareholder (Full name)	Increase/decrease during the reporting period	Number of shares at the end of reporting period	Proportion (%)	Number of shares held subject to trading moratorium	Pledged or frozen		Nature of shareholder
					Status	Number	
HKSCC NOMINEES LIMITED	10,000	248,680,699	47.21	0	Unknown	0	Overseas legal person
China Luoyang Float Glass (Group) Co., Ltd.	0	105,018,242	19.94	15,000,000	Pledged	41,000,000	State-owned legal person
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	0	69,000,000	13.10	0	Unknown	0	State-owned legal person
Beijing Taiji Huaqing Information System Co., Ltd.	2,400,000	2,400,000	0.46	0	Unknown	0	Domestic non-state-owned legal person
Hong Kong Securities Clearing Co., Ltd.	82,377	600,290	0.11	0	Unknown	0	Overseas legal person
Beijing Taiji Huaqing Peicheng Software Technology Co., Ltd.	430,000	430,000	0.08	0	Unknown	0	Domestic non-state-owned legal person
CHUK YEE MEN LIZA U/D	0	374,000	0.07	0	Unknown	0	Overseas legal person
Hou Liyuan	353,500	353,500	0.07	0	Unknown	0	Domestic natural person
Jin Ruiming	315,394	315,394	0.06	0	Unknown	0	Domestic natural person
Liu Bibo	-700,000	300,000	0.06	0	Unknown	0	Domestic natural person

Changes In Shareholding of Ordinary Shares And Information of Shareholders

III. INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

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

Shareholdings of top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED	248,680,699	Overseas listed foreign shares	248,680,699
China Luoyang Float Glass (Group) Co., Ltd.	90,018,242	Ordinary shares denominated in RMB	90,018,242
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	69,000,000	Ordinary shares denominated in RMB	69,000,000
Beijing Taiji Huaqing Information System Co., Ltd.	2,400,000	Ordinary shares denominated in RMB	2,400,000
Hong Kong Securities Clearing Co., Ltd.	600,290	Ordinary shares denominated in RMB	600,290
Beijing Taiji Huaqing Peicheng Software Technology Co., Ltd.	430,000	Ordinary shares denominated in RMB	430,000
CHUK YEE MEN LIZA U/D	374,000	Overseas listed foreign shares	374,000
Hou Liyuan	353,500	Ordinary shares denominated in RMB	353,500
Jin ruiming	315,394	Ordinary shares denominated in RMB	315,394
Liu Bibo	300,000	Ordinary shares denominated in RMB	300,000

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

Among the top 10 shareholders of the Company, China Luoyang Float Glass (Group) Co., Ltd. and CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd are related parties or persons acting in concert as defined under the 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”). The Company is not aware of any parties acting in concert or any related relationship among other holders of circulating shares.

Explanations on holders of preferential shares with restored voting rights and the number of shares held

None

Notes:

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

Changes In Shareholding of Ordinary Shares And Information of Shareholders

III. INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLERS (CONTINUED)

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

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

Unit: share

No.	Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Shares subject to trading moratorium available for listing and trading		Trading moratorium
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	China Luoyang Float Glass (Group) Co., Ltd.	15,000,000	2018-12-29	0	Non-transferable within 36 months from the completion date of the issuance
2	Caitong Fund Management Co., Ltd.	10,546,448	2017-03-22	10,546,448	Non-transferable within 12 months from the completion date of the issuance
3	First Capital Securities Co., Ltd.	1,202,185	2017-03-22	1,202,185	Non-transferable within 12 months from the completion date of the issuance

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

There are no related parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies among the aforesaid shareholders, including China Luoyang Float Glass (Group) Co., Ltd. and other holders of shares subject to trading moratorium. The Company is not aware of any parties acting in concert or any related relationship among other holders of shares subject to trading moratorium.

Changes In Shareholding of Ordinary Shares And Information of Shareholders

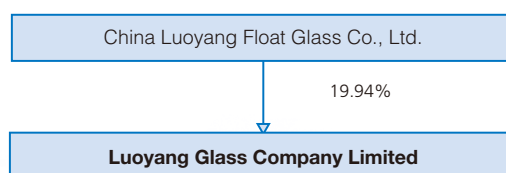
IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholders

1 Legal person

Name	China Luoyang Float Glass (Group) Co., Ltd.
Person in charge of the company or legal representative	PENG SHOU
Date of establishment	25 December 1996
Principal activities	Exploitation and sale of glass and related raw materials, silica sand used for glass, and ore; manufacture of complete sets of equipment; deep processing of glass; technical services and consulting services for glass processing; export of self-made products and related technologies by the company or member entities of the company; import and export of the raw and ancillary materials, machinery equipment, instruments and meters, parts and components needed for production and scientific research by the company or member entities of the company as well as related technologies; undertaking business relating to Chinese-foreign joint ventures, joint production and “three forms of OEM and compensation trade” of the company; undertaking overseas engineering projects and domestic engineering projects for international bidding in the building materials industry; export of the required equipment and materials for the above overseas engineering projects; dispatch of contract workers for the above projects, production and technical services (the import and export commodity catalog is subject to relevant regulations of the state).
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	None
Other situations	None

2 Block Diagram on Equity and Control Relationship between the Company and Controlling Shareholders



Changes In Shareholding of Ordinary Shares And Information of Shareholders

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De Facto Controller

1 Legal person

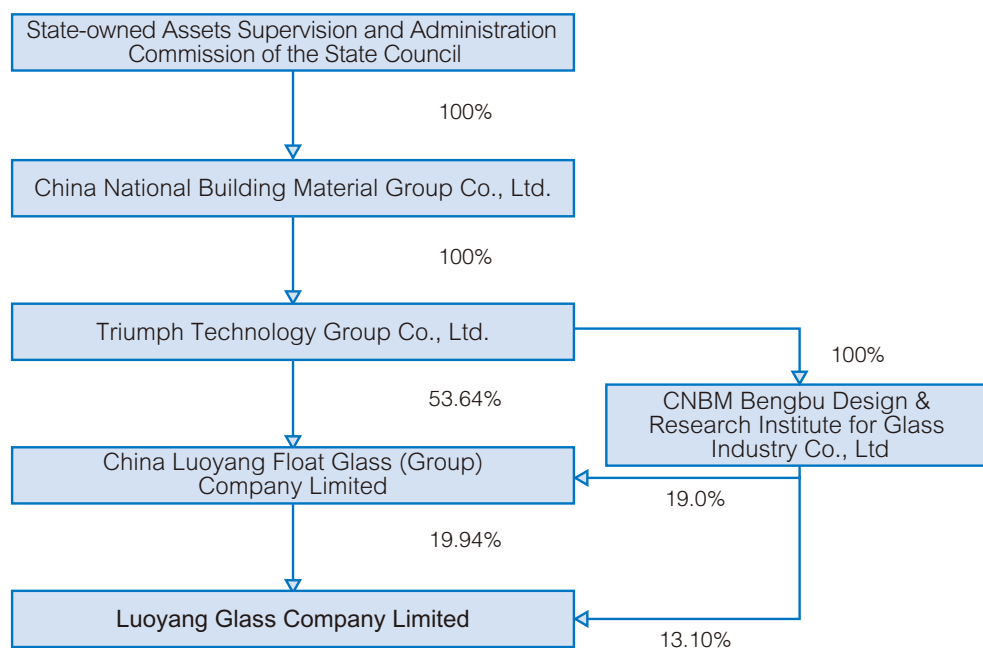
Name	China National Building Material Group Co., Ltd.
Person in charge of the company or legal representative	SONG ZHIPING
Date of establishment	28 September 1981
Principal activities	Production and manufacturing of construction materials and relevant raw materials, research, development and sales of production technologies and equipment; design, sales and construction of complete sets of buildings of the new building material system; sales of decorative materials; design and construction of building engineering; warehousing; investment and assets operations relating to building materials and related sectors; technical consulting and information services and exhibition services relating to the above activities; processing and sales of mineral products. Business operation of real estate featured by new building materials, technical consulting and information services relating to principal and auxiliary activities
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	Directly and through its subsidiaries holding 41.27% equity interest in China National Building Material Co., Ltd. (HK03323), through its subsidiaries holding 26.97% equity interest in China Jushi (600176), 40.13% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 26.11% equity interest in Triumph Technology Co., Ltd. (600552), 35.73% equity interest in Beijing New Building Materials Public Limited Company (000786), 68.49% equity interest in China Building Material Test & Certification Group Co., Ltd. (國檢集團) (603060) and 43.87% equity interest in SINOMA (HK01893); through its subsidiaries participating in 39.70% equity interest in Sinoma International (600970), 60.24% equity interest in Sinoma Science & Technology (002080), 45.87% equity interest in Tianshan Shares (天山股份(000877)), 47.56% equity interest in Ningxia Building Materials (寧夏建材(600449)), 25.04% equity interest in Qilianshan (祁連山(600720)), 30.21% equity interest in Guotong Shares (國統股份(002205)) and 50.94% equity interest in Sinoma Energy (中材節能(603126)).
Other Situations	None

Changes In Shareholding of Ordinary Shares And Information of Shareholders

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De Facto Controller (Continued)

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



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

N/A

V. OTHER LEGAL PERSON SHAREHOLDERS HOLDING 10% OR MORE OF SHARES

Unit: Yuan Currency: RMB

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

Explanation None

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 <i>(note)</i>	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/ decrease of shares during the year	Reason for change	Total remuneration before tax received from the Company during the reporting period	Whether received remuneration from the Company's related parties or not
										(RMB0'000)	
Zhang Chong	Chairman	Male	55	2015-12-24	2018-12-22	0	0	0		0	Y
Xie Jun	Vice chairman	Male	52	2015-12-24	2018-12-22	0	0	0	Nil	0	Y
Ni Zhisen	Executive director, General Manager	Male	46	2009-05-27	2018-12-22	0	0	0	Nil	45	N
Wang Guoqiang	Executive director, Vice general manager	Male	49	2015-12-23	2018-12-22	0	0	0	Nil	43	N
Ma Yan	Executive director, Financial executive	Male	47	2015-12-23	2018-12-22	0	0	0	Nil	40	N
Zhang Chengong	Non-executive director	Male	45	2010-08-25	2017-07-17	0	0	0	Nil	0	Y
Tang Liwei	Non-executive director	Male	45	2015-12-23	2017-07-17	0	0	0	Nil	0	Y
Liu Tianni	Independent director	Male	54	2012-11-09	2018-12-22	0	0	0	Nil	6	N
Jin Zhanping	Independent director	Male	54	2014-06-03	2018-12-22	0	0	0	Nil	0	N
Ye Shuhua	Independent director	Male	56	2015-12-23	2018-12-22	0	0	0	Nil	6	N
He Baofeng	Independent director	Male	45	2015-12-23	2018-12-22	0	0	0	Nil	6	N
Ren Zhenduo	Chairman of the Supervisory Committee	Male	53	2007-9-12	2018-12-22	0	0	0	Nil	0	Y
Wang Jian	Employee supervisor	Male	42	2010-05-26	2018-12-22	0	0	0	Nil	17.82	N
Ma Jiankang	Employee supervisor	Male	52	2012-12-17	2018-12-22	0	0	0	Nil	14.22	N
Ren Hongcan	Supervisor	Male	54	2015-12-23	2018-12-22	0	0	0	Nil	40	N
Qiu Mingwei	Supervisor	Male	46	2015-12-23	2018-12-22	0	0	0	Nil	3	N
Yan Mei	Supervisor	Female	55	2015-12-23	2018-12-22	0	0	0	Nil	3	N
Wu Zhixin	Secretary to the board	Female	51	2014-05-20		0	0	0	Nil	30	N
Liu Yuquan	Deputy general manager	Male	50	2015-12-24		0	0	0	Nil	30	N
Ye Peisen	Company secretary	Male	58	2008-08-06	2018-12-22	0	0	0	Nil	10.10	N
Total	/	/	/	/	/	0	0	0	/	294.14	/

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 2017, 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 2017, 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) Jin Zhanping, an independent Director, voluntarily gave up his annual remuneration for the current year and previous years that he should have received from the Company.

Name	Main Working Experience
Zhang Chong	a professor-grade senior engineer with a master's degree, and the chairman of the Company. He is currently the general manager of CLFG and general engineer of Bengbu Institute, as well as the chairman of Hefei New Energy and Yixing New Energy. Mr. Zhang had served as the deputy general manager and deputy executive head of the marketing department of engineering company of Bengbu Institute, the general engineer and the head of PRC domestic engineering department of International Engineering, and the deputy executive general manager of Chengdu Zhongguangdian Technology Co., Ltd.* (成都中光電科技有限公司), etc.
Xie Jun	a professor-grade senior engineer with a doctor's degree in engineering and vice chairman of the Company. He is currently a standing member of the party committee, deputy general manager and general engineer of CLFG and also the secretary of party general branch and deputy executive general manager of Chengdu Zhongguangdian Technology Co., Ltd.*. Mr. Xie had served as the factory manager of a branch factory, head of the production department and secretary to the general manager of the Company, and concurrently served as the party secretary and general manager of Chenzhou Bada Glass Co., Ltd. (郴州八達玻璃有限公司) and CLFG Processed Glass Co., Ltd. and party secretary and deputy general manager of the Company, etc.
Ni Zhisen	a professor-grade senior engineer with a bachelor's degree. He is an Executive Director and General Manager of the Company, and concurrently served as an executive director of Longmen Company. Mr. Ni had served as general manager and party secretary of Longmen Company and Longhai Company.

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Main Working Experience
Wang Guoqiang	a professor-grade senior engineer with a bachelor's degree. He is currently a deputy general manager and the party secretary of the Company and also serves as an executive director, general manager and the party secretary of Longhai Company, as well as the general manager of Puyang Company. Mr. Wang had served as the deputy head of the Company's Technology Department, deputy general manager of Longmen Company, general manager of Technology R&D Center of the Company, general manager of Production Center and deputy executive general manager of Henan Zhonglian Glass LLC, etc.
Ma Yan	an accountant with a bachelor's degree, an Executive Director, deputy general manager and chief financial controller of the Company and also the supervisor of Bengbu Company. Mr. Ma had served as the chief financial controller of Bengbu Chemical Machinery Co., Ltd, assistant to the head of Financial Department of Bengbu Institute, the chief financial controller of Chengdu China Optoelectronics Technology Co., Ltd and Chief Financial Controller of Triumph Technology, etc.
Zhang Chengong	a holder of master's degree, had served as a Non-executive Director of the Company, and currently serves as the deputy party secretary and secretary of the discipline inspection commission of Triumph Group. Mr. Zhang had served as the deputy general manager and general manager of heating supply department of Beixin Group Building Materials Co., Ltd.* (北新集團建材股份有限公司), the associate manager of radiator committee of China Building Materials Metal Structure Association* (中國建築材料金屬結構協會), the chairman and general manager, and general manager of heating supply and pipe system business department of Beixin Plastic Pipe Co., Ltd.* (北新塑管有限公司), director and general manager of international business department of Beixin Properties Co., Ltd.* (北新房屋有限公司), and the assistant to general manager and deputy general manager of Beixin Group Building Materials Co., Ltd.*, etc.
Tang Liwei	a senior accountant with a master's degree, CMA, had served as a Non-executive Director of the Company, and currently serves as the deputy general manager and the chief financial controller of Triumph Group. Mr. Tang had served as the assistant to the head of the finance department of Bengbu Institute and the head and the assistant to the president of China building materials international engineering group Co., LTD, etc.
Liu Tianni	an independent non-executive 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 and an independent non-executive director of Qingling Motors Co., Ltd.

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Main Working Experience
Jin Zhanping	a master degree holder and senior engineer, a Independent Non-executive Director of the Company. Mr. Jin is the secretary general of the Chinese Ceramic Society, and concurrently serves as an executive director of Beijing Zhonggui Exhibition Co., Ltd. (北京中硅展覽有限公司) and an independent director of Luoyang Landi Glass Machine Co., Ltd. (洛陽蘭迪玻璃機器股份有限公司). He served as the editor in charge of the Editorial Office of the Journal of Chinese Ceramics Society, and deputy head and head of the General Office, deputy secretary general of the Chinese Ceramic Society.
Ye Shuhua	Bachelor of laws, senior lawyer. Mr. Ye currently acts as partner of Henan Qianwen Law Firm, a member of the Lawyer Research Institution of Henan Law Science Association, member of Arbitration Committee of Zhengzhou and its Expert Consultation Committee. Mr. Ye used to work in Henan Economic Law Firm and Henan Foreign-related Business Law Firm as a lawyer. Mr. Ye was an independent director of Henan Sifang Diamond Co., Ltd. from September 2008 to November 2014.
He Baofeng	A holder of college degree, CCPA and CICTA. He had served as an Independent Supervisor of the Company. He currently serves as the chairman of Luoyang TopChina CPA Ltd. Mr. He worked in Bureau Of Finance of Wancheng District in Nanyang from 1992 to 1997 and has worked in Luoyang TopChina CPA Ltd. since October 1997.
Ren Zhenduo	a holder of bachelor's degree, the Chairman of the Supervisory Committee of the Company. He is currently the deputy secretary to the party committee, secretary to the disciplinary committee and chairman of the labour union of CLFG. He served as general manager of CLFG Longxin Glass Co., Ltd.* (洛玻集團龍新玻璃有限公司) and deputy secretary of party committee of the Company.
Wang Jian	with a college degree, currently serves as the staff representative Supervisor of the Company. Mr. Wang has held the positions of section chief, assistant to the head and deputy chief of technology section, etc. He has been a deputy general manager of Longhai Company since February 2013.
Ma Jiankang	a bachelor's degree, currently serves as a staff representative Supervisor of the Company and the general manager of the Company's production management department. He had served as a deputy general manager of Longxin Company, Longhao Company and Longmen Company.
Ren Hongcan	a professor-grade senior engineer with bachelor's degree, the supervisor of the Company. He currently serves as deputy general engineer of CLFG, secretary to the disciplinary committee of the Company and general manager of Bengbu Company. He had served as Company's branch director, manager of the Production Center and the head of investment department, as well as general manager of Luoyang Glass (Beijing) International engineering Co., Ltd, etc.

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

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

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

N/A

Directors, Supervisors, Senior Management and Employees

II. POSITIONS OF THE EXISTING AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions in shareholder entities

Name	Name of shareholder entity	Position held	Starting date of term of office	Expiry date of term of office
Zhang Chong	China Luoyang Float Glass (Group) Co., Ltd.	General manager	12 January 2016	
Zhang Chong	Bengbu Glass Industry Design Institute	General engineer	December 2014	
Xie Jun	China Luoyang Float Glass (Group) Resources Co., Ltd.	Standing member of the party committee, general engineer, deputy general manager	30 April 2006, May 2009, January 2015	
Zhang Chengong	Triumph Technology Group Co., Ltd.	Deputy secretary to the party committee, secretary of disciplinary committee	January 2016	
Tang Liwei	Triumph Technology Group Co., Ltd.	Deputy general manager, chief accountant	September 2014	
Ren Zhenduo	China Luoyang Float Glass (Group) Co., Ltd.	Employee Director, deputy secretary to the party committee, secretary of disciplinary committee, chairman of the labour union	August 2009	
Ni Zhisen	China Luoyang Float Glass (Group) Co., Ltd.	Standing member of the party committee	January 2010	

Positions in Shareholder Entities

Nil

Directors, Supervisors, Senior Management and Employees

II. POSITIONS OF THE EXISTING AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (CONTINUED)

(II) Positions in other entities

Name	Name of entity	Position held	Starting date of term of office	Expiry date of term of office
Zhang Chong	CNBM (Hefei) New Energy Co., Ltd.*	Chairman	August 2015	
Zhang Chong	CNBM (Yixing) New Energy Resources Co., Ltd.	Chairman	October 2016	
Xie Jun	Chengdu Zhongguangdian Technology Co., Ltd.*	Secretary of party general branch and deputy executive general manager	28 May 2015	
Liu Tianni	Wonderful Sky Financial Group Holdings Limited	Chairman	May 1995	
Liu Tianni	Silver Grant International Industries Limited	Executive Director	January 1994	
Liu Tianni	Sure Spread Limited	Managing Director	April 2004	
Liu Tianni	Qingling Motors Co., Ltd.	Independent Director	August 2011	
Ye Shuhua	Henan Qianwen Law Firm	Partner	December 1996	
He Baofeng	Luoyang TopChina CPA Ltd.	Chairman	October 1997	
Qiu Mingwei	Henan Huazhi Accounting Firm (河南華智會計師事務所)	Head	March 2014	
Yan Mei	Economics and Management School of Henan University of Science and Technology	Professor	November 2011	
Positions in other entities		Nil		

Directors, Supervisors, Senior Management and Employees

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Procedure for determining the remuneration of Directors, supervisors and senior management

After considering other listed companies' remuneration level in the same sector and economic growth in the region, the Board and the Supervisory Committee draft the proposal for the remuneration of Directors and Supervisors respectively and submit to the general meeting for consideration. The proposal for the remuneration of senior management shall be determined by the Board.

Basis for determination of remuneration of Directors, supervisors and senior management

The actual remuneration shall be distributed with reference to the achievement status of annual operational targets and performance assessment.

Remuneration payable to Directors, supervisors and senior management

Based on the basic salary standards as set in the remuneration proposal, the HR Department shall distribute in advance 1/12 of such salary on the monthly basis to the senior management members, and effect the payment based on the final performance assessment result. The remuneration for the external directors and supervisors shall be paid in one slump sum every year.

Total remuneration actually received by all Directors, supervisors and senior management at the end of the reporting period RMB2,941,400

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Zhang Chengong	Non-executive Director	Resigned	Resigned
Tang Liwei	Non-executive Director	Resigned	Resigned

V. PENALTIES BY SECURITIES REGULATORY AUTHORITIES IN THE LAST THREE YEARS

N/A

Directors, Supervisors, Senior Management and Employees

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Parent Company	85
Number of in-service employees of the major subsidiaries	605
Total number of in-service employees	690
The number of retired employees whose expenses are borne by the Parent Company and its major subsidiaries	

Composition of professions

<u>Type of profession</u>	<u>Number of staff in the profession</u>
Production staff	482
Sales staff	21
Technical staff	87
Finance staff	25
Administrative staff	75
Total	690

Education level

<u>Type of education level</u>	<u>Number of persons (headcount)</u>
University graduates or above	108
College graduates	212
Specialised secondary school graduates	93
High school graduates	124
Junior high school or below	153
Total	690

Directors, Supervisors, Senior Management and Employees

VI. EMPLOYEES OF THE PARENT COMPANY AND MAJOR SUBSIDIARIES (CONTINUED)

(II) Remuneration policy

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

(III) Training programme

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

I. INTRODUCTION OF CORPORATE GOVERNANCE

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

(I) Improving the structure of corporate governance

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

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

The construction of the Board of Directors was standardized. Number and composition of directors of the Board of Directors of the Company complied with relevant laws and regulations. The Board of Directors convened meetings on a regular basis and also called upon irregular meetings depending on actual conditions. There were 9 members of the eighth session of Board of Directors of the Company during the reporting period, which consisted of 4 executive directors, 1 non-executive director and 4 independent non-executive directors. Under the Board of Directors were set up five special committees: the Audit (Examination) Committee, Remuneration and Assessment Committee, Nomination Committee, Strategic Development Committee and Compliance Committee. Among which, the chairmen of the Audit (Examination) Committee, Remuneration and Assessment Committee, Nomination Committee and Compliance Committee were assumed by independent directors. Clear rules were set up for both the Board of Directors and its subordinate special committees to standardize the rules of procedure, improve efficiency of meetings and rationality of decision making.

Corporate Governance

I. INTRODUCTION OF CORPORATE GOVERNANCE (CONTINUED)

(I) Improving the structure of corporate governance (Continued)

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

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

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

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

The Company, according to provisions of CSRC and relevant stock exchanges, completed and implemented the systems for confidentiality of inside information and registration for insiders of internal information, who requested for registration and abide by relevant provisions to prevent insider dealings. Meanwhile, controlling shareholders and actual controllers were supervised to cooperate with the listed company in fulfilling the obligation of disclosing information, and ensure proper information disclosure.

I. INTRODUCTION OF CORPORATE GOVERNANCE (CONTINUED)

(III) Maintaining the independency of the listed company

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

(IV) Respecting and protecting legal rights of medium and small investors

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

(V) Institutional improvement in internal control

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

Corporate Governance

I. INTRODUCTION OF CORPORATE GOVERNANCE (CONTINUED)

(V) Institutional improvement in internal control (Continued)

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

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

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

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

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

II. Introduction of General Meetings

Session	Date	Inquiry index on the website on which the resolutions are publicized	
			Date of disclosure
2017 First Extraordinary General Meeting	10 April 2017	http://www.sse.com.cn , http://www.hkexnews.hk	10 April 2017
2016 Annual General Meeting	5 June 2017	http://www.sse.com.cn , http://www.hkexnews.hk	5 June 2017
2017 Second Extraordinary General Meeting	21 August 2017	http://www.sse.com.cn , http://www.hkexnews.hk	21 August 2017
2017 Third Extraordinary General Meeting, 2017 First A Shares Class Meeting, 2017 First H Shares Class Meeting,	27 October 2017	http://www.sse.com.cn , http://www.hkexnews.hk	27 October 2017
2017 Fourth Extraordinary General Meeting	7 December 2017	http://www.sse.com.cn , http://www.hkexnews.hk	7 December 2017

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)			
Zhang Chong	No	22	22	2	0	0	No	5	
Xie Jun	No	22	22	10	0	0	No	5	
Ni Zhisen	No	22	22	2	0	0	No	5	
Wang Guoqiang	No	22	22	2	0	0	No	5	
Ma Yan	No	22	22	2	0	0	No	5	
Zhang Chengong	No	11	11	8	0	0	No	5	
Tang Liwei	No	11	11	8	0	0	No	5	
Liu Tianni	Yes	22	22	21	0	0	No	0	
Jin Zhanping	Yes	22	22	11	0	0	No	4	
Ye Shuhua	Yes	22	22	10	0	0	No	5	
He Baofeng	Yes	22	22	8	0	0	No	5	

Number of Board meetings held in the year	22
Including: Number of on-site meetings	1
Number of meetings held by way of communication	2
Number of meetings held on-site with attendance by way of communication	19

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

N/A

IV. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS

Under the Board of the Company are established five special committees, i.e. the Audit (Examination) Committee, the Strategic Committee, the Nomination Committee, the Remuneration and Review Committee and the Compliance Committee. Each of them fulfilled their duties according to the working rules of such committees, concretely and effectively helped the Board to perform the duties as set out in Appendix 14D3.1 to the Listing Rules.

1. Audit (Examination) Committee

The Company's Audit Committee comprises three independent non-executive Directors, including Mr. He Baofeng as the chairman of the committee, Mr. Ye Shuhua and Mr. Liu Tianni as members. Its duties and work rules are specified in the Implementation Rules for the Audit (Examination) Committee of the Company, and its major duties include:

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

Working progresses during the reporting period :

The audit committee under the board of directors has convened 8 meetings during the reporting period, mainly engaging in carefully looking over quarterly reports, semi-annual reports and annual reports as well as Overall Risk Management Report of 2016, Implementation Plan for Internal Control Self-Evaluation of the Company and new projects in Puyang Company, supervising and assessing the work of external audit organizations, instructing internal audit work of the company, assessing the validity of internal control of the Company, coordinating the communication between the management, internal audit department and related departments and external audit organizations, to give full play of its function of examination and supervision. The audit committee has developed the Report on the Fulfillment of Responsibilities in 2017, which has been disclosed on the websites of both stock exchanges together with the annual reports of the Company.

Corporate Governance

IV. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS (CONTINUED)

1. Audit (Examination) Committee (Continued)

Meeting attendance by members of the Audit Committee in 2017:

Number of meetings 8

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

2. Remuneration and Review Committee

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

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

The Remuneration and Review Committee of the Company convened one special meetings during the reporting period for reviewing the remuneration of directors, supervisors and senior management personnel to be disclosed in 2016 annual report.

IV. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS (CONTINUED)

2. Remuneration and Review Committee (Continued)

Meeting attendance by members of the Remuneration and Review Committee in 2017:

Number of meetings 1

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

3. Nomination Committee

The Company's Nomination Committee comprises three Directors (including two independent non-executive Directors), with Mr. Jin Zhanping as the chairman of the committee, Mr. Zhang Chong and Mr. He Baofeng as members. Its duties and work rules are specified in the Implementation Rules for the Nomination Committee of the Company, and its major duties include:

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

During the reporting period, the Company's Directors, supervisors and senior management had no new appointment, and no special meeting of the Nomination Committee was held.

Corporate Governance

IV. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS (CONTINUED)

4. Strategic Committee

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

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

The Strategic Committee held 3 special meetings during the reporting period. The Strategic Committee proposed reasonable recommendations on the technical improvement of Longhai Company's production line, engineering projects of Puyang Company and the material assets reorganization of the Company.

Meeting attendance by members of the Strategic Committee in 2017:

Number of meetings 3

Name	Attendance	Attendance by proxy
Zhang Chong	3	0
Ni Zhisen	3	0
Zhang Chengong	2	0
Tang Liwei	2	0
Jin Zhanping	3	0

IV. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS (CONTINUED)

5. Compliance Committee

The Company's Compliance Committee comprises four 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), Mr. Ip Pui Sum (Company Secretary) and Mr. Xie Jun (Director) as members. Its duties and work rules are specified in the Implementation Rules for the Compliance Committee of the Company, and its major duties include:

- (1) to consider the contemplated transactions of the Company and its subsidiaries which may be subject to regulation;
- (2) to raise proposals to the Board frequently;
- (3) to further discuss and study the decisions on which the Board holds different opinions before such decisions are adopted;
- (4) to monitor continuing related party 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 reviewed the acquisition of assets and supporting funds raising by issuance of shares and related party transactions, as well as related party transactions scheduled for the year, and raised applicable compliance proposals.

Meeting attendance by members of the Compliance Committee in 2017:

Number of meetings 2

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

Corporate Governance

V. RISKS DISCOVERED BY THE SUPERVISORY COMMITTEE

N/A

VI. THE COMPANY'S INDEPENDENCE FROM ITS CONTROLLING SHAREHOLDER IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE AND ABILITY TO MAINTAIN INDEPENDENT OPERATION

1. Business: The Company operates independently, has sole decision-making right for operations and does not depend on any controlling shareholders and their connected enterprises.
2. Personnel: The Company has been adequately staffed in respect of production, technology and management and established completely independent labour force, human resources and salary management systems.
3. Assets: There are clear property relations between the Company and controlling shareholders, and all assets of the Company belong to controlling shareholders independently.
4. Organization: The Company has a complete organizational structure. Each organization has independent authorities and is not a subordinate of any controlling shareholders or their functional departments.
5. Finance: The Company has an independent financial department and has established its own accounting system and financial management rules to ensure independency of accounting, use of funds and tax-paying.

VII. THE ESTABLISHMENT AND IMPLEMENTATION OF THE ASSESSMENT MECHANISM AND INCENTIVE MECHANISM FOR SENIOR MANAGEMENT DURING THE REPORTING PERIOD

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

VIII. WHETHER TO DISCLOSE THE INTERNAL CONTROL SELF-EVALUATION REPORT

Please refer to the Internal Control Self-Evaluation Report of 2017 disclosed on the same date of this report.

IX. INFORMATION ABOUT THE INTERNAL CONTROL AUDIT REPORT

Whether to disclose the internal control audit report: Yes

X. OTHERS

(I) Corporate governance practices

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

(II) Securities transactions by Directors and supervisors

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

(III) Directors and the Board

1. Directors

- (1) The current Board is composed of 11 directors: 4 Executive Directors include Mr. Zhang Chong (Chairman), Mr. Ni Zhisen, Mr. Wang Guoqiang and Mr. Ma Yan; 3 Non-executive Directors include Mr. Tang Liwei, Mr. Zhang Chengong and Mr. Xie Jun; 4 Independent Non-executive Directors include Mr. He Baofeng, Mr. Ye Shuhua, Mr. Liu Tianni and Mr. Jin Zhanping.

On 17 July 2017, non-executive directors Mr. Tang Liwei and Mr. Zhang Chengong voluntarily resigned from the position of non-executive directors and members of the Strategic Committee of the Company. Currently, there are nine Directors in the board of 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.

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.

X. OTHERS (CONTINUED)

(III) Directors and the Board (Continued)

1. Directors (Continued)

(2) Meeting attendance by Directors

During the reporting period, the Company convened 22 Board meetings and 5 general meetings. Please refer to Part III of this chapter for attendance at Board meetings and general meetings by the Directors in details.

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

(3) Enhancement of professional skills by Directors

During the reporting period, the independent Director Jin Zhanping participated the qualification training carried out by SSE, and all Directors, supervisors and senior management of the Company were organized to participate business trainings carried out by Henan Listed Company Association and subsequent training carried out by SSE. The Directors, supervisors and senior management of the Company actively participated in various training classes on specialized knowledge, familiarized themselves with the rights, obligations and legal liability of directors, supervisors and senior management of listed companies, systematically studied relevant specialized knowledge, continuously enhanced their duty performance level and maximally ensured the best interests of the Company and shareholders, in accordance with the requirements of the CSRC and the stock exchanges in the PRC and Hong Kong.

2. The Board

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

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

X. OTHERS (CONTINUED)

(IV) Chairman and General Manager

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

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

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

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

(VI) Auditors' remuneration

Please refer to Part VI of Chapter V of this report for details about the auditors' remuneration for 2017.

(VII) Directors' responsibility for the financial statements

The 2017 financial report and results announcement of the Company has been reviewed by the Audit Committee. Each of the Directors of the Company agreed on and confirmed their several and joint responsibility for the preparation of accounts of the financial statements for this year. The Directors are responsible for preparing the financial statements which gave a true and fair picture of the financial position, operating results and cash flow of the Group during the accounting period in accordance with the applicable statutory and regulatory requirements. In preparing the financial statements for the year ended 31 December 2017, the Company implemented, adopted and used the applicable accounting policies.

X. OTHERS (CONTINUED)

(VIII) Company Secretary

The Company considered and approved the reappointment of Mr. Ip Pui Sum (from Sum, Arthur & Co. In Hong Kong) as the Company Secretary. Mr. Ip conscientiously performed his duty during the reporting period, offered his opinions to the Board of the Company in respect of governance, ensured smooth information exchange among members of the Board, and complied with the policies and procedures of the Board. During the year ended 31 December 2017, 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 Ms. Wu Zhixin, Secretary to the Board. For her detailed contact information, please refer to the section headed "II. Company Profile" in this report.

(IX) Rights of shareholders

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

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

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

(X) Investor relations

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

To the Shareholders of Luoyang Glass Co., Ltd.:

I. AUDIT OPINION

We have audited the financial statements of Luoyang Glass Co., Ltd. (hereafter referred to as "the Company"), including the consolidated and the Parent Company's balance sheet as of 31 December 2017, the consolidated and the Parent Company's income statement, the consolidated and the Parent Company's cash flow statement and the consolidated and the Parent Company's statement of the changes in equity for 2017, and notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the consolidated and the Parent Company's financial position as of 31 December 2017, and the consolidated and the Parent Company's operating results and cash flows for 2017.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the Certified Public Accountants' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

III. KEY AUDIT MATTERS

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

(I) Technology development services and asset transfer transactions with related parties

1. Description of the matter

Please refer to related disclosures in note XII (5) in the Company's financial statement. The Company provided technology development services to CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd, being a related party, and in 2017, the Company confirmed the revenue from technology development of RMB15,377,358.54; and that the net income from the disposal of assets was RMB5,980,386.63 in respect of the transfer of assets to China Triumph Bengbu Engineering and Technology Co., Ltd., being a related party. The reasonableness and necessity of related party transactions and the fairness of transaction prices will have an important impact on the fairness of the financial statements. Therefore, we will identify the provision of technology development services by the Company to related parties and the transactions of assets transfer to related parties as key audit matters.

III. KEY AUDIT MATTERS (CONTINUED)

(I) Technology development services and asset transfer transactions with related parties (Continued)

2. Response to the audits

Our audit procedures for technology development services and asset transfer transactions with related parties mainly include:

- (1) We examined the records of relevant agreements, approvals and decision-making procedures of related party transactions, analyzed whether the main contents of the terms of the agreement were in line with business practices, understood the methods adopted for transaction pricing, and judged whether such pricing was fair;
- (2) We conducted on-site visits to counterparties, understood the background of providing technology development services and asset transfer transactions to related parties, and judged whether such transactions have a reasonable commercial purpose;
- (3) In respect of matters on technology development services, we checked such records as the progress and communication of the Company's internal and external projects for technology developments, and verified the performance of technology development transactions;
- (4) In respect of asset disposal matters, we understood the reasons for the appreciation of asset assessment valuation and reviewed the rationality of the assessment methods, parameters and assumptions used. We evaluated the competency, profession and independence of the independent third-party assessment agencies engaged by the Company;
- (5) We reviewed the appropriateness of the accounting treatment and disclosure of the transactions.

(II) Government grants

1. Description of the matter

Please refer to related disclosures in note V (42), note V (51) and note III (23) in the financial statement. The Company's accumulated recognized income from government grants in 2017 was RMB78,201,332.80, which was the main source of profit for the period. The authenticity of the government grants, the nature of such amounts, and the time of confirmation all have a significant impact on the Company's performance indicators. Therefore, we identify such matter as a key audit matter.

III. KEY AUDIT MATTERS (CONTINUED)

(II) Government grants (Continued)

2. *Response to the audits*

Our audit procedures for government grants mainly include:

- (1) We examined supporting documents such as government grants documents, certificates of receipts and bank flow records to evaluate the authenticity of government grants and whether they were recorded in the appropriate accounting period;
- (2) We analyzed the use of such grants and evaluated whether the management's judgement on whether the government grants was related to assets or related to income was appropriate;
- (3) The sources, nature and use of funds from significant government grants were confirmed to the funding unit.

(III) Impairment of fixed assets

1. *Description of the matter*

Please refer to related disclosures in note III (26) and note V (13) in the Company's financial statement. As of 31 December 2017, the balance of the original value of the Company's fixed assets was RMB867,815,609.16, the carrying amount was RMB561,330,800.42, and the proportion of carrying amount to total assets was 40.88%. In recent years, the Company's operating profit appeared loss successively. The management assessed whether there is any impairment indications of these fixed assets and made provision for impairment of fixed assets with indications of impairment. It is predicted that the recoverable amount of fixed assets involves the prediction of the present value of future cash flow. Management needs to make significant estimates and assumptions in their predictions. Due to the inherent uncertainty of the forecasts and discounts of future cash flow, the adoption of different estimation methods, parameters and assumptions will have a significant impact on the impairment of the assessed fixed assets. Therefore, we identify the provision for impairment of fixed assets as a key audit matter.

Auditors' Report

III. KEY AUDIT MATTERS (CONTINUED)

(III) Impairment of fixed assets (Continued)

2. Response to the audits

Our audit procedures for impairment of fixed assets mainly include:

- (1) To understand and test the internal control related to the impairment of the Company's assets and evaluate the effectiveness of its design and implementation;
- (2) To understand and assess the rationality of the calculation method and key parameters, assumptions and discount rate of the recoverable amounts adopted by the Company;
- (3) To compare the actual operation of the asset group involved in the current year with those in the financial forecasts prepared by the management in the previous year to evaluate the accuracy of the management's forecasts;
- (4) To draw on important fixed assets, view the status and use of fixed assets on site.

IV. OTHER INFORMATION

Management is responsible for other information. Other information includes the information included in the Company's 2017 annual report, but excludes the financial statements and our audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit process or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND GOVERNANCE LAYER FOR THE FINANCIAL STATEMENTS

The management is responsible for preparing financial statements in accordance with Accounting Standards for Business Enterprises, and fairly presenting them; designing, implementing and maintaining necessary internal control to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters in relation to going concern (if applicable) and applying the going-concern assumption unless the Management intends to liquidate the Company, cease operations, or have no realistic alternative but to do so.

The governance layer is responsible for overseeing the financial reporting process of the Company.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

Auditors' Report

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

WUYIGE Certified Public Accountants LLP

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

Chinese Certified Public Accountant: **Wang Haizhou**

Beijing•the PRC

22 March 2018

Consolidated Balance Sheet

Item	Notes	Closing Balance	Opening Balance
Current assets:			
Bank balance and cash	V.1	175,955,511.45	157,528,516.53
Notes receivable	V.2	86,642,392.18	45,986,571.00
Accounts receivable	V.3	105,313,043.46	101,891,329.13
Prepayments	V.4	742,542.55	1,638,352.47
Other receivables	V.7	78,228,794.75	107,581,717.91
Inventory	V.8	87,935,528.43	132,978,500.26
Other current assets	V.9	10,632,360.95	34,874,034.35
Total current assets		545,450,173.77	582,479,021.65
Non-current assets:			
Long-term receivables	V.12	55,000,000.00	55,000,000.00
Fixed assets	V.13	561,330,800.42	648,972,313.06
Construction in progress	V.14	80,258,263.80	
Engineering materials	V.15	13,980.58	
Intangible assets	V.16	117,435,554.98	62,609,172.40
Long-term deferred expenses	V.17	4,920,152.57	3,515,290.90
Deferred income tax assets	V.18	2,071,257.08	4,341,222.30
Other non-current assets	V.19	6,652,062.63	
Total non-current assets		827,682,072.06	774,437,998.66
Total assets		1,373,132,245.83	1,356,917,020.31
Current liabilities:			
Short-term loans	V.20	366,009,000.00	20,000,000.00
Notes payable	V.21		90,000,000.00
Accounts payable	V.22	39,537,119.64	46,373,902.20
Payments received in advance	V.23	10,817,124.88	14,391,654.50
Staff remuneration payables	V.24	14,451,972.62	25,743,969.95
Taxes payable	V.25	11,764,954.55	15,381,067.45
Interest payable	V.26	2,214,172.42	713,868.25
Other payables	V.28	43,147,078.23	42,578,922.04
Non-current liabilities due within one year	V.29	87,076,248.22	471,337,062.91
Total current liabilities		575,017,670.56	726,520,447.30
Non-current liabilities:			
Long-term loans	V.30	130,781,745.65	87,836,374.23
Deferred income	V.31	108,193,683.26	19,290,781.82
Total non-current liabilities		238,975,428.91	107,127,156.05
Total liabilities		813,993,099.47	833,647,603.35

Consolidated Balance Sheet

31 December 2017
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

Item	Notes	Closing Balance	Opening Balance
Owners' equity			
Share capital	V.32	526,766,875.00	526,766,875.00
Capital reserve	V.33	1,488,406,708.39	1,473,105,039.50
Surplus reserve	V.34	51,365,509.04	51,365,509.04
Retained earnings	V.35	-1,507,399,946.07	-1,527,968,006.58
Equity attributable to owners of the Parent Company		559,139,146.36	523,269,416.96
Total owners' equity		559,139,146.36	523,269,416.96
Total liabilities and owners' equity		1,373,132,245.83	1,356,917,020.31

Legal representative:

Zhang Chong

Chief accountant:

Ma Yan

Person in charge of accounting
department:

Chen Jing

Balance Sheet of the Parent Company

Item	Notes	Closing Balance	Opening Balance
Current assets:			
Monetary funds		52,744,789.07	109,837,249.29
Notes receivables		7,469,611.05	12,832,190.32
Accounts receivable	XIV.1	204,327,727.83	207,658,323.10
Prepayments		30,238.87	58,700.86
Other receivables	XIV.2	31,131,296.66	82,751,723.72
Other current assets		489,663.39	52,829.24
Total current assets		296,193,326.87	413,191,016.53
Non-current assets:			
Long-term receivables		55,000,000.00	55,000,000.00
Long-term equity investments	XIV.3	868,986,593.99	748,986,593.99
Investment properties			
Fixed assets		2,508,762.95	2,878,637.33
Intangible assets		63,612,709.86	6,674,333.25
Long-term deferred expenses		162,000.00	270,000.00
Total non-current assets		990,270,066.80	813,809,564.57
Total assets		1,286,463,393.67	1,227,000,581.10
Current liabilities:			
Short-term loans		347,509,000.00	
Notes payable			90,000,000.00
Accounts payable		5,062,801.26	15,317,580.28
Payments received in advance		7,813,062.37	11,625,410.24
Staff remuneration payables		8,089,982.67	8,015,791.49
Tax payable		566,122.59	807,117.66
Interest payable		472,432.69	
Other receivables		465,380,879.74	281,486,640.75
Non-current liabilities due within one year		404,406.94	386,428,324.30
Total current liabilities		835,298,688.26	793,680,864.72
Non-current liabilities:			
Long-term loans		606,605.65	946,806.31
Total non-current liabilities		606,605.65	946,806.31
Total liabilities		835,905,293.91	794,627,671.03

Balance Sheet of the Parent Company

31 December 2017
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

Item	Notes	Closing Balance	Opening Balance
Owners' equity			
Share capital		526,766,875.00	526,766,875.00
Capital reserve		1,268,692,769.04	1,253,391,100.15
Surplus reserve		51,365,509.04	51,365,509.04
Retained earnings		-1,396,267,053.32	-1,399,150,574.12
Total owners' equity		450,558,099.76	432,372,910.07
Total liabilities and owners' equity		1,286,463,393.67	1,227,000,581.10

Legal representative:

Zhang Chong

Chief accountant:

Ma Yan

Person in charge of accounting
department:

Chen Jing

Consolidated Income Statement

Item	Notes	Amount for current period	Amount for previous period
I. Total operating revenue	V.36	367,047,136.12	392,095,626.14
Including: Operating revenue	V.36	367,047,136.12	392,095,626.14
II. Total operating costs		419,356,209.01	472,351,862.60
Including: Operating costs	V.36	256,499,345.38	343,709,563.17
Taxes and surcharges	V.37	6,956,503.80	5,232,136.49
Selling expenses	V.38	6,851,477.86	7,482,306.95
Administration expenses	V.39	98,426,434.95	87,025,947.92
Finance expenses	V.40	29,554,391.47	8,433,936.20
Impairment loss on assets	V.41	21,068,055.55	20,467,971.87
Gain on disposal of assets (loss is represented by "-")	V.51	6,063,804.98	239,093.33
Other income	V.51	39,751,226.80	
III. Operating profit (loss is represented by "-")		-6,494,041.11	-80,017,143.13
Add: Non-operating income	V.42	40,561,205.33	105,623,639.01
Less: Non-operating expenses	V.43	400,598.58	4,435,999.98
IV. Total profit (total loss is represented by "-")		33,666,565.64	21,170,495.90
Less: Income tax expenses	V.44	13,098,505.13	9,654,432.12
V. Net profit (net loss is represented by "-")		20,568,060.51	11,516,063.78
(I) Classified on a going concern basis			
1. Net profit from continued operation (Net loss is represented by "-")		20,568,060.51	11,516,063.78
(II) Classified by ownership			
1. Profit or loss attributable to minority interests			
2. Net profit attributable to the shareholders of the Parent Company		20,568,060.51	11,516,063.78
VI. Other comprehensive income net of tax			
VII. Total comprehensive income		20,568,060.51	11,516,063.78
Total comprehensive income attributable to owners of the Parent Company		20,568,060.51	11,516,063.78
Total comprehensive income attributable to minority interests			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.04	0.02
(II) Diluted earnings per share (RMB/share)		0.04	0.02

Legal representative:

Zhang Chong

Chief accountant:

Ma Yan

Person in charge of accounting
department:

Chen Jing

Consolidated Cash Flow Statement

Item	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		180,851,556.08	136,730,044.67
Other cash received from activities related to operation	V.46	71,981,153.19	115,177,751.23
Sub-total of cash inflow from operating activities		252,832,709.27	251,907,795.90
Cash paid for goods purchased and services rendered		65,795,658.53	100,904,584.34
Cash paid to and on behalf of employees		92,293,809.21	75,241,190.93
Tax payments		27,030,576.69	21,684,812.32
Other cash paid for activities related to operation	V.46	17,259,333.52	23,524,286.36
Sub-total of cash outflow from operating activities		202,379,377.95	221,354,873.95
Net cash flow from operating activities		50,453,331.32	30,552,921.95
II. Cash flow from investment activities:			
Net cash received from disposal of fixed assets,intangible assets and other long term assets		2,348,600.00	322,732.92
Other cash received from activities related to investment	V.46	100,000,000.00	9,930,000.00
Sub-total of cash inflow from investment activities		102,348,600.00	10,252,732.92
Cash paid for purchase and construction of fixed assets,intangible assets and other long-term assets		40,361,244.33	56,177,058.27
Other cash paid for activities related to investment	V.46		104,992,752.67
Sub-total of cash outflow from investment activities		40,361,244.33	161,169,810.94
Net cash flow from investment activities		61,987,355.67	-150,917,078.02
III. Cash flow from financing activities:			
Cash received from capital contributions			209,624,984.30
Proceeds from loans		173,300,000.00	120,000,000.00
Cash received from issuing bonds			
Other cash received from financing-related activities	V.46	372,779,589.38	340,319,034.02
Sub-total of cash inflow from financing activities		546,079,589.38	669,944,018.32
Cash paid for repayment of loans		153,584,862.41	141,829,011.07
Cash paid for dividends, profit or interest payments		22,198,364.85	6,927,438.38
Other cash paid for financing-related activities	V.46	420,709,622.86	330,638,185.77
Sub-total of cash outflow from financing activities		596,492,850.12	479,394,635.22
Net cash flow from financing activities		-50,413,260.74	190,549,383.10
IV. Effects of changes in exchange rate on cash and cash equivalents			
		-431.33	428.59
V. Net increase in cash and cash equivalents			
		62,026,994.92	70,185,655.62
Add: Opening balance of cash and cash equivalents		112,528,516.53	42,342,860.91
VI. Closing balance of cash and cash equivalents			
		174,555,511.45	112,528,516.53

Legal representative:

Zhang Chong

Chief accountant:

Ma Yan

Person in charge of accounting
department:

Chen Jing

Cash Flow Statement of the Parent Company

January–December 2017
Unit: Yuan Currency: RMB

Item	Notes	Amount for current period	Amount for previous period
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		75,092,063.97	73,259,614.17
Other cash received from activities related to operation		77,674,347.14	94,349,331.54
Sub-total of cash inflow from operating activities		152,766,411.11	167,608,945.71
Cash paid for goods purchased and services rendered		1,086,900.00	24,063,475.66
Cash paid to and on behalf of employees		12,143,285.40	25,871,529.56
Tax payments		1,407,217.36	798,236.01
Other cash paid for activities related to operation		128,184,563.20	15,144,757.50
Sub-total of cash outflow from operating activities		142,821,965.96	65,877,998.73
Net cash flow from operating activities		9,944,445.15	101,730,946.98
II. Cash flow from investment activities:			
Net cash received from disposal of fixed assets, intangible assets and other long term assets		400,000.00	
Other cash received from activities related to investment		43,164,222.88	9,930,000.00
Sub-total of cash inflow from investment activities		43,564,222.88	9,930,000.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		3,361,300.60	55,076,952.45
Cash paid for investment		120,000,000.00	
Other cash paid for activities related to investment			104,992,752.67
Sub-total of cash outflow from investment activities		123,361,300.60	160,069,705.12
Net cash flow from investment activities		-79,797,077.72	-150,139,705.12
III. Cash flow from financing activities:			
Cash received from capital contributions			209,624,984.30
Other cash received from financing-related activities		938,578,015.21	548,024,419.90
Sub-total of cash inflow from financing activities		938,578,015.21	757,649,404.20
Cash paid for repayment of loans		37,636,864.81	43,410,524.18
Cash paid for dividends, profit or interest payments		13,537,872.66	40,688.87
Other cash paid for financing-related activities		831,042,674.06	601,374,849.08
Sub-total of cash outflow from financing activities		882,217,411.53	644,826,062.13
Net cash flow from financing activities		56,360,603.68	112,823,342.07
IV. Effects of changes in exchange rate on cash and cash equivalents			
		-431.33	428.59
V. Net increase in cash and cash equivalents			
		-13,492,460.22	64,415,012.52
Add: Opening balance of cash and cash equivalents		64,837,249.29	422,236.77
VI. Closing balance of cash and cash equivalents			
		51,344,789.07	64,837,249.29

Legal representative:

Zhang Chong

Chief accountant:

Ma Yan

Person in charge of accounting department:

Chen Jing

Consolidated Statement of Changes in Owners' Equity

January–December 2017
Unit: Yuan Currency: RMB

Item	Current Period											
	Equity attributable to owners of the Parent Company											
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Surplus reserve	General risk provisions	Undistributed profit	Minority interest	Total owner's equity
I. Balance at the end of last year	526,766,875.00				1,473,105,039.50			51,365,509.04		-1,527,988,006.58		526,269,416.96
II. Balance at the beginning of the year	526,766,875.00				1,473,105,039.50			51,365,509.04		-1,527,988,006.58		526,269,416.96
III. Increase/Decrease in the year (decrease is represented by "-")					15,301,668.89					20,568,060.51		35,869,729.40
(I) Total comprehensive income												
(II) Owners' contribution and decrease in capital												
1. Others					15,301,668.89							15,301,668.89
(III) Profit distribution												
(IV) Internal carry-forward of owners' equity transfer												
(V) Special reserve												
(VI) Others												
IV. Balance at the end of the year	526,766,875.00				1,488,406,708.39			51,365,509.04		-1,507,399,946.07		559,139,146.36

Item	Last Period											
	Equity attributable to owners of the Parent Company											
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Other comprehensive income	Surplus reserve	General risk provisions	Undistributed profit	Minority interest	Total owner's equity
I. Balance at the end of last year	515,018,242.00				1,251,445,315.32			51,365,509.04		-1,539,484,070.36		278,344,996.00
II. Balance at the beginning of the year	515,018,242.00				1,251,445,315.32			51,365,509.04		-1,539,484,070.36		278,344,996.00
III. Increase/Decrease in the year (decrease is represented by "-")	11,748,633.00				221,659,724.18					11,516,063.78		244,924,420.96
(I) Total comprehensive income												
(II) Owners' contribution and decrease in capital												
1. Ordinary shares paid by shareholders	11,748,633.00				221,659,724.18							233,408,357.18
2. Others					197,676,351.30							209,624,984.30
(III) Profit distribution												
(IV) Internal carry-forward of owners' equity transfer												
(V) Special reserve												
(VI) Others												
IV. Balance at the end of the year	526,766,875.00				1,473,105,039.50			51,365,509.04		-1,527,988,006.58		526,269,416.96

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Statement of Changes in Owners' Equity of the Parent Company

January–December 2017
Unit: Yuan Currency: RMB

Item	Current Period						Total owner's equity				
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock		Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit
I. Balance at the end of last year	526,766,875.00				1,253,391,100.15				51,365,509.04	-1,399,150,574.12	432,372,910.07
II. Balance at the beginning of the year	526,766,875.00				1,253,391,100.15				51,365,509.04	-1,399,150,574.12	432,372,910.07
III. Increase/decrease in the year (decrease is represented by "-")					15,301,668.89				2,883,520.80		18,185,189.69
(I) Total comprehensive income									2,883,520.80		2,883,520.80
(II) Owners' contribution and decrease in capital					15,301,668.89						15,301,668.89
1. Others					15,301,668.89						15,301,668.89
(III) Profit distribution											
(IV) Internal carry-forward of owners' equity transfer											
(V) Special reserve											
(VI) Others											
IV. Balance at the end of the year	526,766,875.00				1,268,692,769.04				51,365,509.04	-1,396,267,053.32	450,558,099.76
Item	Last Period						Total owner's equity				
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock		Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit
I. Balance at the end of last year	515,018,242.00				1,030,115,828.84				51,365,509.04	-1,353,434,966.46	243,064,613.42
II. Balance at the beginning of the year	515,018,242.00				1,030,115,828.84				51,365,509.04	-1,353,434,966.46	243,064,613.42
III. Increase/decrease in the year (decrease is represented by "-")					223,275,271.31				45,715,607.66		188,988,296.65
(I) Total comprehensive income									45,715,607.66		45,715,607.66
(II) Owners' contribution and decrease in capital					221,659,724.18						223,408,357.18
1. Ordinary shares paid by shareholders					197,876,351.30						203,624,994.30
2. Others					23,783,372.88						23,783,372.88
(III) Profit distribution											
(IV) Internal carry-forward of owners' equity transfer											
(V) Special reserve											
(VI) Others											
IV. Balance at the end of the year	526,766,875.00				1,253,391,100.15				51,365,509.04	-1,399,150,574.12	432,372,910.07

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

I. COMPANY PROFILE

1. Company Overview

Luoyang Glass Co., Ltd. ("the Company") was incorporated in Henan Province of the People's Republic of China as a joint stock limited company on 6 April 1994. On 29 June 1994, the Company issued overseas-listed foreign invested H shares and was listed on the Stock Exchange of Hong Kong Limited; on 29 September 1995, the Company issued ordinary A shares dominated in RMB and was listed the Shanghai Stock Exchange.

The registered address of the headquarter of the Company is No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan. The Company is engaged in the glass manufacturing industry. The principal activities of the Company 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.

As 31 December 2017, the total share capitals of the Company were 526,766,875 shares.

This financial statement is reported upon the approval of the Board of the Company.

2. Scope of Consolidated Financial Statements for the Year

No.	Name of subsidiaries	Abbreviation
1	CLFG Longmen Glass Co., Ltd.	Longmen Company
2	CLFG Longhai Electronic Glass Co., Ltd.	Longhai Company
3	Bengbu CNBM Information Display Material Co., Ltd.	Bengbu Company
4	CNBM (Puyang) Photoelectric Material Co., Ltd Formerly: Luoyang Luobo Furuida Commerce Co., Ltd.	Puyang Company

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements of the Company have been prepared on a going concern basis in respect of the actual transactions and events in accordance with the requirements of the Accounting Standards for Business Enterprises – Basic Standards and the detailed accounting standards (the “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and based on the following significant accounting policies and estimates.

2. Going concern

As at 31 December 2017, the business operations of the Company were in normal condition with smooth financing channels and its gearing ratio was 59.28%. Although the current liabilities of the Group reached RMB29,567,496.79, exceeding current assets, the directors of the Company have made estimation that the Company was expected to generate continually positive business activities cash flow in the future. Meanwhile, the controlling shareholder of the Company, China Luoyang Float Glass (Group) Co., Ltd., (“CLFG”) have made undertakings to offer financial aid to the Company, which can meet the needs of settlement of debts and committed capital funds of the Company. The Directors of the Company believe that there is no problem about the Company’s ability to continue operation. Therefore, the Company has prepared the financial statement based on continuing operations.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

1. Declaration on compliance with Accounting Standards for Business Enterprises

The financial statements of the Company were prepared under the requirements of Accounting Standards for Business Enterprises, reflecting the Company's financial positions as of 31 December 2017, and operating results, cash flows and other relevant information for the year 2017 on a true and complete basis.

2. Accounting period

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

3. Operating cycle

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

4. Measurement currency

The Company's reporting currency is the Renminbi ("RMB").

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

1. Enterprise merger under common control

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. The accounting treatment of business combination under common control and not under common control (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 by the acquirer in exchange for the control of the acquiree on the date of acquisition. The recognizable and identifiable assets, liabilities and contingent liabilities acquired or assumed, through enterprise merger not under common control shall be measured at fair values on the date of acquisition. When the cost of the enterprise merger exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets obtained, the difference shall be recognized as goodwill value. Where the cost of the enterprise merger is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized in non-operating profits for the current period if it remains true after reassessment.

6. Preparation method of consolidated financial statements

1. *Scope of consolidated financial statements*

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

2. *To unify the accounting policies, date of balance sheets and accounting periods of the Parent Company and subsidiaries*

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

3. *Offset matters in the consolidated financial statements*

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Preparation method of consolidated financial statements (Continued)

4. *Accounting treatment of subsidiaries acquired from merger*

For subsidiaries acquired under enterprise merger involving enterprises under common control, mergers were deemed to have taken place when the ultimate controller began to exercise control over them, the assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the financial year in which the combination took place. When preparing the consolidated financial statements, for the subsidiaries acquired from business combination not involving entities under common control, the identifiable net assets of the subsidiaries are adjusted on the basis of their fair values on the date of acquisition.

7. Classification of joint arrangements and accounting for joint operations

1. *Classification of joint arrangements*

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

2. *Accounting treatment for joint operations*

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

3. *Accounting treatment for joint ventures*

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

8. Recognition standard for cash and cash equivalents

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

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

1. *Translation of foreign currency transactions*

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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

2. Translation of financial statements denominated in foreign currency

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

10. Financial instruments

1. Classification and recognition of financial instruments

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

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

2. *Measurement of financial instruments*

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

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

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

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

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

5 *Impairment of financial assets*

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

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. 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 continuous trend of fall is less than 20%. Rebound duration not more than six months is treated as continuous decrease period.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Receivables

The receivables of the Company mainly included 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 difference between the carrying values and the present value of estimated future cash flows

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Receivables (Continued)

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

Provision methods for bad debts on group basis

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

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

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

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Inventories

1. Classification

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

2. Measurement for delivered inventories

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

3. Provision for impairment

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

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

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

4. Inventory system

The Company adopts perpetual inventory system.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Inventories (Continued)

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.

13. Long-term equity investments

1. *Determination of initial investment cost*

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

2. *Subsequent measurement and profit or loss recognition*

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Long-term equity investments (Continued)

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

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

14. Fixed assets

(1) Recognition conditions

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

(2) Depreciation methods

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

Main fixed assets held by the Company are buildings and structures, machine and equipment, electronic equipment and transportation tools etc. Depreciation is provided based upon the straight-line method. The Company determines the useful life and estimates net residual value of a fixed asset according to the nature and use pattern of the fixed asset. The Company, at the end of each year, has a review on the useful life, expected net residual value and the depreciation method of the fixed assets. If it differs from its previous estimate, adjustment will be made accordingly. The Company provides depreciation for all its fixed assets other than fully depreciated fixed assets that are still in use and land individually accounted for.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Construction in progress

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

16. Borrowing costs

1. Basis for capitalization of borrowing costs

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

2. Calculation of amount to be capitalized

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

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Intangible assets

(1) *Measurement, useful life and impairment test*

1. *Measurement of intangible assets*

Intangible assets are initially measured at costs. The actual costs of purchased intangible assets include the considerations and relevant expenses paid. The actual costs of intangible assets contributed by investors are the prices contained in the investment agreements or mutually agreed. If the price contained in the investment agreement or mutually agreed 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 life are amortized on a straight-line basis over the useful life of the intangible assets; at the end of each year, the useful life and amortization policy are reviewed, and adjusted if there is variance with original estimates; Intangible assets with indefinite useful life are not amortized and the useful life are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

2. *Determination basis of infinite useful life*

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The determination basis of intangible assets with infinite useful life: 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 could not be estimated after considering the industrial practices or relevant expert opinion.

At each year end date, the useful life of the intangible assets with indefinite useful life 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 determination basis of indefinite useful life.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

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

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

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 on a plan or design 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.

18. Long-term asset impairment

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

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. 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.

20. Employees' wages

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

(1) Accounting treatment of short-termed wages

During the accounting period in which an employee provides service, short-term wages are actually recognized as liabilities and charged to profit or loss, or if otherwise required or allowed by other accounting standards, to the cost of relevant 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 the cost of relevant assets 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 the cost of relevant assets.

(2) Accounting treatment of off-service welfare

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in profit and loss of the current period or in the cost of relevant 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 the cost of relevant assets.

(3) Accounting treatment of dismissal welfare

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Employees' wages (Continued)

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

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

21. 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 continuous 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.

22. Revenue

1. Sales of goods

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

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Revenue (Continued)

2. *Provision of labor services*

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

3. *Alienating the right to use an asset*

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

23. Government grants

The government grants means the monetary assets or non-monetary assets (but excludes the capital invested by the government as the owner) obtained by the Company from the government for free, and is mainly divided into two types: government grants related to assets and government grants related to income.

(1) *Basis for determination of and accounting treatment for government grants related to assets*

Asset-related government grant shall be recognized as deferred income. The amount recognized as deferred income shall be recorded in profit and loss for the period by installments in a reasonable and systematic way over the useful life of the relevant assets. Among which, the government grants related to the Company's daily activities shall be included in other income; and the government grants unrelated to the Company's daily activities shall be included in non-operating income.

Government grants measured at nominal amount shall be recorded directly in profit and loss for the current period.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Government grants (Continued)

(2) *Basis for determination of and accounting treatment for 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. When included in the profits or losses for the period, government grants related to the Company's daily activities shall be included in other income; government grants unrelated to the Company's daily activities shall be included in non-operating income.

(3) *Specific standards for differentiating governmental grants related to assets from those related to income*

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. The government grants other than the government grants related to assets are recognized as government grants related to income.

Where there is no express regulation on subsidy object in government documents, the criteria for differentiating governmental grants related to assets from those related 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 without specific project in relevant document.

(4) *Acknowledging time of governmental subsidy*

The governmental subsidy calculated in accordance with the amount receivable will be acknowledged when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received. Other governmental subsidies other than that counted in accordance with the amount receivable will be acknowledged at the actual time of receiving subsidy funds.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Government grants (Continued)

(5) Accounting treatment for an interest subsidy for policy-related preferential loans

- (1) Where the government finance appropriates an interest subsidy to the lending bank, allowing the latter to provide loans to the Company at a policy-related preferential interest rate, the Company shall recognize the loan amount received as the book-entry value of such loans, and calculate the relevant loan expenses according to the loan principal and the policy-related preferential interest rate.
- (2) Where the government finance directly appropriates an interest subsidy to the Company, the Company shall use the interest subsidy to offset relevant loan expenses.

24. Deferred tax assets/deferred tax liabilities

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Lease

(1) Accounting treatment for operating leases

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

(2) Accounting treatment for lease under financing

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

26. Other Significant Accounting Policies and Estimates

1. Segment reporting

The Company will determine operation segment on the basis of the internal organizational structure, management requirements and internal report system, and determine reporting segment on the basis of operation segment, and disclose such segment information.

An operating segment is a component of the Company that meets the following conditions simultaneously: ① the component is able to generate revenues and incur expenses from its ordinary activities; ② whose operating results are regularly evaluated by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance; ③ for which the information on financial position, operating results and cash flows is available to the Company. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and meet specified conditions.

2. Significant accounting estimates and judgments

In preparation of the financial statements, the management of the Company need to use estimates and assumptions. These estimates and assumptions may affect the application of accounting policy and the amount of assets, liabilities, revenue and expenses. Actual results may differ from these estimates. The management of the Company would evaluate the judgement of the key assumptions as well as uncertainties involved estimates on an ongoing basis. The effects of changes on accounting estimates shall be recognized in the current period or carry forward.

The following accounting estimates and key assumptions have significant risks that would result in significant adjustment of the book value of assets and liabilities for next accounting year.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Other Significant Accounting Policies and Estimates (Continued)

2. Significant accounting estimates and judgments (Continued)

(1) Impairment of accounts receivable and other receivables

The management of the Company judges the recoverability of accounts receivable and other receivables in a timely manner to estimate the provision for impairment of accounts receivable and other receivables. Whenever any events or changes in circumstances that indicate that the Company may not be able to recover the relevant balance, it is necessary to use estimates and make provisions for accounts receivable and other receivables. If the expected figure is different from the original estimates, such difference will affect the book value of accounts receivable and other receivables, as well as the impairment expenses during the period of estimation change.

(2) Impairment of inventory

The management of the Company judges the net realizable value of inventory in a timely manner to estimate the provision for impairment of inventory. Whenever any events or changes in circumstances that indicate that such inventory may not be able to achieve the relevant value, it is necessary to use estimates and make provisions for inventory. If the expected figure is different from the original estimates, such difference will affect the book value of inventory, as well as the impairment expenses during the period of estimation change.

(3) The estimated useful life and estimated net residual value of fixed assets

The management of the Company is responsible for assessing and confirming the estimated useful life and estimated net residual value of fixed assets. Such estimates are based on the historical actual useful life and actual net residual value of fixed assets with similar nature and functions. In the course of the use of fixed assets, the economic, technological and other environments in which they are located may have a significant impact on the useful life and the expected net residual value of fixed assets. If the estimates of the useful life and the net residual value of fixed asset are different from the original estimates, management of the Company will adjust it.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Other Significant Accounting Policies and Estimates (Continued)

2. Significant accounting estimates and judgments (Continued)

(4) Impairment of fixed assets

The management of the Company assessed whether the fixed assets had been impaired as at the balance sheet date. The recoverable amount is the higher of the present value of expected future cash flow of fixed assets and the net amount derived from deducting the disposal fee from the fair value, which is estimated based on the best information available to reflect the amount (after deducting the costs to disposal) that is obtainable from the disposal of the fixed asset in an arm's length transaction by knowledgeable willing parties as at each of the balance sheet date, or cash generated from continuously using the fixed assets. Such estimates may be subject to adjustment when conducting each of impairment test. If the re-estimated recoverable amount is higher than the original estimate by the management of the Company, the Company shall not reverse the provision for impairment loss of the fixed assets that has been made.

(5) Deferred tax assets

The realization of deferred tax assets mainly depends on the actual income in future and the actual tax rate of temporary difference in future utilization year. If the actual income in future is less than those expected, or the actual tax rate is lower than those expected, the recognized deferred tax assets shall be reversed, and be recognized in combined income statement for the period in which the reversal occurred.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Details of and reasons for changes in accounting policies	Procedures for approval	Note (Financial statement items and amounts materially affected)
1. Government grants related to the daily operations of the Company are included in other income	Approved at the 33rd meeting of the eighth session of the Board of the Company	An increase in other income by RMB39,751,226.80; A decrease in non-operating income by RMB39,751,226.80 in this reporting period.
2. Adjustment to the presentation of gains and losses from asset disposal	Approved at the 49th meeting of the eighth session of the Board of the Company	An increase in revenue from the disposal of assets by RMB6,063,804.98; A decrease in non-operating income by RMB6,063,804.98 in this reporting period. A decrease in non-operating income by RMB254,968.93, a decrease in non-operating expense by RMB15,875.60, an increase in revenue from the disposal of assets by RMB239,093.33 in the preceding period.

Other explanation

In 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation, which took effect on 28 May 2017. Non-current assets and disposal groups held for sale and termination of business operation existing on the date of the implementation shall be handled with prospective application method.

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 16 – Government Grants, and the revised standards will be implemented since 12 June 2017. The government grant existing on 1 January 2017 shall be handled with prospective application method; and the new government grant from 1 January 2017 to the date of the implementation shall also be adjusted according to the revised standard.

In 2017, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (《財政部關於修訂印發一般企業財務報表格式的通知》) (Cai Kuai [2017] No. 30). Enterprises that apply the Accounting Standards for Business Enterprises shall prepare the financial statements for 2017 and the future periods in accordance with the Accounting Standards for Business Enterprises and the requirements of the Notice.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Changes in significant accounting policies and accounting estimates (Continued)

(2) Changes in significant accounting estimates

N/A

IV. TAXES

1. Major categories of taxes and tax rates

Category	Tax basis	Tax rate
Value added tax	sell of goods or the supply of taxable services	13%, 17%
City maintenance and construction tax	turnover tax payable	5%, 7%
Enterprise income tax	income tax payable	15%, 25%
Educational surcharges	turnover tax payable	3%

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

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

2. Preferential tax treatment

Longhai Company, a wholly-owned subsidiary of the Company, has been approved as a Gaoxin Investment enterprise in December 2016 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2017.

Bengbu Company, a wholly-owned subsidiary of the Company, has been approved as a Gaoxin Investment enterprise in October 2016 with a term of 3 years. Bengbu Company paid the enterprise income tax at a tax rate of 15% in 2017.

Notes to the Financial Statements

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Cash on hand	72,644.67	95,219.74
Deposits at banks	175,882,866.78	112,433,296.79
Other monetary funds		45,000,000.00
Total	175,955,511.45	157,528,516.53

2. Notes receivable

(1) Category of notes receivable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Bank acceptance	86,642,392.18	45,586,571.00
Trade acceptance		400,000.00
Total	86,642,392.18	45,986,571.00

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

Unit: Yuan Currency: RMB

Item	Amount has been pledged at the end the period
Bank acceptance	4,904,564.47
Total	4,904,564.47

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

2. Notes receivable (Continued)

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

Unit: Yuan Currency: RMB

Item	Derecognized amount at the end of the period	Not-yet- derecognized amount at the end of the period
Bank acceptance	110,281,740.95	
Total	110,281,740.95	

Note: the amount of the undue bank acceptances which had been endorsed by the Company was RMB110,281,740.95 at the end of the period, and the maturity date of bank acceptance was from 1 January 2018 to 30 June 2018. Since the acceptors of bank acceptance are commercial banks, which have high credit, it is of relatively low probability for the failure to pay at the maturity of the bank acceptance. Therefore, the Company derecognized the undue bank acceptances which had been discounted or endorsed. If the bank acceptance is not paid at the maturity, the Company shall still bear joint liability for the holder according to relevant provisions of the Law of Negotiable Instrument.

3. Receivables

Item	Carrying amount	Balance at the beginning of the year
Accounts receivable	160,817,363.43	156,466,612.01
Less: provisions for bad debts	55,504,319.97	54,575,282.88
Net accounts receivable	105,313,043.46	101,891,329.13

The Company generally provides credit period of 1–6 month(s) for major customers, and generally sells by receiving advances for new customers and customers with less business volume.

Notes to the Financial Statements

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

3. Receivables (Continued)

(1) Disclosed categorization of accounts receivable

Unit: Yuan Currency: RMB

Category	Carrying amount		Closing Balance			Carrying amount		Opening Balance		
	Amount	Ratio (%)	Provision for bad debts		Book value	Amount	Ratio (%)	Provision for bad debts		Book value
			Amount	ratio (%)				Amount	ratio (%)	
Account receivables with significant single amount and individual provision for bad debts										
Accounts receivable with provision for bad debts pursuant to the group with credit risk characteristics	160,817,363.43	100.00	55,504,319.97	34.51	105,313,043.46	156,466,612.01	100.00	54,575,282.88	34.88	101,891,329.13
Account receivables with insignificant single amount and individual provision for bad debts										
Total	160,817,363.43	/	55,504,319.97	/	105,313,043.46	156,466,612.01	/	54,575,282.88	/	101,891,329.13

Notes to the Financial Statements

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

3. Receivables (Continued)

(1) Disclosed categorization of accounts receivable (Continued)

In the group, accounts receivable with provision for bad debts made based on aging analysis:

Unit: Yuan Currency: RMB

Aging	Accounts receivable	Closing Balance	
		Provision for bad debts	Provision ratio (%)
Within 1 year	76,000,885.32		
Sub-total within 1 year	76,000,885.32		
1 to 2 years	4,822,596.65	1,446,778.99	30.00
2 to 3 years	13,125.10	6,562.55	50.00
Above 3 years			
3 to 4 years	79,720.82	79,720.82	100.00
4 to 5 years	605,589.30	605,589.30	100.00
Above 5 years	53,365,668.31	53,365,668.31	100.00
Total	134,887,585.50	55,504,319.97	41.15

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

3. Receivables (Continued)

(1) Disclosed categorization of accounts receivable (Continued)

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

Item	Amount at the end of the period	Amount at the beginning of the period
Group without provision for bad debts (related parties)	25,929,777.93	30,282,005.49
Total	25,929,777.93	30,282,005.49

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

Provision for bad debts for the current period is RMB929,037.09; the recovery or reversed of the provision for bad debts for the current period is RMB0.

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

Name	Closing Balance	Proportion in the total amount of accounts receivable (%)	Balance of provision for bad debts
Rank 1st	41,043,630.54	25.52	
Rank 2nd	30,523,713.99	18.98	
Rank 3rd	25,372,807.55	15.78	
Rank 4th	4,757,122.32	2.96	4,757,122.32
Rank 5th	3,439,615.08	2.14	1,011,918.38
Total	105,136,889.48	65.38	5,769,040.70

Notes to the Financial Statements

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

4. Prepayments

(1) Aging analysis of prepayments

Unit: Yuan Currency: RMB

Aging	Closing Balance		Opening Balance	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	708,581.31	95.43	1,583,447.58	96.64
1 to 2 years	2,494.00	0.34	30,737.65	1.88
2 to 3 years	7,300.00	0.98	3,100.00	0.19
Above 3 years	24,167.24	3.25	21,067.24	1.29
Total	742,542.55	100.00	1,638,352.47	100.00

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

Name	Closing Balance	Percentage of total prepayments (%)
Rank 1st	156,240.00	21.04
Rank 2nd	97,076.52	13.07
Rank 3rd	70,000.00	9.43
Rank 4th	63,106.50	8.50
Rank 5th	46,580.00	6.27
Total	433,003.02	58.31

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

5. Interest receivable

N/A

6. Dividend receivable

N/A

7. Other receivables

(1) Disclosed categories of other receivables

Unit: Yuan Currency: RMB

Category	Closing Balance					Opening Balance				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value	Amount	Ratio (%)	Amount	Provision ratio (%)	Book value
Other receivables with significant single amount and individual provision for bad debts at the end of the period	10,808,704.00	9.53	10,808,704.00	100.00		10,808,704.00	6.86	10,808,704.00	100.00	
Other receivables with provision for bad debts pursuant to the group with credit risk characteristics	117,968,747.52	91.61	39,739,952.77	33.69	78,228,794.75	146,664,511.77	93.14	39,082,793.86	26.65	107,581,717.91
Other receivables with insignificant single amount and individual provision for bad debts										
Total	128,777,451.52	100.00	50,548,656.77	39.25	78,228,794.75	157,473,215.77	100.00	49,891,497.86	31.68	107,581,717.91

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

7. Other receivables (Continued)

(1) Disclosed categories of other receivables (Continued)

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

Unit: Yuan Currency: RMB

Other receivables (by unit)	Closing Balance			Reason for making provision
	Other receivables	Provision for bad debts	Provision ratio (%)	
Xili Sub-Branch, Zhengzhou of China Construction Bank	10,808,704.00	10,808,704.00	100.00	Full provision for bad debts due to failure of recovery
Total	10,808,704.00	10,808,704.00	100.00	

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

Unit: Yuan Currency: RMB

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Provision ratio (%)
Within 1 year	32,927,996.88		
Sub-total within 1 year	32,927,996.88		
1 to 2 years	93,868.00	28,160.40	30.00
2 to 3 years	965,984.51	482,992.26	50.00
3 to 4 years	879,072.00	879,072.00	100.00
4 to 5 years	250,813.89	250,813.89	100.00
Above 5 years	38,098,914.22	38,098,914.22	100.00
Total	73,216,649.50	39,739,952.77	54.28

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

7. Other receivables (Continued)

(1) Disclosed categories of other receivables (Continued)

In the group, other receivables with no provision for bad debts

Item	Amount at the end of the period	Amount at the beginning of the period
Group with no provision for bad debts (related party, spare fund, security deposit, etc.)	44,752,098.02	105,822,737.09
Total	<u>44,752,098.02</u>	<u>105,822,737.09</u>

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

Provision for bad debts for the current period is RMB657,158.91; the recovery or reversal of the provision for bad debts is RMB0.

(3) Category of other receivables by nature of amount

Unit: Yuan Currency: RMB

Nature of amount	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Performance committed compensation for assets acquisition	15,301,668.89	23,783,372.88
Security deposit, deposit, reserve	61,427,259.30	79,974,572.99
Current accounts	52,048,523.33	53,715,269.90
Total	<u>128,777,451.52</u>	<u>157,473,215.77</u>

Notes to the Financial Statements

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

7. Other receivables (Continued)

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

Unit: Yuan Currency: RMB

Name	Nature of amount	Closing Balance	Aging	Ratio representing with respect to the total balance of other receivables at the end of the period (%)	Balance of provision for bad debts at the end of the period
Puyang Treasury non-tax revenue management office	Security Deposit for land	32,160,000.00	Within 1 year	24.97	
China Luoyang Float Glass (Group) Co., Ltd.	Compensation	15,301,668.89	Within 1 year	11.88	
International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司)	Security deposit	13,636,363.00	2 to 3 years	10.59	
Xili Sub-Branch, Zhengzhou of China Construction Bank	Current accounts	10,808,704.00	Above 5 years	8.39	10,808,704.00
Taiping & Sinopec Financial Leasing Co., Ltd.* (太平石化金融租賃有限責任公司)	Security deposit	10,000,000.00	1 to 2 years	7.77	
Total	/	<u>81,906,735.89</u>	/	<u>63.60</u>	<u>10,808,704.00</u>

Notes to the Financial Statements

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

8. Inventories

(1) Category of inventories

Unit: Yuan Currency: RMB

Item	Closing Balance			Opening Balance		
	Carrying amount	Provision for depreciation	Book value	Carrying amount	Provision for depreciation	Book value
Raw materials	48,026,640.33	1,325,240.88	46,701,399.45	45,997,542.78	1,375,019.80	44,622,522.98
Products in process	4,875,039.70	402,478.58	4,472,561.12	2,700,674.45		2,700,674.45
Commodity inventories	56,482,116.73	20,237,139.40	36,244,977.33	117,910,829.68	32,772,117.38	85,138,712.30
Circulation materials	516,590.53		516,590.53	516,590.53		516,590.53
Total	109,900,387.29	21,964,858.86	87,935,528.43	167,125,637.44	34,147,137.18	132,978,500.26

(2) Provision for decreased price of inventories

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period		Decrease for the current period		Closing balance at the end of the period
		Provision	Others	Reversal or write-off	Others	
Raw materials	1,375,019.80	225,895.73		275,674.65		1,325,240.88
Products in process		402,478.58				402,478.58
Commodity inventories	32,772,117.38	9,297,817.04		21,832,795.02		20,237,139.40
Total	34,147,137.18	9,926,191.35		22,108,469.67		21,964,858.86

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

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

9. Other current assets

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Tax to be verified and deducted	10,483,658.04	33,708,996.77
Payment of Enterprise Income Tax in advance	148,702.91	1,165,037.58
Total	10,632,360.95	34,874,034.35

10. Available-for-sale financial assets

(1) Available-for-sale financial assets

Unit: Yuan Currency: RMB

Item	Closing Balance			Opening Balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Available-for-sale debt instruments:						
Available-for-sale equity instruments:	7,791,217.53	7,791,217.53		7,791,217.53	7,791,217.53	
Measured at fair value						
Measured at cost	7,791,217.53	7,791,217.53		7,791,217.53	7,791,217.53	
Total	7,791,217.53	7,791,217.53		7,791,217.53	7,791,217.53	

(2) Available-for-sale financial assets measured at the fair value at the end of the period

N/A

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

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

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

Unit: Yuan Currency: RMB

Investee	Carrying amount			Provision for impairment			Shareholding ratio in the investee (%)	Cash dividend for the current period
	At the beginning of the period	Increase for the current period	Decrease for the current period	At the beginning of the period	Increase for the current period	Decrease for the current period		
1.Luoyang Luobo Glass Fibre Co., Ltd. (Note)	4,000,000.00		4,000,000.00	4,000,000.00		4,000,000.00	35.90	
2.CLFG Luoyang Jingjiu Glass Products Co., Ltd. (Note)	1,500,000.00		1,500,000.00	1,500,000.00		1,500,000.00	31.08	
3.CLFG New Lighting Co., Ltd. (Note)	2,291,217.53		2,291,217.53	2,291,217.53		2,291,217.53	29.45	
Total	7,791,217.53		7,791,217.53	7,791,217.53		7,791,217.53	/	

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

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

Unit: Yuan Currency: RMB

Category of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Balance of provision for impairment at the beginning of the period	7,791,217.53		7,791,217.53
Provision for the Period			
Including: Shift from other comprehensive income			
Decrease for the period			
Including: Reverse from recovery of fair value after the period		/	
Balance of provision for impairment at the end of the period	7,791,217.53		7,791,217.53

Notes to the Financial Statements

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

11. Held-to-maturity investment

N/A

12. Long-term receivables

(1) Long-term receivables:

Unit: Yuan Currency: RMB

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	
Financing lease							
Including: Unrealized financing income							
Receivables by installations for product sale							
Receivables by installations for provision of labor service							
Receivables from disposal equity interest in the Industrial Company	55,000,000.00		55,000,000.00	55,000,000.00		55,000,000.00	
Total	55,000,000.00		55,000,000.00	55,000,000.00		55,000,000.00	/

Note: In December 2013, The Company and Luoyang Tianyuan Property Co., Ltd. have entered into the Equity Transfer Contract 《股權轉讓合同》 whereby 100% equity shares of Luoyang Luobo Industrial Co.,Ltd. held by the Company were transferred to Luoyang Tianyuan Property Co., Ltd. at a consideration of RMB122,000,000 Yuan. The Company had received the transfer price of 67,000,000 Yuan paid by Luoyang Tianyuan Property Co., Ltd.. As for the remaining transfer price of 55,000,000 Yuan, it will be paid in the form of physical assets and the Company shall take it as long-term receivables of Luoyang Tianyuan Property Co., Ltd.. Due to the construction progress, Luoyang Tianyuan Property Co., Ltd. failed to deliver the property to the Company during the year of 2017 as agreed. As of December 31, 2017, the property to be delivered has completed the main work and is expected to be delivered to the Company during the year of 2018.

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

13. Fixed assets

(1) Fixed assets

Unit: Yuan Currency: RMB

Item	Buildings	Machinery equipment	Others	Total	
I. Original book value:					
1. Opening Balance	266,547,539.08	780,172,744.85	4,121,659.45	1,582,484.33	1,052,424,427.71
2. Increase for the current period	239,639.64	308,495.62	306,866.31	130,990.87	985,992.44
(1) Purchase	239,639.64	308,495.62	306,866.31	130,990.87	985,992.44
3. Decrease for the current period	28,675,708.35	156,856,237.64	62,865.00		185,594,810.99
(1) Disposal or retirement		49,001,287.55	62,865.00		49,064,152.55
(2) Transferred to construction in progress	28,675,708.35	107,854,950.09			136,530,658.44
4. Closing Balance	238,111,470.37	623,625,002.83	4,365,660.76	1,713,475.20	867,815,609.16
II. Accumulated depreciation					
1. Opening Balance	59,109,420.39	332,895,698.22	3,148,900.50	751,529.11	395,905,548.22
2. Increase for the current period	7,324,320.79	38,120,625.76	171,071.28	264,614.31	45,880,632.14
(1) Provision	7,324,320.79	38,120,625.76	171,071.28	264,614.31	45,880,632.14
3. Decrease for the current period	10,517,415.41	141,860,888.17	25,302.67		152,403,606.25
(1) Disposal or retirement		46,551,223.19	25,302.67		46,576,525.86
(2) Transferred to construction in progress	10,517,415.41	95,309,664.98			105,827,080.39
4. Closing Balance	55,916,325.77	229,155,435.81	3,294,669.11	1,016,143.42	289,382,574.11
III. Provision for impairment					
1. Opening Balance		7,546,566.43			7,546,566.43
2. Increase for the current period		9,555,668.20			9,555,668.20
(1) Provision		9,555,668.20			9,555,668.20
3. Decrease for the current period					
4. Closing Balance		17,102,234.63			17,102,234.63
IV. Book value					
1. Book value at the end of the period	182,195,144.60	377,367,332.39	1,070,991.65	697,331.78	561,330,800.42
2. Book value at the beginning of the period	207,438,118.69	439,730,480.20	972,758.95	830,955.22	648,972,313.06

Note: Original value of the fixed assets continued to be used upon full Provision for impairment at the end of the period was RMB50,085,098.15.

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

14. Construction in progress

(1) Construction in progress

Unit: Yuan Currency: RMB

Item	Closing Balance			Opening Balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Upgrading of cold repair technology for production line of ultra-thin substrate for information display project	65,758,646.98		65,758,646.98			
400 tons of ultra-white photothermal materials project	14,499,616.82		14,499,616.82			
Total	80,258,263.80		80,258,263.80			

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

Unit: Yuan Currency: RMB

Project name	Budget	Opening Balance	Increase for the current period	Fixed assets transferred for the current period	Other decreased amount for current period	Closing Balance	Ratio accounted by accumulated contribution towards engineering with respire to the budget (%)	Progress of engineering	Amount of accumulated capitalized interest	Among which, the amount of capitalized interest	Interest capitalized rate for the current period (%)	Source of funds
Upgrading of cold repair technology for production line of ultra-thin substrate for information display project	508,710,000.00		65,758,646.98			65,758,646.98	12.93					Other source
400 tons of ultra-white photothermal materials project	800,000,000.00		14,499,616.82			14,499,616.82	1.81					Other source
Total	1,308,710,000.00		80,258,263.80			80,258,263.80						

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

15. Engineering materials

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Special equipment	13,980.58	
Total	13,980.58	

16. Intangible Assets

(1) Intangible Assets

Unit: Yuan Currency: RMB

Item	Land use rights	Patent right	Non-patent technology	Trademark rights	Software	Total
I. Original Book value						
1. Opening Balance	71,342,574.11			6,000,000.00	435,897.46	77,778,471.57
2. Increase for the current period	58,279,126.79				1,125,299.10	59,404,425.89
(1) Purchase	58,279,126.79				1,125,299.10	59,404,425.89
3. Decrease for the current period	2,011,785.37					2,011,785.37
(1) Disposal	2,011,785.37					2,011,785.37
4. Closing Balance	127,609,915.53			6,000,000.00	1,561,196.56	135,171,112.09
II. Accumulated amortization						
1. Opening Balance	8,999,783.52			6,000,000.00	169,515.65	15,169,299.17
2. Increase for the current period	2,537,274.66				154,676.61	2,691,951.27
(1) Provision	2,537,274.66				154,676.61	2,691,951.27
3. Decrease for the current period	125,693.33					125,693.33
(1) Disposal	125,693.33					125,693.33
4. Closing Balance	11,411,364.85			6,000,000.00	324,192.26	17,735,557.11
III. Provision for impairment						
IV. Book value						
1. Book value at the end of the period	116,198,550.68				1,237,004.30	117,435,554.98
2. Book value at the beginning of the period	62,342,790.59				266,381.81	62,609,172.40

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

16. Intangible Assets (Continued)

(1) Intangible Assets (Continued)

Note:

- The land use right certificate with a cost of RMB9,415,764.88 in Luoyang Development Zone among the intangible assets of the Company is being applied for.
- Land use rights among the Group's intangible assets were all for lands located in the PRC with a remaining use period ranging from 27 to 50 years.

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

N/A

17. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period	Amortized amount for current period	Other decreased amount	Closing balance at the end of the period
Reconstruction of the electrical circuit of the office	270,000.00		108,000.00		162,000.00
Consultation service charge	3,245,290.90	3,750,000.00	2,237,138.33		4,758,152.57
Total	3,515,290.90	3,750,000.00	2,345,138.33		4,920,152.57

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

18. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets not being offset

Unit: Yuan Currency: RMB

Item	Closing Balance		Opening Balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	9,283,380.59	1,392,507.08	16,451,510.01	2,467,726.50
Unrealized profits in internal transactions				
Deductible losses				
Deferred income	4,525,000.00	678,750.00	12,489,972.00	1,873,495.80
Total	13,808,380.59	2,071,257.08	28,941,482.01	4,341,222.30

(2) Breakdown of unrecognized deferred tax assets

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Deductible temporary differences	144,467,732.29	137,500,191.85
Deductible losses	563,578,027.83	544,435,331.97
Total	708,045,760.12	681,935,523.82

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

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

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

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

Unit: Yuan Currency: RMB

Year	Amount at the end of the period	Amount at the beginning of the period	Note
2017		10,589,070.12	
2018	36,614,485.95	36,614,485.92	
2019	22,739,325.09	21,894,490.75	
2020	366,318,782.57	372,641,647.21	
2021	100,440,480.66	102,695,637.97	
2022	37,464,953.56		
Total	563,578,027.83	544,435,331.97	/

19. Other non-current liabilities

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Prepayments for projects	6,652,062.63	
Total	6,652,062.63	

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

20. Short-term loans

(1) Category of short-term loans

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Mortgage loan	18,500,000.00	20,000,000.00
Guaranty loan	347,509,000.00	
Total	366,009,000.00	20,000,000.00

Explanation of the category of short-term loans: On 31 December 2017, annual interest rate of short-term borrowing was 4.35%–4.785%.

(2) Overdue short-term loans

N/A

21. Notes payable

Unit: Yuan Currency: RMB

Category	Closing Balance	Opening Balance
Bank acceptance		90,000,000.00
Total		90,000,000.00

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

22. Accounts payable

(1) *Accounts payable are shown as follows*

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Within 1 year (including 1 year)	25,532,687.36	17,853,268.60
Over 1 year	14,004,432.28	28,520,633.60
Total	39,537,119.64	46,373,902.20

23. Payments received in advance

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

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Within 1 year (including 1 year)	6,731,168.38	5,354,722.46
Over 1 year	4,085,956.50	9,036,932.04
Total	10,817,124.88	14,391,654.50

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

24. Staff remuneration payables

(1) Staff remuneration payables are shown as follows:

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period	Decrease for the current period	Closing balance at the end of the period
I. Short-term remuneration	22,042,997.95	54,357,865.07	61,954,494.62	14,446,368.40
II. After-service welfare – defined provision plan	3,700,972.00	7,877,312.30	11,572,680.08	5,604.22
III. Termination benefits		19,411,503.76	19,411,503.76	–
IV. Other benefits due within one year				
Total	25,743,969.95	81,646,681.13	92,938,678.46	14,451,972.62

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

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period	Decrease for the current period	Closing balance at the end of the period
I. Salary, bonus, allowance and subsidy	6,409,534.80	41,852,486.53	42,154,460.55	6,107,560.78
II. Staff's welfare		5,719,891.21	5,719,891.21	–
III. Social insurance premium	897,818.59	3,463,965.98	4,361,376.71	407.86
Including: Medical insurance	764,375.80	2,851,264.97	3,615,232.91	407.86
Labor injury insurance	79,406.21	392,785.28	472,191.49	–
Maternity insurance	54,036.58	219,915.73	273,952.31	–
IV. Housing Provident fund	6,971,509.03	2,807,198.50	9,163,443.50	615,264.03
V. Labor union expenses and employee education expenses	7,764,135.53	421,687.16	536,041.43	7,649,781.26
VI. Short-period paid leave				
VII. Short-term profit sharing plan				
Other short-term remuneration		92,635.69	19,281.22	73,354.47
Total	22,042,997.95	54,357,865.07	61,954,494.62	14,446,368.40

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

24. Staff remuneration payables (Continued)

(3) Defined provision plan is shown as follows

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period	Decrease for the current period	Closing balance at the end of the period
1. Basic pension insurance	3,517,879.98	7,628,316.95	11,145,709.12	487.81
2. Unemployment insurance	183,092.02	248,995.35	426,970.96	5,116.41
3. Enterprise annuity				
Total	3,700,972.00	7,877,312.30	11,572,680.08	5,604.22

25. Tax payable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Value-added tax		2,959,777.00
Business tax	75,649.29	75,649.29
Enterprise income tax	8,525,827.97	9,106,452.20
Individual income tax	184,931.09	154,688.43
City maintenance tax	87,194.57	294,378.96
Property tax	1,134,616.17	1,238,632.92
Land-use tax	1,514,827.31	1,278,844.52
Education surcharges	51,877.66	207,513.24
Other tax and charges	190,030.49	65,130.89
Total	11,764,954.55	15,381,067.45

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

26. Interest payable

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Interests payable for short-term borrowings	472,432.69	29,241.67
Interest on long-term loan with periodic payments of interest and return of principal at maturity	1,741,739.73	684,626.58
Total	2,214,172.42	713,868.25

27. Dividend payable

N/A

28. Other payables

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

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Announcement and intermediary fee	11,000,957.21	5,617,787.84
Current accounts	32,146,121.02	36,961,134.20
Total	43,147,078.23	42,578,922.04

29. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Long-term loans due within one year	87,076,248.22	471,337,062.91
Total	87,076,248.22	471,337,062.91

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

30. Long-term loans

(1) Category of Long-term loans

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Mortgage loan	130,175,140.00	86,889,567.92
Guaranty loan	606,605.65	946,806.31
Credit loan		
Total	130,781,745.65	87,836,374.23

Explanation on the category of long-term loans:

- 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. Upon the termination of the policies concerning interest-free and repayment of principal, the Company will conclude short-term loans contracts with each of such banks with a term from January to November 2018. As of 31 December 2017, the above-mentioned balance of loans was RMB347,509,000.00, which was shown in short-term loans.
- With respect to the mortgaged loan:
 - The Company used part of production equipment (hereinafter referred to as “the leased property”) to process the after-sale lease-back financing lease business with International Far Eastern Leasing Co., Ltd., Taiping & Sinopec Financial Leasing Co., Ltd. (太平石化金融租賃有限責任公司) and Suyin Financial Leasing Co., Ltd.* (蘇銀金融租賃股份有限公司) (hereinafter referred to as “the Lessor”) respectively for a lease term of three to five years. The Company believed that pursuant to the substance-over-form principle, for such transaction in reality, the Lessor provided loan to the Lessee by taking the leased article as the mortgaged article. Under such transaction, the nominal selling price of the leased property was handled as long-term loan by the Company and the leased property was book in at its original book value with provision made. As of 31 December 2017, the balance of such long-term loan was RMB205,541,153.92 of which, the long-term loan due within one year amounted to RMB75,366,013.92.
 - The Company used part of its production equipment as collateral to obtain a 3-year loan issued by Bank of Shanghai, Pudong Branch, as entrusted by Far Eastern Leasing Company. As of 31 December 2017, the balance of such long-term loan was RMB11,305,827.36 of which, the long-term loan due within one year amounted to RMB11,305,827.36.

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

30. Long-term loans (Continued)

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

Other Explanations:

Interest rate range: annual interest rate of long-term loans was 0.00%-6.44% and 0.00%-6.44% as of 31 December 2017 and 2016 respectively.

31. Deferred income

Deferred income

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period	Decrease for the current period	Closing Balance	Reasons of formation
Government grants	19,290,781.82	100,950,000.00	12,047,098.56	108,193,683.26	
Total	19,290,781.82	100,950,000.00	12,047,098.56	108,193,683.26	/

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Unit: Yuan Currency: RMB

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

31. Deferred income (Continued)

Projects involving government subsidy:

Unit: Yuan Currency: RMB

Projects with liabilities	Opening Balance	Amount recorded			Closing Balance	Related to assets/ related to income
		New additional subsidy for the current period	in non-operating profits for the current period	Other changes		
Fiscal subsidy for ultra-thin and ultra-white glass production line	2,632,500.00			1,215,000.00	1,417,500.00	Related to assets
Land-use subsidy for ultra-thin and ultra-white glass production line project	2,305,103.82			53,920.56	2,251,183.26	Related to assets
0.45mm E-glass technology research and application projects	1,863,206.01			1,863,206.01		Related to income
Special fund for ultra-thin production line	600,000.00			75,000.00	525,000.00	Related to assets
Subsidy for stabilizing employment from the Social Security Bureau	70,018.76			70,018.76		Related to income
Special fund for innovative provincial construction of Anhui province of 2016	1,050,000.00				1,050,000.00	Related to income
Special municipal supporting funds for major provincial technology projects of 2016	2,000,000.00				2,000,000.00	Related to income
Technology projects construction funds	8,769,953.23			8,769,953.23		Related to income
Special funds for major provincial technology projects of 2017 from Benbu Municipal Bureau of S/T & Intellectual Property		950,000.00			950,000.00	Related to income
Investment subsidy for ultra-white solar thermal material project		100,000,000.00			100,000,000.00	Related to assets
Total	19,290,781.82	100,950,000.00		12,047,098.56	108,193,683.26	/

Note: The amount of other changes involving government subsidy projects refers to the amount included in other income

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

32. Share capital

Unit: Yuan Currency: RMB

	Opening Balance	Changes in this period (+, -)				Sub-total	Closing Balance
		New shares	Bonus shares	Capital reserve transferred to shares	Others		
Total number of shares	526,766,875.00						526,766,875.00

33. Capital reserve

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period	Decrease for the current period	Closing Balance
Capital premium (share capital premium)	1,400,804,566.23			1,400,804,566.23
Other capital reserves	72,300,473.27	15,301,668.89		87,602,142.16
Total	1,473,105,039.50	15,301,668.89		1,488,406,708.39

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

Note: Pursuant to the performance compensation commitment to Bengbu Company issued by CLFG in November 2015, since the performance of Bengbu Company in 2017 has not reached its committed amount, RMB15,301,668.89 of performance committed compensation payable by CLFG to the Company included in the capital reserve.

34. Surplus reserve

Unit: Yuan Currency: RMB

Item	Opening Balance	Increase for the current period	Decrease for the current period	Closing Balance
Statutory surplus reserve	51,365,509.04			51,365,509.04
Total	51,365,509.04			51,365,509.04

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

35. Distribution of profits

Unit: Yuan Currency: RMB

Item	Current period	Previous period
Undistributed profit at the end of the previous year before adjustment	-1,527,968,006.58	-1,539,484,070.36
Total undistributed profits at the beginning of the adjustment period (increase expressed with +, and decrease expressed with -)		
Undistributed profit at the beginning of the period after adjustment	-1,527,968,006.58	-1,539,484,070.36
Add: Net profit attributable to owners of Parent Company during the period	20,568,060.51	11,516,063.78
Undistributed profit at the end of the period	-1,507,399,946.07	-1,527,968,006.58

36. Operating income and operating cost

Unit: Yuan Currency: RMB

Item	Amount for current period		Amount for previous period	
	Income	Cost	Income	Cost
Principal operations	348,115,904.29	250,159,922.45	380,091,217.36	337,501,702.46
Other operations	18,931,231.83	6,339,422.93	12,004,408.78	6,207,860.71
Total	367,047,136.12	256,499,345.38	392,095,626.14	343,709,563.17

Note: Operating income for the period decreased by 6.39% from the previous period and operating cost decreased by 25.37% from the previous period, mainly due to the reduction in the production and sales volume of the production lines of Longhai Company that suspended production for upgrading, and the increase in gross profit resulting from the Company's optimized product mix and higher selling price of products.

Notes to the Financial Statements

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

37. Tax and surcharges

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Business tax		5,741.68
City maintenance tax	449,083.06	1,692,633.65
Education surcharges	320,773.60	275,385.63
Property tax	2,074,194.28	1,382,796.18
Land-use tax	3,611,055.11	1,710,769.63
Others	501,397.75	164,809.72
Total	6,956,503.80	5,232,136.49

38. Selling expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Staff's remuneration	4,389,291.11	5,255,815.70
Depreciation expenses	174,878.85	237,707.59
Transportation costs	887,604.11	203,121.71
Loading and unloading charges	459,594.80	624,331.64
Travel expense	532,402.03	443,600.90
Other selling expenses	407,706.96	717,729.41
Total	6,851,477.86	7,482,306.95

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

39. Administrative expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Staff's remuneration	28,283,042.04	37,479,187.08
Depreciation of fixed assets	3,832,378.65	2,612,502.24
Amortization of intangible assets	2,691,951.27	1,840,418.68
Intermediary engagement and consulting fees	17,937,955.22	7,864,025.28
Research and development fees	17,793,597.50	21,276,277.57
Repairing cost	1,494,572.99	794,003.10
Taxes		2,282,801.22
Staff settlement fees	19,411,503.76	9,171,745.41
Other expenses	6,981,433.52	3,704,987.34
Total	98,426,434.95	87,025,947.92

Note: The auditor's remuneration of RMB1,050,000.00 for 2017 has been included in the above administration expenses (2016: RMB1,050,000.00).

40. Financial expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Interest expense	26,379,527.79	9,207,506.10
Less: Interest income	-711,870.89	-3,669,695.12
Exchange loss (Less: Exchange income)	-238,846.73	113,943.65
Other expenses	4,125,581.30	2,782,181.57
Total	29,554,391.47	8,433,936.20

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

41. Impairment losses of assets

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
I. Bad debt losses	1,586,196.00	-4,058,434.40
II. Impairment losses of inventories	9,926,191.35	22,054,121.69
III. Impairment losses on available-for-sale financial assets		
IV. Impairment losses on held-to-maturity investment		
V. Impairment losses on long-term equity investment		
VI. Impairment losses on investment real estate		
VII. Impairment losses on fixed assets	9,555,668.20	2,472,284.58
VIII. Impairment losses on engineering materials		
IX. Impairment losses on construction in progress		
X. Impairment losses on productive biological assets		
XI. Impairment losses on oil and gas assets		
XII. Impairment losses on intangible assets		
XIII. Impairment losses on goodwill		
XIV. Others		
Total	21,068,055.55	20,467,971.87

42. Non-operating income

Non-operating income

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period	Amount recognized as non-recurring gain or loss of the current period
Income from debt restructuring	2,000,783.33	3,130,969.27	2,000,783.33
Government subsidy	38,450,106.00	102,455,677.91	38,450,106.00
Others	110,316.00	36,991.83	110,316.00
Total	40,561,205.33	105,623,639.01	40,561,205.33

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

42. Non-operating income (Continued)

Government subsidy recognized as profit or loss of the current period

Unit: Yuan Currency: RMB

Subsidy Item	Amount for current period	Amount for previous period	Related to assets/income
Supporting fund for the management committee of industrial cluster region in Puyang county	37,585,606.00	66,474,750.00	Related to income
Construction funds of 2017 for strong manufacturing province granted by the Commission of Economy and Information Technology of Longzihu District of Bengbu	500,000.00		Related to income
Funds for the 2017 construction of innovative provinces in Anhui Province granted by Bengbu Municipal Science and Technology Bureau	200,000.00		Related to income
Special guiding fund for new materials allocated by the Bureau of Finance of Longzihu District of Bengbu		17,000,000.00	Related to income
Subsidy issued by Treasury Payment Center of Yanshi (award funds for supporting enterprise-development)		10,322,700.00	Related to income
Fund for supporting enterprises issued by the Bureau of Finance of Longzihu District of Bengbu		2,500,000.00	Related to income
Subsidy for supporting enterprises and stabilizing employment issued by Social Security Funds Collecting Center of Bengbu		2,482,648.98	Related to income
Funds for construction of technology projects in Comprehensive Experimental Zone for Independent Innovation of Bengbu		1,230,046.77	Related to income
Fiscal subsidy for ultra-thin and ultra-white glass production line		1,215,000.00	Related to assets
Subsidy for stabilizing enterprise employment allocated by Social Security Center of Luoyang		540,880.00	Related to income
Special subsidy for "research and development of application technology"		280,131.60	Related to income
Special fund for ultra-thin production line		75,000.00	Related to assets
Land-use subsidy for ultra-thin and ultra-white glass production line project		53,920.56	Related to assets
Others	164,500.00	280,600.00	Related to income
Total	38,450,106.00	102,455,677.91	/

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

43. Non-operating expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period	Amount recognized as non-recurring profit or loss of the current period
Indemnities, liquidated damages and penalties	51,014.49	4,431,441.73	51,014.49
Other expenses	349,584.09	4,558.25	349,584.09
Total	400,598.58	4,435,999.98	400,598.58

44. Income tax expenses

(1) The table for income tax expenses

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Income tax expenses for the current period	10,828,539.91	9,904,280.09
Deferred income tax expenses	2,269,965.22	-249,847.97
Total	13,098,505.13	9,654,432.12

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

44. Income tax expenses (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount for current period
Total profit	33,666,565.64
Income tax expenses calculated at statutory/applicable tax rates	8,416,641.41
Effect of different tax rates applicable to subsidiaries	-8,160,097.68
Effect of adjustment of income tax in previous periods	858,358.59
Effect of costs, expenses and losses not deductible for tax purposes	3,223,389.89
Effect of utilization of deductible losses of unrecognized deferred income tax assets in previous periods	-4,207,852.86
Effect of current deductible temporary differences or deductible loss of unrecognized deferred income tax assets	14,807,742.34
Deduction of aggregate R&D expenses	-1,839,676.56
Income tax expenses	13,098,505.13

45. Other comprehensive income

The details are set out in Notes

46. Items of cash flow statement

(1) Other cash received from activities relating to operation:

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Government grants	65,560,106.00	110,292,930.00
Others	6,421,047.19	4,884,821.23
Total	71,981,153.19	115,177,751.23

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

46. Items of cash flow statement (Continued)

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

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Consultation and audit, assessment, legal fees, bulletin fees	5,066,009.16	11,749,333.25
Travel expense	1,179,407.68	1,095,394.87
Other current accounts and expenses	11,013,916.68	10,679,558.24
Total	17,259,333.52	23,524,286.36

(3) Other cash received from activities relating to investment

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Transfer of the creditor's rights		9,930,000.00
Project investment subsidies	100,000,000.00	
Total	100,000,000.00	9,930,000.00

(4) Other cash paid for activities relating to investment

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Intermediary fees for asset restructuring		14,263,037.36
Amount for equity purchase		90,729,715.31
Total		104,992,752.67

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

46. Items of cash flow statement (Continued)

(5) Other cash received from activities relating to financing

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Bill discount	44,865,850.00	71,042,132.42
Bill deposit	45,000,000.00	15,000,000.00
Triumph Technology Group Co., Ltd.		49,000,000.00
CLFG	259,130,366.50	184,276,901.60
Performance compensation	23,783,372.88	
CNBM (Bengbu) Photoelectric Materials Co., Ltd.		15,000,000.00
CNBM (Hefei) New Energy Co., Ltd.*		6,000,000.00
Total	372,779,589.38	340,319,034.02

(6) Other cash paid for activities relating to financing

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Repayment of matured bill	150,000,000.00	105,000,000.00
Triumph Technology Group Co., Ltd.	9,000,000.00	71,200,000.00
CLFG	251,890,262.30	115,600,000.00
CNBM (Hefei) New Energy Co., Ltd.		6,162,400.00
CNBM (Bengbu) Photoelectric Materials Co., Ltd.		15,440,437.50
Bengbu Glass Industry Design Institute		6,354,402.59
Financing security deposits	8,250,000.00	10,000,000.00
Others	1,569,360.56	880,945.68
Total	420,709,622.86	330,638,185.77

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

47. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Unit: Yuan Currency: RMB

Supplementary information	Amount for current period	Amount for previous period
1 Net profit adjusted to cash flow of operating activities:		
Net profit	20,568,060.51	11,516,063.78
Add: Provision for impairment of assets	21,068,055.55	20,467,971.87
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	45,880,632.14	52,461,555.56
Amortization of intangible assets	2,691,951.27	1,840,418.68
Amortization of long-term deferred expenses	2,345,138.33	2,572,145.79
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-6,063,804.98	-239,093.33
Finance expenses ("-" for gains)	30,534,656.14	7,016,163.30
Decrease in deferred income tax assets ("-" for increase)	2,269,965.22	-249,847.97
Decrease in inventories ("-" for increase)	57,225,250.15	41,175,096.14
Decrease in operating receivables ("-" for increase)	-26,566,432.88	-44,018,592.18
Increase in operating payables ("-" for decrease)	-99,500,140.13	-61,988,959.69
Net cash flow from operating activities	50,453,331.32	30,552,921.95
2. Significant investing and financing activities that do not involve cash receipts and payment:		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	174,555,511.45	112,528,516.53
Less: Opening balance of cash	112,528,516.53	42,342,860.91
Net increase in cash and cash equivalents	62,026,994.92	70,185,655.62

Note: Banker's acceptance bill of non-cash commodity sale summed up RMB235,139,395.36.

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

47. Supplementary information of cash flow statement (Continued)

(2) Constitution of cash and cash equivalents

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
1. Cash	174,555,511.45	112,528,516.53
Including: Cash on hand	72,644.67	95,219.74
Bank deposit available for payment at any time	174,482,866.78	112,433,296.79
2. Cash equivalents		
Including: Bond investments due within three months		
3. Closing balance of cash and cash equivalents	174,555,511.45	112,528,516.53
Including: Restricted cash and cash equivalents used by the Parent Company or within the group's subsidiaries		

48. Assets under restricted ownership or use right

Unit: Yuan Currency: RMB

Item	Book value at the end of the period	Reasons for restriction
Monetary funds	1,400,000.00	Regular deposit pledge
Notes receivable	4,904,564.47	Pledged loan
Fixed assets	307,732,175.62	Mortgage loan
Total	314,036,740.09	

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

49. Monetary item in foreign currency

(1) *Monetary item in foreign currency:*

Unit: Yuan

Item	Balance of foreign currency at the end of the period	Exchange rate	Balance of RMB converted at the end of the period
Monetary funds			6,174.11
Including: USD	27.58	6.5342	180.22
EURO	0.60	7.8023	4.69
HKD	7,164.89	0.8359	5,989.20
Long-term loans			1,011,012.59
Including: USD			
EURO	129,578.79	7.8023	1,011,012.59
Other payables			7,028,266.91
Including: HKD	8,095,248.18	0.8359	6,766,898.91
USD	40,000.00	6.5342	261,368.00

50. Government grants

1. *Basic information on government grants*

The total amount of government grants actually received by the Company for the year was RMB167,104,234.24, of which the amount of asset-related government grants was RMB100,000,000.00, and the amount of income-related government grants was RMB67,104,234.24.

1. *Asset-related government grants*

For the details of asset-related government grants recognized as deferred income, please refer to Note V. (31) Deferred income.

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

50. Government grants (Continued)

1. Basic information on government grants (Continued)

2. Income-related government grants

Unit: Yuan Currency: RMB

Items	Amount	Presentation	The amount recognized in the current profits and losses
Special subsidy for "research and development of application technology	400,000.00	Other income	400,000.00
Staff resettlement compensation	25,760,000.00	Other income	25,760,000.00
Subsidy for supporting enterprises and stabilizing employment issued by Social Security Funds Collecting Center of Bengbu	1,544,128.24	Other income	1,544,128.24
Industry supporting fund in Puyang County	37,585,606.00	Non-operating income	37,585,606.00
Patent award fund for Yuhui District issued by Science and Technology Bureau of Yuhui District in Bengbu City in 2016	4,500.00	Non-operating income	4,500.00
Development funds for building a strong province issued by Commission of Economy and Information Technology of Longzihu District in Bengbu City in 2017	500,000.00	Non-operating income	500,000.00
Special fund for building Anhui Province into an innovative province issued by Science and Technology Bureau of Bengbu City in 2017	200,000.00	Non-operating income	200,000.00
Funds for party construction allocated by the Organization Department of the CPC Committee of the Longzihu District in Bengbu City	10,000.00	Non-operating income	10,000.00
Gaoxin Investment enterprise subsidies issued by Science and Technology and Intellectual Property Office of Bengbu City	150,000.00	Non-operating income	150,000.00
Total	66,154,234.24		66,154,234.24

Note: For the details of income-related government grants recognized as deferred income, please refer to Note V. (31) Deferred income.

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

51. Others

(I) Gains on the Disposal of Assets

Item	Amount for current period	Amount for previous period
Gains and losses from disposal of fixed assets	6,002,653.36	-15,780.57
Gains and losses from disposal of intangible assets	61,151.62	254,873.90
Total	6,063,804.98	239,093.33

Note: The above gains and losses from the disposal of fixed assets mainly consisted of net gains from disposal of assets of RMB5,980,386.63 recognized from the sales of used equipment to the related party China Triumph Bengbu Engineering and Technology Co., Ltd..

(II) Other income

Item	Amount for current period	Amount for previous period	Asset-related/ Income-related
Special subsidy for "research and development of application technology"	2,263,206.01		Income-related
Staff resettlement compensation	25,760,000.00		Income-related
Fiscal capital investment for fundamental construction	1,215,000.00		Asset-related
Government grants for land use rights	53,920.56		Asset-related
Special fund for enterprise development issued by the Bureau of Finance of Longzihu District in Bengbu City	75,000.00		Asset-related
Subsidy for supporting enterprises and stabilizing employment issued by Social Security Funds Collecting Center of Bengbu	1,614,147.00		Income-related
Funds for construction of technology projects issued by Work Promotion Leading Group Office in Comprehensive Experimental Zone for Independent Innovation of Bengbu	8,769,953.23		Income-related
Total	39,751,226.80		

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VI. CHANGE IN THE SCOPE OF MERGER

N/A

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Name of subsidiaries	Location of principal business	Place of Registration	Nature of business	Shareholding ratio (%)		Obtained by
				Direct	Indirect	
CLFG Longmen Glass Co., Ltd.	Luoyang City	Luoyang City	Producing and selling	100		investment
CLFG Longhai Electronic Glass Co., Ltd.	Yanshi City	Yanshi City	Producing and selling	100		investment
CNBM (Puyang) Photoelectric Material Co., Ltd.	Puyang City	Puyang City	Producing and selling	100		investment
Bengbu CNBM Information Display Material Co., Ltd.	Bengbu City	Bengbu City	Producing and selling	100		business combination under common control

VIII. RISKS RELATING FINANCIAL INSTRUMENTS

1. Financial risks

The business of the Company involves various financial risks: market risk (inclusive of foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management procedure of the Company 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 Company. Such kinds of risks still are limited by following financial management policies and practice of the Company.

1.1 Market risk

1.1.1 Foreign exchange risk

The exchange risk of the Company mainly comes from 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 2017 by the Company. Therefore, the management of the Company anticipates there is no commercial transaction in the future that will incur major foreign exchange risks.

VIII. RISKS RELATING FINANCIAL INSTRUMENTS (CONTINUED)

1. Financial risks (Continued)

1.1 Market risk (Continued)

1.1.2 Interest rate risk

The interest rate risk of the Company mainly comes from bank and otherwise loan and bank deposit. Since most expenses and operating cash flow of the Company 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 Company had never hedged potentially floating rate with any financial instrument before.

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

1.2 Credit risk

1.2.1 Accounts receivable

The credit risk of the Company mainly comes from the accounts receivable. The Company has made credit rating about all clients who request credit amount exceeding a certain amount. Such accounts 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 Company 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 Company payable by individual client. As of the balance sheet date, the accounts receivable of the Company payable by the top five clients have accounted for 65.38% of the total amount of accounts receivable of the Company (without deducting bad debt reserve).

1.2.2 Bank deposits

The Company reduces deposit risk by depositing in banking institutions with high credit ratings. Due to the high credit ratings of these banks, the management does not expect any risk of the banks' being unable to fulfill the commitment.

VIII. RISKS RELATING FINANCIAL INSTRUMENTS (CONTINUED)

1. Financial risks (Continued)

1.3 Liquidity risks

Within the Company, 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 commitment to provide financial assistance to meet short-term and long-term funding needs. The management of the Company is responsible to monitor the usage of borrowings and ensures compliance with loan agreements.

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

Item	Within 1 year	1 to 5 years	Total
Monetary funds	175,955,511.45		175,955,511.45
Bills receivable	86,642,392.18		86,642,392.18
Accounts receivable	160,817,363.43		160,817,363.43
Other receivables	128,777,451.52		128,777,451.52
Long-term receivables	55,000,000.00		55,000,000.00
Total financial assets	607,192,718.58		607,192,718.58
Short-time loan (including interests)	368,918,695.83		368,918,695.83
Accounts payable	39,537,119.64		39,537,119.64
Other payables	43,147,078.23		43,147,078.23
Other non-current liabilities due within one year (including interests)	96,476,292.51		96,476,292.51
Long-time loan (including interests)		142,835,209.03	142,835,209.03
Total financial liability	548,079,186.21	142,835,209.03	690,914,395.24

2. Capital management

The main objective of the Company's capital management is to ensure the Company's continuing operating capability and maintain a healthy capital ratio in order to support its business development and maximize the value of its shareholders.

The Company manages its capital structure and makes adjustments to it according to changes in the economic situation and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Company can adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. In 2017 and 2016, the objectives, policies, or procedures for capital management have not changed.

VIII. RISKS RELATING FINANCIAL INSTRUMENTS (CONTINUED)

2. Capital management (Continued)

The Company uses gearing ratio to manage capital, and gearing ratio refers to the ratio of net liabilities and adjusted capital plus net liabilities. Net liabilities refer to short-term loans and long-term loans less monetary funds. The capital is equity capital. The gearing ratio of the Company on the balance sheet date is as follows:

Item	31 December 2017	31 December 2016
Short-term loans	366,009,000.00	20,000,000.00
Long-term loans due within one year	87,076,248.22	471,337,062.91
Long-term loans	130,781,745.65	87,836,374.23
Subtotal	583,866,993.87	579,173,437.14
Less: monetary funds	175,955,511.45	157,528,516.53
Net liabilities	407,911,482.42	421,644,920.61
Shareholders' equity	559,139,146.36	523,269,416.96
Gearing ratio	42.18%	44.62%

IX. DISCLOSURE OF FAIR VALUE

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

Hierarchy one: The (unadjusted) quoted prices in active markets for identical assets or liabilities.

Hierarchy 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 hierarchy one.

Hierarchy three: The (unobservable) input values for the assets or liabilities as determined by the variables other than observable market data.

As at 31 December 2017, the Company did not have any financial instruments that are accounted for by fair value measurements. For the year ended 31 December 2017, there were not any significant transfers between level one and level two financial instruments.

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Parent Company

Unit: Yuan Currency: RMB

Name of Parent Company	Registered address	Nature of business	Registered capital	Equity interest in the Parent Company (%)	Voting shares in the Parent Company (%)
China Luoyang Float Glass (Group) Co., Ltd.	Luoyang China	Production of glass, related raw materials and complete sets of equipment	1,286,740,000.00	19.94	19.94

The ultimate controller of this enterprise is China National Building Materials Group Co., Ltd.

2. Subsidiaries

For the details of the subsidiaries of this Company, please refer to Note "VII. Rights and Interests in Other Entities".

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

3. Other related parties

Name of other related parties	Relationship with the Company
Triumph Technology Group Co., Ltd.	Controlling shareholder of the Parent Company
CLFG (Beijing) International Engineering Co., Ltd.	Wholly owned subsidiary of the Parent Company
CLFG Luoyang Jingrun Coating Glass Co., Ltd.	Controlled subsidiary of the Parent Company
Luoyang New Jingrun Engineering Glass Co., Ltd.	Controlled subsidiary of the Parent Company
CLFG Warehousing & Logistics Co., Ltd.	Wholly owned subsidiary of the Parent Company
Luoyang Luobo Glass Fibre Co., Ltd.	Controlled subsidiary of the Parent Company
China Triumph International Engineering Co., Ltd.	Brother company of the Group
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Brother company of the Group
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Brother company of the Group
Triumph Science & Technology Co., Ltd.	Brother company of the Group
CTIEC Shenzhen Scieno-tech Engineering Co., Ltd.	Brother company of the Group
Triumph Bengbu Engineering and Technology Co., Ltd.	Brother company of the Group
Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.	Brother company of the Group
Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Co., Ltd.	Brother company of the Group
Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	Brother company of the Group
Bengbu Chemical Machinery Manufacturing Co., Ltd.	Brother company of the Group
CNBM (Bengbu) Photoelectric Materials Co., Ltd.	Brother company of the Group
Sinoma Science & Technology Co., Ltd.	Brother company of the Group
CNBM (Hefei) New Energy Co., Ltd.*	Controlled subsidiary of the Parent Company
Dengfeng Hongzhai Silicon Co. Ltd.	Controlled subsidiary of the Parent Company
Yinan Huasheng Mineral Products Industry Co., Ltd.	Controlled subsidiary of the Parent Company
CLFG Longhao Glass Co. Ltd.	Controlled subsidiary of the Parent Company
CNBM Triumph Robotics (Shanghai) Co., Ltd.	Brother company of the Group
Shanghai CTIEC Luculent Information Technology Co., Ltd.	Brother company of the Group
Taishan Plaster (Henan) Co., Ltd.	Brother company of the Group
Wonderful Sky Financial Group Limited	Other

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions

(1) Related party transactions regarding purchase and sales of commodity, provision and receiving of labor service

Table of purchase of commodity/receiving of labor service

Unit: Yuan Currency: RMB

Related party	Content of related party transactions	Amount for current period	Amount for previous period
China Luoyang Float Glass (Group) Co., Ltd.	Interests expenditure	1,970,089.06	1,009,966.91
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	Electricity, service	1,522,959.09	1,460,358.39
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	Interests expenditure		211,458.34
China Triumph Bengbu Engineering and Technology Co., Ltd.	Raw material	113,316.24	35,017.09
Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Co., Ltd.	Raw material		19,735.05
Bengbu Chemical Machinery Manufacturing Co., Ltd.*	Raw material, maintenance	3,760,995.74	3,986,538.45
Triumph Technology Group Co., Ltd.	Raw material	19,539,606.73	15,232,131.66
Triumph Technology Group Co., Ltd.	Interest expense	224,433.96	14,811.32
CNBM (Bengbu) Photoelectric Materials Co., Ltd	Interest expense		440,437.50
CNBM (Hefei) New Energy Co., Ltd.*	Interest expense		162,400.00
Dengfeng Hongzhai Silicon Co., Ltd.	Raw material	814,687.63	2,992,250.98
Yinan Huasheng Mineral Products Industry Co., Ltd.	Raw material		82,096.24
CTIEC Shenzhen Science-tech Engineering Co., Ltd., Benglaur Branch	Raw material		20,341.88
Wonderful Sky Financial Group Limited	Bulletin fees	2,568,070.00	2,404,865.49
China Triumph International Engineering Co., Ltd.	Design fees	5,723,970.58	
Sinoma Science & Technology Co., Ltd.	Fixed assets	36,656.41	
CNBM Triumph Robotics (Shanghai) Co., Ltd.	Raw material	9,572.64	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions (Continued)

(1) *Related party transactions regarding purchase and sales of commodity, provision and receiving of labor service (Continued)*

Table of sale of commodity/provision of labor service

Unit: Yuan Currency: RMB

Name of related party	Content of related party transactions	Amount for current period	Amount for previous period
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Float glass	15,257,109.48	85,980,878.54
China Luoyang Float Glass (Group) Co., Ltd.	Tenant and utilities	224,181.19	164,549.58
Triumph Science & Technology Co., Ltd	Float glass	479,404.22	1,469,883.78
CLFG Longhao Glass Co. Ltd.	Technical services		1,679,245.29
CLFG Longhao Glass Co. Ltd.	Raw material		8,107,000.00
CNBM (Bengbu) Photoelectric Materials Co., Ltd.	Technical services	1,207,547.14	377,358.48
CNBM (Bengbu) Photoelectric Materials Co., Ltd.	Raw material	1,338,357.30	
China Triumph International Engineering Co., Ltd.	Utilities	20,304.44	
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	Technical services	15,377,358.54	
Taishan Plaster (Henan) Co., Ltd	Tenant	80,042.79	

Note: The purchase and sale of goods and the acceptance and provision of labor services by the Company from or to related parties are negotiated and determined based on market price and are carried out in accordance with the terms of the agreements signed between the Company and related parties.

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions (Continued)

(2) Related party guarantees

The Company as the guarantor

Unit: Yuan Currency: RMB

Guarantor	Amount under guaranty	Commencement date of the guaranty	Expiry date of the guaranty	Whether the guaranty been completed or not
China National Building Material Group Co., Ltd.	106,880,000.00	25 January 2017	25 January 2018	No
China National Building Material Group Co., Ltd.	57,600,000.00	26 January 2017	26 January 2018	No
China National Building Material Group Co., Ltd.	71,424,000.00	10 February 2017	9 February 2019	No
China National Building Material Group Co., Ltd.	92,701,000.00	16 January 2017	5 January 2018	No
China National Building Material Group Co., Ltd.	26,750,000.00	25 July 2017	2 June 2018	No
China National Building Material Group Co., Ltd.	8,750,000.00	14 November 2017	2 November 2018	No
China Luoyang Float Glass (Group) Co., Ltd., Triumph Technology Group Co., Ltd.	50,000,000.00	19 June 2015	18 June 2018	No
China Luoyang Float Glass (Group) Co., Ltd., Triumph Technology Group Co., Ltd.	63,636,363.00	23 June 2015	22 June 2018	No
Triumph Technology Group Co., Ltd.	100,000,000.00	8 December 2016	8 December 2019	No
Triumph Technology Group Co., Ltd.	100,000,000.00	12 April 2017	12 April 2022	No
Triumph Technology Group Co., Ltd.	50,000,000.00	8 November 2017	8 November 2022	No

(3) Borrowings/loans with related parties

N/A

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions (Continued)

(4) The assets transfer and debt restructuring of related parties

Unit: Yuan Currency: RMB

Related Party	Related Party Transactions	Amount for current period	Amount for previous period
China Triumph Bengbu Engineering and Technology Co., Ltd.	Disposal of cross-cutting units, annealing furnace and other equipment	9,863,627.67	
CNBM (Bengbu) Photoelectric Materials Co., Ltd.	Land transfer	557,900.00	
Bengbu China Optoelectronics Technology Co., Ltd.	Land transfer	1,390,700.00	
Shanghai CTIEC Luculent Information Technology Co., Ltd.	Purchasing management software	1,125,299.10	

Note: In December 2017, the Company entered into the Equipment Transfer Contract with China Triumph Bengbu Engineering and Technology Co., Ltd., and sold the equipment assets with a net book value of RMB2,450,064.36 to China Triumph Bengbu Engineering and Technology Co., Ltd. for a total consideration of RMB9,863,627.67. As of December 31, 2017, the asset disposal transaction was completed and the disposal gains recognized by the Company were RMB5,980,386.63.

(5) Remuneration of key management personnel

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Remuneration of key management personnel	3,281,224.93	3,061,026.44

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

(1) Remuneration of Directors and Supervisors

The remuneration of each director and supervisor in 2017 is as follows:

Name	Fees	Bonus	Salary, allowance and benefit in kind	Defined contribution plan contribution	Total	Note
Executive directors						
Ni Zhisen			450,000.00	57,323.42	507,323.42	
Ma Yan			400,000.00	72,576.28	472,576.28	
Wang Guoqiang			430,000.00	57,185.36	487,185.36	
Independent directors						
Jin Zhanping						
Liu Tianni	60,000.00				60,000.00	
Ye Shuhua	60,000.00				60,000.00	
He Baofeng	60,000.00				60,000.00	
Supervisors						
Ren Hongcan			400,000.00	48,427.26	448,427.26	
Qiu Mingwei	30,000.00				30,000.00	
Yan Mei	30,000.00				30,000.00	
Employee supervisors						
Wang Jian			178,200.00	55,226.46	233,426.46	
Ma Jiankang			142,240.00	47,825.56	190,065.56	
Total	240,000.00		2,000,440.00	338,564.34	2,579,004.34	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

(1) Remuneration of Directors and Supervisors (Continued)

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

Name	Fees	Bonus	Salary, allowance and benefit in kind	Defined contribution plan contribution	Total	Note
Executive directors						
Ni Zhisen			420,000.00	51,929.46	471,929.46	
Ma Yan			240,000.00	35,858.40	275,858.40	Resigned in May 2016
Wang Guoqiang			400,000.00	51,373.40	451,373.40	
Sun Lei			85,272.00	24,292.00	109,564.00	Resigned in May 2016
Independent directors						
Jin Zhanping						
Liu Tianni	60,000.00				60,000.00	
Ye Shuhua	60,000.00				60,000.00	
He Baofeng	60,000.00				60,000.00	
Supervisors						
Ren Hongcan			340,440.00	48,259.38	388,699.38	
Qiu Mingwei	30,000.00				30,000.00	
Yan Mei	30,000.00				30,000.00	
Employee supervisors						
Wang Jian			161,298.00	49,246.86	210,544.86	
Ma Jiankang			137,057.00	32,373.58	169,430.58	
Total	240,000.00		1,784,067.00	293,333.08	2,317,400.08	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions (Continued)

(5) Remuneration of key management personnel (Continued)

(2) The five individuals whose remuneration are the highest

The five individuals whose remuneration were the highest during 2017, (2016: two directors and one supervisor) included three directors and one supervisor, whose remuneration has set out as above. The total remunerations paid to other one person (2016: two) during the year are set out as below:

Item	2017	2016
Salary, allowance and benefit in kind	300,000.00	500,000.00
Defined contribution, plan contribution	55,715.64	76,626.36
Total	355,715.64	576,626.36

The range of remunerations of one highest paid individual (2016: two):

Item	2017	2016
Nil to HK\$1,000,000.00	1	2

(6) Other related party transactions

- (1) In December 2017, Longhai Company, a wholly-owned subsidiary of the Company, and China Triumph International Engineering Co., Ltd. entered into the Civil Engineering Contract and Equipment Supply Contract respectively, pursuant to which, China Triumph International Engineering Co., Ltd. shall provide civil engineering services and equipment supply for Longhai Company's production line upgrade project with contract amounts of RMB28,300,000 and RMB252,000,000, respectively.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party transactions (Continued)

(6) Other related party transactions (Continued)

(2) In 2017, Longhai Company, a wholly-owned subsidiary of the Company, and CTIEC Shenzhen Scieno-tech Engineering Co., Ltd.. Bengbu Branch entered into the 180t/d Vertical Waste Heat Boiler and Dry Conditioning System Installation Contract of CLFG Longhai Electronic Glass Co., Ltd. (《洛玻集團洛陽龍海電子玻璃有限公司180t/d綫立式餘熱鍋爐和幹法調質系統安裝合同》) and the 180t/d Vertical Waste Heat Boiler and Dry Conditioning System Equipment Main Supply Contract of CLFG Longhai Electronic Glass Co., Ltd. (《洛玻集團洛陽龍海電子玻璃有限公司180t/d綫立式餘熱鍋爐和幹法調質系統設備供貨總承包合同》) respectively, with a contract amount of RMB9.3 million.

(3) In December 2017, Puyang Company, a wholly-owned subsidiary of the Company, and China Triumph International Engineering Co., Ltd. entered into the Ultra-White Solar Thermal Material Project Contract of CNBM (Puyang) Photoelectric Material Co., Ltd. (《中建材(濮陽)光電材料有限公司超白光熱材料項目合同書》) with a total contract amount of RMB439 million. Puyang Company and CTIEC Shenzhen Scieno-tech Engineering Co., Ltd.. Bengbu Branch respectively entered into the Supportive Flue Gas Treatment Project Equipment Procurement, Installation and Construction Contract for the Ultra-White Solar Thermal Material Project of CNBM (Puyang) Photoelectric Material Co., Ltd. (《中建材(濮陽)光電材料有限公司超白光熱材料項目配套煙氣治理項目設備採購、安裝施工合同》) and the Supportive Waste Heat Boiler Room Project Equipment Procurement, Design and Installation Contract for the Ultra-White Solar Thermal Material Project of CNBM (Puyang) Photoelectric Material Co., Ltd. CNBM (Puyang) Photoelectric Material Co., Ltd. (《超白光熱材料項目配套餘熱鍋爐房項目設備採購、設計安裝合同》), with a total contract amount of RMB22 million and RMB7.5 million respectively.

(4) Entrusted loans to related party

As of December 31, 2017, the Company provided an entrusted loan of RMB205,000,000.00 to its subsidiary through the bank.

(5) Financial assistance from related party

In 2017, CLFG directly funded the Company for a total amount of RMB260,292,968.50, of which a total of RMB257,357,337.12 was repaid by the Company, with an annual interest rate of 4.35%. As of December 31, 2017, the outstanding balance was RMB23,290,956.61.

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Receivables and payables of related parties

(1) Receivables

Unit: Yuan Currency: RMB

Project name	Related party	Closing Balance		Opening Balance	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Notes receivable	China Triumph Bengbu Engineering and Technology Co., Ltd.	10,000,000.00			
Accounts receivable	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	25,372,807.55		28,621,134.25	
Accounts receivable	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.			289,079.90	
Accounts receivable	Luoyang New Jingrun Engineering Glass Co., Ltd.			1,349,753.33	
Accounts receivable	Triumph Science & Technology Co., Ltd.	11,092.33		22,038.01	
Accounts receivable	CNBM (Bengbu) Photoelectric Materials Co., Ltd.	545,878.05			
Prepayment	China Triumph Bengbu Engineering and Technology Co., Ltd.	156,240.00		13,500.00	
Prepayment	Triumph Technology Group Co., Ltd.*	97,076.52		279,436.97	
Prepayment	CNBM Triumph Robotics (Shanghai) Co., Ltd.			5,600.00	
Prepayment	China Luoyang Float Glass (Group) Co., Ltd.	15,567,921.58		23,982,714.48	
Other receivables	China Triumph International Engineering Co., Ltd.	23,756.20		1,650,000.00	
Other receivables	CLFG (Beijing) International Engineering Co., Ltd.			82,796.95	
Other receivables	Luoyang Luobo Glass Fibre Co., Ltd.	150,738.92		150,738.92	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Receivables and payables of related parties (Continued)

(2) Payables

Unit: Yuan Currency: RMB

Project name	Related party	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Accounts payable	Bengbu Chemical Machinery Manufacturing Co., Ltd.*	1,075,670.42	1,279,458.02
Accounts payable	Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.	1,182,499.11	3,544,508.91
Accounts payable	Triumph Technology Group Co., Ltd.*	422,926.72	4,611,449.84
Accounts payable	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	891,949.64	963,003.08
Accounts payable	Dengfeng Hongzhai Silicon Co., Ltd.	81,224.51	517,453.69
Accounts payable	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Co., Ltd.		135,400.00
Accounts payable	Yinan Huasheng Mineral Products Industry Co., Ltd.	2,714.60	2,714.60
Accounts payable	Shanghai CTIEC Luculent Information Technology Co., Ltd.*	710,000.00	
Accounts payable	China Triumph International Engineering Co., Ltd.	12,260,153.54	
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	702,248.13	5,496,513.80
Payments received in advance	CNBM (Bengbu) Photoelectric Materials Co., Ltd.		1,800,000.00
Payments received in advance	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Co., Ltd.	6,552.00	6,552.00
Other payables	China Luoyang Float Glass (Group) Co., Ltd.	23,290,956.61	18,899,748.61
Other payables	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	828,164.33	239,181.20
Other payables	China Triumph International Engineering Co., Ltd. Bengbu Branch	196,604.80	140,000.00
Other payables	CTIEC Shenzhen Scieno-tech Engineering Co., Ltd.. Bengbu Branch	61,843.32	
Other payables	Triumph Technology Group Co., Ltd.	24,000.00	9,000,000.00
Other payables	Bengbu Chemical Machinery Manufacturing Co., Ltd.*		3,500.00
Other payables	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Co., Ltd.	1,600.00	1,600.00
Other payables	Wonderful Sky Financial Group Limited	2,953,393.90	2,659,797.02
Other payables	China Triumph International Engineering Co., Ltd.	136,800.00	
Other payables	Taishan Plaster (Henan) Co., Ltd.	10,000.00	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Commitments of related parties

During significant asset restructuring in 2015, considering performance of Bengbu Company during 2015–2017, CLFG made a commitment regarding voluntary performance compensation: If the audited net profits of Bengbu Company realized in the years of 2015, 2016 and 2017, which belong to the owner of the Parent Company with the deduction of non-recurring profit and loss, were lower than the expected net profits of corresponding years given in the appraisal report represented by China United Assets Appraisal Group Co., Ltd. on 31 October 2015, it would make compensation to Luoyang Glass in cash on the following terms: amount of compensation of current year = expected net profit of current year – actual net profit of current year. When the calculation result of the amount of compensation of current year is a negative value, it shall be taken as Zero.

For the year of 2017, the net profit of Bengbu Company estimated in the appraisal report was RMB69,680,000. As audited, the net profit with the deduction of non-recurring profit and loss was RMB54,378,300, which did not meet the performance commitment. Therefore, CLFG would make compensation for the differences of RMB15,301,700 to the Company in cash within six months after the date of 2017 audit report of Bengbu Company. On 29 March 2018, the Company had received the performance compensation amount of RMB15,301,668.89 from CLFG.

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Significant external commitments, nature and amount thereof as at the balance sheet date

Capital commitments:

At 31 December 2017, the Company had the following significant capital commitments:

Item	31 December 2017	31 December 2016
Contracted but not provided for – Construction project	714,762,796.93	—
Total	714,762,796.93	—

2. Contingencies

N/A

XII. EXPLANATION OF OTHER SUBSEQUENT EVENTS AFTER THE DATE OF BALANCE SHEET

1. The company's significant asset restructuring was reviewed by the Listed Companies Merger and Reorganization Vetting Committee of China Securities Regulatory Commission

The company's significant asset restructuring was reviewed by the Listed Companies Merger and Reorganization Vetting Committee of China Securities Regulatory Commission. The Issuance of Shares by Luoyang Glass Co., Ltd. to China Luoyang Float Glass (Group) Co., Ltd. for Asset Acquisition and Raising of Supporting Funds Proceeds (CSRC Permit [2018] No.475) received from CSRC on 19 March 2018 approved that the Company issued 10,097,588 shares to China Luoyang Float Glass (Group) Co., Ltd., 3,029,276 shares to Hefei Gaoxin Development and Investment Group Company, 6,377,490 shares to Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd., 2,365,976 shares to CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd., 708,610 shares to China Triumph International Engineering Co., Ltd., 7,508,991 shares to Triumph Technology Group Co., Ltd., 1,877,247 shares to Yixing Environmental Technology Innovation Venture Investment Co., Ltd. and 1,065,338 shares to GCL System Integration Technology Co., Ltd. respectively, and approved that the supporting funds proceeds raised from the non-public issuance of shares of the Company does not exceed RMB511,865,700.

XIII. OTHER SIGNIFICANT EVENTS

1. Correction of accounting errors in the previous period

N/A

2. Debt restructuring

Describe the details of important debt restructurings, including the way of debt restructuring, the amount of gains (or losses) of debt restructuring, the increase in equity capital resulting from the conversion of debt into capital (or the increase in investment caused by the conversion of debt into shares and the proportion of the investment in the total debtor's shares), or contingent payables (or receivables), and the determining method and basis of the fair value during debt restructuring.

3. Asset replacement

(1) Non-monetary asset exchange

The non-monetary assets exchange shall disclose the category, the cost determining method and the fair value of the assets exchanged; the category, book value and fair value of the assets exchanged out, and the gains and losses recognized in the non-monetary assets exchange.

(2) Replacement of other assets

Describe the replacement, transfer and sale of important assets, including the book value of the assets, the transferring amount, the impact on the financial position and operating results, and the reasons for the transfer.

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Annuity plan

N/A

5. Termination of business

N/A

6. Segment information

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

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

(2) Other explanations:

1. Geographic information

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

Item	Revenue from external customers		Non-current assets	
	2017	2016	31 December 2017	31 December 2016
China	367,047,136.12	392,095,626.14	770,610,814.98	715,096,776.36
Total	367,047,136.12	392,095,626.14	770,610,814.98	715,096,776.36

2. Major customers

The Company has a relatively concentrated major customer base in 2017. The transaction amount of its top 5 sales customers exceeds 50% of the Company's revenue.

XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

7. Other important transactions and events that have an impact on investor decision-making

N/A

XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Accounts receivable by category:

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)		Amount	Ratio (%)	Amount	Provision ratio (%)	
Accounts receivable with significant single amount and individual provision for bad debts	219,348,939.58	78.77	22,868,491.89	10.43	196,480,447.69	219,348,939.58	77.85	22,868,491.89	10.43	196,480,447.69
Accounts receivable with provision for bad debts pursuant to the group with credit risk characteristics	59,109,627.97	21.23	51,262,347.83	86.72	7,847,280.14	62,400,361.33	22.15	51,222,485.92	82.09	11,177,875.41
Accounts receivable with insignificant single amount and individual provision for bad debts										
Total	278,458,567.55	/	74,130,839.72	/	204,327,727.83	281,749,300.91	/	74,090,977.81	/	207,658,323.1

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XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by category: (Continued)

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

Unit: Yuan Currency: RMB

Accounts receivable (by Unit)	Accounts receivable	Closing balance		Reasons for provision
		Provision for bad debts	Provision ratio (%)	
CLFG Longmen Glass Co. Ltd.	219,348,939.58	22,868,491.89	10.43	It is expected that the recovered amount is lower than the carrying amount
Total	<u>219,348,939.58</u>	<u>22,868,491.89</u>	<u>10.43</u>	

In the group, accounts receivable with provision for bad debts are calculated pursuant to the aging analysis method:

Unit: Yuan Currency: RMB

Aging	Accounts receivable	Closing balance	
		Provision for bad debts	Provision ratio (%)
Within 1 year	7,847,276.56		
1 to 2 years	3.58	1.07	29.89
2 to 3 years	2.14	1.07	50.00
3 to 4 years	79,720.82	79,720.82	100.00
4 to 5 years	604,439.11	604,439.11	100.00
Above 5 years	50,578,185.76	50,578,185.76	100.00
Total	<u>59,109,627.97</u>	<u>51,262,347.83</u>	<u>86.72</u>

XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

1. Accounts receivable (Continued)

(1) Accounts receivable by category: (Continued)

In the group, the accounts receivable without provision for bad debts is as follows:

Item	Amount at the end of the period	Amount at the beginning of the period
Group without provision for bad debts (related parties)	1,349,753.33	1,349,753.33
Total	1,349,753.33	1,349,753.33

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

Provision for bad debts for the current period is RMB39,861.91; the recovery or reversal of the provision for bad debts for the current period is RMB0.

(3) Other receivables actually written off in this period:

N/A

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

Name	Carrying amount at the end of the period	Proportion in the total amount of accounts receivable (%)	Balance of provision for bad debts
First place	219,348,939.58	78.77	22,868,491.89
Second place	5,268,979.86	1.89	
Third place	4,757,122.32	1.71	4,757,122.32
Fourth place	2,820,625.92	1.01	2,820,625.92
Fifth place	2,796,175.91	1.00	2,796,175.91
Total	234,991,843.59	84.38	33,242,416.04

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XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

(1) Disclosed categories of other receivables

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio	Amount	ratio	Book value	Amount	Ratio	Amount	ratio	Book value
	(%)	(%)	(%)			(%)	(%)	(%)		
Other receivables with significant single amount and individual provision for bad debts	256,695,396.04	87.19	241,515,980.86	94.09	15,179,415.18	241,515,980.86	69.91	241,515,980.86	100.00	
Other receivables with provision for bad debts pursuant to the group with credit risk characteristics	37,702,829.16	12.81	21,750,947.68	57.69	15,951,881.48	103,942,012.09	30.09	21,190,288.37	20.39	82,751,723.72
Other receivables with insignificant single amount and individual provision for bad debts										
Total	294,398,225.20		263,266,928.54		31,131,296.66	345,457,992.95		262,706,269.23		82,751,723.72

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

Unit: Yuan Currency: RMB

Other receivables (by unit)	Other receivables	Closing balance		Reason for making provision
		Provision for bad debts	Provision ratio (%)	
CLFG Longmen Glass Co. Ltd.	245,886,692.04	230,707,276.86	93.83	It is expected that the recovered amount is lower than the carrying amount
Xili Sub-Branch, Zhengzhou of China Construction Bank	10,808,704.00	10,808,704.00	100.00	It is expected to be unrecoverable
Total	256,695,396.04	241,515,980.86	/ /	

XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(1) Disclosed categories of other receivables (Continued)

For the groups, other receivables with provision for bad debts are calculated pursuant to the aging analysis method:

Unit: Yuan Currency: RMB

Aging	Closing balance		Provision ratio (%)
	Other receivables	Provision for bad debts	
Within 1 year	50,785.77		
1 to 2 years			
2 to 3 years	844,296.51	422,148.26	50.00
3 to 4 years	783,600.00	783,600.00	100.00
4 to 5 years	113,085.89	113,085.89	100.00
Above 5 years	20,432,113.53	20,432,113.53	100.00
Total	22,223,881.70	21,750,947.68	97.87

In the group, other receivables without provision for bad debts

Item	Amount at the end of the period	Amount at the beginning of the period
Group with no provision for bad debts (related party, spare fund, security deposit, etc.)	15,478,947.46	81,656,976.72
Total	15,478,947.46	81,656,976.72

XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

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

Provision for bad debts for the current period is RMB560,659.31.

(3) *Other receivables actually written off in this period*

N/A

(4) *Category of other receivables by nature of amount*

Unit: Yuan Currency: RMB

Nature of amount	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Amounts due from subsidiaries	245,886,692.04	231,720,141.78
Compensation for performance commitment	15,301,668.89	23,783,372.88
Land deposits		55,000,000.00
Reserves	126,931.56	64,237.86
Current accounts	33,082,932.71	34,890,240.43
Total	<u>294,398,225.20</u>	<u>345,457,992.95</u>

XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(5) Top five largest other receivables at the end of the period by the balance collected regarding the party in default:

Unit: Yuan Currency: RMB

Name of unit	Nature of amount	Closing balance	Aging	Proportion in	Balance of provision
				total balance	of other receivables for bad debts at the end of the period
				(%)	at the end of the period
CLFG Longmen Glass Co., Ltd.	Current accounts	245,886,692.04	Within 1 year or above	83.52	230,707,276.86
China Luoyang Float Glass (Group) Co., Ltd.	Compensation	15,301,668.89	Over 5 years	5.20	
Xili Sub-branch, Zhengzhou of China Construction Bank	Current accounts	10,808,704.00	Over 5 years	3.67	10,808,704.00
Shenzhen Cynthia Industrial Co., Ltd.	Current accounts	4,600,000.00	Over 5 years	1.56	4,600,000.00
Zhengzhou Yinji Commence & Trade City Co., Ltd.	Current accounts	2,372,413.21	Over 5 years	0.81	2,372,413.21
Total	/	278,969,478.14	/	94.76	248,488,394.07

3. Long-term equity investment

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investment in subsidiaries	933,499,984.17	64,513,390.18	868,986,593.99	813,499,984.17	64,513,390.18	748,986,593.99
Investment in associates and joint ventures						
Total	933,499,984.17	64,513,390.18	868,986,593.99	813,499,984.17	64,513,390.18	748,986,593.99

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XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investment (Continued)

(1) Investment in subsidiaries

Unit: Yuan Currency: RMB

Investee	Opening balance	Increase for the current period	Decrease for the current period	Closing balance	Provision for impairment for the current period	Balance of the provision for impairment at the end of the period
CLFG Longmen Glass Co., Ltd.	64,513,390.18			64,513,390.18		64,513,390.18
CLFG Longhai Electronic Glass Limited	48,941,425.28	40,000,000.00		88,941,425.28		
Bengbu CNBM Information Display Material Co., Ltd.	699,545,168.71			699,545,168.71		
CNBM (Puyang) Photoelectric Material Co., Ltd.	500,000.00	80,000,000.00		80,500,000.00		
Total	813,499,984.17	120,000,000.00		933,499,984.17		64,513,390.18

XIV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating income and operating costs:

Unit: Yuan Currency: RMB

Item	Amount for current period		Amount for previous period	
	Income	Costs	Income	Costs
Principal business	173,004,819.17	173,042,039.83	173,506,737.82	172,572,839.84
Other business	3,940,309.05	1,021,012.82	7,978,578.27	6,434,844.41
Total	176,945,128.22	174,063,052.65	181,485,316.09	179,007,684.25

5. Investment income

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
Investment income from investments held for maturity	11,085,247.18	11,066,925.00
Total	11,085,247.18	11,066,925.00

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of extraordinary profit and loss for the current period

Unit: Yuan Currency: RMB

Item	Amount	Explanation
Profit/loss on disposal of non-current assets	6,063,804.98	
Government subsidies (except for the grants which are closely related to the Company's normal business, are in compliance with the provisions of the State and have the standard amount or quantities in accordance with the national standard) attributable to profits and losses for the current period	78,201,332.80	
Profit/loss from debt restructuring	2,000,783.33	
Enterprise restructuring costs, such as expenditures on staff placement and integration costs	-19,411,503.76	
Other non-operating income and expenses other than the aforesaid items	-290,282.58	
Effect of income taxation	-2,394,535.92	
Total	64,169,598.85	

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	3.85	0.0390	0.0390
Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary profit and loss	-8.17	-0.0828	-0.0828

3. Difference between data under domestic and international accounting standards

N/A

Documents Available for Inspection

Documents available for inspection	Financial statements signed and sealed by the Legal Representative, the Chief Financial Controller and the Person in charge of Accounting Department.
Documents available for inspection	Original copy of the auditors' report stamped by WUYIGE Certified Public Accountants LLP and signed by PRC certified public accountants.
Documents available for inspection	All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed in the newspaper designated by the CSRC during the reporting period.

Chairman: **Zhang Chong**

Reporting date as approved by the Board: 22 March 2018