



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

2018
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 as considered by the Board

As considered by WUYIGE Certified Public Accountants LLP, the net profit of the Company for 2018 was RMB31,179,300, together with the undistributed profit RMB-1,396,734,600 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,365,555,300 as at the end of 2018.

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 or convert capital reserve to the share capital for 2018.
- 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 related parties?

No
- VIII. Is there any decision-making procedure in violation of any provisions for 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 risks 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
SASAC	State-owned Assets Supervision and Administration Commission
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Company, Luoyang Glass	Luoyang Glass Co., Ltd.
Group	Luoyang Glass Co., Ltd. and its subsidiaries
Longhai Glass	CLFG Longhai Electronic Glass Limited
Longmen Glass	CLFG Longmen Glass Co. Ltd.
Bengbu CNBM Information Display	Bengbu China National Building Materials Information Display Materials Company Limited
Puyang CNBM Photovoltaic Materials	Puyang China National Building Materials Photovoltaic Materials Company Limited
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
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 Co., Ltd
International Engineering	China Triumph International Engineering Co., Ltd.
Triumph Technology	Triumph Science & Technology Co., Ltd.
Huaguang Group	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.
Hefei Gaoxin Investment	Hefei Gaoxin Development and Investment Group Company*
Yixing Environmental Technology	Yixing Environmental Technology Innovation Venture Investment Co., Ltd.*
GCL System Integration	GCL System Integration Technology Co., Ltd.
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	The Rules Governing the Listing of Stocks on the Shanghai Stock Exchange

Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

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

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representative of securities affairs
Name	Wu Zhixin	Zhao Zhiming
Correspondence address	Secretary Office of the Board of Luoyang Glass 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 (the "PRC")
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
A Share	Shanghai Stock Exchange	Luoyang Glass	600876
H Share	The Stock Exchange of Hong Kong Limited	Luoyang Glass	01108

Company Profile and Major Financial Indicators

VI. OTHER INFORMATION

Accounting firm appointed by the Company (domestic)	Name	WUYIGE Certified Public Accountants LLP
	Office address	16 F, Bosom Friend Media Plaza, No. 31 Zhongbei Road, Wuhan, the PRC
	Names of signing accountants	Suo Baoguo (索保國), Qiao Guanfang(喬冠芳)
Financial advisors fulfilling continuing supervisory responsibilities during the reporting period	Name	Morgan Stanley Huaxin Securities Co., Ltd. (摩根士丹利華鑫證券有限責任公司)
	Office address	Room 75T30, 75th Floor, Shanghai World Financial Center, No. 100 Century Avenue, Pilot Free Trade Zone, Shanghai, PRC
	Names of signing financial advisors	Shao Qing (邵清) · Wang Jian(王鑒)
	Period of continuing supervision	2018.04.13-2019.12.31

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	2018	2017		Increase/decrease over the same period last year (%)	2016
		After adjustment	Before adjustment		
Operating income	1,402,748,187.74	1,502,152,910.64	367,047,136.12	-6.62	1,167,990,738.04
Net profit attributable to shareholders of the listed company	15,645,310.47	87,672,262.83	20,568,060.51	-82.15	55,437,169.81
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	-21,745,281.44	-43,601,538.34	-43,601,538.34	N/A	-76,911,886.70
Net cash flow from operating activities	-80,220,923.17	-310,839,620.63	50,453,331.32	N/A	-18,202,105.80

	As at the end of 2018	As at the end of 2017		Increase/decrease over the same period last year (%)	As at the end of 2016
		After adjustment	Before adjustment		
Net assets attributable to shareholders of the listed company	1,245,216,484.61	1,131,687,647.58	559,139,146.36	10.03	1,028,713,715.86
Total assets	4,504,181,920.36	3,998,452,082.99	1,373,132,245.83	12.65	3,454,202,667.36

Company Profile and Major Financial Indicators

(II) Major Financial Indicators

Unit: Yuan Currency: RMB

Major financial indicators	2018	2017		Increase/ decrease over the same period last year (%)	2016
		After adjustment	Before adjustment		
Basic earnings per share (RMB/share)	0.0280	0.1583	0.0390	-82.31	0.1001
Diluted earnings per share (RMB/share)	0.0280	0.1583	0.0390	-82.31	0.1001
Basic earnings per share after deducting non- recurring profit and loss (RMB/share)	-0.0394	-0.0828	-0.0828	N/A	-0.1463
Weighted average return on net assets (%)	1.22	8.17	3.85	Decreased by 6.95 percentage points	7.43
Weighted average return on net assets after deducting non-recurring profit and loss (%)	-1.89	-8.17	-8.17	Increased by 6.28 percentage points	-16.15

Explanation on major accounting data and financial indicators of the Company for the last three years as at the end of the reporting period:

The Company completed a significant asset restructuring during the reporting period, under which it incorporated Hefei New Energy, Tongcheng New Energy and Yixing New Energy into its consolidated statements as business combinations under common control and restated its comparative figures retrospectively. All the financial figures for the beginning of the reporting period and the same period of last year were represented by the adjusted ones.

Company Profile and Major Financial Indicators

VIII. DIFFERENCE BETWEEN DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARD

N/A

IX. MAJOR QUARTERLY FINANCIAL INDICATORS IN 2018

Unit: Yuan Currency: RMB

	Q1 (January– March)	Q2 (April– June)	Q3 (July– September)	Q4 (October– December)
Operating revenue	320,553,873.16	381,808,517.58	307,683,710.80	392,702,086.20
Net profit attributable to shareholders of the listed company	7,131,063.82	14,846,607.21	-19,532,296.88	13,199,936.32
Net profit attributable to shareholders of the listed company after deducting non- recurring profit or loss	-7,222,478.63	10,250,451.04	-28,116,804.20	3,343,550.35
Net cash flow from operating activities	-49,671,615.05	-25,668,949.20	-54,081,000.43	49,200,641.51

Explanation on difference between the quarterly information and the information disclosed in the regular reports:

Reason for the difference between first quarterly report and the information in the disclosed regular reports: when the first quarterly report of 2018 was disclosed, the change in industrial and commercial registration for Yixing New Energy had not been completed. The change in industrial and commercial registration for Yixing New Energy was completed in April 2018 and incorporated into the Company's consolidated statements, therefore the first quarterly report was adjusted retrospectively as business combinations under common control.

Company Profile and Major Financial Indicators

X. NON-RECURRING ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring Items	2018	Note (if applicable)	2017	2016
Profit/loss on disposal of non-current assets	1,306,818.50		6,063,804.98	239,093.33
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	28,264,273.25		78,201,332.80	102,455,677.91
Profit/loss from debt restructuring	373,719.66		2,000,783.33	3,130,969.27
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	20,491,900.89		84,519,828.26	48,301,061.24
Other non-operating income and expenses other than the aforesaid items	-1,353,675.63		-290,282.58	-4,399,008.15
Amount of effect on minority interest	-5,827,124.21		-17,415,625.94	-4,379,955.21
Amount of effect on income tax	-5,865,320.55		-2,394,535.92	-3,827,036.47
Total	37,390,591.91		131,273,801.17	132,349,056.51

Company Profile and Major Financial Indicators

XI. ITEMS MEASURED AT FAIR VALUE

N/A

XII. 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 (李偉斌律師行)
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 Company successfully completed assets acquisition by issuance of shares, acquiring three new energy photovoltaic glass companies (i.e. Tongcheng New Energy, Hefei New Energy and Yixing New Energy). At present, the Company has two major business segments, namely information display glass segment and new energy glass segment.

Information display glass segment

This business segment mainly produces ultra-thin electronic glass substrate. In this business model, sales are determined by production, and sales of inventory are adopted. 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 ranks among the leading manufacturers of ultra-thin electronic glass in China in terms of production capacity as well as product varieties and specifications. It is capable of producing 0.12mm–2.0mm series of electronic glass in large scale. In April 2018, the Company developed and produced ultrathin float electronic glass with a width of 0.12mm, once again setting a world record for industrialized production with float technology.

New energy glass segment

This business segment mainly produces photovoltaic original glass and its further processed products. By adopting the direct sale model, products are directly sold to customers based on sales contract or purchasing orders. The Company has a diversified photovoltaic glass product portfolio, including glass for double-glass components, AR photovoltaic coating glass, high transparent photovoltaic toughened glass and high transparent photovoltaic original glass. In order to catch up with industry trend favoring thin and lightweight photovoltaic glass, the Company has developed and produced thin photovoltaic glass for double-glass components and is able to produce products as thin as 1.6 mm, thus satisfying the diversified needs of customers.

From the perspective of industry situation and market conditions, the main products of the Company belong to key basic materials in the upstream of the relevant industry chain, which are in line with the requirements of the industrial policies and technical improvement. Demands for ultra-thin electronic glass substrate remained stable in the domestic and regional markets, and market prices of medium and high end products remained steady and showed a rising trend. As effected by macroeconomic conditions, electric power demand, industry policies, market supply and demand structure and other factors, photovoltaic glass products went through great fluctuations.

On 31 May 2018, the State Development and Reform Commission, the Ministry of Finance, and the State Energy Administration issued the Notice on Matters Related to Photovoltaic Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》). The downstream photovoltaic industry may enter into the adjustment period due to the impacts of policy adjustments such as the lowering of on-grid tariff and subsidy standards for new power stations, which may in turn lead to a decline in the market price of photovoltaic glass. The company maintains stable product prices by improving product quality, developing and producing products in line with the industry trend favoring lightweight new products; at the same time, it will further enhance technological capacity in production and management, reduce production costs and still maintain certain profitability through reducing the consumption of energy and raw materials, increasing the proportion of qualified products, improving automation of product line equipment and other effective measures.

Business Summary of the Company

After the release of the most stringent "531 PV New Policy"* (531光伏新政) in the industry, the photovoltaic industry in the PRC began to gradually transform from dependence on subsidies to parity and from extensive development to refined development. Although the photovoltaic industry in China experienced the biggest change in policy environment since 2013 due to the "531 PV New Policy", the new installed capacity of domestic PV in 2018 still exceeded 43GW, continuing to rank the first in the world. The export of photovoltaic products continued to grow, and the power curtailment rate also further declined to 3%. By the end of 2018, the downstream photovoltaic industry had shown a trend of improvement amidst stabilization.

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

On 15 March 2018, the assets acquisition by issuance of shares and supporting funds raising by the Company (the "Significant Asset Restructuring") were approved by the CSRC.

On 13 April 2018, the procedures for transfer of ownership, delivery and related changes in industrial and commercial registration in respect of the 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and the 70.99% equity interest in Yixing New Energy for the Significant Asset Restructuring were completed by the Company. Each of Hefei New Energy and Tongcheng New Energy has become a wholly-owned subsidiary of the Company and Yixing New Energy has become a majority-owned subsidiary of the Company.

On 18 April 2018, upon completion of the registration and issuance of 33,030,516 new shares for the assets acquisition by issuance of shares under the Significant Asset Restructuring, the total share capital of the Company has been increased to 559,797,391 shares.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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)", "the National Scientific and Technological Progress Award (Level 1)(國家科學技術進步一等獎)", etc. "CLFG" (洛玻) brand enjoys certain popularity and brand recognition at home and abroad.

Advantages in respect of product development and 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 ultrawhite 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. In recent years, the Company has taken the lead in the development and successful production of glass of 0.20mm, 0.15mm and 0.12mm series, filling multiple gaps in float glass production technology in China.

Business Summary of the Company

The three newly acquired new energy companies are equipped with high scientific research capabilities, strong abilities to put scientific research results into practical use, and processing techniques, and therefore are able to produce photovoltaic glass product at high yield rate and provide diversified portfolios of quality products, thereby meeting the downstream customers' needs for high-quality photovoltaic glass. What's more, the three companies enjoy obvious location advantages as they are located in eastern China where photovoltaic component manufacturers cluster and have built sound cooperative relationship with main photovoltaic component manufacturers.

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. With the support of China National Building Materials Group, the Company will be built into a capital operation and industrial integration platform specialised in new glass business. Based on its information display glass business, the Company will proactively set its footprint in the new energy glass area, diversify its product structure and expand the utilization scope of its products, thus enhancing profitability and overall competitiveness.

Discussion and Analysis of the Operations

I. DISCUSSION AND ANALYSIS OF THE OPERATIONS

During the reporting period, the Company continued following the management principles of “integration and optimization, quality improvement and benefit increase” and insisted on operation policies of “price stabilization, quantity assurance, cost reduction, receivables collection, inventory control, adjustment”. On this basis, the Company maintained stable production and operation with progresses so as to achieve the goals and tasks of the year.

(1) The Company successfully completed assets acquisition by issuance of shares, which diversified the product structure and broadened the scope of business

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. The Company completed the delivery of the assets in the assets acquisition by issuance of shares and the issuance of new shares in April 2018. Through this restructuring, the Company increased new energy glass business on the basis of its existing 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 customer base. 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) The technological transformation and new projects were advanced steadily

During the reporting period, the Company stably implemented the technological transformation and upgrading of the ultra-thin electronic glass production line of Longhai Electronic Glass. The completion of technological transformation will further optimize and improve production technology and core equipment of the Company. At present, the engineering project has been basically completed.

The Ultra-White Solar Thermal Material Project in Puyang County, the roads in the plant, plant construction and other civil works have been basically completed. The installation of the production line equipment and the kiln masonry has been completed by half and are expected to be completed in the first half of 2019.

The technological transformation and silk-screen printing projects have been successively completed for the production line No.5 of Hefei New Energy; the project of black plate glass for double-glass modules of Yixing New Energy has been completed and put into production; the desulphurization and denitration project of Tongcheng New Energy has been completed and put into operation.

(3) The Company adhered to high-quality development and made great achievements in terms of product output and quality improvement

Longmen Company achieved stable production of “three segments” and enhancement of overall yield rate and customer use rate to a certain extent; Bengbu CNBM Information Display Materials optimised its processes and made new breakthroughs in terms of solving wrap, surface defects, waviness, etc. of glass, resulting in significant improvement of quality; Hefei New Energy reduced the width of glass margin to improve the yield rate of original glass and reduce the unit manufacturing costs.

Discussion and Analysis of the Operations

I. DISCUSSION AND ANALYSIS OF THE OPERATIONS (CONTINUED)

(4) New breakthroughs were made in the research and development of new products

Bengbu CNBM Information Display Materials successfully produced ultra-thin float electronic glass with a width of 0.12mm, once again setting a world record for industrialized production with float technology; Hefei New Energy successively launched the development and trial production of CIGS silk-screen glass, ultrathin photovoltaic cover plate glass, and ultra-thin double glass back glass; Tongcheng New Energy produced the glass products used for smart agriculture; Yixing New Energy could also produce the ultra thin and high transparent photovoltaic glass and its production line ranked high in the industry in terms of “automation, informatization and intelligentization”.

(5) The Company stabilised its development in the domestic market and achieved remarkable results in development of the international market

Through enhancing the collaboration of all production lines, the Company stopped the declining tendency in respect of the prices of electronic glass and photovoltaic glass. Meanwhile, for the new energy segment, the Company proactively developed the markets in South Asia, East Asia, Europe and America, giving rise to growth in overseas sales.

(6) Technological research and development and scientific and technological innovations were fruitful

Bengbu CNBM Information Display Materials was rated as the national champion enterprise in respect of manufacturing of Anhui Province; the Key Technology and Industrialization Research of the Special Glass for the New Photovoltaic Ultra-thin (Cover) Back Plate of Hefei New Energy (《新型光伏超薄(蓋)背板專用玻璃關鍵技術及產業化研究》) was approved as a major science and technology project of Anhui Province; the Research, Development and Application of the Key Technologies for Industrialization of the Ultra White and High Transparent Solar Glass with Resistance to Potential Induced Decay (《防電勢誘導衰減·超白高透太陽能玻璃產業化關鍵技術研發及應用》) as jointly developed by Tongcheng New Energy and Bengbu Institute won the first prize of science and technology progress of CNBM; the Development of Set of Technologies for Industrialization of the Ultra Thin Flexible Electronic Glass Substrate (《極薄柔性電子基板玻璃工業化成套技術開發》) of Bengbu CNBM Information Display Materials won the second prize of science and technology progress of CNBM, and the Research and Development of Sealing Technology and Sealing Structure for the Outlet of Tin Tank (《錫槽出口端密封技術及密封結構研發》) and the Upgrading and Transformation of Ultra-Thin Float Glass Cold-End Equipment (《超薄浮法玻璃冷端設備的升級改造》) won the first prize and the second prize of technological innovation of CNBM, respectively. During the reporting period, 29 new national patents were applied, of which 23 were granted.

(7) The Company enhanced production safety to ensure no accident in production throughout the year and achieved remarkable results in energy conservation and emission reduction

The Company assigned management responsibilities to all levels and no accident happened during the year. Air pollutant emissions further reduced. The total emission reduced from 50 tonnes to 40.96 tonnes, and the emission reduction rate was 18.08%. The comprehensive energy consumption per heavy box was 50.32kg standard coal, down by 6.36% year-on-year.

Discussion and Analysis of the Operations

II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

During the reporting period, the Company's operating revenue amounted to RMB1,402,748,187.74, representing a year-on-year decrease of RMB99,404,722.90; operating profit amounted to RMB25,456,721.73, representing a year-on-year decrease of RMB65,532,111.87; net profit attributable to the shareholders of the Company amounted to RMB15,645,310.47, representing a year-on-year decrease of RMB72,026,952.36; and basic earnings per share attributable to shareholders of the Company amounted to RMB0.0280. Gearing ratio was 70.13%, representing an increase of 3.80 percentage points from 2017.

(I) Analysis of principal operations

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

Unit: Yuan Currency: RMB

Item	2018	2017	Change (%)
Operating revenue	1,402,748,187.74	1,502,152,910.64	-6.62
Operating costs	1,097,267,859.38	1,117,340,289.52	-1.80
Selling expenses	46,941,994.81	53,451,955.52	-12.18
Administration expenses	96,387,902.71	124,499,477.55	-22.58
R&D Expenses	62,819,240.48	54,419,942.57	15.43
Finance expenses	81,065,539.35	77,359,125.40	4.79
Net cash flow from operating activities	-80,220,923.17	-310,839,620.63	N/A
Net cash flow from investment activities	-313,529,004.60	22,161,008.53	-1,514.78
Net cash flow from financing activities	355,367,247.40	295,900,920.24	20.10
Impairment losses of assets	2,108,032.94	21,114,515.20	-90.02
Impairment losses of credit	1,663,767.57		100.00
Gains on disposal of assets	1,306,818.50	6,063,804.98	-78.45
Non-operating income	8,302,300.33	42,201,352.45	-80.33

Reasons for the changes in impairment losses of assets: first, provision was made for impairment of fixed assets in the same period of last year; second, the provision for inventory price drop made in the reporting period decreased.

Reasons for the changes in credit impairment losses: provision was made for impairment of accounts receivable and accounted for under the item according to the new accounting standards of financial instruments during the reporting period. According to the transitional provisions of the new standards, no adjustment is required in case the data in the previous comparative financial statements is inconsistent with the new standards.

Reasons for the changes in gains on disposal of assets: the year-on-year decrease in disposal of wastes.

Discussion and Analysis of the Operations

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

(I) Analysis of principal operations (Continued)

1. *Analytical Statement of Changes in Relevant Items in the Profit Statement and Cash Flow Statement (Continued)*

Reasons for the changes in non-operating income: the year-on-year decrease in the government grant received in the reporting period.

Reasons for the changes in net cash flow from operating activities: the year-on-year increase in cash received from sale of goods and rendering of services.

Reasons for the changes in net cash flow from investment activities: the year-on-year increase in project investment.

2. *Analysis of revenue and costs*

During the reporting period, the Company recorded an operating revenue of RMB1,402,748,200, representing a decrease of 6.62% as compared to that of last year, and an operating cost of RMB1,097,267,900, representing a decrease of 1.80% as compared to that of last year, mainly due to the sales volume of Longhai Glass decreased year-on-year for stopped production of product line for technical transformation. At the same time, as affected by the 531 PV New Policy, decline in selling price of photovoltaic glass led to year-on-year decrease in revenue.

Discussion and Analysis of the Operations

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

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and costs (Continued)

(1). Principal operations by industry, by products and by regions

Unit: Yuan Currency: RMB

Principal operations by industry						
By industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease of operating revenue as compared with last year (%)	Increase/decrease of operating costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
New materials	1,337,353,776.71	1,038,934,036.53	22.31	-6.36	-1.96	Decreased by 3.49 percentage points

Principal operations by products						
By products	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease of operating revenue as compared with last year (%)	Increase/decrease of operating costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
Information display glass	311,272,421.11	222,456,736.81	28.53	-10.58	-11.07	Increased by 0.39 percentage point
New energy glass	1,026,081,355.60	816,477,299.72	20.43	-5.00	0.86	Decreased by 4.62 percentage points

Discussion and Analysis of the Operations

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

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and costs (Continued)

(1). Principal operations by industry, by products and by regions (Continued)

By regions	Principal operations by regions					
	Operating revenue	Operating costs	Gross profit margin (%)	Increase/decrease of operating revenue as compared with last year (%)	Increase/decrease of operating costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
PRC	1,301,735,022.84	1,010,290,265.51	22.39	-6.37	-2.00	Decreased by 3.46 percentage points
Other countries and regions	35,618,753.87	28,643,771.02	19.58	-6.06	-0.38	Decreased by 4.59 percentage points

(2). Analytical statement of output and sales

Major product	Production volume	Sales volume	Storage volume	Increase/decrease of production, sales and storage compared with last year (%)		
				production as compared with last year (%)	sales compared with the same period last year (%)	decrease of storage compared with last year (%)
Information display glass	26,860,000m ²	26,839,100m ²	5,890,700m ²	7.74	-12.28	0.32
New energy glass	48,723,400m ²	47,559,300m ²	3,866,600m ²	7.93	0.06	469.27

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 operations (Continued)

2. Analysis of revenue and costs (Continued)

(3). Analytical Statement of Costs

Unit: Yuan

		By industry				
By industry	Component of cost	2018	Percentage over total cost for the current period (%)	2017	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)
New materials	Direct materials	894,766,115.28	86.12	911,441,582.46	86.01	-1.83
	Direct labour	57,151,379.17	5.50	60,911,067.98	5.75	-6.17
	Manufacturing expenses	87,016,542.08	8.38	87,330,673.70	8.24	-0.36
		By products				
By product	Component of cost	2018	Percentage over total cost for the current period (%)	2017	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)
Information display glass	Direct materials	153,784,370.91	69.80	173,582,042.22	69.39	-11.41
	Direct labour	21,673,356.91	9.84	21,812,641.44	8.72	-0.64
	Manufacturing expenses	44,858,380.62	20.36	54,765,238.79	21.89	-18.09
New energy glass	Direct materials	740,981,744.37	90.52	737,859,540.24	91.15	0.42
	Direct labour	35,478,022.26	4.33	39,098,426.54	4.83	-9.26
	Manufacturing expenses	42,158,161.46	5.15	32,565,434.91	4.02	29.46

Discussion and Analysis of the Operations

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

(I) Analysis of principal operations (Continued)

2. Analysis of revenue and costs (Continued)

(4). Major sales to customers and major suppliers

The total sales to the top five customers amounted to RMB582,840,000, representing 42% of the total annual sales, of which sales to the related party amounted to RMB0, representing 0% of the total annual sales.

The purchase amount of top five suppliers was RMB392,330,000, representing 36% of total purchase amount of the year, of which the amount purchased from the related parties was RMB102,730,000, representing 9% of total purchase amount of the year.

3. Expenses

Unit: Yuan Currency: RMB

Item	2018	2017	Changes (%)	Reasons of Changes
Selling expenses	46,941,994.81	53,451,955.52	-12.18	Mainly due to the year-on-year decrease in transportation expense
Administration expenses	96,387,902.71	124,499,477.55	-22.58	Mainly due to the payment of placement fee for personnel buyout in the last period
R&D Expenses	62,819,240.48	54,419,942.57	15.43	Mainly due to the increase in R&D investment in the reporting period
Finance expenses	81,065,539.35	77,359,125.40	4.79	Mainly due to the year-on-year increase in finance expenses
Income tax expenses	8,960,304.34	27,701,698.70	-67.65	Mainly due to the year-on-year decrease of the profit in the reporting period

Discussion and Analysis of the Operations

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

(I) Analysis of principal operations (Continued)

4. R&D expenditures

Unit: Yuan

Expensed R&D expenditure in current period	62,819,240.48
Capitalized R&D expenditure in current period	15,075,276.42
Total of R&D expenditure	77,894,516.90
Percentage of total R&D expenditure to operating revenue (%)	5.55
Number of the Company's R&D staff	305
Percentage of R&D staff number to the Company's total number of employees (%)	13.26
Percentage of capitalized R&D expenditure (%)	19.35

5. Cash flow

- (1) The net cash flow from operating activities amounted to RMB-80,220,900, representing an increase of RMB230,618,700 as compared with RMB-310,839,600 for the same period last year, mainly due to the increase of cash received from received from cash sale of goods or rendering of services;
- (2) The net cash flow from investing activities amounted to RMB-313,529,000, representing a decrease of RMB335,690,000 over RMB22,161,000 for the same period last year, mainly due to, on the one hand, the year-on-year increase of project investment in the reporting period; on the other hand, the subsidy received for project in the same period last year;
- (3) The net cash flow from financing activities amounted to RMB355,367,200, representing an increase of RMB59,466,300 over RMB295,900,900 for the same period last year, mainly due to the year-on-year increase of financing.

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

The government grant decreased year-on-year during the reporting period.

Discussion and Analysis of the Operations

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

(III) Analysis of assets and liabilities

1. Analytical statement of assets and liabilities

Unit: Yuan

Item	Closing balance of current period	Percentage of closing balance of current period over the total assets (%)	Closing balance of last period	Percentage of closing balance of last period over the total assets	Increase/decrease of closing balance of current period over closing balance of last period (%)	Explanation
Bank balance and cash	276,132,689.62	6.13	204,245,757.54	5.11	35.20	mainly due to the increase in note deposits in the reporting period
Notes receivable and accounts receivable	764,974,316.71	16.98	1,022,562,666.40	25.57	-25.19	mainly due to the increase in sales payment in the reporting period
Prepayments	62,462,228.34	1.39	20,319,301.69	0.51	207.40	mainly due to the increase in advances to suppliers for purchase in the reporting period
Other receivables	46,186,737.52	1.03	90,685,860.01	2.27	-49.07	mainly due to the withdraw of deposit for the land in the reporting period
Inventory	245,395,799.98	5.45	180,924,918.81	4.52	35.63	mainly due to the increase in the inventories in the reporting period
Other current assets	70,237,506.22	1.56	41,988,762.45	1.05	67.28	mainly due to the increase in tax to be deducted in the reporting period
Construction in progress	680,485,100.59	15.11	282,248,916.34	7.06	141.09	mainly due to the increase in the project investments in the reporting period
Long-term deferred expenses	7,923,897.51	0.18	5,539,138.34	0.14	43.05	mainly due to the increase in handling charges for finance leasing in the reporting period
Deferred income tax assets	6,109,809.23	0.14	2,504,761.54	0.06	143.93	mainly due to the effects of changes in expected credit losses resulting from the change of accounting policies in the reporting period
Other non-current assets	2,714,102.55	0.06	8,366,432.63	0.21	-67.56	mainly due to the transfer of part of equipment into construction in progress upon completion of installation in the reporting period
Notes payable and accounts payable	983,155,055.62	21.83	711,822,787.13	17.80	38.12	mainly due to the increase in the purchase in the reporting period

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)

Item	Closing balance of current period	Percentage of closing balance of current period over the total assets (%)	Closing balance of last period	Percentage of closing balance of last period over the total assets	Increase/ decrease of closing balance of current period over closing balance of last period (%)	Explanation
Receipts in advance			21,475,187.43	0.54	-100	mainly due to that the receipts in advance received from sale of goods were accounted for and presented as "contract liabilities" according to the accounting requirements under the New Revenue Standard in the reporting period. According to the convergence provisions of New Revenue Standard, no adjustment was made to the data in the comparative financial statements for the previous period
Contract liabilities	29,020,814.15	0.64			100	mainly due to that the amount of contract consideration received or the rights to unconditionally receive contract consideration obtained prior to sales of goods to customers was presented as contract liabilities according to the accounting requirements under the new revenue Standard. As the Company implemented the new standard in the reporting period, the right to consideration was recognised as contract liabilities when it was received or obtained and the revenue was recognized when the goods were sold. According to the convergence provisions of New Revenue Standard, no adjustment was made to the data in the comparative financial statements for the previous period
Taxes payable	18,769,988.13	0.42	31,525,000.52	0.79	-40.46	mainly due to the decrease in income tax payable in the reporting period
Long-term borrowings	521,429,305.35	11.58	370,796,745.65	9.27	40.62	mainly due to the increase in borrowings in the reporting period

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 2018, the Group's liquidity ratio was 0.58 (31 December 2017: 0.72) and quick ratio was 0.43 (31 December 2017: 0.61). The turnover rate of accounts receivable for the year was 2.61 times (31 December 2017: 3.21 times); and the turnover rate of inventory was 4.87 times (31 December 2017: 5.22 times).

(2) Financial resources

As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB160,068,348.62, including 97.90% dominated in RMB and 2.10% dominated in US\$ and other foreign currencies.

As at 31 December 2018, the Group's bank loans amounted to RMB1,609,355,266.98 (31 December 2017: RMB1,380,251,993.87), including short-term loans amounting to RMB851,888,356.04 (31 December 2017: RMB812,509,000) and long-term loans amounting to RMB757,466,910.94 (31 December 2017: RMB567,742,993.87).

(3) Capital structure

As at 31 December 2018, the Group's current liabilities amounted to RMB2,530,476,027.00 (31 December 2017: RMB2,173,272,699.98), representing an increase of 16.43% from 2017; non-current liabilities amounted to RMB628,364,792.15 (31 December 2017: RMB478,990,428.91), representing an increase of 31.19% from 2017; and equity attributable to shareholders of the Parent Company amounted to RMB1,245,216,484.61 (31 December 2017: RMB1,131,687,647.58), representing an increase of 10.03% from 2017.

Discussion and Analysis of the Operations

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

(III) Analysis of assets and liabilities (Continued)

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

Unit: Yuan Currency: RMB

Item	Book value at the end of the period	Reasons for restriction
Monetary funds	116,064,341.00	Deposits
Notes receivable	42,919,181.57	Pledge
Fixed assets	588,625,358.12	Mortgage
Intangible assets	52,824,704.17	Mortgage
Total	800,433,584.86	–

(IV) Analysis on industry operating information

Information display glass segment:

As the major products of the Company, the ultra-thin glass substrate for information display glass 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 key strategies such as the “Internet + (互聯網+)” and Big Data as well as the approach of smart home and 5G era, the products made in China are enjoying obvious competitive advantages benefiting from their improved quality. 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.

New energy glass segment:

For this segment, the Company is principally engaged in the research and development, production and sales of photovoltaic glass for its end-users, namely photovoltaic power stations. The photovoltaic glass business is expected to be profitable in the middle and long term as the development of the photovoltaic power generation industry is encouraged and supported by the government.

Discussion and Analysis of the Operations

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

(IV) Analysis on industry operating information (Continued)

New energy glass segment: (Continued)

As one of the key emerging industries, the solar power industry now steps into the stage of large-scale development in the world with increasing demand for solar power products. As estimated by the International Energy Agency, the cumulative installed capacity of photovoltaics is expected to reach 1,721 GW by 2030, and will further increase to 4,670 GW by 2050, signifying great potential for development for the photovoltaic industry. In recent years, China has introduced a series of industrial policies to promote the development of the domestic photovoltaic application market and the extensive application of photovoltaic energy, which has become the key drivers for increased photovoltaic application in the world. As at the end of 2018, the cumulative on-grid capacity of photovoltaic power in China reached 174GW, making China the top country in terms of installed capacity of photovoltaics for six consecutive years. Photovoltaic power will remain as a clean energy with key support from the government and, therefore, will gain greater support in the future.

The introduction and implementation of policies on the photovoltaic industry is anticipated to be accelerated in 2019. In light of the expected steady growth in the photovoltaic industry in the future, the prospect for the overall photovoltaic glass market will be bright given the status of photovoltaic glass as a key material in photovoltaic module packaging. Statistics show that the output of photovoltaic modules reached 85.7GW in 2018 and will exceed 90GW in 2019. In addition, unifacial photovoltaic modules continued to lead the market in 2018, accounting for a market share of 90%, while bifacial photovoltaic modules were mainly used in the “Forerunner” projects, with its market share increasing significantly to 10%. With the promotion of new photovoltaic applications such as agricultural-photovoltaic and hydro-photovoltaic power stations, bifacial photovoltaic modules are expected to be applied in a wider range of fields, thus driving the market demand for photovoltaic cover plate glass and back glass.

(V) Analysis of investment

1. Overall analysis of external equity investment

During the reporting period, the Company completed a significant asset restructuring. It acquired 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy held by eight counterparties including CLFG by means of issuance of shares to develop new energy photovoltaic glass business on the basis of the ultra-thin glass substrate business.

The Company's capital increase of RMB239,500,000 in Puyang Photoelectric Material, its wholly-owned subsidiary, was considered and approved at the twenty-third Board meeting of the eighth session of the Board of the Company. As at the end of the reporting period, the Company has contributed capital of RMB182,195,020 in aggregate to Puyang Photoelectric Material in cash and in kind.

The Company's increase of RMB50,000,000 in the registered capital of Longmen Glass, its wholly-owned subsidiary, was considered and approved at the sixtieth Board meeting of the eighth session of the Board of the Company. The registered capital of Longmen Glass will increase from RMB20,000,000 to RMB70,000,000 after the capital contribution.

Discussion and Analysis of the Operations

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

(VI) Sale of significant assets and equity interests

N/A

(VII) Analysis of major subsidiaries and controlled and investee companies

Unit: Yuan

Company name	Industry	Major product or services	Registered capital	Total assets	Net assets	Net profit
CLFG Longmen Glass Co., Ltd.	New materials	Information display glass	70,000,000	129,922,357.60	-496,937,876.86	100,920.66
CLFG Longhai Electronic Glass Co., Ltd.	New materials	Information display glass	100,000,000	376,227,664.59	155,484,414.67	-10,363,369.75
Bengbu CNBM Information Display Material Co., Ltd.	New materials	Information display glass	632,764,300	956,306,829.01	796,219,716.83	33,721,653.10
CNBM (Puyang) Photoelectric Material Co., Ltd.	New materials	New energy glass	240,000,000	477,793,201.65	181,731,505.56	539,719.90
CNBM (Hefei) New Energy Co., Ltd.	New materials	New energy glass	130,000,000	1,254,823,834.06	216,849,755.64	13,279,733.56
CNBM (Tongcheng) New Energy Materials Co., Ltd.	New materials	New energy glass	133,388,980	561,857,568.02	242,302,372.28	8,180,824.20
CNBM (Yixing) New Energy Resources Co., Ltd.	New materials	New energy glass	313,700,000	1,049,334,320.48	345,138,285.41	14,989,719.87

(VIII) Five-year financial highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2018 are summarized below:

Operating results

Unit: Yuan Currency: RMB

Item	2018	2017	2016	2015	2014
Operating income	1,402,748,187.74	1,502,152,910.64	1,167,990,738.04	745,938,243.31	665,626,833.11
Total profit	32,146,544.91	132,789,587.47	76,107,147.69	-195,869,932.09	29,676,645.61
Income tax	8,960,304.34	27,701,698.70	16,290,022.67	9,930,146.82	15,381,083.58
Net profit	23,186,240.57	105,087,888.77	59,817,125.02	-205,800,078.91	14,295,562.03
Net profit attributable to the owners of the parent company	15,645,310.47	87,672,262.83	55,437,169.81	-203,080,728.10	10,594,310.23
Minority interests	7,540,930.10	17,415,625.94	4,379,955.21	-2,719,350.81	3,701,251.80

Discussion and Analysis of the Operations

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

(VIII) Five-year financial highlight (Continued)

Assets and liabilities

Unit: Yuan Currency: RMB

Item	2018	2017	2016	2015	2014
Monetary funds	276,132,689.62	204,245,757.54	248,020,020.85	155,679,819.77	104,269,187.03
Inventory	245,395,799.98	180,924,918.81	225,066,290.40	230,131,937.61	271,503,230.12
Fixed assets	1,915,114,403.91	1,766,535,573.58	1,885,812,876.39	1,412,853,884.72	1,115,883,745.01
Construction in progress	680,485,100.59	282,234,935.76	95,120,361.81	319,748,257.43	800,196,238.52
Non-current assets	3,038,792,641.97	2,437,724,816.09	2,318,956,162.94	2,012,935,787.07	2,235,138,904.58
Current liabilities	2,530,476,027.00	2,173,272,699.98	1,901,391,114.87	1,525,345,468.61	1,493,795,207.58
Non-current liabilities	628,364,792.15	478,990,428.91	327,012,156.05	707,949,996.46	470,184,675.53
Share capital	559,797,391.00	526,766,875.00	526,766,875.00	515,018,242.00	500,018,242.00
Equity attributable to owners of the Parent Company	1,245,216,484.61	1,131,687,647.58	1,028,713,715.86	473,425,028.37	920,411,437.66
Minority interests	100,124,616.60	214,501,306.52	197,085,680.58	35,672,100.56	-50,397,082.97

(IX) Others

1. *Gearing ratio*

As at the end of the reporting period, the gearing ratio was 70.13%, up by 3.80 percentage points as compared with the corresponding period last year.

2. *Net foreign exchange loss*

Details about foreign exchange profit and loss during the reporting period are set out in Note V (note 37) to the financial statements.

3. *Taxation*

Details about taxation during the reporting period are set out in Note V (notes 23 and 44) 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 11 and 13) 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 19, 25 and 26) to the financial statements.

6. *Capitalization of interests*

Interests capitalised during the reporting period were RMB11,099,082.32.

Discussion and Analysis of the Operations

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

(IX) Others (Continued)

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 29, 30 and 31) to the financial statements.

9. Accumulated losses

As at 31 December 2018, the accumulated loss of the Company was RMB-1,337,084,302.73.

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.

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry competition pattern and development trend

In 2019, with the approach of smart home and 5G era, the compound annual growth rate of the global ultra-thin glass market is expected to reach more than 10%. In light of a good situation of electronic products, the demand for electronic glass will also increase. Despite of the acute structural imbalance, high-quality glass will be in short supply, while the low-end and mid-end glass market will still be highly competitive. In general, market conditions will be prudent and optimistic. The photovoltaic glass market will gradually pick up with the improvement of the photovoltaic industry. It is expected that the demand for photovoltaic glass will show an upward trend in the second quarter. At the same time, with the continuous release of new production capacity, the market competition will remain grim and the overall situation will be mixed with opportunities and challenges.

(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.

Discussion and Analysis of the Operations

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

(III) Business plan

In 2019, the Company will uphold the work policy of “ensuring growth, stress on optimisation, great efforts on reform, and reinforcement of Party building”, the Company will implement the business principle of “adhering to priority to efficiency and effectiveness, insisting on the main highlight of specialization, adhering to the meticulousness, refinement and solidity, putting emphasis on the operating concept of “Price-Cost-Profit”, upholding the integration and optimization, striving for digitization” and the operation measures of “price stabilization, cost reduction, quantity guarantee, inventory control and optimization”. The Company will strive to achieve a production of 107 million square meters and operating income of RMB2,033 million in the year.

The Company will adhere to the concept of high quality operation and high quality development. Regarding quality as the lifeline for survival and development, all production units will give top priority to product quality in production and operation activities to ensure that product quality will reach a new level.

With enhancing “organization streamlining, meticulous management and lean operation” as drivers, the Company will strengthen the overall planning of the market and explore the new business model of “glass +” to improve the market coordination and further give play to synergistic effects. It will continue to intensify efforts in “improving efficiency, cutting expenditures and reducing costs” and continued to reduce “accounts receivables, inventories, other receivables, prepayments, interest-bearing liabilities, and monetary funds” to achieve good financial position and enhance quality and efficiency.

(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 strengthen and technical equipment, keep abreast of the changing market demands, and produce quality products with high added-value, so as to maintain stable profitability and high profit level.

Risks arising from policies are mainly reflected in the following aspects: new energy glass business is substantially influenced by macro-economic conditions, electric power demand, industry policies, etc. Any material changes in relevant industry policies may affect the construction size and progress of photovoltaic power stations, and in turn exert adverse impact on the operating conditions and profitability of the Company’s new energy glass business.

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 bills and account receivables as well as other receivables. The Company assesses the credit quality of customers, taking into account their financial positions, past experience and other factors, and selects customers with good credit rating, and regularly makes sufficient provision for bad debts based on customers' credit rating.

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

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

Discussion and Analysis of the Operations

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

(IV) Potential Risks (Continued)

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 information display glass and new energy glass and gained abundant experience in product research and development. Therefore, the Company does not confront with technical risks regarding the above.

IV. 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 2018, 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 <i>(share)</i>	Dividend for every 10 shares <i>(RMB, tax inclusive)</i>	Conversion into share capital for every 10 shares <i>(share)</i>	Amount of cash dividend <i>(tax included)</i>	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 <i>(%)</i>
2018	0	0	0	0	15,645,310.47	0
2017	0	0	0	0	87,672,262.83	0
2016	0	0	0	0	55,437,169.81	0

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

N/A

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**

1. *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 by the undertaking party as of the end of the reporting period.

2. *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 by the undertaking party 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)

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

- (1) CLFG and CNBM 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.
- (2) Hefei Gaoxin Investment committed not to transfer the shares of Luoyang Glass obtained through the transaction within 12 months after the issuance.
- (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.
- (4) CLFG and Bengbu Institute committed not to 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.

The aforesaid commitments have been honored by the undertaking party 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. 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 .
- (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.

The aforesaid commitments have been honored by the undertaking party 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)

5. *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.

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

6. *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.

Pursuant to the Review Report on the Level of Fulfillment of the Performance Commitment (Da Xin Zhuan Shen Zi [2019] No. 2-00388) issued by PKF Daxin Certified Public Accountants LLP, the audited net profit after non-recurring gain and loss of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2018 were RMB10,848,800, RMB6,972,200 and RMB11,669,100, respectively, resulting in their failure to complete the performance commitments. The Company will urge the counterparties to compensate according to the prescribed terms within the prescribed time under the arrangements of the Profit Guarantee Indemnity Agreements in relation to Acquisition of Assets by Issuance of Shares and the supplemental agreement thereto.

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)

6. Significant assets restructuring in 2017 and commitment on profit compensation(Continued)

- (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.

As at 13 April 2018, the Company has completed the delivery of the assets in the transaction. According to the audit report issued by PKF Daxin Certified Public Accountants LLP, the total audited net profit realized by the three target companies for 2017 was RMB84,519,828.26, which was lower than the expected total net profit of RMB87,335,300 for 2017 of the target companies as set out in the Asset Valuation Report. The difference between the accumulated actual net profit and the accumulated expected net profit was RMB2,815,471.74.

On 31 May 2018, the Company received from Triumph Group the compensation in the amount of RMB2,815,471.74.

The independent non-executive Directors of the Company are of the view that Triumph Group has fully performed its guarantee obligations under the Profit Guarantee for 2017 and such performance is fair and reasonable and in the interests of the Shareholders as a whole.

(II) Explanations as to whether any asset or project of the 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

As approved by the CSRC, the Company acquired 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy through issuance of shares. The counterparties (including CLFG, Hefei Gaoxin Investment, Huaguang Group, Bengbu Institute, International Engineering, Triumph Group, Yixing Environmental Technology and 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 thereto.

The respective net profit after non-recurring profit and loss of each of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2018 was RMB10,848,800, RMB6,972,200 and RMB11,669,100, respectively, failing to fulfill the performance commitments.

Significant Events

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 (Continued)

Failure in fulfilling the performance commitments was mainly due to that: the principal businesses of the Target Companies are research and development, production and sales of photovoltaic glass and the end users are the photovoltaic power stations, which are greatly affected by the national policy on the photovoltaic industry. On 31 May 2018, the NDRC, the Ministry of Finance, and the National Energy Administration jointly issued the "Notice on Matters Related to Photovoltaic Power Generation in 2018" (《關於2018年光伏發電有關事項的通知》) to control the scale of distributed photovoltaic power and lower subsidy standards on on-grid tariff, which caused a big impact on the photovoltaic industry and resulted in a decline in the market price of glass for photovoltaic modules. As affected by the 531 New Policy, the policy environment of the photovoltaic industry in 2018 changed significantly as compared with that when the profit forecast was made, resulting in that the target companies' operating revenue and net profit fell short of expectations in 2018.

(III) Level of fulfillment of performance commitments and its impact on the test of goodwill impairment

According to the Profit Guarantee Indemnity Agreements in relation to Acquisition of Assets by Issuance of Shares and the supplemental agreement entered into by the Company with the counterparties (including CLFG, Hefei Gaoxin Investment, Huaguang Group, Bengbu Institute, International Engineering, Triumph Group, Yixing Environmental Technology and GCL System Integration) when the very substantial acquisitions were carried out, the counterparties undertook that, in 2018, the audited net profit after deducting non-recurring profit and loss of each of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2018 should be not less than RMB61,678,800, RMB26,367,100 and RMB33,370,300, respectively. According to special audit report issue by PKF Daxin Certified Public Accountants LLP, the audited net profit after deducting non-recurring profit and loss of each of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2018 was RMB10,848,800, RMB6,972,200 and RMB11,669,100, respectively, all underperformed the promised results, with a respective shortfall of RMB50,830,000, RMB19,394,900 and RMB21,701,200.

Impact of the level of fulfillment of performance commitments on the test of goodwill impairment: not applicable

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

As at 31 December 2018, the Company did not have any funds appropriated for non-operating purposes by controlling shareholders and its associates.

Debt clearance of the funds appropriated for non-operating purposes by controlling shareholders during the Reporting Period are set out as follows:

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

During the significant asset restructuring of the Company in 2015, CLFG made a commitment regarding voluntary performance compensation with respect to Bengbu CNBM Information Display, being the exchange-in assets: If the audited net profits of Bengbu CNBM Information Display 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 valuation report, it would make compensation to Luoyang Glass in cash. In 2017, the net profits of Bengbu CNBM Information Display estimated in the valuation report amounted to RMB69,680,000, while Bengbu CNBM Information Display 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 to the Company in cash within six months upon the date of issue of auditor's report of Bengbu CNBM Information Display for the year of 2017. Since the auditor's report of Bengbu CNBM Information Display was issued on 22 March 2018, there was the amount of funds appropriated for non-operating purposes of RMB15,301,700 as at 31 December 2017. On 29 March 2018, the Company had received the performance compensation amount of RMB15,301,700 from CLFG. So far, the issue relating to the appropriation of non-operating funds by the above-mentioned controlling shareholder as result of its performance commitment 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 released the revised Accounting Standard for Business Enterprises No. 14 –Revenue (hereafter referred to as “New Revenue Standard”) and the Accounting Standards for Business Enterprises No. 22 –Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 –Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 –Hedge Accounting and Accounting Standards for Business Enterprises No. 37 –Presentation of Financial Instruments (the four standards above are collectively referred to as “New FI Standards”).

In June 2018, the Ministry of Finance issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the year 2018 (Cai Kuai [2018] No. 15) (hereinafter referred to as the “Financial Statements Format”).

The Company has applied New Revenue Standard, New FI Standards and notice since 1 January 2018 and made amendments to relevant contents in the accounting policies.

Significant Events

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 (CONTINUED)

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

1. *New Revenue Standard*

The New Revenue Standard replaces Accounting Standards for Business Enterprises No. 14 – Revenue and Accounting Standards for Business Enterprises No. 15 –Construction Contracts issued by the Ministry of Finance in 2006 (collectively referred to as the “old revenue standards”). Under the old revenue standards, the Company recognized revenue when the risks and rewards had passed to the customers. The New Revenue Standard introduces the 5-step approach for recognition and measurement of revenue and provides more guidance on specific transactions or events. Under the New Revenue Standard, revenue is recognised when the Company transfers the control over goods or services to the customers. For specific accounting policy on revenue recognition and measurement, please refer to item 26 of Note III.

The Company adjusted relevant accounting policies pursuant to the requirements regarding special events or transactions as specified under the New Revenue Standard. In accordance with the requirements of the New Revenue Standard, the Company presents contract assets or contract liabilities in the balance sheet based on the relationship between the performance of obligations and the payment by customers. Meanwhile, the Company provides more disclosures on revenue-related disclosure requirements in accordance with the New Revenue Standard, such as information on important contracts or business and performance obligations and information on the transaction price allocated to the remaining performance obligations, including the normal fulfillment time of performance obligations, important payment terms, the nature of the goods to be transferred by the Company (including illustrating whether the Company acts as an agent), payments that are assumed by Company and will be refunded to customers and other similar obligations, the type of quality assurance and relevant obligations, etc.

The Company assessed the impact of the New Revenue Standard on its financial statements based on a review of its revenue sources and performance process of contracts with customers. Since the Company derives its revenue mainly from sales of products, over 99% of the revenue is generated from sales agreement of products with approved prices and recognized when the control of the products is transferred to relevant customer. The adoption of the New Revenue Standard has no material impact on the financial statements of the Company.

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 (CONTINUED)

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

2. *New FI Standards*

The New FI Standards classify financial assets into three categories: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; and (3) financial assets at fair value through profit or loss. Under the New FI Standards, the classification of financial assets is determined based on the business model of the Company's management of financial assets and the contractual cash flow characteristics of the assets. The New FI Standards remove the three categories of held-to-maturity investments, loans and accounts receivables and available-for-sale financial assets as defined in the original financial instruments standards. The New FI Standards replace the "loss incurred" model in the original financial instrument standard with the "expected credit loss" model. For specific accounting policy of the Company under the New FI Standards, please refer to item 10 of Note III.

The adoption of the New FI Standards has no significant impact on the accounting policies of the Company regarding the financial liabilities.

In accordance with the New FI Standards, the Company made retrospective adjustments to the classification and measurement of financial instruments (including impairment) besides certain specific circumstances, thereby the difference between the original book value of financial instruments and the new book value as at the implementation date of the New FI Standards (i.e. 1 January 2018) is included in the retained earnings as at the beginning of 2018.

Significant Events

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 (CONTINUED)

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

3. Comprehensive impact of the implementation of New Revenue Standard and New FI Standards on Adjustments to Financial Statements

Impact of the implementation of New Revenue Standard and New FI Standards on items of the consolidated balance sheet and the balance sheet of the Company as at 1 January 2018 is summarized as follows:

Unit: RMB

Items of the consolidated balance sheet	Balance as at 31 December 2017 prior to the changes in accounting policies	Impact of the New Revenue Standard	Impact of the New FI Standards	Balance as at 1 January 2018 following the changes in accounting policies
Assets:				
Notes and accounts receivable	1,022,562,666.40		-19,639,377.89	1,002,923,288.51
Other receivables	90,685,860.01		-1,803,471.53	88,882,388.48
Deferred income tax assets	2,504,761.54		3,419,217.15	5,923,978.69
Liabilities:				
Payments received in advance	21,475,187.43	-21,475,187.43		21,475,187.43
Contract liabilities		21,475,187.43		21,475,187.43
Shareholders' equity				
Retained earnings	-1,338,290,605.36		-14,439,007.84	-1,352,729,613.20
Minority interest	214,501,306.52		-3,584,624.43	210,916,682.09

Significant Events

V. ANALYSIS AND EXPLANATION OF THE COMPANY ON REASONS FOR AND EFFECTS OF CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND CORRECTIONS OF SIGNIFICANT ACCOUNTING ERRORS (CONTINUED)

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

3. Comprehensive impact of the implementation of New Revenue Standard and New FI Standards on Adjustments to Financial Statements (Continued)

Item of the balance sheet of the Company	Balance as at 31 December 2017 prior to the change in the accounting policies	Impact of the New Revenue Standard	Impact of the New FI Standards	Balance as at 1 January 2018 following the changes in accounting policies
Assets:				
Notes and accounts receivable	211,797,338.88		-156,945.53	211,640,393.35
Other receivables	31,131,296.66		-310,594.67	30,820,701.99
Liabilities:				
Payments received in advance	7,813,062.37	-7,813,062.37		7,813,062.37
Contract liabilities		7,813,062.37		7,813,062.37
Shareholders' equity				
Retained earnings	-1,396,267,053.32		-467,540.20	-1,396,734,593.52

4. Impact of the implementation of the Financial Statements Format

In accordance with the requirements of Financial Statements Format, except for the presentation changes resulted from the implementation of the abovementioned New Revenue Standard and New FI Standards, the Company consolidated the "notes receivable" and "accounts receivable" to the newly added "notes and accounts receivable" item, consolidated the "dividends receivable" and "interests receivable" to "other receivables", consolidated the "disposal of fixed assets" to the "fixed assets" item, consolidated the "engineering materials" to the "construction in progress" item, consolidated the "notes payable" and "accounts payable" to the newly added "notes and accounts payable" item, consolidated the "specific payable" to the "long-term payables" item, and the "R&D expenses" item is split from the "administrative expenses" item in the income statement, the "interest expenses" and "interest income" are split from the "financial expenses" item; the "change in the defined benefit plan carried forward to retained earnings" item was added to the statement of changes in equity and the Company restated the comparative period statement accordingly. This change in accounting policy has no impact on the merger and the Company's net profit and shareholders' equity.

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	128
Term of the audit services provided by domestic accounting firm	11

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

Explanation on appointment or dismissal of accounting firms

At the general meeting of the Company held on 20 June 2018, the reappointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for the year 2018 and authorization to the Board for determining its remunerations according to the audit workload were considered and approved.

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. 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 27 April 2018, the following were considered and approved by the 2018 first extraordinary general meeting of the Company: the Technical Services Framework Agreement, the Engineering Equipment Procurement and Installation Framework Agreement, the Sale and Purchase of Spare Parts Framework Agreement, the Sale of Raw Materials Framework Agreement, the Sale and Purchase of Glass Products Framework Agreement, the Supply of Electricity Framework Agreement by and between the Company and CNBM and the Annual Caps thereof, and the Sale and Purchase of Products Framework Agreement by and between the Company and Triumph Group and the Annual Cap thereof. The Company and its subsidiaries will receive goods or services from the abovementioned related parties or sell products to them during the period from 2018 to 2020 on a continuous basis.</p>	<p>Announcement No. Lin 2018-006 on 24 January 2018 and Announcement No. Lin 2018-030 on 27 April 2018 at http://www.sse.com.cn and http://www.hkexnews.hk</p>
<p>On 26 January 2018, the Company entered into the Payment Support Agreement with CLFG, pursuant to which CLFG agreed to provide merchandise payment settlement support to the Company. The cumulative payment amount to be paid on behalf of the Company under the Payment Support Agreement shall not exceed RMB200 million, and is subject to the actual amount incurred between the parties.</p>	<p>Announcement Lin No. 2018-011 on 26 January 2018 at http://www.sse.com.cn and http://www.hkexnews.hk</p>
<p>On 1 February 2018, the Company entered into the Sale And Purchase Of Sodium Carbonate Agreement and the Sale and Purchase of Ultra-thin Glass Agreement with Triumph Group; Bengbu CNBM Information Display and Bengbu Chemical and Machinery entered into the Sale and Purchase Contracts for Wooden Boxes; which involved aggregate transaction amounts of not more than RMB13.50 million (tax inclusive), RMB8 million (tax inclusive) and RMB2.40 million (tax inclusive) and were all terminated on the effective date of the framework agreements on continuing connected transactions which were considered and approved at the extraordinary general meeting of the Company.</p>	<p>Announcement Lin 2018-013 on 1 February 2018 at http://www.sse.com.cn and http://www.hkexnews.hk</p>
<p>On 30 July 2018, the Company entered into the Financial Services Framework Agreement with Triumph Group, pursuant to which, the Triumph Group agreed to provide the Company and its subsidiaries with financing guarantee in an aggregate principal amount of not more than RMB1,541.30 million and payments to be paid on behalf of the Company in the principal amount of not more than RMB853.10 million.</p>	<p>The announcement No. Lin 2018-044 on 30 July 2018 at http://www.sse.com.cn and http://www.hkexnews.hk</p>

Significant Events

VIII. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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
<p>On 3 May 2018, the Company and CLFG entered into the Payment Support Agreement, pursuant to which, CLFG would provide the payment support and the cumulative payment to be paid on behalf of the Company under the Payment Support Agreement shall be not more than RMB60 million, and is subject to the actual amount incurred between the parties. On 20 June 2018, the Company entered into the Payment Support Supplemental Agreement (《資金代付補充合同》) with CLFG, pursuant to which CLFG agreed to increase the payment to be paid on behalf of the Company by a cumulative amount of not more than RMB100 million, which is subject to the actual amount incurred between the parties, on the basis of the Payment Support Agreement signed by both parties on 3 May 2018.</p>	<p>Announcement No. Lin 2018-031 on 3 May 2018 and announcement No. Lin 2018-039 on 20 June 2018 http://www.sse.com.cn · http://www.hkexnews.hk</p>

(II) Related party transactions in relation 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*

Overview of Events	Search Index
<p>By means of issuance of shares, the Company acquired 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy. On 13 April 2018, the procedures for transfer of ownership of equity interests in Hefei New Energy, Tongcheng New Energy and Yixing New Energy and the change of relevant business registration were completed. On 18 April 2018, the 33,030,516 additional shares (all being shares subject to trading moratorium) involved in acquisition of assets by issuance of shares were registered with the Shanghai branch of China Securities Depository and Clearing Corporation Limited.</p>	<p>Announcements No. Lin 2018-027, No. Lin 2018-028, No. Lin 2018-033, No. Lin 2018-036, No. Lin 2018-040, No. Lin 2018-049 at http://www.sse.com.cn and http://www.hkexnews.hk</p>

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

Upon audit, the net profit after deducting non-recurring profit and loss of each of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2018 was RMB10,848,800, RMB6,972,200 and RMB11,669,100, respectively, all underperformed the promised results, details of which are set out under the parts numbered (II) and (III) of subhead II in this section.

Significant Events

VIII. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

N/A

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

N/A

IX. 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	84,700,000.00
Total balance of the guarantees amount provided to subsidiaries at the end of the reporting period	84,700,000.00

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

Total amount of guarantees	84,700,000.00
Percentage of total guarantee amount in net assets of the Company (%)	6.80

(III) Entrusting others to manage cash assets

N/A

Significant Events

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation efforts of the listed Company

N/A

(II) Performance of social responsibilities

N/A

(III) Information on environment protection

1. *Information on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities*

During the reporting period, three wholly-owned subsidiaries of the Company fell under the Environmental Information Disclosure Directory or the the Directory of Major Pollution Discharge Units published by the environmental protection authorities in the places where they operated. Details are as follows:

Each of Longmen Glass, Tongcheng New Energy and Hefei New Energy, all being wholly-owned subsidiaries of the Company, was listed under the 2018 Environmental Information Disclosure Directory for Enterprises and Public Institutions of Luoyang City, the 2018 Environmental Information Disclosure Directory for Enterprises and Public Institutions of Anqing City, and the 2018 Directory of Major Pollution Discharge Units of Hefei City, respectively.

Significant Events

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Information on environment protection (Continued)

1. Information on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities (Continued)

(1) Information on pollution discharge

Subsidiary	Type of pollutant	Representative pollutant	Way of discharge	Number and distribution of discharge vent
Longmen Glass	Exhaust	Dust, NOx, SO ₂	Emission by chimney stack after being treated through electrostatic precipitator and SCR denitration.	1 set
	Wastewater	COD, NH ₃ -N	Production wastewater was subject to reuse after treatment with a small proportion being discharged into the sewage pipe network; domestic sewage was discharged into the sewage pipe network after treatment through septic tank.	1 piece
Tongcheng New Energy	Exhaust	SO ₂ , NOx, atmospheric particulate matters	Emission by the 90-meter-high chimney stack via a desulfuration induced-draft fan after being treated through the process of high temperature electrostatic precipitator ESP, the SCR denitration, the R-SDA semi-dry desulfurization system and the dust removal with a bag filter.	1 set
	Wastewater	PH, COD, BOD ₅ , NH ₃ -N, SS	Production wastewater was subject to reuse after treatment with a small proportion being discharged into the sewage pipe network; domestic sewage was channeled into the sewage treatment works via urban sewage pipeline after pre-treatment.	1 piece
Hefei New Energy	Exhaust	SO ₂ , NOx, atmospheric particulate matters	Emission by chimney stack after being treated with the full-oxygen combustion technology and through semi-dry desulfurization.	1 set
	Wastewater	PH, COD, BOD ₅ , NH ₃ -N, SS	Production wastewater was subject to reuse after treatment with a small proportion being discharged into the sewage pipe network; domestic sewage was channeled into the sewage treatment works via urban sewage pipeline after pre-treatment.	1 piece

Significant Events

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Information on environment protection (Continued)

1. Information on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities (Continued)

(1) Information on pollution discharge (Continued)

The following table sets forth the annual total discharge indicators for major pollutants as determined by the environmental protection authorities and the total discharge during the reporting period:

Subsidiary	Code of discharge permit	Type of pollutant	Total discharge indicators of major pollutants (tonnes per year)	Total discharge during the reporting period (tonnes)	
Longmen Glass	Yu Huan Xu Ke Luozi [2016] No. 21 (豫環許可洛2016字021號)	Exhaust	SO ₂	69.94	18.408
		Wastewater	NOx	162.4	85.908
			COD	3.2	3.048
Tongcheng New Energy	91340881567507232G001P	Exhaust	NH ₃ -N	0.072	0.004
			SO ₂	174.5	18.476
			NOx	305	103.062
Hefei New Energy	91340100570418775Y001P	Exhaust	Particulate matters	21.8	12.872
			SO ₂	36.7	15.316
		Wastewater	NOx	169.5	110.508
			COD	-	28.569
			NH ₃ -N	-	3.431

(2) Construction and operation of pollution prevention and control facilities

The subsidiaries of the Company have been in strict compliance with Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), and other environmental protection laws and regulations in their ordinary course of production and operation, and have formulated well-equipped pollution prevention and control facilities to enhance the construction of environmental protection facilities and the operation and maintenance management thereof on a continuous basis. During the reporting period, all the existing pollution prevention and control facilities were under normal operation and made for the up-to-par discharge.

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Information on environment protection (Continued)

1. Information on environmental protection of enterprises and its key subsidiaries which were classified as major pollution discharge units published by the environmental protection authorities (Continued)

(3) Environmental effect assessment of construction projects and other environment protection administrative permits

All subsidiaries of the Company have carried out environmental effect assessment for the projects in the construction of the production lines and obtained the approval of the local environmental protection authorities. Longmen Glass obtained the pollutant discharge permit issued by Luoyang Environmental Protection Bureau according to the Emission Standard of Air Pollutants for Electronic Glass Industry (《電子玻璃工業大氣污染物排放標準》) and Integrated Wastewater Discharge Standard (《污水綜合排放標準》); each of Tongcheng New Energy and Hefei New Energy obtained their respective pollutant discharge permit issued by Anqing Environmental Protection Bureau and by Hefei Environmental Protection Bureau according to Technical Specification for Application and Issuance of Pollutant Permit – Glass Industry Sheet Glass (《排污許可證申請與核發技術規範--玻璃工業平板玻璃》) (HJ 856-2017).

(4) Contingency plan for environmental emergency

The subsidiaries of the Company formulated their respective Contingency Plan for Environmental Emergency (“Contingency Plan”) in light of the production process, pollutant generation aspects and environmental risk analysis and in accordance with the relevant provisions under the Administrative Measures on Contingency Plan for Environmental Emergency (《突發環境事件應急預案管理辦法》) and the National Environmental Emergency Plan (《國家突發環境事故應急預案》). They also organised expert reviews over the Contingency Plan and filed the same with local environmental protection authorities as required. During the reporting period, emergency drills concerning contingent environmental events were carried out as scheduled and no material contingent environmental events occurred.

(5) Environment self-monitoring program

In accordance with Articles 42 and 55 of the Environmental Protection Law, the Notice on Implementation of Total Emission Reduction Plan for Industrial Pollution Sources (Huan Jian [2016] No. 172) (《關於實施工業污染源全面達標排放計劃的通知》(環監[2016]172號)) and the General Rules for Technical Guidance on Self-monitoring of Pollutant Discharging Organizations (《排污單位自行監測技術指南總則》) issued by the Ministry of Environmental Protection, and other laws and regulations, the subsidiaries of the Company engaged competent third-party monitoring agencies to monitor the wastewater, waste gas and noise on a regular basis. Relevant production lines have been equipped with on-line pollutant source detection facilities to detect the flow velocity, temperature and pressure of fume, SO₂, NOX, particulate matters, etc. such subsidiaries as Longmen Glass and Tongcheng New Energy also put on LED display at the gateway to published regular monitoring data concerning the discharge of exhausts and fumes to the public.

Significant Events

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Information on environment protection (Continued)

2. Information on environmental protection of enterprises other than major pollutant discharge units

During the reporting period, the Company earnestly implemented the national, provincial and municipal environmental protection policies and regulations, and actively responded to the 13th Five-Year Plan for National Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), the Comprehensive Work Plan on Energy Conservation and Emission Reduction of the State Council for the "13th Five-Year" Period (《國務院"十三五"節能減排綜合性工作方案》), the Plan for Energy Conservation and Emission Reduction (2016-2020) (《節能減排規劃(2016-2020年)》) and other relevant industry policies. Under the guidance of green development and the premise of ensuring the fulfillment of the various emission standards in a stable manner, the Company follows through the new enterprise growth path featuring low energy consumption, high efficiency, less emissions and recycling. The Company aims to promote its environmental protection capacity and achieve sustainable development through strict management, continuous improvement, and management innovation.

(1) Total discharge of major pollutants during the reporting period

Subsidiary	Types of pollutants and annual discharge amounts of major pollutants					
	Exhaust	Wastewater	SO ₂	NO _x	Atmospheric particular matters	COD
	(0'000 standard cubic meter)	(tonnes)	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Longmen Glass	45,510	96,744	18.408	85.908	6.695	3.048
Bengbu CNBM Information Display	50,736	53,819	33.992	347.026	14.713	1.230
Hefei New Energy	35,384	504,095	15.316	110.508	3.431	28.569
Tongcheng New Energy	56,909	-	18.476	103.062	12.872	0.798
Yixing New Energy	37,067	109,880	8.762	-	2.694	5.423
Total	225,606	764,538	94.954	646.504	40.405	39.068

During the reporting period, newly constructed and renovated project in progress of the Company included the ultra-white solar thermal materials project of Puyang Photoelectric Material and the technical renovation project on cold repair of the information display ultra-thin substrate production line of Longhai Glass. As at the end of the reporting period, relevant production lines have yet to be completed.

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Information on environment protection (Continued)

2. Information on environmental protection of enterprises other than major pollutant discharge units (Continued)

(2) Information on major pollutants

Major pollutants generated from the production process: dust-laden gases, and smoke, noise, waste water and solid waste emitted from furnaces. During the reporting period, all the pollutant treatment facilities in the production lines of the Company were under normal operation, and the discharge concentration from each discharge outlet fulfilled the corresponding pollutant discharge standards.

Pollutant discharge standards currently observed by production-related subsidiaries of the Company include:

Type of pollutants	Pollutant discharge standards	Major pollutants
Exhaust	Emission Standard of Air Pollutants for Electronic Glass Industry 《電子玻璃工業大氣污染物排放標準》 (GB29495-2013) Emission Standard of Air Pollutants for Plate Glass Industry 《平板玻璃工業大氣污染物排放標準》 (GB26453-2011)	NOx, SO ₂ and atmospheric particulate (dust)
Wastewater	Integrated Wastewater Discharge Standard 《污水綜合排放標準》 (GB 8978-1996) Class I	pH, COD, SS, BOD5, NH3-N, petroleum and other relevant pollutants
Noise	Emission Standard for Industrial Enterprises Noise at Boundary 《工業企業廠界環境噪聲排放標準》 (GB 12348-2008).	Major noise sources such as raw material hoister, mixing machine, centrifugal fan, air compressor and other production facilities

Significant Events

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Information on environment protection (Continued)

2. Information on environmental protection of enterprises other than major pollutant discharge units (Continued)

(3) Construction and operation of pollution prevention and control facilities

The Company has established a panel and assigned professionals to lead the work on energy conservation and emission reduction according to relevant laws and regulations. All key managers concerned have obtained professional credentials.

The Company reduces energy consumption and pollutant discharges, improves energy utilization efficiency and achieves clean production in virtue of incessant improvement in processing technology. Major measures adopted includes: All production lines are fueled by natural gas and further reduction of energy consumption and pollutant discharge are achieved by improving combustion methods, thus implementing clean production. In addition to strengthening operation and management of environmental protection facilities for desulphurization, denitration and dedusting to ensure sound operation conditions of the environmental protection facilities, guarantee high efficiency of desulphurization, denitration and dedusting and reduce emission of SO₂, NO_x and smoke dust, the Company takes a range of measures to reduce utilization of natural gas, cut the cost of fuel and decrease emission of SO₂ and NO_x. Relevant measures included the adoption of oxygen-enriched combustion technology, improvement in the air vent of the combustion fan, hot repair for the regenerator, heat preservation for the furnace wall and reasonable adjustments of certain parameters in the manufacturing processing. Moreover, the Company attaches importance to the reuse of water resources and applies a full guard coolant water system to the melting furnace, which only takes a small amount of water feed.

(4) Environmental effect assessment of construction projects and other environment protection administrative permits

The Company has undergone complete environment assessment procedures for the construction projects, and each construction project has been equipped with adequate supporting environmental protection facilities. The production subsidiaries of the Company have all obtained the Pollutant Discharge Permits issued by local environmental protection authorities according to the provisions.

The Company has applied to the competent environmental protection authorities for approval of all newly constructed and renovated projects in accordance with the prescribed procedures. The "Environmental Effect Assessment for Ultra-white Solar Thermal Materials Project of Puyang Photoelectric Material passed the approval of Puyang County Environmental Protection Bureau (Pu Xian Huan Shen Zi [2017] No. 40); and the Environmental Effect Assessment for the technical renovation project on Cold Repair of the information display ultra-thin substrate production line of Longhai Glass passed the approval of Yanshi Municipal Environmental Protection Bureau (Yan Huan Jian Biao [2017] No. 30).

X. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES (CONTINUED)

(III) Information on environment protection (Continued)

2. Information on environmental protection of enterprises other than major pollutant discharge units (Continued)

(5) Contingency plan for environmental emergency

In light their respective actualities, each subsidiary of the Company has formulated the Contingency Plan for Environmental Emergency and filed the same with the local environmental authorities.

The Contingency Plan for Environmental Emergency mainly applies to possible general environmental emergency and secondary or derivative environmental issues, the disposition of which is in the charge of relevant subsidiaries or requires their participation. Such incidents include: environmental emergencies caused by ammonium hydroxide leakage, bottled SO₂ gas leakage, natural gas or hydrogen leakage, fire water discharge from rainwater pipelines, and discharging of wastewater in compliance with standards due to failure of wastewater treatment facilities as well as those caused by the failure of dust collection system and the failure of fume and exhausts treatment system.

(6) Environment self-monitoring program

Subsidiaries of the Company engaged competent third-party monitoring agencies to monitor the wastewater, waste gas and noise on a regular basis. In particular, the production lines of Longhai Glass and Longmen Glass have been equipped with on-line pollutant source detection facilities to detect the flow velocity, temperature and pressure of fume, SO₂, NOX, particulate matters, etc.; and other subsidiaries are constructing on-line pollutant source detection facilities as scheduled pursuant to the requirements of the local environmental protection departments in regions where the production lines are located.

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 2018 ACCORDING TO THE FRAMEWORK AGREEMENT AND THE TRANSACTIONS THEREUNDER APPROVED AT THE GENERAL MEETINGS

Unit: 0,000 Currency: RMB

Number	Party	Related relationship	Content of transactions	Principle of trade pricing	Expected transaction amount for 2018	Transaction amount actually incurred from January to December in 2018
1	CNBM	De facto controller	The Company and its subsidiaries sold ultra-thin glass products, photovoltaic glass and deep processing of glass to CNBM and its subsidiaries	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.	36,362	12,089
2	Triumph Group	Shareholder	Triumph Group and its subsidiaries provided the Company and its subsidiaries with float glass, wooden cases for glass packing and relevant products	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.	2,882	818
3	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.	2,400	981
4	CNBM	De facto controller	CNBM and its subsidiaries provided the Company and its subsidiaries with engineering equipment, materials and engineering installation services	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 and installation provided by the supplier to an independent third party.	113,700	3,491
5	CNBM	De facto controller	CNBM and its subsidiaries provided the Company and its subsidiaries with spare parts for update and maintenance of manufacturing equipment	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.	2,200	545
6	CNBM	De facto controller	CNBM and its subsidiaries supplied bulk raw materials such as sodium carbonate and silica sand to the Company and its subsidiaries	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.	34,737	15,119
7	CNBM	De facto controller	CNBM and its subsidiaries provided the Company and its subsidiaries with the electricity for photovoltaic power generation	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 services provided by the supplier to an independent third party.	360	84

Related Party Transactions

I. CONTINUING RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2018 ACCORDING TO THE FRAMEWORK AGREEMENT AND THE TRANSACTIONS THEREUNDER APPROVED AT THE GENERAL MEETINGS (CONTINUED)

The total amount of the abovementioned continuing related party transactions was RMB331.27 million, excluding the related parties transaction amounts of RMB90.36 million during the period from January to March 2018 actually incurred by Hefei New Energy, Tongcheng New Energy and Yixing New Energy which was consolidated into the Company's financial statements in 2018. The total annual cap as considered and approved was RMB1,926.41 million and all continuing related party transactions have not exceeded the annual caps disclosed in the announcements.

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 2018, 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.

The independent non-executive Directors have reviewed the above-mentioned continuing related party transactions that took place during the year ended 31 December 2018 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) Entering into of the transaction agreements is fair and reasonable and in line with regulatory requirements and the interests of the shareholders of the Company as a whole.

Related Party Transactions

II. RELATED PARTY TRANSACTIONS CONSIDERED AND APPROVED BY THE BOARD DURING THE REPORTING PERIOD

1. On 10 January 2018, the Company applied to Zhengzhou Branch of Industrial Bank Co., Ltd. for a credit facility of RMB100 million with a term of one year, for which Triumph Group voluntarily provided a joint liability guarantee and signed the Maximum Amount Guarantee Agreement (《最高額保證合同》).
2. On 26 January 2018, Triumph Group executed the Guarantee Agreement (《保證合同》) and the Maximum Amount Guarantee Agreement (《最高額保證合同》) with Kaidong Sub-branch of Bank of Luoyang and Luoyang Xigong Sub-branch of Bank of China respectively to provide guarantees for the Company's bank loans of not more than RMB57.60 million and RMB106.86 million, for a term of one year.
3. On 26 January 2018, the Company entered into the Payment Support Agreement with CLFG, pursuant to which CLFG agreed to provide merchandise payment settlement support to the Company. The cumulative payment amount to be paid on behalf of the Company under the Payment Support Agreement shall not exceed RMB200 million, and is subject to the actual amount incurred between the parties.

The transaction under the agreement constitutes daily related party transaction under the Listing Rules of the SSE. Within the effective term of the agreement, the actual payment amount paid on behalf of the Company was RMB75,447,600.

4. On 3 May 2018, the Company and CLFG entered into the Payment Support Agreement, pursuant to which CLFG agreed to provide payment settlement support to the Company. The cumulative payment amount to be paid on behalf of the Company under the Payment Support Agreement shall be not more than RMB60 million, and is subject to the actual amount incurred between the parties.

On 20 June 2018, the Company entered into the Payment Support Supplemental Agreement (《資金代付補充合同》) with CLFG, pursuant to which CLFG agreed to increase the payment by CLFG on behalf of the Company by a cumulative amount of not more than RMB100 million, which is subject to the actual amount incurred between the parties, on the basis of the Payment Support Agreement on 3 May 2018.

The abovementioned Payment Support Agreement and Supplemental Agreement constitute daily related party transactions under the Listing Rules of the SSE. Within the effective term of the agreement, the actual amount incurred was RMB156.48 million.

5. On 30 July 2018, the Company entered into the Financial Service Framework Agreement (《金融服務框架協議》) with Triumph Group, pursuant to which Triumph Group and its subsidiaries agreed to provide financing guarantee, payment on behalf of the Group and other financial services to the Company and its subsidiaries. The cumulative principal amount of financing guarantee and payment on behalf of the Group within the effective term of the agreement shall be not more than RMB1,541.30 million and RMB853.10 million, respectively.

The transactions under the Financial Service Framework Agreement constitute daily related party transactions under the Listing Rules of the SSE. Within the effective term of the agreement, the actual incurred amounts of guarantee and payment on behalf of the Group were RMB649,574,400 and RMB104,276,000, respectively.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

I. CHANGE IN SHARE CAPITAL

(I) Changes in ordinary shares

1. Changes in ordinary shares

Unit: share

	Before the change		Increase/decrease (+, -)				After the change		
	Number	Percentage (%)	New shares	Bonus shares	Capital reserve transferred to shares	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium									
1. Shares held by the state									
2. Shares held by state-owned legal person	15,000,000	2.85	+33,030,516				+33,030,516	48,030,516	8.58
3. Shares held by other domestic shareholders									
Including: Shares held by domestic non-state-owned legal persons									
Including: Shares held by domestic non-state-owned legal persons									
Including: Shares held by domestic non-state-owned legal persons									
4. Shares held by overseas shareholders									
II. Shares not subject to trading moratorium									
1. Renminbi ordinary shares	511,766,875	97.15						511,766,875	91.42
2. Domestic listed foreign shares	261,766,875	49.69						261,766,875	46.76
3. Overseas listed foreign shares	250,000,000	47.46						250,000,000	44.66
III. Total ordinary shares	526,766,875	100.00	+33,030,516				+33,030,516	559,797,391	100.00

2. Explanation on changes in ordinary shares

Based on the "Approval on Purchase of Assets by Share Issue to China Luoyang Float Glass (Group) Company Limited*, etc. and Raising of Supporting Funds by Luoyang Glass Company Limited* (關於核准洛陽玻璃股份有限公司向中國洛陽浮法玻璃集團有限責任公司等發行股份購買資產並募集配套資金的批覆)" (Zheng Jian Xu Ke [2018] No. 475) from the CSRC, the Company has completed the significant assets restructuring in respect of purchase of assets by share issue in the reporting period. On 18 April 2018, the 33,030,516 additional shares (all being shares subject to trading moratorium) involved in purchase of assets by share issue were registered with the Shanghai branch of China Securities Depository and Clearing Corporation Limited. After the issue, the total share capital of the Company has increased to 559,797,391 shares.

Changes in Shareholding of Ordinary Shares and Information of Shareholders

I. CHANGE IN SHARE CAPITAL (CONTINUED)

(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	10,097,588	25,097,588	Non-public issuance	15,000,000 shares will be released on 17 April 2019, and 10,097,588 shares will be released on 17 April 2021
Hefei Gaoxin Investment	0	0	3,029,276	3,029,276	Non-public issuance	17 April 2019
Huaguang Group	0	0	6,377,490	6,377,490	Non-public issuance	17 April 2021
Bengbu Institute	0	0	2,365,976	2,365,976	Non-public issuance	17 April 2021
International Engineering	0	0	708,610	708,610	Non-public issuance	17 April 2021
Triumph Group	0	0	7,508,991	7,508,991	Non-public issuance	17 April 2021
Yixing Environmental Technology	0	0	1,877,247	1,877,247	Non-public issuance	17 April 2021
Total	0	0	1,065,338	1,065,338	Non-public issuance	17 April 2021

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 (<i>shareholder</i>)	50,503, including 50,458 holders of A shares and 45 holders of H shares
Total number of ordinary shareholders at the end of the previous month before the date of disclosure of annual report	49,495 (including 49,450 holders of A shares and 45 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 circulating 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	
					Status	Nature of shareholder
HKSCC NOMINEES LIMITED	+50,000	248,730,699	44.43	0	Unknown	Overseas legal person
China Luoyang Float Glass (Group) Co., Ltd.	+10,097,588	115,115,830	20.56	25,097,588	Pledged	41,000,000 State-owned legal person
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	+2,365,976	71,365,976	12.75	2,365,976	None	State-owned legal person
Triumph Technology Group Co., Ltd.	+7,508,991	7,508,991	1.34	7,508,991	None	State-owned legal person
Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	+6,377,490	6,377,490	1.14	6,377,490	None	State-owned legal person
Hefei Gaoxin Development and Investment Group Company*	+3,029,276	3,029,276	0.54	3,029,276	None	State-owned legal person
Yixing Environmental Technology Innovation Venture Investment Co., Ltd.*	+1,877,247	1,877,247	0.34	1,877,247	None	State-owned legal person
Wang Jinnan (王進南)	+1,272,290	1,272,290	0.23	0	Unknown	Domestic natural persons
GCL System Integration Technology Co., Ltd.	+1,065,338	1,065,338	0.19	1,065,338	None	Domestic non-state owned legal persons
China Triumph International Engineering Co., Ltd.	+708,610	708,610	0.13	708,610	None	Domestic non-state owned legal persons

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 circulating 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	248,730,699	Overseas listed foreign shares	248,730,699
China Luoyang Float Glass (Group) Company Limited	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
Wang Jinnan	1,272,290	Ordinary shares denominated in RMB	1,272,290
Hong Kong Securities Clearing Co., Ltd.	534,010	Ordinary shares denominated in RMB	534,010
CHUK YEE MEN LIZA U/D	374,000	Overseas listed foreign shares	374,000
Zhao Fenfei	368,300	Ordinary shares denominated in RMB	368,300
Shi Xiumin	290,400	Ordinary shares denominated in RMB	290,400
Yin Tierong	286,000	Ordinary shares denominated in RMB	286,000
Zhao Shengqi	284,100	Ordinary shares denominated in RMB	284,100

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) Company Limited, CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd, Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd., Triumph Technology Group Co., Ltd. and China Triumph International Engineering 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 circulating 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 Time available for listing and trading	Number of additional shares available for listing and trading	Trading moratorium
1	China Luoyang Float Glass (Group) Company Limited	25,097,588	17 April 2019 17 April 2021	15,000,000 10,097,588	Non-transferable within 36 months from the completion date of the issuance
2	Triumph Technology Group Co., Ltd.	7,508,991	17 April 2021	7,508,991	Non-transferable within 36 months from the completion date of the issuance
3	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	6,377,490	17 April 2021	6,377,490	Non-transferable within 36 months from the completion date of the issuance
4	Hefei Gaoxin Development and Investment Group Company*	3,029,276	17 April 2019	3,029,276	Non-transferable within 12 months from the completion date of the issuance
5	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	2,365,976	17 April 2021	2,365,976	Non-transferable within 36 months from the completion date of the issuance
6	Yixing Environmental Technology Innovation Venture Investment Co., Ltd.*	1,877,247	17 April 2021	1,877,247	Non-transferable within 36 months from the completion date of the issuance
7	GCL System Integration Technology Co., Ltd.	1,065,338	17 April 2021	1,065,338	Non-transferable within 36 months from the completion date of the issuance
8	China Triumph International Engineering Co., Ltd.	708,610	17 April 2021	708,610	Non-transferable within 36 months from the completion date of the issuance

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

China Luoyang Float Glass (Group) Company Limited, CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd, Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd., Triumph Technology Group Co., Ltd. and China Triumph International Engineering 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”)

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) Company Limited
Person in charge of the company or legal representative	PENG SHOU
Date of establishment	25 December 1996
Principal activities	Mineral exploitation, processing and sale of glass and related raw materials; 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

Changes in Shareholding of Ordinary Shares and Information of Shareholders

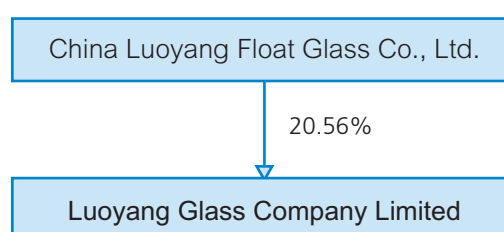
IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(I) Controlling shareholders (Continued)

2 Natural person

N/A

3 Diagram on Equity and Control Relationship between the Company and Controlling Shareholders



(II) De Facto Controller

1 Legal person

Name	China National Building Material Group Co., Ltd.
Person in charge of the company or legal representative	SONG ZHIPING
Date of establishment	28 September 1981
Principal activities	Production and manufacturing of construction materials and relevant raw materials, research, development and sales of production technologies and equipment; design, sales and construction of complete sets of buildings of the new building material system; sales of decorative materials; design and construction of building engineering; warehousing; investment and assets operations relating to building materials and related sectors; technical consulting and information services and exhibition services relating to the above activities; processing and sales of mineral products. Business operation of real estate featured by new building materials, technical consulting and information services relating to principal and auxiliary activities

Changes in Shareholding of Ordinary Shares and Information of Shareholders

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De Facto Controller (Continued)

1 Legal person (Continued)

Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period

Directly and through its subsidiaries holding 41.55% equity interest in China National Building Material Co., Ltd. (HK03323). Through its subsidiaries holding 40.13% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 27.11% equity interest in Triumph Science & Technology Co., Ltd. (600552), 68.49% equity interest in China Building Material Test & Certification Group Co., Ltd. (603060), 50.94% equity interest in Sinoma Energy Conservation Ltd. (603126), 37.83% equity interest in Beijing New Building Materials Public Limited Company (000786), 26.97% equity interest in China Jushi Co., Ltd. (600176), 40.03% equity interest in Sinoma International Engineering Co., Ltd. (600970), 47.56% equity interest in Ningxia Building Materials Group Co., Ltd. (600449), 25.04% equity interest in Gansu Qilianshan Cement Group Co., Ltd. (600720), 45.87% equity interest in Xinjiang Tianshan Cement Co., Ltd. (000877), 60.24% equity interest in Sinoma Science & Technology Co., Ltd. (002080) and 23% equity interest in China Glass Holdings Limited (HK 03300). Through its subsidiaries participating in 4.89% equity interest in Jiangxi Wannianqing Cement Co., Ltd. (000789), 0.09% equity interest in Bohai Water Industry Co., Ltd. (000605), 4.31% equity interest in BBMG Corporation (601992), 12.94% equity interest in China Shanshui Cement Group Limited (00691), 0.74 % equity interest in Red Star Macalline Group Corporation Ltd. (01528), 0.38% equity interest in Legend Holdings Corporation (03396), 3.6% equity interest in China Hengshi Foundation Company (01197), 3.05% equity interest in China Conch Venture Holdings Limited (00586), 9.67% equity interest in Henan City Development Environment Co., Ltd. (000885), 12.74% equity interest in Shanghai Yaohua Pilkington Glass Group Co., Ltd. (600819), 5.26% equity interest in Fujian Cement Inc. (600802), 14.4% equity interest in Gansu Shangfeng Cement Co., Ltd. (000672), 3.99% equity interest in Jilin Yatai (Group) Co., Ltd. (600881), 13.54% equity interest in Wuhan Ligong Guangke Co., Ltd. (300557), 1.76% equity interest in Lanzhou LS Heavy Equipment Co., Ltd. (603169), 1.06% equity interest in China West Construction Group Co., Ltd. (002302), 0.06% equity interest in Guotai Junan Securities Co., Ltd. (601211), 0.0013% equity interest in Bank of Communications Co., Ltd. (601328), 0.04% equity interest in Bank of Jiangsu Co., Ltd. (600919) and 13.11% equity interest in Singulus (ISIN DE 000A1681X5). Directly participating in 0.02% equity interest in Henan City Development Environment Co., Ltd. (000885).

Other Situations

None

Changes in Shareholding of Ordinary Shares and Information of Shareholders

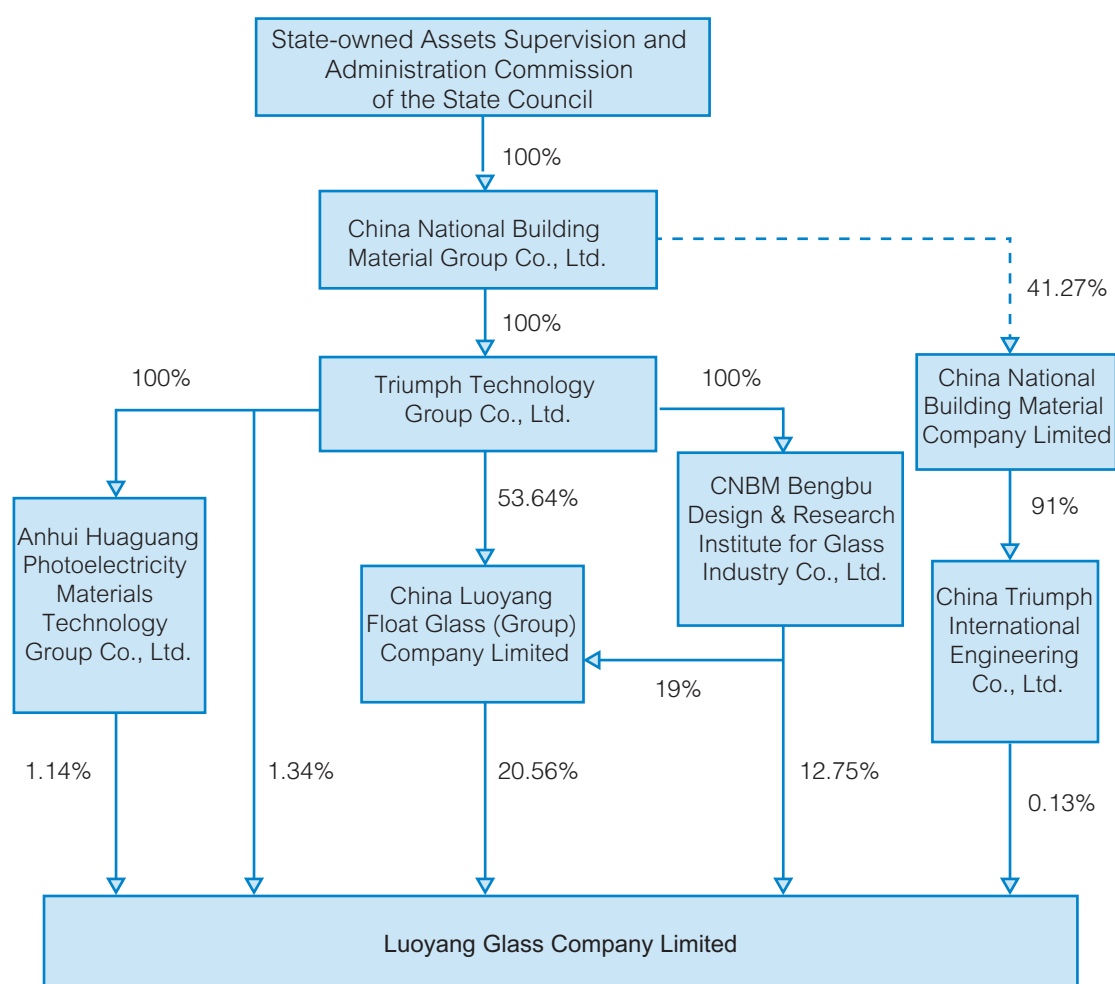
IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(II) De Facto Controller (Continued)

2 Natural person

N/A

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



Changes in Shareholding of Ordinary Shares and Information of Shareholders

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

Unit: Yuan Currency: RMB

Name of legal person shareholder	Person in charge or legal representative of the unit	Date of establishment	Code of the entity	Registered capital	Principal activities or management activities
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	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 (note)	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/ decrease of shares during the year	Reason for change	Total remuneration before tax received from the Company during the reporting period (RMB'000)	Whether received remuneration from the Company's related parties or not
Zhang Chong	Chairman	Male	56	2015-12-24	2022-03-03	0	0	0	Nil	0	Y
Xie Jun	Vice chairman	Male	53	2015-12-24	2022-03-03	0	0	0	Nil	0	Y
Ma Yan	Executive director	Male	48	2015-12-23	2022-03-03	0	0	0	Nil	47.6	N
	Financial executive			2016-05-06	-						
	General Manager			2018-11-21	-						
Ni Zhisen	Former executive director, General Manager	Male	47	2009-05-27	2018-11-21	0	0	0	Nil	44	N
Wang Guoqiang	Executive director, Vice general manager	Male	50	2015-12-23	2022-03-03	0	0	0	Nil	45	N
Zhang Rong	Vice general manager Director	Male	45	2018-11-21 2019-03-04	- 2022-03-03	0	0	0	Nil	29.22	N
Ren Hongcan	Non-executive director Former supervisor	Male	55	2019-03-04 2015-12-23	2022-03-03 2019-03-03	0	0	0	Nil	35.1	Y
Chen Yong	Non-executive director	Male	47	2019-03-04	2022-03-03	0	0	0	Nil	0	Y
Jin Zhanping	Independent director	Male	55	2014-06-03	2020-06-02	0	0	0	Nil	0	N
He Baofeng	Independent director	Male	46	2015-12-23	2022-03-03	0	0	0	Nil	6	N
Ye Shuhua	Independent director	Male	57	2015-12-23	2022-03-03	0	0	0	Nil	6	N
Liu Tianni	Former independent director	Male	55	2012-11-09	2019-03-03	0	0	0	Nil	6	N
Zhang Yajuan	Independent director	Female	45	2019-03-04	2022-03-03	0	0	0	Nil	0	N
Ren Zhenduo	Chairman of the Supervisory Committee	Male	54	2007-09-12	2022-03-03	0	0	0	Nil	0	Y

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	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 <i>(RMB'000)</i>	Whether received remuneration from the Company's related parties or not
Li Wenge	Supervisor	Male	53	2019-03-04	2022-03-03	0	0	0	Nil	0	Y
Wang Jian	Employee supervisor	Male	43	2010-05-26	2022-03-03	0	0	0	Nil	19	N
Ma Jiankang	Employee supervisor	Male	53	2012-12-17	2022-03-03	0	0	0	Nil	14.5	N
Qiu Mingwei	Supervisor	Male	47	2015-12-23	2022-03-03	0	0	0	Nil	3	N
Yan Mei	Supervisor	Female	56	2015-12-23	2022-03-03	0	0	0	Nil	3	N
Liu Yuquan	Vice general manager	Male	51	2015-12-24	-	0	0	0	Nil	35	N
Yang Bomin	Vice general manager	Male	52	2018-11-21	-	0	0	0	Nil	43	N
Wu Zhixin	Secretary to the board	Female	52	2014-05-20	-	0	0	0	Nil	33	N
Ip Pui Sum	Company secretary	Male	59	2008-08-06	-	0	0	0	Nil	10.57	N
Total	/	/	/	/	/	0	0	0	Nil	379.99	/

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Main Working Experience
Zhang Chong	a professor-grade senior engineer with a master's degree, and the chairman of the Company. He is currently the general engineer of Bengbu Institute, as well as the chairman of Yixing New Energy and Hefei New Energy and an executive director of Tongcheng 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 the deputy secretary of the party committee, general manager and general engineer of CLFG. Mr. Xie had served as the secretary of party committee and deputy general manager of the Company, and concurrently served as the party secretary and deputy executive general manager of Chenzhou Bada Glass Co., Ltd. (郴州八達玻璃有限公司), a standing member of the party committee and deputy general manager of CLFG, and also the secretary of party general branch and deputy executive general manager of Chengdu Zhongguangdian Technology Co., Ltd.*, 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 Zhongxian and the chairman of the supervisory committee of Yixing New Energy. 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.
Ni Zhisen	a professor-grade senior engineer with a bachelor's degree. He was an Executive Director and General Manager of the Company, and concurrently serves as the general manager of Triumph Technology Co., Ltd. Mr. Ni had served as general manager of Longmen Glass and the general manager and party secretary of CLFG Longhai Glass Co., Ltd. (洛玻集團龍海玻璃).
Wang Guoqiang	a professor-grade senior engineer with a bachelor's degree. He is currently an executive director, 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 Glass, as well as the general manager of Puyang Photoelectric Material. Mr. Wang had served as the deputy head of the Company's Technology Department, deputy general manager of Longmen Glass, 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.

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Main Working Experience
Zhang Rong	an engineer with a master's degree and a senior engineer. He currently is an executive director and a deputy general manager of the Company. He has served as an assistant engineer of the glass division of Bengbu Institute, an engineer and a senior engineer of the International Engineering Glass Institute, the design manager, project manager and vice head of the glass division of the International Engineering Glass Institute and an executive deputy general manager of Hefei New Energy. He currently is the general manager of Hefei New Energy.
Ren Hongcan	a professor-grade senior engineer with bachelor's degree, a non-executive director (a former supervisor) of the Company. He currently serves as a deputy general manager of Chengdu China Optoelectronics Technology Co., Ltd., an assistant general engineer of Bengbu Institute and deputy general engineer of CLFG. 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. and the general manager of Bengbu Zhongxian, etc.
Chen Yong	a master degree holder, senior accountant and a non-executive director of the Company. Mr. Chen currently serves as the deputy dean and chief accountant of Bengbu Institute and the chief financial controller of Triumph Photovoltaic Materials (凱盛光伏材料有限公司). He had served as the head and an assistant to the head of the financial department of Bengbu Institute and the deputy head of the financial department of the International Engineering Glass Institute as well as the chief financial controller of Bengbu Triumph Engineering Technology Co., Ltd.
Jin Zhanping	a holder of master's degree holder and senior engineer, an independent non-executive director of the Company. Mr. Jin currently is the deputy director and 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). 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.
He Baofeng	a master in accounting, CCPA and CICTA. He is an independent non-executive director of the Company. He currently serves as the chairman of Luoyang TopChina CPA Ltd. and has served an independent supervisor of the Company. 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.

Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

Name	Main Working Experience
Ye Shuhua	a bachelor of laws, senior lawyer and an independent non-executive director of the Company. 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 has been an independent director of Central Plains Environment Protection Co., Ltd. since March 2017.
Liu Tianni	a holder of master's degree and a former independent non-executive director of the Company. Mr. Liu is the chairman and chief executive officer of Wonderful Sky Financial Group Holdings Limited. Mr. Liu has been the president of the Listed Companies Committee of the Hong Kong Chinese Enterprises Association and an independent director of Qingling Motors Co., Ltd since 2015.
Zhang Yajuan	a holder of master's degree, a lawyer, an international internal controller and an independent non-executive director of the Company. Ms. Zhang is currently a senior consultant of Beijing Tian Yuan Law Firm and had served as a dean of the headquarters of CITIC Bank. Ms. Zhang worked in the legal department, the risk management department, the shareholding transformation department, the office of the board of directors, the compliance audit department and the compliance department of CITIC Bank from July 2001 to June 2018.
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 and secretary to the disciplinary committee 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.
Li Wenge	a holder of master's degree and a supervisor of the Company. Mr. Li is currently a deputy secretary of the party committee and the secretary of the disciplinary committee of the Company. He had served as the deputy dean of the comprehensive department, deputy head of the Storage and Transportation Factory and an assistant general manager of the sales company of CLFG Processing Company, the general manager of Hubei Xiangyang Luoshen Automobile Glass Company, the deputy secretary of the Party Committee of Shanwan County, Tacheng Prefecture, Xinjiang and the general manager and the deputy secretary of the party committee of Luoyang New Jingrun Engineering Glass 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
Wang Jian	a holder of bachelor's degree, currently serves as the staff representative supervisor of the Company. He currently serves as an executive vice general manager of Longhai Glass. Mr. Wang joined the Company in November 1993 and has held the positions of section chief, assistant to the head and deputy chief of technology section, etc. He has been a deputy general manager of Longhai Glass.
Ma Jiankang	a holder of bachelor's degree, currently serves as a staff representative supervisor of the Company and the deputy general manager of Puyang Photoelectric Material. He had served as a deputy general manager of Longmen Glass, CLFG Longxin Glass Co., Ltd. (洛玻集團龍新玻璃有限公司) and CLFG Luoyang Longhao Glass Co., Ltd. (洛玻集團洛陽龍昊玻璃有限公司) and the deputy general manager of the enterprise development department of the Company.
Qiu Mingwei	a holder of bachelor's degree, CPA, CPV and independent 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	a master of management, independent director 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. Ms. Yan was awarded the "May 1 Labour Award of Luoyang City", the "National May 1 Female Model and other honorary titles.
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.

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
Yang Bomin	a senior economist with a bachelor degree. He serves as the deputy general manager of the Company. He had served as the sales dean of Yixing Fandao Organic Chemical Factory (宜興市範道有機化工廠), the dean of the development office of Yixing Yuntong Chemical Industrial Company (宜興市運通化工實業公司), the head of Yixing Yuntong Synthetic Chemical Factory (宜興市運通合成化工廠), the general manager of Yixing Yuntong Chemical Industrial Company, the general manager of Yixing Jinyuntong Microcrystal Technology Co., Ltd. (宜興市金運通微晶科技有限公司) and the general manager of Far East Photoelectrical Co., Ltd. (遠東光電股份有限公司). Mr. Yang currently is the general manager of Yixing New Energy.
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.
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.

Explanations to other circumstances

- (1) Save as disclosed above, as at 31 December 2018, 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 2018, 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 that he should have received from the Company.

(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	Bengbu Glass Industry Design Institute	General engineer	December 2014	–
Xie Jun	China Luoyang Float Glass (Group) Resources Co., Ltd.	General manager	11 September 2018	–
Ren Zhenduo	China Luoyang Float Glass (Group) Co., Ltd.	Employee Director, deputy secretary to the party committee, secretary of disciplinary committee	August 2009	–
Chen Yong	Bengbu Glass Industry Design Institute	Vice dean, chief accountant	December 2014	–

Positions in Shareholder Entities Nil

(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	–
Ren Hongcan	Chengdu Zhongguangdian Technology Co., Ltd.*	Secretary of party general branch and deputy executive general manager	October 2018	–
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	–
Liu Tianni	Qingling Motors Co., Ltd.	Independent Director	August 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	RMB3,799,900

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
Ma Yan	General manager	Appointed	Newly appointed
Zhang Rong	Vice general manager	Appointed	Newly appointed
Yang Bomin	Vice general manager	Appointed	Newly appointed
Chen Yong	Director	Elected	Reelection of the Board
Zhang Yajuan	Director	Elected	Reelection of the Board
Ren Hongcan	Director	Elected	Reelection of the Board
Li Wenge	Supervisor	Elected	Reelection of the Supervisory Committee
Ni Zhisen	General manager	Resigned	Work rearrangement
Liu Tianni	Independent director	Resigned	Expiry of term of office
Ren Hongcan	Supervisor	Resigned	Expiry of term of office

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	73
Number of in-service employees of the major subsidiaries	2,227
Total number of in-service employees	2,300
The number of retired employees whose expenses are borne by the Parent Company and its major subsidiaries	2,020

Composition of professions

Type of profession	Number of staff in the profession
Production staff	1,718
Sales staff	63
Technical staff	268
Finance staff	45
Administrative staff	206
Total	2,300

Education level

Type of education level	Number of persons (headcount)
University graduates or above	265
College graduates	483
Specialised secondary school graduates	390
High school graduates	523
Junior high school or below	639
Total	2,300

(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.

On 4 March 2019, the Company completed the re-election of the Board and the Supervisor Committee. 11 directors and 4 supervisors were elected at the 2019 first extraordinary general meeting of the Company and 2 staff supervisors were elected at the staff representative meeting.

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 fair 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 of convening	Matters for consideration	Inquiry index on the website on which the resolutions are publicized	Date of disclosure
2018 First Extraordinary General Meeting	27 April 2018	To consider and approve the Technical Services Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; the Sale and Purchase of Glass Products Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; the Sale of Raw Materials Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; the Engineering Equipment Procurement and Installation Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; the Sale and Purchase of Spare Parts Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; the Sale and Purchase of Products Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; the Supply of Electricity Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; the Financial Services Framework Agreement, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; and to approve and confirm the resolution on the execution of relevant continuing related party transactions framework agreements by any of the Directors on behalf of the Company and the implementation thereof.	http://www.sse.com.cn and http://www.hkexnews.hk	27 April 2018
2017 Annual General Meeting	20 June 2018	To consider and approve the working report of the Board of the Company for the year 2017; the working report of the supervisory committee of the Company for the year 2017; the final accounts report of the Company for the year 2017; the Company's annual report 2017 and its summary; the profit distribution plan of the Company for the year 2017; the financial budget report of the Company for the year 2018; and the reappointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for the year 2018 and authorization to the Board for determining its remunerations according to the audit workload.	http://www.sse.com.cn and http://www.hkexnews.hk	20 June 2018
2018 Second Extraordinary General Meeting	17 September 2018	To consider and approve the proposed amendments to the Articles of Association of the Company; and the guarantee provided by the Company for the financing loans of its wholly-owned and non-wholly-owned controlled subsidiaries.	http://www.sse.com.cn and http://www.hkexnews.hk	17 September 2018

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	20	20	0	0	0	No	3	
Xie Jun	No	20	20	9	0	0	No	3	
Ma Yan	No	20	20	0	0	0	No	3	
Ni Zhisen	No	19	19	0	0	0	No	3	
Wang Guoqiang	No	20	20	0	0	0	No	3	
Jin Zhanping	Yes	20	20	10	0	0	No	2	
Liu Tianni	Yes	20	20	18	0	0	No	1	
Ye Shuhua	Yes	20	20	8	0	0	No	2	
He Baofeng	Yes	20	20	6	0	0	No	2	

Number of Board meetings held in the year	20
Including: Number of on-site meetings	2
Number of meetings held by way of communication	0
Number of meetings held on-site with attendance by way of communication	18

(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 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 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 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 convened 6 special meetings during the reporting period, mainly engaging in carefully looking over quarterly reports, semi-annual reports and annual reports as well as continuing related party transactions of the Company and changes in accounting policies, 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 2018, 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 Committee (Continued)

Meeting attendance by members of the Audit Committee in 2018:

Number of meetings 6

Name	Attendance	Attendance by proxy
He Baofeng	6	0
Ye Shuhua	6	0
Liu Tianni	6	0

Upon completion of the election of the new session of the Board of the Company on 5 March 2019, the ninth session of the Audit Committee consists of Mr. He Baofeng as the chairman of the committee, Mr. Ye Shuhua and Ms. Zhang Yajuan as members.

2. Remuneration and Review Committee

The Company's Remuneration and Review Committee comprises three Directors (including two independent non-executive Directors), with 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 meeting during the reporting period for reviewing the remuneration of Directors, supervisors and senior management personnel to be disclosed in 2017 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 2018:

Number of meetings 1

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

Upon completion of the election of the new session of the Board of the Company on 5 March 2019, the ninth session of the Remuneration and Review Committee consists of Mr. Ye Shuhua as the chairman of the committee, Mr. Zhang Chong and Ms. Zhang Yajuan as members.

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 managers;
- (4) to examine the qualifications of senior management candidates who shall be appointed by the Board and make recommendations in respect to such candidates;
- (5) to assess the independence of independent non-executive Directors.

The Nomination Committee of the Company convened one special meeting during the reporting period for examining the qualifications of deputy general managers and the general manager 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)

2. Remuneration and Review Committee (Continued)

Meeting attendance by members of the Nomination Committee in 2018:

Number of meetings 1

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

Upon completion of the election of the new session of the Board of the Company on 5 March 2019, the ninth session of the Nomination Committee consists of Mr. Jin Zhanping as the chairman of the committee, Mr. Zhang Chong and Mr. He Baofeng as members.

4. Strategic Committee

The Company's Strategic Committee comprises three Directors (including one independent non-executive Director), with Mr. Zhang Chong as the chairman of the committee, 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 Company's Strategic Committee held 2 special meetings during the reporting period, at which the committee proposed reasonable recommendations on the financial service project of Triumph Group and the material assets reorganization of the Company.

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

4. Strategic Committee (Continued)

Meeting attendance by members of the Strategic Committee in 2018:

Number of meetings 2

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

Upon completion of the election of the new session of the Board of the Company on 5 March 2019, the ninth session of the Strategic Committee consists of Mr. Zhang Chong as the chairman of the committee, Mr. Xie Jun, Mr. Chen Yong, Mr. Ma Yan and Mr. Jin Zhanping as members.

5. Compliance Committee

The Company's Compliance Committee comprises three members, including Mr. Liu Tianni (independent non-executive Director) as the chairman of the committee, Mr. Ip Pui Sum (Company Secretary) and Mr. Xie Jun (Director) as members. On 5 March 2019, as considered and approved by the Board, the Company made amendments to implementation rules for the Compliance Committee. 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 promote the improvement of compliance management system of the Company;
- (2) to consider and study the material matters related to compliance management;
- (3) to put forward proposals for compliance to the Board;
- (4) to review the implementation of significant or material transactions and continuing related party transactions;
- (5) to make relevant applicable recommendations to the Board in light of updates on and changes in the laws and regulatory requirements in Hong Kong and the PRC;
- (6) to supervise and ensure Directors, senior management and other personnel at all levels of the Company continuously participating in training in compliance;
- (7) other issues authorized by the Board.

The Company's 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 assets transfer under related party transactions, as well as related party transactions scheduled for the year, and raised applicable compliance proposals.

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)

5. Compliance Committee (Continued)

Meeting attendance by members of the Compliance Committee in 2018:

Number of meetings 2

Name	Attendance	Attendance by proxy
Liu Tianni	2	0
Mr. Ip Pui Sum	2	0
Xie Jun	2	0

Upon completion of the election of the new session of the Board of the Company on 5 March 2019, the ninth session of the Compliance Committee consists of Ms. Zhang Yajuan as the chairman of the committee, Mr. Xie Jun and Ms. Wu Zhixing as members.

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 are completely independent from controlling shareholders.
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 taxpaying.

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 2018 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.

Corporate Governance

X. OTHERS (CONTINUED)

(III) Directors and the Board

1. Directors

- (1) As at the end of the reporting period, the eighth session of the Board was composed of eight Directors, including three executive Directors, i.e. Mr. Zhang Chong (Chairman), Mr. Ma Yan and Mr. Wang Guoqiang; one non-executive Director, i.e. Mr. Xie Jun; and four independent non-executive Directors, i.e. Mr. He Baofeng, Mr. Ye Shuhua, Mr. Liu Tianni and Mr. Jin Zhanping.

During the reporting period, Mr. Ni Zhisen resigned from the positions as an executive Director, the general manager of the Company and a member of the Strategic Committee under the Board on 21 November 2018 due to work rearrangement. Mr. Liu Tianni retired from the positions as an independent non-executive Director of the Company, the chairman of the Compliance Committee under the Board, a member of the Audit Committee and a member of the Rumination and Review Committee due to term expiration,

In accordance with the Articles of Association of the Company, the ninth session of the Board was elected at the 2019 first extraordinary general meeting convened on 4 March 2019. The ninth session of the Board comprises 11 Directors, of which there are five executive Directors, namely Mr. Zhang Chong, Mr. Xie Jun, Mr. Ma Yan, Mr. Wang Guoqiang and Mr. Zhang Rong; two non-executive Director, namely Mr. Ren Hongcan and Mr. Chen Yong; and four independent non-executive Directors, namely Mr. Jin Zhanping, Mr. Ye Shuhua, Mr. He Baofeng and Ms. Zhang Yajuan. At the first meeting of the ninth session of the Board convened on 5 March 2019, Mr. Zhang Chong and Mr. Ma Yan were elected as the chairman and the vice chairman of the ninth session of the Board, respectively.

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

During the reporting period, four 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.

X. OTHERS (CONTINUED)

(III) Directors and the Board (Continued)

1. Directors (Continued)

(2) Meeting attendance by Directors

During the reporting period, the Company convened 20 Board meetings and 3 general meetings. Please refer to Part III of this chapter for attendance at Board meetings and general meetings by the Directors in details.

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

(3) Enhancement of professional skills by Directors

During the reporting period, all Directors, supervisors and senior management of the Company were organized to participate in 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 is elected at the general meeting and responsible to the general meeting. All Director can 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 the Company, in pursuance of relevant provisions of the Company Law, the Securities Law, the Principles of Listed Company Governance, Listing Rules in both 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 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 was the chairman of the Company and the general manager was Mr. Ni Zhisen (With effect from 21 November 2018 upon the resignation of Mr. Ni Zhisen, Mr. Ma Yan has been the general manager of the Company). 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 meetings, convening and presiding over the Board meetings; examining implementation of resolutions 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 the 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 power 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 shall be elected at the general meetings with a term of office of 3 years. The Directors shall be 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, four 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 2018.

(VII) Directors' responsibility for the financial statements

The 2018 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 2018, the Company implemented, adopted and applied 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 2018, 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.

Corporate Governance

X. OTHERS (CONTINUED)

(XI) Amendments to the Articles of Association

Pursuant to applicable laws and regulations in China and the requirements of Listing Rules, the Company made amendments to the Articles of Association of the Company during the reporting period, and the relevant amendments were considered and approved at the 2018 second extraordinary general meeting convened on 17 September 2018.

The main amendments include: as CLFG, the controlling shareholder of the Company, completed the transfer of the 69,000,000 shares in the Company held by it to Bengbu Institute on 18 October 2016 and the Company completed the issuance of an aggregate of 33,030,516 A shares to the vendors on 19 April 2018, the registered capital and total shares of the Company were changed; in accordance with the requirements of the Central Committee of the Communist Party of China and the Party Committee of China National Building Material Group Co., Ltd.* (中國建材集團有限公司), the Company added Party-building work into the Articles of Association, and made amendments to the articles on the shareholders' right to nominate Directors and supervisors and the consideration of external guarantee by the Board in the Articles of Association according to the Listing Rules.

The text of the Articles of Association of the Company is available for inspection on the websites of the Company, the SSE and the Stock Exchange.

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 2018, 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 2018, 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 2018, and the consolidated and the Parent Company's operating results and cash flows for 2018.

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 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) Sale of products and provision of technical services to related parties

1. Description of the matter

Please refer to related disclosures in note X (5) in the Company's financial statement. In 2018, the Company recorded revenue of RMB112,206,989.59 and RMB4,716,981.15 respectively, from sale of glass products and provision of technical services to subsidiaries of its de facto controller, aggregating RMB116,923,970.74 and accounting for 8.34% of the operating revenue for the period. 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 sale of products and provision of technical services by the Company to related parties as key audit matters.

Auditors' Report

III. KEY AUDIT MATTERS (CONTINUED)

(I) Sale of products and provision of technical services to related parties (Continued)

2. Response to the audits

Our audit procedures for sale of products and provision of technical services to 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 selling products and providing technical services to related parties, and judged whether such transactions have a reasonable commercial purpose;
- (3) In respect of sale of products, we checked whether the supporting documents about the transactions, such as sales agreements, invoices, outbound orders, shipping documents and receipts, etc., are true and consistent, and compared and analysed the sales price the Company offered to the related parties with the sales price offered to non-related parties;
- (4) In respect of matters on technical services, we checked such records as the Company's internal and external progress and communication, and verified the performance of technical services transactions;
- (5) We reviewed the appropriateness of the accounting treatment and disclosure of the transactions.

(II) Impairment of receivables

1. Description of the matter

Please refer to relevant disclosures in note V (2) in the Company's financial statement. As at 31 December 2018, the net book value of notes receivable and accounts receivable of the Company was RMB764,974,316.71, based on their original value of RMB845,069,351.29 less an impairment provision of RMB80,095,034.58, accounting for 52.20% of its current assets. The credit period granted to customers was determined on a case-by-case basis for up to 6 months. The loss allowance for the Company's receivables was measured based on lifetime expected credit loss. The determination of the expected credit losses of the receivables group is based on the historical loss rate for default of such receivables in the estimated duration, the aging of the receivables, customer's repayment record and financial conditions as well as the comprehensive evaluation of current and future economic development. Material estimates and judgments are involved in determination of expected credit loss. Therefore, we identify the the Company's impairment of receivables as a key audit matter.

III. KEY AUDIT MATTERS (CONTINUED)

(II) Impairment of receivables (Continued)

2. *Response to the audits*

Our audit procedures for impairment of receivables mainly include:

- (1) We obtained an understanding of and evaluated the key control measures over the impairment assessment of receivables by the Company and their operating effectiveness;
- (2) We analyzed whether the aging of receivables is reasonable, and compared, on a sample basis, the items in the aging analysis table with relevant documents to check whether the relevant aging was classified into the appropriate aging category;
- (3) We checked whether the information used by the Company to form relevant judgments was accurate and reasonable, including the accuracy of the data for calculating the historical loss given default, and whether the expected credit loss was properly adjusted according to current economic conditions and forward-looking information;
- (4) We checked the repayment of the receivables in a subsequent period.

IV. OTHER INFORMATION

The Company's management (the "Management") is responsible for other information. Other information includes the information included in the Company's 2018 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.

Auditors' Report

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.

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

- (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 and 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.

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 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: **Qiao Guanfang**

Beijing • the PRC

29 March 2019

Consolidated Balance Sheet

31 December 2018
Prepared by: Luoyang Glass Company Limited*
Unit: Yuan Currency: RMB

Item	Note	31 December 2018	31 December 2017
Current assets :			
Cash and cash equivalents	VII.1	276,132,689.62	204,245,757.54
Bills receivables and accounts receivables	VII.2	764,974,316.71	1,022,562,666.40
Including: Bills receivables	VII.2	272,696,870.01	490,712,129.45
Accounts receivables	VII.2	492,277,446.70	531,850,536.95
Prepayments	VII.3	62,462,228.34	20,319,301.69
Other receivables	VII.4	46,186,737.52	90,685,860.01
Including: Interest receivable			
Inventories	VII.5	245,395,799.98	180,924,918.81
Other current assets	VII.7	70,237,506.22	41,988,762.45
Total current assets		1,465,389,278.39	1,560,727,266.90
Non-current assets :			
Long-term receivables	VII.8	55,000,000.00	55,000,000.00
Other investments in equity instruments	VII.10		
Fixed assets	VII.11	1,915,114,403.91	1,766,535,573.58
Construction in progress	VII.12	680,485,100.59	282,248,916.34
Intangible assets	VII.13	356,370,051.76	317,529,993.66
Development expenditures	VII.14	15,075,276.42	
Long-term deferred expenses	VII.16	7,923,897.51	5,539,138.34
Deferred income tax assets	VII.17	6,109,809.23	2,504,761.54
Other non-current assets	VII.18	2,714,102.55	8,366,432.63
Total non-current assets		3,038,792,641.97	2,437,724,816.09
Total assets		4,504,181,920.36	3,998,452,082.99
Current liabilities:			
Short-term borrowings	VII.19	851,888,356.04	812,509,000.00
Bills payables and accounts payables	VII.20	983,155,055.62	711,822,787.13
Receipts in advance			21,475,187.43
Contract liabilities	VII.21	29,020,814.15	
Financial assets sold under repurchase agreements			
Commissions and brokerages payable			
Employee compensation payable	VII.22	24,115,765.81	21,985,112.19
Taxes payable	VII.23	18,769,988.13	31,525,000.52
Other payables	VII.24	387,488,441.66	377,009,364.49
Including: Interest payable		3,971,724.81	3,418,456.33
Non-current liabilities due within one year	VII.25	236,037,605.59	196,946,248.22
Other current liabilities			
Total current liabilities		2,530,476,027.00	2,173,272,699.98

Consolidated Balance Sheet

Item	Note	31 December 2018	31 December 2017
Non-current liabilities:			
Long-term borrowings	VII.26	521,429,305.35	370,796,745.65
Deferred income	VII.27	106,935,486.80	108,193,683.26
Total non-current liabilities		628,364,792.15	478,990,428.91
Total Liabilities		3,158,840,819.15	2,652,263,128.89
Shareholders' equity:			
Share capital	VII.28	559,797,391.00	526,766,875.00
Other equity instruments			
Including: Preferential shares			
Capital reserve	VII.29	1,971,137,887.30	1,891,845,868.90
Surplus reserve	VII.30	51,365,509.04	51,365,509.04
Undistributed profit	VII.31	-1,337,084,302.73	-1,338,290,605.36
Total equity attributable to shareholders of the Company		1,245,216,484.61	1,131,687,647.58
Minority interests		100,124,616.60	214,501,306.52
Total shareholders' equity		1,345,341,101.21	1,346,188,954.10
Total liabilities and shareholders' equity		4,504,181,920.36	3,998,452,082.99

Legal representative:

Zhang Chong

Person in charge of accounting:

Ma Yan

Person in charge of accounting department:

Chen Jing

Balance Sheet of the Company

31 December 2018
Prepared by: Luoyang Glass Company Limited*
Unit: Yuan Currency: RMB

Item	Note	31 December 2018	31 December 2017
Current assets:			
Cash and cash equivalents		107,734,602.60	52,744,789.07
Bills receivables and accounts receivables	XVII.1	203,744,325.67	211,797,338.88
Including: Bills receivables	XVII.1	8,859,660.98	7,469,611.05
Accounts receivables	XVII.1	194,884,664.69	204,327,727.83
Prepayments		67,501.58	30,238.87
Other receivables	XVII.2	343,017,501.55	31,131,296.66
Other current assets		111,464.47	489,663.39
Total current assets		654,675,395.87	296,193,326.87
Non-current assets :			
Long-term receivables		55,000,000.00	55,000,000.00
Long-term equity investment	XVII.3	1,690,841,658.35	868,986,593.99
Fixed assets		2,179,571.19	2,508,762.95
Intangible assets		34,013,794.93	63,612,709.86
Long-term deferred expenses		54,000.00	162,000.00
Total non-current assets		1,782,089,024.47	990,270,066.80
Total assets		2,436,764,420.34	1,286,463,393.67
Current liabilities:			
Short-term borrowings		224,284,000.00	347,509,000.00
Bills payable and accounts payable		164,767,691.66	5,062,801.26
Receipts in advance			7,813,062.37
Contract liabilities		9,166,122.06	
Employee compensation payable		7,023,662.82	8,089,982.67
Taxes payable		367,234.35	566,122.59
Other payables		634,347,385.84	465,853,312.43
Including: Interest payable		646,964.51	472,432.69
Non-current liabilities due within one year		610,104.27	404,406.94
Other current liabilities			
Total current liabilities		1,040,566,201.00	835,298,688.26

Balance Sheet of the Company

Item	Note	31 December 2018	31 December 2017
Non-current liabilities:			
Long-term borrowings		200,000,000.00	606,605.65
Total non-current liabilities		<u>200,000,000.00</u>	<u>606,605.65</u>
Total Liabilities		<u>1,240,566,201.00</u>	<u>835,905,293.91</u>
Shareholders' equity:			
Share capital		559,797,391.00	526,766,875.00
Capital reserve		1,950,590,599.30	1,268,692,769.04
Surplus reserve		51,365,509.04	51,365,509.04
Undistributed profit		<u>-1,365,555,280.00</u>	<u>-1,396,267,053.32</u>
Total shareholders' equity		<u>1,196,198,219.34</u>	<u>450,558,099.76</u>
Total liabilities and shareholders' equity		<u>2,436,764,420.34</u>	<u>1,286,463,393.67</u>

Legal representative:

Zhang Chong

Person in charge of accounting:

Ma Yan

Person in charge of accounting
department:

Chen Jing

Consolidated Income Statement

January–December 2018
Unit: Yuan Currency: RMB

Item	Note	2018	2017
I. Total operating revenue		1,402,748,187.74	1,502,152,910.64
Including: Operating revenue	VII.32	1,402,748,187.74	1,502,152,910.64
II. Total operating costs		1,407,360,229.52	1,468,420,603.18
Including: Operating costs	VII.32	1,097,267,859.38	1,117,340,289.52
Taxes and surcharges	VII.33	19,105,892.28	20,235,297.42
Selling expenses	VII.34	46,941,994.81	53,451,955.52
Administration expenses	VII.35	96,387,902.71	124,499,477.55
R&D expenses	VII.36	62,819,240.48	54,419,942.57
Finance expenses	VII.37	81,065,539.35	77,359,125.40
Including: Interest expenses		67,533,806.87	71,882,048.14
Interest income		924,940.33	1,243,362.34
Impairment loss on assets	VII.38	2,108,032.94	21,114,515.20
Impairment loss on credit	VII.39	1,663,767.57	
Add: Other income	VII.40	28,761,945.01	51,192,721.16
Gain on disposal of assets (loss is represented by "-")	VII.41	1,306,818.50	6,063,804.98
III. Operating profit (loss is represented by "-")		25,456,721.73	90,988,833.60
Add: Non-operating income	VII.42	8,302,300.33	42,201,352.45
Less: Non-operating expenses	VII.43	1,612,477.15	400,598.58
IV. Total profit (total loss is represented by "-")		32,146,544.91	132,789,587.47
Less: Income tax expenses	VII.44	8,960,304.34	27,701,698.70
V. Net profit (net loss is represented by "-")		23,186,240.57	105,087,888.77
(I) Classified on a going concern basis			
1. Net profit from continued operation (Net loss is represented by "-")		23,186,240.57	105,087,888.77
(II) Classified by ownership			
1. Net profit attributable to the shareholders of the Company		15,645,310.47	87,672,262.83
2. Profit or loss attributable to minority interests		7,540,930.10	17,415,625.94
VI. Other comprehensive income net of tax			
VII. Total comprehensive income		23,186,240.57	105,087,888.77
Total comprehensive income attributable to owners of the Company		15,645,310.47	87,672,262.83
Total comprehensive income attributable to minority interests		7,540,930.10	17,415,625.94
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.0280	0.1583
(II) Diluted earnings per share (RMB/share)		0.0280	0.1583

January–December 2018
Unit: Yuan Currency: RMB

Consolidated Income Statement

In case of business combination under common control, net profit realized by the combined party before the combination in the period was RMB20,491,900.89; net profit realized by the combined party in the previous period was RMB84,519,828.26.

Legal representative:

Zhang Chong

Person in charge of accounting:

Ma Yan

*Person in charge of accounting
department:*

Chen Jing

Income Statement of the Company

January–December 2018
Unit: Yuan Currency: RMB

Item	Note	2018	2017
I. Operating revenue	XVII.4	196,977,430.19	176,945,128.22
Less: Operating costs	XVII.4	189,334,742.63	174,063,052.65
Taxes and surcharges		2,380,869.97	1,120,916.64
Selling expenses		549,401.44	534,770.21
Administration expenses		20,231,314.43	20,920,881.42
R&D expenses			
Finance expenses		30,222,123.19	26,328,207.69
Including: Interest expenses		33,422,951.80	28,084,552.44
Interest income		3,667,474.86	1,641,958.15
Impairment loss on assets		50,000,000.00	600,521.22
Impairment loss on credit		-50,292,500.65	
Add: Other income		32,017.00	
Investment income (loss is represented by "-")		70,742,228.15	11,085,247.18
Gain on disposal of assets (loss is represented by "-")		839,994.86	
II. Operating profit (loss is represented by "-")		26,165,719.19	-35,537,974.43
Add: Non-operating income		5,065,649.19	38,622,001.35
Less: Non-operating expenses		52,054.86	200,506.12
III. Total profit (total loss is represented by "-")		31,179,313.52	2,883,520.80
Less: Income tax expenses			
IV. Net profit (net loss is represented by "-")		31,179,313.52	2,883,520.80
(I) Net profit from continued operation (Net loss is represented by "-")		31,179,313.52	2,883,520.80
V. Other comprehensive income net of tax			
VI. Total comprehensive income		31,179,313.52	2,883,520.80
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Legal representative:

Zhang Chong

Person in charge of accounting:

Ma Yan

Person in charge of accounting
department:

Chen Jing

Consolidated Cash Flow Statement

Item	Note	2018	2017
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		961,301,366.77	578,643,592.54
Tax refunds received		7,794,518.20	
Other cash received from activities related to operation	VII.45	59,439,262.72	95,204,105.67
Sub-total of cash inflow from operating activities		1,028,535,147.69	673,847,698.21
Cash paid for purchase of goods and rendering of services		770,249,627.76	693,259,015.99
Cash paid to and on behalf of employees		190,043,283.13	201,850,701.09
Tax payments		71,236,234.03	51,436,750.17
Other cash paid for activities related to operation	VII.45	77,226,925.94	38,140,851.59
Sub-total of cash outflow from operating activities		1,108,756,070.86	984,687,318.84
Net cash flow from operating activities		-80,220,923.17	-310,839,620.63
II. Cash flow from investment activities:			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,473,720.89	2,348,600.00
Other cash received from activities related to investment	VII.45		100,000,000.00
Sub-total of cash inflow from investment activities		2,473,720.89	102,348,600.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		316,002,725.49	80,187,591.47
Sub-total of cash outflow from investment activities		316,002,725.49	80,187,591.47
Net cash flow from investment activities		-313,529,004.60	22,161,008.53

Consolidated Cash Flow Statement

January–December 2018
Unit: Yuan Currency: RMB

Item	Note	2018	2017
III. Cash flow from financing activities:			
Proceeds from loans		1,377,284,000.00	838,800,000.00
Other cash received from financing-related activities	VII.45	1,272,816,865.97	571,130,166.18
Sub-total of cash inflow from financing activities		2,650,100,865.97	1,409,930,166.18
Cash paid for repayment of loans		1,182,802,047.90	517,954,862.41
Cash payment for distribution of dividends and profits or repayment of interest		68,035,675.64	54,536,111.75
Including: Dividends and profits paid to minority shareholders by subsidiaries		1,278,763.09	
Other cash paid for financing-related activities	VII.45	1,043,895,895.03	541,538,271.78
Sub-total of cash outflow from financing activities		2,294,733,618.57	1,114,029,245.94
Net cash flow from financing activities		355,367,247.40	295,900,920.24
IV. Effects of changes in exchange rate on cash and cash equivalents			
		-346,759.09	-431.33
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		198,797,788.08	191,575,911.27
VI. Closing balance of cash and cash equivalents			
		160,068,348.62	198,797,788.08

Legal representative:

Zhang Chong

Person in charge of accounting:

Ma Yan

Person in charge of accounting department:

Chen Jing

Cash Flow Statement of the Company

Item	Note	2018	2017
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		96,765,732.42	75,092,063.97
Other cash received from activities related to operation		55,078,950.42	77,674,347.14
Sub-total of cash inflow from operating activities		151,844,682.84	152,766,411.11
Cash paid for purchase of goods and rendering of services		7,316,208.02	1,086,900.00
Cash paid to and on behalf of employees		12,993,210.69	12,143,285.40
Tax payments		5,838,775.01	1,407,217.36
Other cash paid for activities related to operation		198,875,836.14	128,184,563.20
Sub-total of cash outflow from operating activities		225,024,029.86	142,821,965.96
Net cash flow from operating activities		-73,179,347.02	9,944,445.15
II. Cash flow from investment activities:			
Cash received from return of investment		3,129,244.82	
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		223,117,040.63	43,164,222.88
Sub-total of cash inflow from investment activities		226,246,285.45	43,564,222.88
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets			3,361,300.60
Cash paid for investment		120,000,000.00	120,000,000.00
Sub-total of cash outflow from investment activities		120,000,000.00	123,361,300.60
Net cash flow from investment activities		106,246,285.45	-79,797,077.72
III. Cash flow from financing activities:			
Proceeds from loans		435,084,000.00	
Other cash received from financing-related activities		874,321,872.18	938,578,015.21
Sub-total of cash inflow from financing activities		1,309,405,872.18	938,578,015.21
Cash paid for repayment of loans		358,719,649.25	37,636,864.81
Cash payment for distribution of dividends and profits or repayment of interest		11,780,989.19	13,537,872.66
Other cash paid for financing-related activities		986,982,655.31	831,042,674.06
Sub-total of cash outflow from financing activities		1,357,483,293.75	882,217,411.53
Net cash flow from financing activities		-48,077,421.57	56,360,603.68
IV. Effects of changes in exchange rate on cash and cash equivalents			
		296.67	-431.33
V. Net increase in cash and cash equivalents			
		-15,010,186.47	-13,492,460.22
Add: Opening balance of cash and cash equivalents		51,344,789.07	64,837,249.29
VI. Closing balance of cash and cash equivalents			
		36,334,602.60	51,344,789.07

Legal representative:

Zhang Chong

Person in charge of accounting:

Ma Yan

Person in charge of accounting department:

Chen Jing

Consolidated Statement of Changes in Owners' Equity

January–December 2018
Unit: Yuan Currency: RMB

Item	Equity attributable to owners of the Company										Total shareholder's equity			
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Comprehensive income	Other income	Special reserve	Surplus reserve		General risk provisions	Undistributed profit	Minority interests
I. Balance at the end of last year	526,766,875.00				1,488,406,708.39					51,365,509.04		-1,507,399,946.07		559,139,146.36
Add: Changes in accounting policies														
Business combination under common control														
Others					403,439,160.51									787,049,807.74
II. Balance at the beginning of the year	526,766,875.00				1,891,845,868.90					51,365,509.04		-1,352,729,613.20		1,328,165,321.83
III. Increase/decrease in the year (decrease is represented by "-")	33,030,516.00				79,292,018.40							15,645,310.47		17,175,779.38
(I) Total comprehensive income												15,645,310.47		
(II) Shareholders' contribution and decrease in capital														23,166,240.57
1. Ordinary shares paid by shareholders														
2. Others														-4,731,698.10
(III) Profit distribution														109,507,662.66
(IV) Internal carry-forward of shareholders' equity														-114,238,760.76
(V) Special reserve														-1,278,763.09
IV. Balance at the end of the year	559,797,391.00				1,971,137,887.30					51,365,509.04		-1,337,084,302.73	100,124,616.60	1,345,341,101.21

Consolidated Statement of Changes in Owners' Equity

Item	Equity attributable to owners of the Company										Total shareholder's equity		
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Comprehensive income	Special reserve	Surplus reserve	General risk provisions		Undistributed profit	Minority interests
I. Balance at the end of last year	526,766,875.00				1,473,105,039.50		Other comprehensive income	Special reserve	51,365,519.04		-1,627,988,016.58		629,269,416.96
Business combination under common control													
II. Balance at the beginning of the year	526,766,875.00				403,439,160.51		Comprehensive income	Special reserve	51,365,519.04		102,005,138.39	197,085,680.58	702,529,979.48
III. Increase/decrease in the year (decrease is represented by "-")					1,876,544,200.01						-1,425,962,868.19	197,085,680.58	1,225,799,386.44
(I) Total comprehensive income													
(II) Shareholders' contribution and decrease in capital					15,301,688.89						87,672,262.83	17,415,625.94	120,389,557.66
1. Others					15,301,688.89						87,672,262.83	17,415,625.94	105,087,888.77
(III) Profit distribution													15,301,688.89
(IV) Internal carry-forward of shareholders' equity													15,301,688.89
(V) Special reserve													
IV. Balance at the end of the year	526,766,875.00				1,887,845,888.90				51,365,519.04		-1,338,290,615.36	214,501,306.52	1,946,188,354.10

Legal representative: **Zhang Chong** Person in charge of accounting: **Ma Yan**
 department: **Chen Jing**

Statement of Changes in Owners' Equity of the Company

January–December 2018
Unit: Yuan Currency: RMB

2018

Item	Other equity instruments				Other			Total shareholder's equity			
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Comprehensive income		Special reserve	Surplus reserve	Undistributed profit
I. Balance at the end of last year	526,766,875.00				1,268,692,769.04				51,365,509.04	-1,396,267,053.32	450,558,099.76
Add: Changes in accounting policies											
II. Balance at the beginning of the year	526,766,875.00				1,268,692,769.04				51,365,509.04	-467,540.20	450,090,559.56
III. Increase/decrease in the year (decrease is represented by "-")	33,030,516.00				681,897,830.26					31,179,313.52	746,107,659.78
(I) Total comprehensive income										31,179,313.52	31,179,313.52
(II) Shareholders' contribution and decrease in capital	33,030,516.00				681,897,830.26						714,928,346.26
1. Ordinary shares paid by shareholders	33,030,516.00				679,082,358.52						712,112,874.52
2. Others					2,815,471.74						2,815,471.74
(III) Profit distribution											
(IV) Internal carry-forward of shareholders' equity											
(V) Special reserve											
IV. Balance at the end of the year	559,797,391.00				1,950,590,599.30				51,365,509.04	-1,365,555,280.00	1,196,196,219.34

Statement of Changes in Owners' Equity of the Company

2017

Item	Other equity instruments					Less: Treasury stock	Other Comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder's equity
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve						
I. Balance at the end of last year	526,766,875.00				1,253,391,100.15			51,365,509.04	-1,389,150,574.12		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	-1,389,150,574.12		432,372,910.07
III. Increase/decrease in the year (decrease is represented by "-")											
(I) Total comprehensive income										2,883,520.80	18,185,189.69
(II) Shareholders' contribution and decrease in capital										2,883,520.80	2,883,520.80
1. Others											
(III) Profit distribution											15,301,668.89
(IV) Internal carry-forward of shareholders' equity											15,301,668.89
(V) Special reserve											
IV. Balance at the end of the year	526,766,875.00				1,268,692,769.04			51,365,509.04	-1,386,267,053.32		450,558,099.76

Legal representative:

Zhang Chong

Person in charge of accounting:

Ma Yan

Person in charge of accounting

department:

Chen Jing

Notes to the Financial Statements

31 December 2018
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

I. COMPANY PROFILE

1. Company Overview

Luoyang Glass Co., Ltd. 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 scope of business includes development, production, manufacture and installation of information display glass segment, new energy glass, photoelectric material for functional-glass category and its processed products and components, relevant materials, mechanical equipment and its electric appliances and accessories, relevant technical consultancy and technical services, as well as sales and after-sales services of self-produced products.

As of 31 December 2018, the total share capitals of the Company were 559,797,391 shares.

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

2. Scope of Consolidated Financial Statements

No.	Name of subsidiaries	Abbreviation
1	CLFG Longmen Glass Co., Ltd.	Longmen Glass
2	CLFG Longhai Electronic Glass Co., Ltd.	Longhai Glass
3	Bengbu CNBM Information Display Material Co., Ltd.	Bengbu CNBM
4	CNBM (Puyang) Photoelectric Material Co., Ltd.	Puyang Photoelectric Material
5	CNBM (Hefei) New Energy Co., Ltd.	Hefei New Energy
6	CNBM (Tongcheng) New Energy Materials Co., Ltd.	Tongcheng New Energy
7	CNBM (Yixing) New Energy Resources Co., Ltd.	Yixing New Energy

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”), and based on the following significant accounting policies and estimates.

2. Going concern

As at 31 December 2018, the business operations of the Company were in normal condition with smooth financing channels and its gearing ratio was 70.13%. Although the current liabilities of the Group exceeded current assets by RMB1,065,086,748.61, the management of the Company have made estimation that the Company is expected to be able to meet its capital needs for repayment of debts and capital commitments by virtue of the net cash flow from operating activities within the next 12 months and undertakings made by China Luoyang Float Glass (Group) Co., Ltd. (“CLFG”), the controlling shareholder of the Company, to offer financial aid to the Company. The management 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

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 2018, and operating results, cash flows and other relevant information for the year 2018 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”).

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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 ultimate controller's consolidated financial statements obtained as the initial investment cost of long-term equity investments as at the date of combination. In case the consideration for the combination is paid by issuance of equity instruments, the aggregate nominal value of shares issued will be deemed as the share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of consideration (or aggregate nominal value of shares issued) for the combination shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

2. *Enterprise merger not under common control*

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Preparation method of consolidated financial statements (continued)

3. *Offset matters in the consolidated financial statements*

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

4. *Accounting treatment of subsidiaries acquired from merger*

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

5. *Accounting treatment for disposal of subsidiaries*

In respect of disposal of long-term equity investment in subsidiaries without losing control, the difference between disposal consideration and the net assets of subsidiaries attributable to the long-term equity investment continually calculated since the date of acquisition or combination date shall be adjusted to capital reserve (capital premium or share capital premium) in the consolidated financial statements. In case the capital reserve is insufficient for offset, retained earnings will be adjusted.

When the control over the investee is lost due to reasons such as disposal of part of the equity investment, remaining shareholding will be remeasured based on the fair value on the date of loss of control when preparing the consolidated financial statements. The difference between the sum of disposal consideration and fair value of the remaining equity less the net assets attributable the original shareholdings calculated from the date of acquisition or combination shall be recorded into the investment income for the period when the control is lost, and goodwill will be written off at the same time. Other comprehensive income related to the original equity investment in the subsidiary will be transferred to investment income for the period when control is lost.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Classification of joint arrangements and accounting treatment 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 Company as a party of joint operation should recognize the following items in relation to its 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 its separate assets or liabilities held, and recognize the assets or liabilities jointly held according to its share; to recognize the income from the disposal of its output share under joint operation; to recognize the income from the disposal of output under joint operation according to its share; to recognize the expenses incurred separately, and recognize the expenses incurred under joint operation according to its share.

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

3. Accounting treatment for joint ventures

The Company as a party 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. If the Company is no a party of a joint venture, it 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.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

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 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 without changing the amount in the recording currency. 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 period or recognized as other comprehensive income.

2. Translation of financial statements denominated in foreign currency

If the functional currencies used as the bookkeeping base currency by the subsidiaries, joint ventures and associates 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 shall be translated at the spot exchange rate at the date on which the cash flow is generated. 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 period either entirely or at the proportion of disposal of foreign operations.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments

1. *Classification and reclassification of financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The financial instruments of the Company include monetary funds, equity investments other than long-term equity investment (see Note (14)- Long-term equity investment), receivables, payables, loans and share capital, etc.

1) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the balance sheet when the Company becomes a party to the contractual provisions of a financial instrument.

Financial assets (other than accounts receivable without a significant financing component) and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related transaction costs are directly charged to profit or loss; for financial assets and financial liabilities of other categories, any related transaction costs are included in their initial recognized amount. Accounts receivable without a significant financing component is initially measured at the transaction price according to Note (26) – Revenue.

2. *Classification and subsequent measurement of financial assets*

(1) *Classification of financial assets*

Based on the business model for managing financial assets and its contractual cash flow characteristics, financial assets are classified into three categories upon initial recognition: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), and at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

2. Classification and subsequent measurement of financial assets (continued)

(1) Classification of financial assets (continued)

- ① A financial asset is measured at amortised cost if it meets the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - its contractual terms provide that cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding.
- ② A financial asset is measured at FVOCI if it meets the following conditions:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
 - its contractual terms provide that cash flows on specified dates are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, an equity investment that is not held for trading may be irrevocably designated by the Company as a financial asset at FVOCI. This designation is made on an investment-by investment basis and relevant investments fall within the definition of equity instruments from the perspective of the issuer.

Except for the financial assets measured at amortised cost and FVOCI as described above, the Company classifies other financial assets as measured at FVTPL.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

2. Classification and subsequent measurement of financial assets (continued)

(1) Classification of financial assets (continued)

③ Evaluation basis for the business model for managing financial assets

The business model for managing financial assets refers to how the Company manages financial assets to generate cash flows.

Business model determines whether the cash flows of financial assets managed by the Company is derived from contractual cash flows, sale of financial assets or both. And the Company determines the business model of managing financial assets based on the objective facts, and the special business purposes of managing financial assets by the key management.

④ Assessment of contractual cash flows characteristics

The Company assesses the contractual cash flows characteristics of financial assets to confirm whether the cash flows generated by relative financial assets on a particular date are SPPI. The principal is the fair value of the financial assets at initial recognition, the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. Besides, to confirm whether the cash flow satisfy the characteristics above, the Company would assess the contractual terms which could result in the change in the time and amount of contractual cash flows from the financial assets.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

2. Classification and subsequent measurement of financial assets (continued)

(2) Subsequent measurement of financial assets

The subsequent measurement of the following financial assets of the Company:

① Financial assets measured at FVTPL

Upon initial recognition, the financial assets are subsequently measured at fair value, and gain or loss(including interest and dividend income) generated will be recorded in the current profit or loss, except for the part of hedging instruments.

② Financial assets measured at amortised cost

Upon initial recognition, the financial assets are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from financial assets measured at amortised cost that are not part of any hedging instruments is recorded in current profit or loss when in the case of derecognition, amortisation based on the effective interest method, or impairment consideration.

③ Financial assets measured at FVOCI

i Debt investments measured at FVOCI

Upon initial recognition, these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment losses and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses arising from the fair value of debt investments measured at FVOCI and the carrying amount under the actual interest income are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

ii Equity investments measured at FVOCI

Upon initial recognition, these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

3. Classification and subsequent measurement of financial liabilities

The Company classifies financial liabilities into three categories: financial liabilities measured at FVTPL, financial guarantee contract liabilities and financial liabilities measured at amortised cost.

(1) Financial liabilities measured at FVTPL

These assets include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as FVTPL.

Upon initial recognition, financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, except for the part of hedging instruments.

(2) Financial guarantee contract liabilities

Financial guarantee contracts are contracts that requires the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee liability is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Impairment of financial assets under this note), and the amount initially recognised less the cumulative amount of income.

(3) Financial liabilities measured at amortised cost

Upon initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

4. Designation of financial assets and financial liabilities

In order to eliminate or significantly reduce accounting mismatch, the Company designates financial assets or financial liabilities as financial assets or financial liabilities measured at FVTPL.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

5. *Presentation and offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when the following conditions are satisfied:

- the Company currently has a legally enforceable right to set off the recognized amounts;
- the Company intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

6. *Derecognition of financial assets and financial liabilities*

(1) *Financial asset is derecognised when one of the following conditions is met:*

- the Company's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Company transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred and the Company neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, and it does not retain control over the transferred asset.

(2) *Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:*

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer of the financial asset and corresponding derecognition amount from the cumulative amount of changes in fair value which had been recognized in other comprehensive income.

(3) *The Company derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.*

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

7. Impairment of financial instruments

(1) *Based on the expected credit loss ("ECL"), the Company takes the impairment accounting treatment and recognises the impairment loss provision for:*

- financial assets measured at amortised cost;
- contract assets;
- debt investments measured at FVOCI;
- financial guarantee contracts not measured at FVTPL.

Other financial assets measured at fair value held by the Company, including bonds investments or equity instrument investments at FVTPL, equity instrument investments designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(2) *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses of financial instruments on the risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

- ① Loss allowances for accounts receivable and contract assets are always measured at an amount equal to lifetime ECLs. The Company classifies the accounts receivable and contract assets into certain groups based on credit risk characteristics. ECLs on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

7. Impairment of financial instruments (continued)

(2) Measurement of ECLs (continued)

② Except for accounts receivable and contract assets, the Company measures loss allowance at an amount equal to 12-month ECLs for one of the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

- If the financial instrument is determined to have low credit risk at the balance sheet date; or
- If the credit risk on the financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk: if a financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The credit risk on fixed deposit which deposit in commercial bank with higher bank's credit rating is considered low.

Significant increases in credit risk: in assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition on either an individual basis or a collective basis. to access whether the credit risk of a financial instrument has increased significantly since initial recognition. The following information on the risk of default is taken into account by the Company:

- the debtors' failure to make payments of principal or interest on the contractually due dates; The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if any);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Company.

The standard adopted by the Company to determine the aforesaid risk of default is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account other quantitative criteria including restrictive financial covenants.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

7. Impairment of financial instruments (continued)

(2) Measurement of ECLs (continued)

③ Credit-impaired financial assets:

At each balance sheet date, the Group assesses whether financial assets measured at amortised cost and debt instrument investments measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or debtor;
- a breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulty, the Company having granted to the borrower a concession that would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties of the issuer or debtor.

④ Presentation of allowance for ECLs:

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company re-measures the ECLs on each balance sheet date, and the resulting increase or reversal in loss provision shall be included in the profit or loss for the period as impairment losses or gains. For financial assets measured at amortised costs, the loss provision shall be deducted from the carrying amounts of the financial assets on the balance sheet. For debt instrument investments at FVOCI, the related loss provisions are recognized in other comprehensive income by the Company, and no deduction would be made on the carrying amounts of such financial assets on the balance sheet.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Financial instruments (continued)

8. *Write-off of financial assets*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. Write-off of a financial assets generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

11. Notes and accounts receivable

(1) *Determination and accounting treatment of the ECL of notes receivable*

Details of the determination and accounting treatment of the ECL of notes receivable are set forth in 10. Financial instruments under III. Important Accounting Policies and Estimates.

(2) *Determination and accounting treatment of the ECL of accounts receivable*

Details of the determination and accounting treatment of the ECL of accounts receivable are set forth in 10. Financial instruments under III. Important Accounting Policies and Estimates.

12. Other receivables

(1) *Determination and accounting treatment of the ECL of other receivables*

Details of the determination and accounting treatment of the ECL of other receivables are set forth in 10. Financial instruments under III. Important Accounting Policies and Estimates.

13. 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, external processing materials, packaging materials, low-value consumables, work in progress, self-manufactured semi-finished product, finished goods (commodity inventories) and costs to fulfil a contract.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

13. Inventories (continued)

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.

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

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

4. *Inventory system*

The Company adopts perpetual inventory system.

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Long-term equity investments

1. *Determination of initial investment cost*

For a long-term equity investment obtained from business consolidation under common control, the initial investment cost is measured at the share of the carrying amount of the net asset of the combined party included in the consolidated financial statement of the ultimate controller as at the date of combination; for a long-term equity investment obtained from business consolidation not under common control, the initial investment 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 actual 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 requirements of Accounting Standards for Business Enterprises No.7 – Non-monetary Asset Exchange.

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 shall be measured according to relevant requirements of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

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

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. 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 assets 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.

(3) Recognition, measurement and depreciation of fixed assets under finance lease

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

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. 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.

17. 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 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)

18. Biological assets

Applicable ✓ Not applicable

19. Oil and gas assets

Applicable ✓ Not applicable

20. 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 bringing 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 is 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)

20. Intangible assets (continued)

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

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase, such as expenditure on planned research, assessment and selection for manufacturing technique, is recognised in profit or loss in the period in which it is incurred. Before mass production, expenditure on the development phase, such as expenditure on design and test for finalised application, is capitalised only if all of the following conditions are satisfied:

- (1) The development of the production process has been sufficiently proved by the technical team;
- (2) The budget relating to development of the production process has been approved by the management, and the management has the intention to complete the intangible asset for use or for sale;
- (3) Research and analysis of market survey from previous periods show that the products produced under the production process have market promotion potential;
- (4) There are sufficient technical and financial resources for development activities of the production process and subsequent large-scale production; and the expenditures attributable to the development of the production process can be collected and calculated reliably.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. 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 to be reversed in any subsequent period.

22. 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 period.

23. Contract liabilities

(1) *Recognition of contract liabilities*

A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. The contract asset and contract liability under the same contract will be presented in net amount while those under different contracts will be presented separately.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. 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 termination of employment 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 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 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 period or recognized as the cost of relevant assets during the accounting period for which employees provide their service.

(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 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 due to dissolution of labor relationship plan or suggested redundancy; and when the Company recognizes costs or fee for restructuring involving the payment of termination costs.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. 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.

25. 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.

26. Revenue

(1) Accounting policies adopted for revenue recognition and measurement

Income is the gross inflow of economic benefit in the periods arising in the course of the Company's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders.

1. Principles for revenue recognition

Revenue is recognized upon fulfillment of performance obligations under the contract by the Company, namely, when customer obtains the control over related goods and services.

Where a contract has two or more performance obligations, the Company determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Company recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Revenue (continued)

(1) Accounting policies adopted for revenue recognition and measurement (continued)

1. Principles for revenue recognition (continued)

The Company recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Company expects to refund to the customer is recognised as refund liabilities and excluded from transaction price.

Where the contract contains a significant financing component, the Company recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they are transferred to the customer. The difference between the transaction price and the consideration under the contract is amortised using an effective interest method over the contract term. The Company does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Company satisfies a performance obligation over time if one of the following conditions is met; or otherwise, a performance obligation is satisfied at a point in time:

- (1) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (2) the customer has control over the asset created during the process of the Company's performance; or
- (3) the Company's performance does not create an asset with an alternative use to it and the Company has an enforceable right to payment for performance completed to date over the contract term.

For performance obligation satisfied over time, the Company recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Company recognises revenue at the point in time at which the customer obtains control of relevant goods or services.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Revenue (continued)

(1) Accounting policies adopted for revenue recognition and measurement (continued)

1. Principles for revenue recognition (continued)

To determine whether a customer has obtained control of goods or services, the Company considers the following indicators:

- (1) the Company has a present right to payment for the goods or services;
- (2) the Company has transferred physical possession of the goods to the customer;
- (3) the Company has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- (4) the customer has accepted the goods or services.

A contract asset is the Company's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. Impairment allowance is made for ECL on contract assets.

Accounts receivable is the Company's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Company's obligation to transfer goods or services to a customer for which the Company has received consideration from the customer.

2. The following is the description of accounting policies regarding revenue from the Company's principal activities:

- (1) Sales of goods: generally, the sales contract between the Company and a customer may only contain the performance obligation of transferring goods. The Company recognizes revenue at a point in time when the customer receives the control of the relevant goods, and the goods are usually delivered at the point in time.
- (2) Service income: income will be recognized upon the completion of relevant service according to the contract.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer. Incremental costs (the “incremental costs of obtaining a contract”) of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it is expected to recover those costs.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

1. the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Company entered into the contract;
2. the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
3. the costs are expected to be recovered.

Assets recognised for the Incremental Costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods to which the assets relate and recognised in profit or loss for the period. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

1. remaining amount of consideration that the Company expects to receive in exchange for the goods to which the asset relates; less
2. the costs that relate directly to providing those goods that have not yet been recognised as expenses.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

28. Government grants

1. *Types and accounting treatment of government grants*

The government grants mean 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. If a government grant is in the form of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at the nominal amount.

The government grants related to the Company's daily activities shall be included in other income according to the nature of the business; and the government grants unrelated to the Company's daily activities shall be included in non-operating income.

The government grants which are clearly defined in the government documents to be used for acquisition, construction or other project that forms a long-term asset are recognized as asset-related government grants. Regarding the government grant not clearly defined in the official documents and can form long-term assets, the part of government grant which can be referred to the value of the assets is classified as government grant related to assets and the remaining part is government grant related to income. For the government grant that is difficult to distinguish, the entire government grant is classified as government grant related to income. Any government grants related to assets are recognized as deferred income, the amount of which shall be recorded in the current profit or loss in installments with a reasonable and systematic method over the useful lives of relevant assets.

The government grants other than those related to assets are recognized as government grants related to income. The income-related government grants 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 period when such expenses are recognized while those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the period.

Where the Company obtains an interest subsidy for policy-related preferential loans, the government either appropriates an interest subsidy to the lending bank, allowing the latter to provide loans at a preferential interest rate to the Company who 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 preferential interest rate; or the government directly appropriates an interest subsidy to the Company who shall use the interest subsidy to offset relevant loan expenses.

2. *Timing for recognition of government grants*

A government grant is recognized when there is reasonable assurance that the grant will be received and that the conditions attaching to the grant will be satisfied. The government grants 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 government grants other than that counted in accordance with the amount receivable will be acknowledged at the actual time of receiving the grants.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. 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 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.

30. Lease

(1) *Accounting treatment for operating leases*

Lease expenditure for operating leases shall be recorded into the cost of the relevant assets or the 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.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Important judgments made in the application of accounting policies and key assumptions and uncertainties adopted in accounting estimates

The Company shall made judgments, estimates and assumptions on the carrying value of items in the statements which cannot be accurately measured in the application of the accounting policies described above. Such judgments, estimates and assumptions are made based on the historical experience of the management of the Company after taking into account other relevant factors and the actual results may be different from the estimates of the Company. Key assumptions and uncertainties in the accounting estimates of the Company which is likely to result in significant adjustments to the carrying value of the assets and liabilities in the future periods are as follows:

1. *Expected credit loss of accounts receivables*

The Company calculates the expected credit loss of accounts receivables based on the default exposure and the expected credit loss ratio of accounts receivables and determines the expected credit loss ratio based on the possibility of default and the default loss ratio. In determining the expected credit loss ratio, the Company uses the internal historical credit loss experience and other data and makes adjustments to the historical data based on the current conditions and forward-looking information. The indicators used by the Company in considering the forward-looking information include the risks on economic decline the external market environment, the industry risks and the changes in the customers.

2. *Inventory impairment provisions*

The inventory of the Company is measured at the lower of the cost and net realizable value of inventories. 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. The estimation is based on the current market conditions and the historical experience in the production and sale of products with same nature. Where the management of the Company revises the estimated selling price and the estimated cost of completion and the estimated selling expenses, it will affect the estimation on the net realizable value of inventories, which will affect the inventory impairment provisions made.

3. *The estimated useful life and estimated net residual value of fixed assets*

The Company determines the estimated useful life and estimated net residual value of fixed assets based on its historical experience on actual useful life of fixed assets with similar nature or function. Technological innovation or intense industry competition may have a significant impact on the useful life of fixed assets and the actual net residual value may also be inconsistent with the estimated net residual value. If the estimates of the useful life and the net residual value of fixed asset are different from the original estimates, the Company will adjust it.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

31. Important judgments made in the application of accounting policies and key assumptions and uncertainties adopted in accounting estimates (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)

32. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Changes in accounting policies and reasons therefor	Approval procedures	Notes (items of statements affected significantly and amounts)
Implementation of the New Revenue Standard	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The receipts in advance decreased by RMB21,475,187.43 in the consolidated balance sheet as at 1 January 2018.
Implementation of the New Revenue Standard	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The contract liabilities increased by RMB21,475,187.43 in the consolidated balance sheet as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The notes and accounts receivable decreased by RMB19,639,377.89 in the consolidated balance sheet as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The other receivables decreased by RMB1,803,471.53 in the consolidated balance sheet as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The deferred income tax assets increased by RMB3,419,217.15 in the consolidated balance sheet as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The retained earnings decreased by RMB14,439,007.84 in the consolidated balance sheet as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The minority equity decreased by RMB3,584,624.43 in the consolidated balance sheet as at 1 January 2018.

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

(1) Changes in significant accounting policies (continued)

Changes in accounting policies and reasons therefor	Approval procedures	Notes (items of statements affected significantly and amounts)
Implementation of the New Revenue Standard	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The receipts in advance decreased by RMB7,813,062.37 in the balance sheet of the Company as at 1 January 2018.
Implementation of the New Revenue Standard	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The contract liabilities increased by RMB7,813,062.37 in the balance sheet of the Company as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The notes and accounts receivable decreased by RMB156,945.53 in the balance sheet of the Company as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The other receivables decreased by RMB310,594.67 in the balance sheet of the Company as at 1 January 2018.
Implementation of the New Financial Instruments Standards	It was considered and approved at the fifty-ninth meeting of the eighth session of the Board held by the Company on 29 August 2018.	The retained earnings decreased by RMB467,540.20 in the balance sheet of the Company as at 1 January 2018.

Other explanation:

In accordance with the requirements of Financial Statements Format, except for the presentation changes resulted from the implementation of the abovementioned New Revenue Standard and New Financial Instruments Standards, the Company consolidated the "notes receivable" and "accounts receivable" to the newly added "notes and accounts receivable" item, consolidated the "dividends receivable" and "interests receivable" to "other receivables", consolidated the "disposal of fixed assets" to the "fixed assets" item, consolidated the "engineering materials" to the "construction in progress" item, consolidated the "notes payable" and "accounts payable" to the newly added "notes and accounts payable" item, consolidated the "specific payable" to the "long-term payables" item, and the "R&D expenses" item is split from the "administrative expenses" item in the income statement, the "interest expenses" and "interest income" are split from the "financial expenses" item; the "change in the defined benefit plan carried forward to retained earnings" item was added to the statement of changes in equity and the Company restated the comparative period statement accordingly. This change in accounting policy has no impact on the consolidated and the Company's net profit and shareholders' equity.

Notes to the Financial Statements

31 December 2018
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

(2) *Adjustment to the related items of the financial statements at the beginning of year upon initial adoption of the New Financial Instruments Standards and the New Revenue Standard*

Consolidated Balance Sheet

Unit: Yuan Currency: RMB

Items	As at 31 December 2017	As at 1 January 2018	Adjusted amount
Current assets:			
Bank balance and cash	204,245,757.54	204,245,757.54	
Notes and accounts receivable	1,022,562,666.40	1,002,923,288.51	-19,639,377.89
Including: Notes receivable	490,712,129.45	482,407,130.05	-8,304,999.40
Accounts receivable	531,850,536.95	520,516,158.46	-11,334,378.49
Prepayments	20,319,301.69	20,319,301.69	
Other receivables	90,685,860.01	88,882,388.48	-1,803,471.53
Inventory	180,924,918.81	180,924,918.81	
Other current assets	41,988,762.45	41,988,762.45	
Total current assets	1,560,727,266.90	1,539,284,417.48	-21,442,849.42
Non-current assets:			
Long-term receivables	55,000,000.00	55,000,000.00	
Fixed assets	1,766,535,573.58	1,766,535,573.58	
Construction in progress	282,248,916.34	282,248,916.34	
Intangible assets	317,529,993.66	317,529,993.66	
Long-term deferred expenses	5,539,138.34	5,539,138.34	
Deferred income tax assets	2,504,761.54	5,923,978.69	3,419,217.15
Other non-current assets	8,366,432.63	8,366,432.63	
Total non-current assets	2,437,724,816.09	2,441,144,033.24	3,419,217.15
Total assets	3,998,452,082.99	3,980,428,450.72	-18,023,632.27

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

(2) *Adjustment to the related items of the financial statements at the beginning of year upon initial adoption of the New Financial Instruments Standards and the New Revenue Standard (continued)*

Consolidated Balance Sheet (continued)

Items	As at 31 December 2017	As at 1 January 2018	Adjusted amount
Current liabilities:			
Short-term loans	812,509,000.00	812,509,000.00	
Notes and accounts payable	711,822,787.13	711,822,787.13	
Payments received in advance	21,475,187.43		-21,475,187.43
Contract liabilities		21,475,187.43	21,475,187.43
Staff remuneration payables	21,985,112.19	21,985,112.19	
Taxes payable	31,525,000.52	31,525,000.52	
Other payables	377,009,364.49	377,009,364.49	
Including: Interest payable	3,418,456.33	3,418,456.33	
Non-current liabilities due within one year	196,946,248.22	196,946,248.22	
Total current liabilities	2,173,272,699.98	2,173,272,699.98	
Non-current liabilities:			
Long-term loans	370,796,745.65	370,796,745.65	
Deferred income	108,193,683.26	108,193,683.26	
Total non-current liabilities	478,990,428.91	478,990,428.91	
Total liabilities	2,652,263,128.89	2,652,263,128.89	

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

- (2) *Adjustment to the related items of the financial statements at the beginning of year upon initial adoption of the New Financial Instruments Standards and the New Revenue Standard (continued)*

Consolidated Balance Sheet (continued)

Items	As at 31 December 2017	As at 1 January 2018	Adjusted amount
Shareholders' equity			
Share capital	526,766,875.00	526,766,875.00	
Capital reserve	1,891,845,868.90	1,891,845,868.90	
Surplus reserve	51,365,509.04	51,365,509.04	
Retained earnings	-1,338,290,605.36	-1,352,729,613.20	-14,439,007.84
Total equity attributable to shareholders of the Company	<u>1,131,687,647.58</u>	<u>1,117,248,639.74</u>	-14,439,007.84
Minority equity	214,501,306.52	210,916,682.09	-3,584,624.43
Total shareholders' equity	<u>1,346,188,954.10</u>	<u>1,328,165,321.83</u>	-18,023,632.27
Total liabilities and shareholders' equity	<u>3,998,452,082.99</u>	<u>3,980,428,450.72</u>	-18,023,632.27

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

- (2) *Adjustment to the related items of the financial statements at the beginning of year upon initial adoption of the New Financial Instruments Standards and the New Revenue Standard (continued)*

Balance Sheet of the Company

Unit: Yuan Currency: RMB

Items	As at 31 December 2017	As at 1 January 2018	Adjusted amount
Current assets:			
Bank balance and cash	52,744,789.07	52,744,789.07	
Notes and accounts receivable	211,797,338.88	211,640,393.35	-156,945.53
Including: Notes receivable	7,469,611.05	7,469,611.05	
Accounts receivable	204,327,727.83	204,170,782.30	-156,945.53
Prepayments	30,238.87	30,238.87	
Other receivables	31,131,296.66	30,820,701.99	-310,594.67
Other current assets	489,663.39	489,663.39	
Total current assets	<u>296,193,326.87</u>	<u>295,725,786.67</u>	<u>-467,540.20</u>
Non-current assets:			
Long-term receivables	55,000,000.00	55,000,000.00	
Long-term equity investment	868,986,593.99	868,986,593.99	
Fixed assets	2,508,762.95	2,508,762.95	
Intangible assets	63,612,709.86	63,612,709.86	
Long-term deferred expenses	162,000.00	162,000.00	
Total non-current assets	<u>990,270,066.80</u>	<u>990,270,066.80</u>	
Total assets	<u>1,286,463,393.67</u>	<u>1,285,995,853.47</u>	<u>-467,540.20</u>

Notes to the Financial Statements

31 December 2018
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

- (2) *Adjustment to the related items of the financial statements at the beginning of year upon initial adoption of the New Financial Instruments Standards and the New Revenue Standard (continued)*

Balance Sheet of the Company (continued)

Items	As at 31 December 2017	As at 1 January 2018	Adjusted amount
Current liabilities:			
Short-term loans	347,509,000.00	347,509,000.00	
Notes and accounts payable	5,062,801.26	5,062,801.26	
Payments received in advance	7,813,062.37		-7,813,062.37
Contract liabilities		7,813,062.37	7,813,062.37
Staff remuneration payables	8,089,982.67	8,089,982.67	
Taxes payable	566,122.59	566,122.59	
Other payables	465,853,312.43	465,853,312.43	
Including: Interest payable	472,432.69	472,432.69	
Non-current liabilities due within one year	404,406.94	404,406.94	
Other current liabilities			
Total current liabilities	835,298,688.26	835,298,688.26	
Non-current liabilities:			
Long-term loans	606,605.65	606,605.65	
Total non-current liabilities	606,605.65	606,605.65	
Total liabilities	835,905,293.91	835,905,293.91	
Shareholders' equity			
Share capital	526,766,875.00	526,766,875.00	
Capital reserve	1,268,692,769.04	1,268,692,769.04	
Surplus reserve	51,365,509.04	51,365,509.04	
Retained earnings	-1,396,267,053.32	-1,396,734,593.52	-467,540.20
Total shareholders' equity	450,558,099.76	450,090,559.56	-467,540.20
Total liabilities and shareholders' equity	1,286,463,393.67	1,285,995,853.47	-467,540.20

III. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (continued)

(3) *Explanation on retroactive adjustments to comparative data of previous period upon initial adoption of the New Financial Instruments Standards*

In accordance with the requirements of Financial Statements Format, except for the presentation changes resulted from the implementation of the abovementioned New Revenue Standard and New Financial Instruments Standards, the Company consolidated the "notes receivable" and "accounts receivable" to the newly added "notes and accounts receivable" item, consolidated the "dividends receivable" and "interests receivable" to "other receivables", consolidated the "disposal of fixed assets" to the "fixed assets" item, consolidated the "engineering materials" to the "construction in progress" item, consolidated the "notes payable" and "accounts payable" to the newly added "notes and accounts payable" item, consolidated the "specific payable" to the "long-term payables" item, and the "R&D expenses" item is split from the "administrative expenses" item in the income statement, the "interest expenses" and "interest income" are split from the "financial expenses" item; the "change in the defined benefit plan carried forward to retained earnings" item was added to the statement of changes in equity and the Company restated the comparative period statement accordingly. This change in accounting policy has no impact on the consolidated and the Company's net profit and shareholders' equity.

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% or 10%, 17% or 16%
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 CNBM Information Display, Hefei New Energy, Tongcheng New Energy	15%
Other subsidiaries	25%

Notes to the Financial Statements

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IV. TAXES (CONTINUED)

2. Preferential tax treatment

Longhai Company, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in December 2016 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2018.

Bengbu CNBM Information Display Materials, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in October 2016 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2018.

Hefei New Energy, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in January 2016 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2018.

Tongcheng New Energy, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in July 2017 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2018.

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Cash on hand	215,682.50	96,609.06
Deposits at banks	161,256,666.12	200,101,179.02
Other monetary funds	114,660,341.00	4,047,969.46
Total	276,132,689.62	204,245,757.54

Other explanation

Note: The security deposits for the bank acceptance under other monetary funds as at the end of the period was RMB114,660,341.00; in the balance of bank deposit, RMB1,404,000.00 was restricted deposit, mainly including the pledged deposit certificates.

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

2. Notes and accounts receivable

Summary table

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Notes receivable	280,589,313.11	490,712,129.45
Accounts receivable	564,480,038.18	590,089,930.96
Less: provision for bad debts	80,095,034.58	58,239,394.01
Total	764,974,316.71	1,022,562,666.40

Notes receivable

(1) Notes receivable by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Bank acceptances	104,046,358.38	253,818,723.44
Commercial acceptances	176,542,954.73	236,893,406.01
Less: provision for bad debts	7,892,443.10	
Total	272,696,870.01	490,712,129.45

(2) Notes receivable pledged as at the end of the period

Unit: Yuan Currency: RMB

Item	Amount pledged as at the end the period
Bank acceptances	66,141,481.91
Total	66,141,481.91

Notes to the Financial Statements

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

2. Notes and accounts receivable (continued)

Notes receivable (continued)

(3) Notes receivable which were endorsed and discounted by the Company at the end of the period but were 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 acceptances	469,557,126.34	
Commercial acceptances		70,438,780.78
Total	469,557,126.34	70,438,780.78

Note: 1. The bank acceptances which has been discounted but not due included bank acceptances of RMB80,000,000.00 which were issued by the Company and discounted to the bank by subsidiaries.

2. 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.

(4) Provision for bad debts

Unit: Yuan Currency: RMB

Item	31 December 2017	Changes in accounting policies	1 January 2018	Provision for the period	31 December 2018
Provision for bad debts		8,304,999.40	8,304,999.40	-412,556.30	7,892,443.10

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

2. Notes and accounts receivable (continued)

Receivables

(1) Ageing analysis of accounts receivables by date of entry:

Unit: Yuan Currency: RMB

Aging	31 December 2018	31 December 2017
Within 1 year	473,659,958.81	488,644,458.85
1 to 2 years	10,468,899.75	44,380,200.16
2 to 3 years	23,813,794.31	2,094,598.73
3 to 4 years	1,914,277.29	567,285.02
4 to 5 years	219,720.82	1,037,719.89
Over 5 years	54,403,387.20	53,365,668.31
Subtotal	564,480,038.18	590,089,930.96
Less: provision for bad debts	72,202,591.48	58,239,394.01
Total	492,277,446.70	531,850,536.95

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.

(2) Classified disclosure by the method of bad debt provision

Unit: Yuan Currency: RMB

Category	31 December 2018					31 December 2017				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	ratio (%)	Book value	Amount	Ratio (%)	Amount	ratio (%)	Book value
Bad debt provision on individual basis	2,003,735.65	0.35	2,003,735.65	100.00	0.00					
Bad debt provision on group basis	562,476,302.53	99.65	70,198,855.83	12.48	492,277,446.70	590,089,930.96	100.00	58,239,394.01	9.87	531,850,536.95
Total	564,480,038.18	/	72,202,591.48	/	492,277,446.7	590,089,930.96	/	58,239,394.01	/	531,850,536.95

Notes to the Financial Statements

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

2. Notes and accounts receivable (continued)

Receivables (continued)

(2) Classified disclosure by the method of bad debt provision (continued)

Bad debt provision on individual basis:

Unit: Yuan Currency: RMB

Name	31 December 2018			Reason for provision
	Accounts receivable	Provision for bad debts	Provision ratio (%)	
Jiaying Zhanfeng Energy Technology Company Limited(嘉興展豐能源技術有限公司)	2,003,735.65	2,003,735.65	100.00	Unable to be recovered in full
Total	2,003,735.65	2,003,735.65	100.00	/

Bad debt provision on group basis:

Unit: Yuan Currency: RMB

Name	31 December 2018		
	Accounts receivable	Provision for bad debts	Provision ratio (%)
Related parties	76,373,958.58	1,527,479.18	2.00
Other Customers	486,102,343.95	68,671,376.65	14.13
Total	564,480,038.18	72,202,591.48	12.48

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

2. Notes and accounts receivable (continued)

Receivables (continued)

(3) Provision for bad debts

Unit: Yuan Currency: RMB

Item	31 December 2017	Changes in accounting policies	1 January 2018	Provision for the period	31 December 2018
Provision for bad debts	58,239,394.01	11,334,378.49	69,573,772.50	2,628,818.98	72,202,591.48

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

Unit: Yuan Currency: RMB

Name	31 December 2018	Proportion in the total amount of accounts receivable (%)	Balance of provision for bad debts
First place	54,487,442.86	9.65	1,149,386.66
Second place	44,797,234.75	7.94	895,944.70
Third place	37,443,069.49	6.63	748,861.39
Fourth place	32,513,807.89	5.76	650,276.16
Fifth place	31,916,871.20	5.65	1,496,474.62
Total	201,158,426.19	35.63	4,940,943.53

Notes to the Financial Statements

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

3. Prepayments

(1) Aging analysis of prepayments

Unit: Yuan Currency: RMB

Aging	31 December 2018		31 December 2017	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	61,072,638.26	97.78	19,947,687.45	98.17
1 to 2 years	1,375,386.08	2.20	337,507.00	1.66
2 to 3 years	6,364.00	0.01	7,300.00	0.04
Above 3 years	7,840.00	0.01	26,807.24	0.13
Total	62,462,228.34	100.00	20,319,301.69	100.00

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

Unit: Yuan Currency: RMB

Name	31 December 2018	Percentage of total prepayments (%)
First place	23,424,403.02	37.50
Second place	10,201,285.63	16.33
Third place	5,957,137.61	9.54
Fourth place	4,089,162.20	6.55
Fifth place	2,787,527.17	4.46
Total	46,459,515.63	74.38

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

4. Other receivables

Summary table

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Other receivables	97,935,386.99	141,334,271.98
Less: provision for bad debts	51,748,649.47	50,648,411.97
Total	46,186,737.52	90,685,860.01

Interest receivable

N/A

Dividend receivable

N/A

Other receivables

(1) Ageing analysis of other receivables by date of entry:

Unit: Yuan Currency: RMB

Aging	31 December 2018	31 December 2017
Within 1 year	28,442,577.49	64,381,096.26
1 to 2 years	7,192,733.73	10,257,806.18
2 to 3 years	10,175,362.15	14,789,061.51
3 to 4 years	968,344.51	899,624.00
4 to 5 years	499,624.00	431,892.81
Over 5 years	50,656,745.11	50,574,791.22
Subtotal	97,935,386.99	141,334,271.98
Less: provision for bad debts	51,748,649.47	50,648,411.97
Total	46,186,737.52	90,685,860.01

Notes to the Financial Statements

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

4. Other receivables (continued)

Other receivables (continued)

(2) 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
Photovoltaic subsidies	10,089,187.12	9,661,495.86
Performance committed compensation for assets acquisition		15,301,668.89
Security deposit, deposit, reserve	30,570,568.12	62,267,333.73
Current accounts	57,275,631.75	54,103,773.50
Total	97,935,386.99	141,334,271.98

(3) Provision for bad debts

Unit: Yuan Currency: RMB

Item	31 December 2017	Changes in accounting policies	1 January 2018	Provision for the period	Write-off for the period	31 December 2018
Provision for bad debts	50,648,411.97	1,803,471.53	52,451,883.50	-552,495.11	150,738.92	51,748,649.47

(4) Other receivables actually written off in this period

Unit: Yuan Currency: RMB

Item	Amount of write-off
Other receivables actually written off in this period	150,738.92

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

4. Other receivables (continued)

Other receivables (continued)

(5) The top five largest other receivables at the end of the period by the balance collected

Unit: Yuan Currency: RMB

Name	Nature of amount	31 December 2018	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
Ping An International Financial Leasing Co., Ltd.	Security Deposit	12,000,000.00	Within 1 year	12.25	240,000.00
Zhengzhou Xili Sub-branch of China Construction Bank(建行鄭州西里支行)	Current accounts	10,808,704.00	Over 5 years	11.04	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	2 to 3 years	10.21	200,000.00
Yanshi Zhuge County government	Current accounts	9,856,832.00	Over 5 years	10.06	9,856,832.00
State Grid Anhui Electric Power Co., Ltd.	Subsidies for tariff	4,947,697.66	Within 1 year	5.05	98,953.95
Total	/	47,613,233.66	/	48.61	21,204,489.95

Notes to the Financial Statements

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Unit: Yuan Currency: RMB

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

5. Inventories

(1) Category of inventories

Unit: Yuan Currency: RMB

Item	31 December 2018			31 December 2017		
	Carrying amount	Provision for impairment of inventories/ cost	Book value	Carrying amount	Provision for impairment of inventories	Book value
Raw materials	101,968,449.19	1,325,240.88	100,643,208.31	113,917,917.59	1,325,240.88	112,592,676.71
Products in process	6,679,131.53		6,679,131.53	9,430,334.44	402,478.58	9,027,855.86
Commodity inventories	147,029,481.17	9,589,485.12	137,439,996.05	78,985,497.86	20,245,228.49	58,740,269.37
Circulation materials	633,464.09		633,464.09	564,116.87		564,116.87
Total	256,310,525.98	10,914,726.00	245,395,799.98	202,897,866.76	21,972,947.95	180,924,918.81

(2) Provision for impairment of inventories and provision for impairment of contract performance cost

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the period		Decrease for the period		31 December 2018
		Provision	Others	Reversal or write-off	Others	
Raw materials	1,325,240.88					1,325,240.88
Products in process	402,478.58			402,478.58		
Commodity inventories	20,245,228.49	2,431,138.08		13,086,881.45		9,589,485.12
Total	21,972,947.95	2,431,138.08		13,489,360.03		10,914,726.00

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.

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

6. Contract assets

(1) Contract assets

N/A

(2) Significant change in book value during the reporting period and reasons therefore

N/A

7. Other current assets

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Input tax to be deducted/unverified	67,364,982.42	41,581,560.32
Prepaid insurance expenses	728,434.49	
Taxes paid in advance	2,144,089.31	407,202.13
Total	70,237,506.22	41,988,762.45

8. Long-term receivables

(1) Long-term receivables

Unit: Yuan Currency: RMB

Item	31 December 2018			31 December 2017			Range of Item discount rate
	Carrying amount	Provision for bad debts	Book value	Carrying amount	Provision for bad debts	Book value	
Receivables from disposal of equity interest	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. 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. The Company had received the transfer price of RMB67,000,000 paid by Luoyang Tianyuan Property Co., Ltd.. As for the remaining transfer price of RMB55,000,000, it will be paid in the form of physical assets and the Company shall take it as long-term receivables. Due to the construction progress, Luoyang Tianyuan Property Co., Ltd. failed to deliver the property to the Company before 2018 as agreed. As at 31 December 2018, the property to be delivered has completed the main work and is in the process of internal decoration. According to the progress of the project, it is expected to be delivered to the Company in 2019.

Notes to the Financial Statements

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

9. Long-term equity investment

N/A

10. Other investments in equity instruments

(1) Other investments in equity instruments

Unit: Yuan Currency: RMB

Item	Cost of investment	31 December 2018	31 December 2017	Shareholding in the investees (%)
Luoyang Luobo Glass Fibre Co., Ltd. (Note)	4,000,000.00			35.90
CLFG Luoyang Jingjiu Glass Products Co., Ltd. (Note)	1,500,000.00			31.08
CLFG New Lighting Co., Ltd. (Note)	2,291,217.53			29.45
Total	7,791,217.53			

- Note: 1. Since 1 January 2018, the Company commenced implementation of the New Financial Instruments Standard, pursuant to which, the equity instruments originally classified as available-for-sale financial assets are designated as financial assets at fair value through other comprehensive income, which are presented under other equity instrument investment. The Company recorded the fair value as the new book value of other investments in equity instruments as at 1 January 2018. As at 1 January 2018, the fair value of the abovementioned equity investment was nil.
2. 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 other equity instrument investment.

11. Fixed assets

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Fixed assets	1,915,114,403.91	1,766,535,573.58
Disposal of fixed assets		
Total	1,915,114,403.91	1,766,535,573.58

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

11. Fixed assets (continued)

(2) Fixed assets

Unit: Yuan Currency: RMB

Item	Buildings	Machinery	Equipment	Others	Total
I. Original book value:					
1. 31 December 2017	749,444,762.43	1,436,219,902.44	5,758,360.23	6,597,043.19	2,198,020,068.29
2. Increase for the period	48,908,535.74	253,969,555.73	619,302.19	2,460,077.77	305,957,471.43
(1) Purchase	71,846.93	4,597,479.54	619,302.19	198,900.50	5,487,529.16
(2) Transfer from construction in progress	48,836,688.81	249,372,076.19		2,261,177.27	300,469,942.27
(3) Increase from business combination					
3. Decrease for the period	21,963,622.94	55,796,809.66	518,407.54		78,278,840.14
(1) Disposal or retirement		30,548,415.78	518,407.54		31,066,823.32
(2) Transferred to construction in progress	16,199,020.53	23,792,082.78			39,991,103.31
(3) Adjustment due to project settlement	5,764,602.41	1,456,311.10			7,220,913.51
4. 31 December 2018	776,389,675.23	1,634,392,648.51	5,859,254.88	9,057,120.96	2,425,698,699.58
II. Accumulated depreciation					
1. 31 December 2017	79,277,742.53	327,719,110.44	4,218,484.27	3,166,922.84	414,382,260.08
2. Increase for the period	19,930,922.16	96,816,086.20	383,737.22	1,420,339.54	118,551,085.12
(1) Provision	19,930,922.16	96,816,086.20	383,737.22	1,420,339.54	118,551,085.12
3. Decrease for the period	6,237,159.62	32,739,783.62	474,340.92		39,451,284.16
(1) Disposal or retirement		28,864,415.98	474,340.92		29,338,756.90
(2) Transferred to construction in progress	6,237,159.62	3,875,367.64			10,112,527.26
4. 31 December 2018	92,971,505.07	391,795,413.02	4,127,880.57	4,587,262.38	493,482,061.04

Notes to the Financial Statements

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

11. Fixed assets (continued)

(2) Fixed assets (continued)

Item	Buildings	Machinery	Equipment	Others	Total
III. Provision for impairment					
1. 31 December 2017		17,102,234.63			17,102,234.63
2. Increase for the period					
3. Decrease for the period					
4. 31 December 2018		17,102,234.63			17,102,234.63
IV. Book value					
1. Book value at the end of the period	683,418,170.16	1,225,495,000.86	1,731,374.31	4,469,858.58	1,915,114,403.91
2. Book value at the beginning of the period	670,167,019.90	1,091,398,557.37	1,539,875.96	3,430,120.35	1,766,535,573.58

Note: Original value of the fixed assets continued to be used upon full provision for impairment at the end of the period was RMB30,182,264.00.

12. Construction in progress

Summary table

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Construction in progress	680,485,100.59	282,234,935.76
Engineering materials		13,980.58
Total	680,485,100.59	282,248,916.34

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

12. Construction in progress (continued)

Construction in progress

(1) Construction in progress

Unit: Yuan Currency: RMB

Item	31 December 2018			31 December 2017		
	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	310,612,902.87		310,612,902.87	65,758,646.98		65,758,646.98
400 tons of ultra-white photothermal materials project	255,507,456.12		255,507,456.12	14,499,616.82		14,499,616.82
Solar coating glass production line with annual capacity of 48 million m ²	23,750,133.67		23,750,133.67	161,071,521.71		161,071,521.71
Tongcheng processing glass production lines 4#	63,661,172.35		63,661,172.35	11,797,986.57		11,797,986.57
Tongcheng furnace desulphurization, denitrification and dedusting equipment	8,054,016.83		8,054,016.83			
Hefei New Energy oxy-combustion new photovoltaic cover material production line project	18,003,088.80		18,003,088.80	29,107,163.68		29,107,163.68
Others	896,329.95		896,329.95			
Total	680,485,100.59		680,485,100.59	282,234,935.76		282,234,935.76

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

12. Construction in progress (continued)

Construction in progress (continued)

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

Unit: Yuan Currency: RMB

Project name	Budget	31 December 2017	Increase for the current period	Fixed assets amount transferred for the current period	Other decreased amount for period	31 December 2018	Ratio	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
							accounted by accumulated contribution towards engineering with respire to the budget (%)					
Upgrading of cold repair technology for production line of ultra- thin substrate for information display project	508,710,000.00	65,758,646.98	245,960,025.87		1,105,769.98	310,612,902.87	61.28	61.28	1,043,750.00	1,043,750.00		Self-raised funds
400 tons of ultra-white photothermal materials project	800,000,000.00	14,499,616.82	241,174,092.00		166,252.70	255,507,456.12	31.96	31.96	292,416.67	292,416.67	4.35	Self-raised funds
Solar coating glass production line with annual capacity of 48 million m ²	257,420,000.00	161,071,521.71	111,425,080.51	248,746,468.55		23,750,133.67	105.86	100.00	12,493,545.64	8,818,193.39		Self-raised funds
Tongcheng processing glass production lines 4#	100,800,000.00	11,797,986.57	51,898,972.73	35,786.95		63,661,172.35	63.19	63.19	944,722.26	944,722.26	4.75	
Total	1,666,930,000.00	253,127,772.08	650,458,171.11	248,782,255.50	1,272,022.68	653,531,665.01	/	/	14,774,434.57	11,099,082.32	/	/

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

12. Construction in progress (continued)

Engineering materials

(1) Engineering materials

Unit: Yuan Currency: RMB

Item	31 December 2018			31 December 2017		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Special materials				13,980.58		13,980.58
Total				13,980.58		13,980.58

13. Intangible Assets

(1) Intangible Assets

Unit: Yuan Currency: RMB

Item	Land use rights	Patent right	Non-patent technology	Software use rights	Trademark rights	Total
I. Original Book value						
1. 31 December 2017	343,006,370.31	94,339.62	12,316,037.70	1,642,393.15	6,000,000.00	363,059,140.78
2. Increase for the period	47,953,196.96	47,169.81		75,471.70		48,075,838.47
(1) Purchase	47,953,196.96	47,169.81		75,471.70		48,075,838.47
3. Decrease for the period						
4. 31 December 2018	390,959,567.27	141,509.43	12,316,037.70	1,717,864.85	6,000,000.00	411,134,979.25
II. Accumulated amortization						
1. 31 December 2017	31,875,579.61	14,151.00	7,272,916.54	366,499.97	6,000,000.00	45,529,147.12
2. Increase for the period	7,715,982.15	12,971.64	1,231,603.68	275,222.90		9,235,780.37
(1) Provision	7,715,982.15	12,971.64	1,231,603.68	275,222.90		9,235,780.37
3. Decrease for the period						
4. 31 December 2018	39,591,561.76	27,122.64	8,504,520.22	641,722.87	6,000,000.00	54,764,927.49
III. Provision for impairment						
IV. Book value						
1. Book value at the end of the period	351,368,005.51	114,386.79	3,811,517.48	1,076,141.98		356,370,051.76
2. Book value at the beginning of the period	311,130,790.70	80,188.62	5,043,121.16	1,275,893.18		317,529,993.66

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

13. Intangible Assets (continued)

(1) Intangible Assets (continued)

- Note: 1. 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.
2. 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.

14. Development expenditure

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the period		Decrease for the period		31 December 2018
		Internal development expenditure	Others	Recognized as intangible assets	Transferred to profit or loss for the period	
Development of AR Coating Pharmaceutical with Independent Intellectual Property Rights		1,785,130.00				1,785,130.00
Development of New Ultra-thin Photovoltaic Glass		4,578,704.93				4,578,704.93
Large Area Ultra-thin Intelligent Glass Production Technology		1,557,707.70				1,557,707.70
R&D of Intelligent Ultra-thin Patterned Rolling Machines		3,018,345.08				3,018,345.08
R&D of Intelligent Ultra-thin AR Coating Machine		172,393.16				172,393.16
R&D of Ultra-thin and Anti- reflective Photovoltaic Mirrored Single-suede Original Glass		3,171,401.17				3,171,401.17
R&D of Anti-reflective AR Nano Membrane Liquid of Photovoltaic Glass		791,594.38				791,594.38
Total		15,075,276.42				15,075,276.42

15. Goodwill

N/A

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

16. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the period	Amortized amount for period	Other decreased amount	31 December 2018
Consultation service charge	4,758,152.57	4,680,000.00	2,035,652.51		7,402,500.06
Renovation expenses	618,985.77		151,588.32		467,397.45
Reconstruction of the electrical circuit of the office	162,000.00		108,000.00		54,000.00
Total	5,539,138.34	4,680,000.00	2,295,240.83		7,923,897.51

17. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets not being offset

Unit: Yuan Currency: RMB

Item	31 December 2018		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	31,163,084.79	5,175,878.20	12,126,298.92	1,826,011.54
Deferred income	4,535,724.10	933,931.03	4,525,000.00	678,750.00
Total	35,698,808.89	6,109,809.23	16,651,298.92	2,504,761.54

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

17. Deferred tax assets/deferred tax liabilities (continued)

(2) Breakdown of unrecognized deferred tax assets

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Deductible temporary differences	128,697,559.89	144,467,732.29
Deductible losses	566,611,561.27	563,578,027.83
Total	695,309,121.16	708,045,760.12

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

(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
2018		36,614,485.95	
2019	22,717,702.45	22,739,325.09	
2020	360,795,553.98	366,318,782.57	
2021	100,440,480.66	100,440,480.66	
2022	47,781,679.25	37,464,953.56	
2023	34,876,144.93		
Total	566,611,561.27	563,578,027.83	/

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

18. Other non-current assets

Unit: Yuan Currency: RMB

Item	31 December 2018			31 December 2017		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Prepayments for projects and equipment	2,714,102.55		2,714,102.55	8,366,432.63		8,366,432.63
Total	2,714,102.55		2,714,102.55	8,366,432.63		8,366,432.63

19. Short-term loans

(1) Category of short-term loans

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Mortgage loan	44,700,000.00	18,500,000.00
Guaranty loan	788,284,000.00	794,009,000.00
Credit loan	18,904,356.04	
Total	851,888,356.04	812,509,000.00

Explanation of the category of short-term loans:

- Note:
- Obtained by the Company by mortgage over fixed assets with book value of RMB143,001,603.80 on 31 December 2018.
 - As at 31 December 2018, RMB40,000,000.00 of the guaranty loans was guaranteed by the Company for subsidiaries and the other guaranty loans were guaranteed by related parties for the Company.
 - As at 31 December 2018, annual interest rate of short-term loans was 4.35%-5.4375%.

(2) Overdue short-term loans

The overdue short-term loan as at the end of the period was nil.

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Unit: Yuan Currency: RMB

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

20. Notes and accounts payable

Summary table

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Notes payable	305,058,652.43	139,568,673.34
Accounts payable	678,096,403.19	572,254,113.79
Total	983,155,055.62	711,822,787.13

Notes payable

(1) Notes payable by category

Unit: Yuan Currency: RMB

Category	31 December 2018	31 December 2017
Commercial acceptances	14,434,219.82	51,878,747.45
Bank acceptances	290,624,432.61	87,689,925.89
Total	305,058,652.43	139,568,673.34

Accounts payable

(1) Ageing analysis of accounts payable by date of entry was as follows:

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Within 1 year (including 1 year)	425,891,609.33	242,322,493.99
Above 1 year	252,204,793.86	329,931,619.80
Total	678,096,403.19	572,254,113.79

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

20. Notes and accounts payable (continued)

Accounts payable (continued)

(2) Significant accounts payable aged over 1 year

Unit: Yuan Currency: RMB

Item	31 December 2018	Reason for outstanding or carrying forward
China Triumph International Engineering Co., Ltd.	241,176,423.34	Not yet settled
Total	241,176,423.34	/

21. Contract liabilities

(1) Contract liabilities

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Within 1 year (including 1 year)	24,318,016.75	
Over 1 year	4,702,797.40	
Total	29,020,814.15	

Notes to the Financial Statements

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Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

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

22. Employee compensation payable

(1) *Employee compensation payable is shown as follows*

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
I. Short-term remuneration	21,335,225.32	187,659,095.67	185,304,350.68	23,689,970.31
II. After-service welfare – defined provision plan	649,886.87	17,755,056.17	17,979,147.54	425,795.50
III. Termination benefits		169,781.70	169,781.70	
IV. Other benefits due within one year				
Total	21,985,112.19	205,583,933.54	203,453,279.92	24,115,765.81

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

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
I. Salary, bonus, allowance and subsidy	12,447,190.30	159,948,502.15	156,014,572.93	16,381,119.52
II. Staff's welfare		12,593,800.22	12,593,800.22	
III. Social insurance premium	347,291.81	8,405,775.39	8,518,815.13	234,252.07
Including: Medical insurance	282,338.70	6,904,220.27	7,007,319.31	179,239.66
Labor injury insurance	50,864.63	1,035,214.16	1,046,241.38	39,837.41
Maternity insurance	14,088.48	466,340.96	465,254.44	15,175.00
IV. Housing Provident fund	754,071.03	5,212,594.49	5,634,968.47	331,697.05
V. Labor union expenses and employee education expenses	7,713,317.71	1,389,155.25	2,512,485.92	6,589,987.04
VI. Short-period paid leave				
VII. Short-term profit sharing plan				
Other short-term remuneration	73,354.47	109,268.17	29,708.01	152,914.63
Total	21,335,225.32	187,659,095.67	185,304,350.68	23,689,970.31

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

22. Employee compensation payable

(3) Defined provision plan is shown as follows

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the period	Decrease for the period	31 December 2018
1. Basic pension insurance	628,248.38	17,205,900.99	17,419,880.14	414,269.23
2. Unemployment insurance	21,638.49	466,495.28	476,607.50	11,526.27
3. Enterprise annuity		82,659.90	82,659.90	
Total	649,886.87	17,755,056.17	17,979,147.54	425,795.50

23. Tax payable

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Value-added tax	3,223,023.01	1,027,519.17
Enterprise income tax	9,614,393.38	21,681,558.87
Individual income tax	322,090.86	383,447.10
City maintenance tax	291,693.04	159,120.91
Resource tax	30,000.00	
Property tax	2,916,294.21	5,222,326.49
Land-use tax	1,868,103.55	2,649,000.97
Education surcharges	139,519.86	82,703.24
Other tax and charges	364,870.22	319,323.77
Total	18,769,988.13	31,525,000.52

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

24. Other payables

Summary table

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Interest payable	3,971,724.81	3,418,456.33
Dividend payable		
Other payables	383,516,716.85	373,590,908.16
Total	387,488,441.66	377,009,364.49

Interest payable

(2) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Interest on long-term loan with periodic payments of interest and return of principal at maturity	2,955,682.09	2,964,630.51
Interests payable for short-term borrowings	1,016,042.72	453,825.82
Total	3,971,724.81	3,418,456.33

Dividend payable

N/A

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

24. Other payables

Other payables

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

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Announcement and intermediary fee	17,028,428.72	11,255,626.95
Security deposits	3,326,646.70	2,106,521.10
Current accounts	363,161,641.43	360,228,760.11
Total	383,516,716.85	373,590,908.16

(2) Significant other payables aged over 1 year

Unit: Yuan Currency: RMB

Item	31 December 2018	Reason for outstanding or carrying forward
Triumph Technology Group Limited Company	136,086,655.25	Not yet settled
Total	136,086,655.25	/

25. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Long-term loans due within one year	236,037,605.59	196,946,248.22
Total	236,037,605.59	196,946,248.22

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

26. Long-term loans

(1) Category of Long-term loans

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Pledged loan		606,605.65
Mortgage loan	271,429,305.35	370,190,140.00
Guaranty loan	250,000,000.00	
Credit loan		
Total	521,429,305.35	370,796,745.65

Explanation on the category of long-term loans:

Note: 1. Obtained by the Company by pledging a deposit certificate of RMB1,400,000.00 on 31 December 2018.

2. 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 Taiping & Sinopec Financial Leasing Co., Ltd. (太平石化金融租賃有限責任公司), Suyin Financial Leasing Co., Ltd.* (蘇銀金融租賃股份有限公司) and Ping An International Financial Leasing Company Limited (平安國際融資租賃有限公司) (hereinafter referred to as "the Lessors") 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 Lessors 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 2018, the book value of after-sale lease-back fixed assets was RMB343,018,137.42 and the balance of such long-term loan was RMB246,841,806.67, among which, the long-term loan due within one year amounted to RMB115,557,501.32. Other mortgage loans were obtained by mortgage over fixed assets with a book value of RMB102,605,616.90 and intangible assets with a book value of RMB52,824,704.17 and being guaranteed by the related parties at the same time.

On 24 August 2017, the Company entered into an agreement in relation to entrusted loan denominated in RMB with Tongcheng Economic Development Zone Construction & Development Company Limited and Bank of China Limited Tongcheng Branch, pursuant to which Tongcheng Economic Development Zone Construction & Development Company Limited entrusted Bank of China Limited Tongcheng Branch to grant a loan of RMB10,000,000.00 to the Company. The loan was interest free and was extended for a term of two years.

3. As at 31 December 2018, the guaranty loan of RMB250,000,000.00 was obtained through warranty guarantee from related parties provided to the Company.

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

26. Long-term loans (Continued)

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

Other Explanations (including interest rate range):

Interest rate range: annual interest rate of long-term loans as of 31 December 2018 was 0.00%-6.44% and annual interest rate of long-term loans of 2017 was 0.00%-6.44%.

(2) Repayment period for long-term loan with over one year

Repayment period	31 December 2018
1 to 2 years	197,112,293.66
2 to 5 years	124,317,011.69
Over 5 years	200,000,000.00
Total	<u>521,429,305.35</u>

27. Deferred income

Deferred income

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the current period	Decrease for the current period	31 December 2018	Reasons of formation
Government grants	108,193,683.26	4,507,400.00	5,765,596.46	<u>106,935,486.80</u>	
Total	<u>108,193,683.26</u>	<u>4,507,400.00</u>	<u>5,765,596.46</u>	<u>106,935,486.80</u>	/

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

27. Deferred income (Continued)

Deferred income (Continued)

Projects involving government subsidy:

Unit: Yuan Currency: RMB

Projects with liabilities	31 December 2017	New additional subsidy for the the period	Amount recorded in non-operating profits for the the period	31 December 2018	Related to assets/related to income
Land-use subsidy for ultra-thin and ultra-white glass production line project	2,251,183.26		53,920.56	2,197,262.70	Related to assets
Fiscal subsidy for ultra-thin and ultra-white glass production line	1,417,500.00		1,215,000.00	202,500.00	Related to assets
Special fund for ultra-thin production line	525,000.00		75,000.00	450,000.00	Related to assets
Special funds for major provincial technology projects of 2017 from Bengbu Municipal Bureau of S/T & Intellectual Property	950,000.00		950,000.00		Related to assets
Special municipal supporting funds for major provincial technology projects of 2016	2,000,000.00		2,000,000.00		Related to assets

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

27. Deferred income (continued)

Deferred income (continued)

Projects involving government subsidy: (continued)

Projects with liabilities	31 December 2017	New additional subsidy for the the period	Amount recorded in non-operating profits for the the period	31 December 2018	Related to assets/related to income
Special fund for innovative provincial construction of Anhui province of 2016	1,050,000.00		1,050,000.00		Related to assets
Investment subsidy for ultra-white solar thermal material project	100,000,000.00			100,000,000.00	Related to assets
Premium subsidy of the insurance for application of the first batch of ultra-thin float electronic glass		1,860,000.00	310,000.00	1,550,000.00	Related to assets
Special subsidy for the application of new model of smart manufacturing		2,647,400.00	111,675.90	2,535,724.10	Related to assets
Total	108,193,683.26	4,507,400.00	5,765,596.46	106,935,486.80	

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

28. Share capital

Unit: Yuan Currency: RMB

	31 December 2017	New shares	Changes in this period (+, -)			Sub-total	31 December 2018
			Bonus transferred shares	Capital reserve	Others		
Total number of shares	526,766,875.00	33,030,516.00				33,030,516.00	559,797,391.00

Other explanations:

Note: On 19 March 2018, the Company received the "Approval on Purchase of Assets by Share Issue to China Luoyang Float Glass Group) Company Limited etc. and Raising of Supporting Funds by Luoyang Glass Company Limited* (Zheng Jian Xu Ke [2018] No. 475)" (《關於核准洛陽玻璃股份有限公司向中國洛陽浮法玻璃集團有限責任公司等發行股份購買資產並募集配套資金的批復》(證監許可[2018]475號)) from the CSRC, pursuant to which, the issuance of 10,097,588 shares to China Luoyang Float Glass (Group) Company Limited, 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 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 Science & Technology 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. by the Company for acquisition of relevant assets was approved. On 18 April 2018, the Company received Certificate for Change of Securities Registration issued by Shanghai Branch of China Securities Depository and Clearing Corporation Limited, indicating that share registration procedures were completed for the 33,030,516 new shares (all being tradable shares subject to trading moratorium) involved in the issuance of shares for acquisition of assets.

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

29. Capital reserve

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the the period	Decrease for the the period	31 December 2018
Capital premium (share capital premium)	1,819,545,395.63	76,476,546.66		1,896,021,942.29
Other capital reserves	72,300,473.27	2,815,471.74		75,115,945.01
Total	1,891,845,868.90	79,292,018.40		1,971,137,887.30

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

- Note:
- Changes in the capital premium for the period were mainly due to the acquisition of 100%, 100%, and 70.99% equity interest in Hefei New Energy, Tongcheng New Energy and Yixing New Energy, respectively, which lead to an increase of RMB76,476,546.66 in the capital premium.
 - Pursuant to the performance compensation commitment made by Triumph Technology Group Co., Ltd. to the Company in January 2018, Triumph Technology Group Co., Ltd. paid the difference of RMB2,815,471.74 between the sum of audited net profit of the target companies (namely, Hefei New Energy, Tongcheng New Energy and Yixing New Energy) for 2017 as involved in the acquisition of assets by way of issuance of shares and the sum of estimated net profit of the target companies as set out in the valuation report with 31 October 2016 as the benchmark date issued by Pan-China Assets Appraisal Co., Ltd. as committed performance compensation to the Company. Such performance committed compensation was recognized as other capital reserves.

30. Surplus reserve

Unit: Yuan Currency: RMB

Item	31 December 2017	Increase for the the period	Decrease for the the period	31 December 2018
Statutory surplus reserve	51,365,509.04			51,365,509.04
Total	51,365,509.04			51,365,509.04

Notes to the Financial Statements

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Unit: Yuan Currency: RMB

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

31. Undistributed profit

Unit: Yuan Currency: RMB

Item	The period	Previous period
Undistributed profit at the end of the previous year before adjustment	-1,507,399,946.07	-1,527,968,006.58
Total of adjustment of undistributed profit at the beginning of the period (increase expresses with +, and decrease expressed with -)	154,670,332.87	102,005,138.39
Undistributed profit at the beginning of the period after adjustment	-1,352,729,613.20	-1,425,962,868.19
Add: Net profit attributable to owners of parent company during the period	15,645,310.47	87,672,262.83
Undistributed profit at the end of the period	-1,337,084,302.73	-1,338,290,605.36

Particulars of adjustments of undistributed profit at the beginning of the period:

1. Due to the retrospective adjustment based on the Accounting Standards for Business Enterprises and its related new regulations, the effects on undistributed profit at the beginning of the period amounted to RMB -14,439,007.84.
2. The effects on undistributed profit at the beginning of the period due to changes of the accounting policy was nil.
3. The effects on undistributed profit at the beginning of the period due to the significant accounting error correction was nil.
4. Due to the change in the scope of consolidation resulting from the same control, the effects on undistributed profit at the beginning of the period amounted to RMB169,109,340.71.
5. The effects on undistributed profit at the beginning of the period due to other adjustments was nil.

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

32. Operating revenue and operating costs

(1) Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Principal operations	1,337,353,776.71	1,038,934,036.53	1,428,151,573.54	1,059,683,324.14
Other operations	65,394,411.03	58,333,822.85	74,001,337.10	57,656,965.38
Total	1,402,748,187.74	1,097,267,859.38	1,502,152,910.64	1,117,340,289.52

33. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	2018	2017
City maintenance tax	2,177,965.22	1,181,918.42
Education surcharges	1,555,731.24	844,253.17
Property tax	5,993,319.52	7,094,869.66
Land-use tax	6,354,231.88	10,253,542.07
Stamp duty	1,264,844.89	183,307.79
Others	1,759,799.53	677,406.31
Total	19,105,892.28	20,235,297.42

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

34. Selling expenses

Unit: Yuan Currency: RMB

Item	2018	2017
Staff expense	12,077,047.77	7,067,222.23
Transportation costs	31,765,687.81	42,638,505.97
Travel Expense	867,233.40	1,085,161.89
Office expenses	962,445.69	491,798.82
Other selling expenses	1,269,580.14	2,169,266.61
Total	46,941,994.81	53,451,955.52

35. Administrative expenses

Unit: Yuan Currency: RMB

Item	2018	2017
Staff expense	51,411,014.22	48,809,917.93
Depreciation of fixed assets	7,941,089.41	11,440,159.00
Business entertainment expenses	1,740,196.60	1,372,793.72
Travel expenses	1,484,936.18	1,162,914.01
Transportation expenses	1,712,618.27	1,650,941.87
Office expenses	2,687,902.90	1,963,976.13
Intermediary engagement and consulting fees	10,566,014.60	17,235,879.42
Property management fee	1,908,528.35	1,671,439.84
Staff settlement fees		19,411,503.76
Amortization of intangible assets	8,258,323.26	7,981,977.51
Other expenses	8,677,278.92	11,797,974.36
Total	96,387,902.71	124,499,477.55

Note: The auditor's remuneration of RMB1,280,000.00 for 2018 has been included in the above administration expenses (2017: RMB1,050,000.00).

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

36. Research and development expenses

Unit: Yuan Currency: RMB

Item	2018	2017
Staff expense	21,659,650.05	11,355,699.81
Material expense	33,878,802.04	30,899,969.16
Depreciation expense	6,740,897.75	7,737,983.38
Other expenses	539,890.64	4,426,290.22
Total	62,819,240.48	54,419,942.57

37. Financial expenses

Unit: Yuan Currency: RMB

Item	2018	2017
Interest expense	67,533,806.87	71,882,048.14
Less: interest income	-924,940.33	-1,243,362.34
Exchange losses (less: exchange income)	469,052.48	887,090.51
Handling charges expenses	13,019,110.51	5,507,348.48
Other finance expenses	968,509.82	326,000.61
Total	81,065,539.35	77,359,125.40

38. Impairment losses of assets

Unit: Yuan Currency: RMB

Item	2018	2017
I. Bad debt loss		1,632,655.65
II. Inventory impairment loss and impairment loss of contract performance costs	2,108,032.94	9,926,191.35
III. Impairment loss of fixed assets		9,555,668.20
Total	2,108,032.94	21,114,515.20

Notes to the Financial Statements

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Unit: Yuan Currency: RMB

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

39. Impairment losses of credit

Unit: Yuan Currency: RMB

Item	2018	2017
Bad debt loss for notes and accounts receivable	2,216,262.68	
Bad debt loss for other receivables	-552,495.11	
Total	1,663,767.57	

40. Other income

Unit: Yuan Currency: RMB

Item	2018	2017
R&D subsidy	10,791,245.90	12,108,159.24
Subsidy for photovoltaic power generation	5,840,451.76	8,022,575.36
Financing subsidy	5,000,000.00	
Subsidy for production and operation	2,695,990.00	1,227,600.00
Tax refunds	1,995,400.00	2,328,000.00
Subsidy for stabilizing employment	1,888,936.79	1,648,666.00
Insurance subsidy	310,000.00	
Subsidy for employee placement		25,760,000.00
Others	239,920.56	97,720.56
Total	28,761,945.01	51,192,721.16

41. Gains on the Disposal of Assets

Unit: Yuan Currency: RMB

Item	2018	2017
Fixed assets	1,306,818.50	6,002,653.36
Intangible assets		61,151.62
Total	1,306,818.50	6,063,804.98

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

42. Non-operating income

Non-operating income

Unit: Yuan Currency: RMB

Item	2018	2017	Amount recognized as non-recurring gain or loss for the period
Income from debt restructuring	373,719.66	2,879,941.33	373,719.66
Government subsidy	7,338,180.00	39,210,106.00	7,338,180.00
Others	590,400.67	111,305.12	590,400.67
Total	8,302,300.33	42,201,352.45	8,302,300.33

Government subsidy recognized as profit or loss for the period

Unit: Yuan Currency: RMB

Subsidy Item	2018	2017	Related to assets/ income
Industry supporting fund	5,300,000.00	37,585,606.00	Related to income
Government rewards	1,775,480.00	1,565,500.00	Related to income
Others	262,700.00	59,000.00	Related to income
Total	7,338,180.00	39,210,106.00	

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Unit: Yuan Currency: RMB

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

43. Non-operating expenses

Unit: Yuan Currency: RMB

Item	2018	2017	Amount recognized as non-recurring profit or loss of the period
Penalties and overdue fine	1,222,054.86	51,014.49	1,222,054.86
Others	390,422.29	349,584.09	390,422.29
Total	1,612,477.15	400,598.58	1,612,477.15

44. Income tax expenses

(1) The table for income tax expenses

Unit: Yuan Currency: RMB

Item	2018	2017
Income tax expenses for the period	9,146,134.88	25,132,322.34
Deferred income tax expenses	-185,830.54	2,569,376.36
Total	8,960,304.34	27,701,698.70

(2) Reconciliation between accounting profit and income tax expenses

Unit: Yuan Currency: RMB

Item	2018
Total profit	32,146,544.91
Income tax expenses calculated at statutory/applicable tax rates	8,036,636.23
Effect of different tax rates applicable to subsidiaries	-3,184,267.40
Effect of costs, expenses and losses not deductible for tax purposes	8,237,883.97
Effect of utilization of deductible losses of unrecognized deferred income tax assets in previous periods	-783,177.82
Effect of current deductible temporary differences or deductible loss of unrecognized deferred income tax assets	6,653,555.18
Deduction of aggregate expense items such as R&D expenses	-10,000,325.82
Income tax expenses	8,960,304.34

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

45. Items of cash flow statement

(1) Other cash received from activities relating to operation

Unit: Yuan Currency: RMB

Item	2018	2017
Government grants	32,366,595.70	69,739,025.00
Others	27,072,667.02	25,465,080.67
Total	59,439,262.72	95,204,105.67

(2) Other cash paid for activities relating to operation

Unit: Yuan Currency: RMB

Item	2018	2017
Consultation and audit, assessment, legal fees, bulletin fees	10,716,369.92	5,066,009.16
Bill deposits	40,612,371.54	
Other current accounts and expenses	25,898,184.48	33,074,842.43
Total	77,226,925.94	38,140,851.59

(3) Other cash received from activities relating to investment

Unit: Yuan Currency: RMB

Item	2018	2017
Project investment subsidies		100,000,000.00
Total		100,000,000.00

Notes to the Financial Statements

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

45. Items of cash flow statement (continued)

(4) Other cash received from activities relating to financing

Unit: Yuan Currency: RMB

Item	2018	2017
Bill discount	194,424,155.54	44,865,850.00
Bill deposit		45,000,000.00
Triumph Technology Group Co., Ltd.	424,300,000.00	
CLFG	355,195,569.80	426,330,366.50
Performance compensation	18,117,140.63	23,783,372.88
China Triumph International Engineering Co., Ltd.	233,380,000.00	
CNBM Bengbu Design Institute for Glass Industry Co., Ltd.	47,400,000.00	
Others		31,150,576.80
Total	1,272,816,865.97	571,130,166.18

(5) Other cash paid for activities relating to financing

Unit: Yuan Currency: RMB

Item	2018	2017
Repayment of matured bill	80,000,000.00	150,000,000.00
Triumph Technology Group Co., Ltd.	440,568,800.00	9,000,000.00
CLFG	141,944,257.67	348,525,642.10
China Triumph International Engineering Co., Ltd.	233,380,000.00	
CNBM (Bengbu) Photoelectric Materials Co., Ltd.	25,742,837.36	
CNBM Bengbu Design Institute for Glass Industry Co., Ltd.	47,580,000.00	
Financing security deposits and service fees	4,680,000.00	8,250,000.00
Bill deposit	70,000,000.00	
Others		25,762,629.68
Total	1,043,895,895.03	541,538,271.78

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

46. 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	23,186,240.57	105,087,888.77
Add: Provision for impairment of assets	3,771,800.51	21,114,515.20
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	118,551,085.12	114,630,257.98
Amortization of intangible assets	9,235,780.37	8,608,617.15
Amortization of long-term deferred expenses	2,295,240.83	2,484,094.32
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-1,306,818.50	-6,063,804.98
Losses from scrapping of fixed assets ("-" for gains)	232,929.42	139,054.09
Losses from changes in fair value ("-" for gains)	-	-
Finance expenses ("-" for gains)	73,109,651.33	73,156,885.31
Investment losses ("-" for gains)	-	-
Decrease in deferred income tax assets ("-" for increase)	-185,830.54	2,569,376.37
Increase in deferred income tax liabilities ("-" for decrease)	-	-
Decrease in inventories ("-" for increase)	-53,412,659.22	56,571,708.91
Decrease in operating receivables ("-" for increase)	-201,579,784.28	-658,510,741.10
Increase in operating payables ("-" for decrease)	-54,118,558.78	-30,627,472.65
Others		
Net cash flow from operating activities	-80,220,923.17	-310,839,620.63
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	160,068,348.62	198,797,788.08
Less: Opening balance of cash	198,797,788.08	191,575,911.27
Net increase in cash and cash equivalents	-38,729,439.46	7,221,876.81

Notes to the Financial Statements

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Unit: Yuan Currency: RMB

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

46. Supplementary information of cash flow statement (Continued)

(2) Constitution of cash and cash equivalents

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
1. Cash	160,068,348.62	198,797,788.08
Including: Cash on hand	215,682.50	96,609.06
Bank deposit available for payment at any time	159,852,666.12	198,701,179.02
2. Cash equivalents		
3. Closing balance of cash and cash equivalents	160,068,348.62	198,797,788.08

47. Notes to items of statements of changes in equity

N/A

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	116,064,341.00	Security deposit
Notes receivable	42,919,181.57	Pledge
Fixed assets	588,625,358.12	Mortgage
Intangible assets	52,824,704.17	Mortgage
Total	800,433,584.86	/

V. NOTES TO 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			3,365,557.04
Including: USD	489,462.37	6.8632	3,359,278.14
EURO	0.05	7.8473	0.39
HKD	7,165.61	0.8762	6,278.51
Accounts receivable			4,816,834.79
Including: USD	701,835.12	6.8632	4,816,834.79
Long-term loans			610,104.27
Including: EURO	77,747.03	7.8473	610,104.27
Other payables			7,342,247.78
HKD	8,379,648.23	0.8762	7,342,247.78

(2) *Explanation on offshore entities, including disclosures of significant offshore entities about the main business places, recording currency and the basis for the selection, and reasons for changes of the recording currency*

N/A

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

50. Government grants

(1) Basic information on government grants

The total amount of government grants actually received by the Company for the year was RMB32,366,595.70, of which the amount of asset-related government grants was RMB4,507,400.00, and the amount of income-related government grants was RMB27,859,195.70.

- For the details of asset-related government grants recognized as deferred income, please refer to Note V. (27) Deferred income.
- Government grants recognized in the profit and loss

Unit: Yuan Currency: RMB

Items	Amount	Presentation	The amount recognized in the profit and loss
Industry supporting fund	5,300,000.00	Non-operating income	5,300,000.00
Government rewards	1,775,480.00	Non-operating income	1,775,480.00
R&D subsidy	10,791,245.90	Other income	10,791,245.90
Subsidy for photovoltaic power generation	5,840,451.76	Other income	5,840,451.76
Financing subsidy	5,000,000.00	Other income	5,000,000.00
Subsidy for production and operation	2,695,990.00	Other income	2,695,990.00
Tax refunds	1,995,400.00	Other income	1,995,400.00
Subsidy for stabilizing employment	1,888,936.79	Other income	1,888,936.79
Insurance subsidy	310,000.00	Other income	310,000.00
Others	502,620.56	Other income/ Non-operating income	502,620.56
Total	36,100,125.01		36,100,125.01

VI. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Business combination under common control

(1) Business combination under common control in the period

Unit: Yuan Currency: RMB

Name of combined party	The proportion of equity acquired in business combination	Basis of being a business combination under common control	Combination date	Determination basis for combination date	Revenue of combined party from beginning of combination period to combination date	Net profit of combined party from beginning of combination period to combination date	Revenue of combined party in the comparison period	Net profits of combined party in the comparison period
Hefei New Energy	76.92%	Same de facto controller	23 March 2018	Completed change of registration and asset transfer and obtained control	110,997,824.43	8,627,697.03	603,723,825.01	40,796,827.94
Tongcheng New Energy	100.00%	Same de facto controller	27 March 2018	Completed change of registration and asset transfer and obtained control	53,888,059.30	5,855,500.01	254,076,983.51	27,397,045.11
Yixing New Energy	51.00%	Same de facto controller	13 April 2018	Completed change of registration and asset transfer and obtained control	78,423,267.83	6,008,703.85	282,272,333.50	16,325,955.21

(2) Combination cost

Unit: Yuan Currency: RMB

Combination cost	Hefei New Energy	Tongcheng New Energy	Yixing New Energy
– Carrying value of equity instruments issued	10,097,588.00	9,452,076.00	7,508,991.00

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VI. CHANGE IN THE SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combination under common control (Continued)

(3) Carrying value of the assets and liabilities of the combined party on the combination date

Unit: Yuan Currency: RMB

	Hefei New Energy		Tongcheng New Energy		Yixing New Energy	
	Combination date	End of last period	Combination date	End of last period	Combination date	End of last period
Assets:	1,197,331,869.19	1,295,456,202.26	511,825,080.24	509,051,794.33	882,916,941.80	837,432,128.54
Cash and cash equivalents	42,598,656.47	20,332,693.23	3,344,461.65	4,108,755.80	40,110,109.68	3,848,797.06
Accounts receivable	280,762,440.84	427,263,337.34	134,425,713.39	157,994,735.89	266,384,352.97	294,233,886.33
Inventories	74,761,343.02	43,694,493.94	35,213,565.73	23,192,316.70	45,814,466.33	26,102,579.74
Fixed assets	667,208,771.70	677,587,082.81	257,170,833.24	260,510,437.32	266,428,903.35	267,107,253.03
Intangible assets	95,410,492.51	95,882,437.74	49,560,254.25	50,132,185.05	53,713,440.73	54,079,815.89
Other current assets	4,207,247.68	258,499.22	435,929.13	127,294.27	29,668,017.67	30,970,608.01
Construction in progress	31,203,932.48	29,107,163.68	29,336,780.42	11,567,370.14	179,879,843.71	161,071,521.71
Other long-term assets	1,178,984.49	1,330,494.30	2,337,542.43	1,418,699.16	917,807.36	17,666.77
Liabilities:	981,336,727.32	1,082,268,236.81	272,036,973.48	272,531,837.94	542,351,664.50	500,090,242.64
Borrowings	474,325,000.00	461,385,000.00	30,000,000.00	10,000,000.00	370,000,000.00	325,000,000.00
Accounts payable	507,011,727.32	620,883,236.81	242,036,973.48	262,531,837.94	172,351,664.50	175,090,242.64
Net assets	215,995,141.87	213,187,965.45	239,788,106.76	236,519,956.39	340,565,277.30	337,341,885.90
Less: minority interests	49,851,678.74	49,203,782.43			166,876,985.88	165,297,524.09
Net asset acquired	166,143,463.13	163,984,183.02	239,788,106.76	236,519,956.39	173,688,291.42	172,044,361.81

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 (%)		
				Direct	Indirect	Obtained by
CLFG Longmen Glass Co. Ltd.	Luoyang City	Luoyang City	Producing and selling	100		investment
CLFG Longhai Electronic Glass Limited	Yanshi City	Yanshi City	Producing and selling	100		investment
CNBMG (Puyang) Photoelectric Material Co., Ltd.*	Puyang City	Puyang City	Producing and selling	100		investment
Bengbu China National Building Materials Information Display Materials Co., Ltd.	Bengbu City	Bengbu City	Producing and selling	100		Business combination under common control
CNBM (Hefei) New Energy Company Limited*	Hefei City	Hefei City	Producing and selling	100		Business combination under common control
CNBM (Tongcheng) New Energy Materials Company Limited*	Tongcheng City	Tongcheng City	Producing and selling	100		Business combination under common control
CNBM (Yixing) New Energy Company Limited*	Yixing City	Yixing City	Producing and selling	70.99		Business combination under common control

(2) Important non-wholly owned subsidiary

Unit: Yuan Currency: RMB

Name of Subsidiary	Percentage of shareholdings of non-controlling shareholders	Profit and loss attributable to non-controlling shareholders for the period	Dividend paid to non-controlling shareholders for the period	Equity balance for non-controlling shareholders by the end of the period
Yixing New Energy	29.01%	5,549,657.63	1,278,763.09	100,124,616.60

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Major accounting information on important non-wholly owned subsidiaries

Unit: Yuan Currency: RMB

Name of Subsidiary	31 December 2018						31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Yixing New Energy	459,658,393.81	589,675,926.67	1,049,334,320.48	538,326,977.62	165,869,057.45	704,196,035.07	355,155,871.14	482,276,257.40	837,432,128.54	410,090,242.64	90,000,000.00	500,090,242.64

Name of Subsidiary	2018				2017			
	Revenue	Net profit	Total comprehensive income	Cash flow for operating activities	Revenue	Net profit	Total comprehensive income	Cash flow for operating activities
Yixing New Energy	300,334,769.71	14,989,719.87	14,989,719.87	-118,768,801.17	282,272,333.50	16,325,955.21	16,325,955.21	-210,705,356.39

2. Transactions with changes in percentage of equity interest in subsidiaries but without losing control

(1) Explanation on changes in percentage of equity interest in subsidiaries

The Company issued 3,029,276 shares to Hefei Gaoxin Development and Investment Group Company for acquisition of the 23.08% interest in Hefei New Energy, and issued 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 for acquisition of the 19.99% interest in Yixing New Energy.

(2) Effect of the transactions on minority interests and equity interest attributable to the owners of the Company

Unit: Yuan Currency: RMB

	Hefei New Energy	Yixing New Energy
Acquisition costs/disposal considerations	71,036,538.46	69,003,644.59
Fair value of equities issued	71,036,538.46	69,003,644.59
Total acquisition costs/disposal considerations	71,036,538.46	69,003,644.59
Less: Share in subsidiaries' net assets based on acquired/ disposed shareholding proportion	48,975,233.57	68,078,998.93
Balance	22,061,304.89	924,645.66
Including: Capital reserve adjusted	22,061,304.89	924,645.66

VIII. RISKS RELATING TO FINANCIAL INSTRUMENTS

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 focuses 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 are limited by following financial management policies and practice of the Company.

1. Market risk

(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 little foreign exchange transactions in 2018 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.

(2) 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. 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.

2. Credit risk

The credit risk of the Company mainly comes from credit exposures of customers, including outstanding receivables and committed transactions. The Company also provided financial guarantees for certain subsidiaries.

Most of the Company's deposits and cash are placed with financial institutions with high credit ratings. Due to the high credit ratings of these banks, the Company was of the view that such assets are not exposed to significant credit risks.

With regard to notes and account receivables as well as other receivables, the Company assesses the credit quality of the customers, taking into account their financial positions, past experience and other factors. The Company performs periodic credit evaluations of its customers and believes that adequate provision for impairment of receivables has been made in the financial statements. The Company does not expect any further losses from non-performance by these counterparties.

Credit risks concentration are managed by customers and industries. Therefore, the concentration of credit risks is mainly due to the large account receivable of the Company payable by individual client. As of the balance sheet date, the account receivable of the Company payable by the top five clients has accounted for 35.63% of the total amount of account receivable of the Company (without deducting bad debt reserve). The Company does not have any other collateral or credit enhancement arrangements for the outstanding receivables.

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VIII. RISKS RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Liquidity risk

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

Unit: Yuan Currency: RMB

Item	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term loans	872,243,322.19			872,243,322.19
Accounts payable	678,096,403.19			678,096,403.19
Other payables	397,107,607.52			397,107,607.52
Long-term loans (including long-term loans due within one year)	272,027,060.61	384,525,075.68	215,496,250.00	872,048,386.29
Total financial liability	2,219,474,393.51	384,525,075.68	215,496,250.00	2,819,495,719.19

4. Capital management

The main objective of the Company's capital management policy is to ensure the Company's continuing operating capability to bring returns to shareholders and other stakeholders and maintain an optimal capital structure for reduction of capital cost.

In order to maintain or adjust the capital structure, the Company might adjust the distribution of profits to shareholders, return capital to shareholders, issue new shares or dispose of assets to cut debt.

The Company monitors its capital management through gearing ratio which is set out below:

Item	31 December 2018	31 December 2017
Gearing ratio	70.13%	66.33%

IX. DISCLOSURE OF FAIR VALUE

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

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

Level two: Directly (e.g. taken from the prices) or indirectly (e.g. derived from prices) observable input values for the assets or liabilities other than the market quotes in the level one.

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

As at 31 December 2018, the Company did not have any financial instruments that are accounted for by fair value measurements except for other equity investments. As other equity investments held by the Company are all unlisted, they are included in level three and their fair values are determined by using valuation techniques. The valuation model used was mainly discounted cash flow model, and input values for the valuation techniques mainly included expected return, expected return-generating duration, weighted average cost of capital, etc. As at 31 December 2018, the fair value of other equity investments included in level three was nil.

For the year ended 31 December 2018, there were not any significant transfers between level one and level two financial instruments.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Parent company of the Company

Unit: Yuan Currency: RMB

Name of parent company	Registered address	Nature of business	Registered capital	Shareholding	Ratio of voting
				ratio in the Company by parent company (%)	rights of the parent company in the Company (%)
China Luoyang Float Glass (Group) Company Limited	Luoyang, China	Manufacturing of glass and related raw materials, whole-set equipment	1,286,740,000.00	20.56	20.56

The ultimate controller of the Company is China National Building Materials Group Co., Ltd.

2. Subsidiaries of the Company

For details, please refer to Note VII. Interests in Other Entities.

3. Associates and joint ventures of the Company

N/A.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties

Name of other related parties	Relationship with the Company
Triumph Technology Group Co., Ltd.	Controlling shareholder 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 Longhao Glass Co. Ltd.	Controlled subsidiary of the parent company
Luoyang Luobo Glass Fibre Co., Ltd.	Controlled subsidiary of the parent company
Yinan Huasheng Mineral Products Industry Co., Ltd.	Controlled subsidiary of the parent company
Dengfeng Hongzhai Silicon 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
Triumph Information Display Material (Luoyang)Co., Ltd.	Brother company of the Group
Triumph Technology Company Limited	Brother company of the Group
CTIEC Shenzhen Scieno-tech Engineering Company	Brother company of the Group
China Triumph Bengbu Engineering and Technology Company Limited	Brother company of the Group
Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.	Brother company of the Group
Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	Brother company of the Group
Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd	Brother company of the Group
Bengbu Chemical Machinery Manufacturing Co., Ltd.*	Brother company of the Group
CNBM (Bengbu) Photoelectricity Materials Co., Ltd.	Brother company of the Group
CNBM Triumph Robotics (Shanghai) Co., Ltd.	Brother company of the Group
Shanghai CTIEC Luculent Information Technology Co., Ltd.*	Brother company of the Group
Sinoma Science & Technology Co., Ltd.	Brother company of the Group
CNBM Bengbu Design &Research Institute for Glass Industry Co., Ltd.	Brother company of the Group
Bengbu China Optoelectronics Technology Co., Ltd.	Brother company of the Group
CNBM (Chengdu) Optoelectronic Materials Co., Ltd.	Brother company of the Group
Taishan Plaster (Henan) Co., Ltd.	Brother company of the Group
Jiangsu Kairui Technetium Photovoltaic Technology Co., Ltd.	Brother company of the Group
Ruitai Materials Technology Co., Ltd.	Brother company of the Group
Triumph Photovoltaic Materials Ltd.	Brother company of the Group
Triumph Quartz Material (Huangshan) Co., Ltd.	Brother company of the Group
Triumph Quartz Material (Taihu) Co., Ltd.	Brother company of the Group
CNBM Research Institute For Automation of Light Industry Co., Ltd.	Brother company of the Group
K&D Technology Co., Ltd.	Brother company of the Group
AVANCIS GmbH	Brother company of the Group
Bengbu Xingke Glass Co., Ltd.	Brother company of the Group
China Building Material Test & Certification Group Co., Ltd.	Brother company of the Group
AVIC Sanxin PV Solar Glass Co., Ltd.	Others
Anhui Tianzhu Green Energy Sources Technology Co.,Ltd.	Brother company of the Group
CNBM Jetion Solar (China) Co.,Ltd.	Brother company of the Group
Wonderful Sky Financial Group Limited	Others
Far East Opto-Electronics Co.,Ltd.	Others

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. 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	2018	2017
Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	Raw glass	2,249,573.96	
Bengbu Chemical Machinery Manufacturing Co., Ltd.*	Packing materials, spare parts	7,559,854.32	7,525,938.65
China Triumph Bengbu Engineering and Technology Company Limited	Spare parts, equipment	3,572,416.06	244,549.56
Bengbu Xingke Glass Co., Ltd.	Raw glass	176,985.65	
Wonderful Sky Financial Group Limited	Announcement fees	2,831,715.83	2,568,070.00
Triumph Technology Group Co., Ltd.*	Sodium carbonate	100,532,627.79	142,972,903.58
Triumph Technology Group Co., Ltd.*	Interests expenditure	5,640,358.15	5,673,994.54
Triumph Quartz Material (Taihu) Co., Ltd.	Silica sand	5,641,476.03	
Triumph Quartz Material (Huangshan) Co., Ltd.	Silica sand		3,055,060.51
CLFG Longhao Glass Co. Ltd.	Raw glass	596,031.75	51,778.11
Ruitai Technology Co., Ltd.	Firebrick	392,991.45	
Shanghai CTIEC Luculent Information Technology Co., Ltd.*	Information system	3,773,040.72	2,601,823.10
Far East Opto-Electronics Co., Ltd.	Backup power	832,087.30	
Far East Opto-Electronics Co., Ltd.	Materials and inventories		890,901.22
China Triumph International Engineering Co., Ltd.	Design service		5,723,970.58
China Triumph International Engineering Co., Ltd. Bengbu Branch	Design service	37,735.85	51,886.79
China Triumph International Engineering Co., Ltd. Hainan Branch	Silica sand	27,197,805.79	23,363,755.13
China Building Material Test & Certification Group Co., Ltd.	Certification fees	5,250.00	
China Luoyang Float Glass (Group) Company Limited	Interests expenditure	4,258,358.53	6,531,657.00
CNBM (Bengbu) Photoelectricity Materials Co., Ltd.	Interests expenditure	127,596.87	1,886,909.86
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Sodium carbonate	64,516,426.17	
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Spare parts, equipment	202,238.88	
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Guarantee fees	840,090.00	1,152,000.00
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Electricity charges	721,477.81	1,522,959.09
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Consulting fees	386,791.67	2,430,801.90
CNBM Triumph Robotics (Shanghai) Co., Ltd.*	Spare parts, equipment	2,320,988.36	1,321,709.39
CNBM Research Institute For Automation of Light Industry Co., Ltd.	Spare parts, equipment	4,218,799.39	420,588.89
Anhui Tianzhu Green Energy Sources Technology Co., Ltd.	Equipment		4,370,672.86
Dengfeng Hongzhai Silicon Co., Ltd.	Silica sand		814,687.63
CTIEC Shenzhen Scieno-tech Engineering Company Bengbu Branch	Equipment		15,384.62
Sinoma Science & Technology Co., Ltd.	Equipment		36,656.41

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

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

Table of disposal of commodity/provision of labor service

Unit: Yuan Currency: RMB

Related party	Content of related party transactions	2018	2017
China Luoyang Float Glass (Group) Company Limited	Tenant and utilities	151,325.35	224,181.19
Triumph Information Display Material (Luoyang)Co., Ltd.	Information display glass	8,699,205.84	
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Information display glass	16,722,817.63	15,257,109.48
AVANCIS GmbH	New energy glass	12,233.07	
K&D Technology Co., Ltd.	Information display glass	10,365.01	
Triumph Photovoltaic Materials Ltd.	New energy glass	328,804.81	12,158.86
Far East Opto-Electronics Co.,Ltd.	Tenant and utilities	6,476,046.15	6,689,086.22
Far East Opto-Electronics Co.,Ltd.	Interest income		1,035,000.01
China Triumph International Engineering Co., Ltd.	New energy glass	40,577,689.78	5,209,638.68
China Triumph International Engineering Co., Ltd.	Electricity charges		20,304.44
China Triumph International Engineering Co., Ltd. Bengbu Branch	Electricity charges	28,317.76	
AVIC Sanxin PV Solar Glass Co., Ltd.	New energy glass	18,311,571.86	23,887,050.46
CNBM (Bengbu) Photoelectricity Materials Co., Ltd.	Technical services	4,716,981.15	1,207,547.14
CNBM (Bengbu) Photoelectricity Materials Co., Ltd.	Raw materials		1,338,357.30
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	New energy glass	8,906,366.12	
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Technical services		15,377,358.54
CNBM Jetion Solar (China) Co.,Ltd.	New energy glass	18,637,935.47	59,157,361.32
Jiangsu Kairui Technetium Photovoltaic Technology Co., Ltd.	New energy glass		6,233,391.33
Anhui Tianzhu Green Energy Sources Technology Co.,Ltd.	New energy glass		2,329,861.51
Triumph Technology Company Limited	Information display glass		479,404.22
CLFG Longhao Glass Co. Ltd.	Cullet		1,677,777.78
Taishan Plaster (Henan) Co., Ltd.			80,042.79

Explanation on related party transactions regarding purchase and sale of goods and the acceptance and provision of labor services

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.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Leasing with related parties

The Company as the lessor:

Unit: Yuan Currency: RMB

Name of lessee	Leasing asset	Leasing income recognized in the period	Leasing income recognized in the previous period
China Luoyang Float Glass (Group) Company Limited	Housing	170,488.91	198,399.98
Far East Opto-Electronics Co., Ltd.	Fixed assets	455,142.52	647,561.76

(3) Related party guarantees

The Company as the guaranteed party

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
Triumph Technology Group Co., Ltd.*; Far East Opto-Electronics Co., Ltd.	30,000,000.00	12 April 2017	30 June 2022	No
Triumph Technology Group Co., Ltd.*; Far East Opto-Electronics Co., Ltd.	90,000,000.00	12 April 2017	30 June 2022	No
Triumph Technology Group Co., Ltd.*; Far East Opto-Electronics Co., Ltd.	50,000,000.00	12 April 2017	30 April 2020	No
Triumph Technology Group Co., Ltd.*	50,000,000.00	8 June 2018	14 June 2019	No
Triumph Technology Group Co., Ltd.*	200,000,000.00	20 March 2018	19 March 2019	No
The Company, Far East Opto-Electronics Co., Ltd.	40,000,000.00	18 July 2018	18 July 2020	No
Triumph Technology Group Co., Ltd.*; Far East Opto-Electronics Co., Ltd.	50,000,000.00	13 August 2018	13 August 2020	No
Triumph Technology Group Co., Ltd.*	30,000,000.00	7 September 2018	7 September 2021	No
Triumph Technology Group Co., Ltd.*	90,000,000.00	13 December 2018	13 December 2021	No
Triumph Technology Group Co., Ltd.*	100,000,000.00	19 November 2018	19 November 2019	No
Triumph Technology Group Co., Ltd.*	150,000,000.00	5 November 2018	5 November 2019	No
Triumph Technology Group Co., Ltd.*	55,000,000.00	2 November 2018	26 April 2019	No
Triumph Technology Group Co., Ltd.*	100,000,000.00	21 August 2018	21 August 2019	No
Triumph Technology Group Co., Ltd.*	150,000,000.00	10 October 2016	9 October 2019	No

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(3) Related party guarantees (Continued)

Guarantor	Amount under guaranty	Commencement date of the guaranty	Expiry date of the guaranty	Whether the guaranty been completed or not
CNBMG Bengbu Design & Research Institute for Glass Industry Co., Ltd	290,000,000.00	26 March 2015	14 December 2023	No
Triumph Technology Group Co., Ltd.*	70,000,000.00	19 November 2018	19 November 2021	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	11 April 2017	11 April 2022	No
Triumph Technology Group Co., Ltd.*	50,000,000.00	8 November 2017	8 November 2022	No
Triumph Technology Group Co., Ltd.*	106,860,000.00	1 February 2018	1 February 2019	No
Triumph Technology Group Co., Ltd.*	57,600,000.00	26 January 2018	26 January 2019	No
China National Building Material Group Co., Ltd.	71,424,000.00	10 February 2017	9 February 2019	No
Triumph Technology Group Co., Ltd.*	100,000,000.00	10 January 2018	10 January 2019	No
Triumph Technology Group Co., Ltd.*	300,000,000.00	7 December 2018	30 April 2026	No

(4) Borrowings/loans with related parties

N/A

(5) Remuneration of key management personnel

Unit: Yuan Currency: RMB

Item	2018	2017
Remuneration of key management personnel	4,330,989.08	3,281,224.93

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. 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 2018 is as follows:

Name	Fees	Bonus	Salary, allowance and benefit in kind	Defined contribution plan contribution	Total	Note
Executive directors						
Ni Zhisen			440,000.00	61,635.78	501,635.78	resigned on 21 November 2018
Ma Yan			476,000.00	94,454.56	570,454.56	
Wang Guoqiang			450,000.00	61,518.72	511,518.72	
Independent directors						
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			351,000.00	61,523.58	412,523.58	
Qiu Mingwei	30,000.00				30,000.00	
Yan Mei	30,000.00				30,000.00	
Employee supervisors						
Wang Jian			190,000.00	61,441.98	251,441.98	
Ma Jiankang			145,000.00	47,490.36	192,490.36	
Total	240,000.00		2,052,000.00	388,064.98	2,680,064.98	

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. 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 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						
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)

5. 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 2018, (2017: three directors and one supervisor) included three directors and one supervisor, whose remuneration was set out as above. The total remunerations paid to other one person (2017: one) during the year are set out as below:

Item	2018	2017
Salary, allowance and benefit in kind	430,000.00	300,000.00
Defined contribution, plan contribution	21,925.44	55,715.64
Total	451,925.44	355,715.64

The range of remunerations of one highest paid individual (2017: one):

Item	2018	2017
Nil to HK\$1,000,000.00	1	1

(6) Other related party transactions

- (1) In December 2017, Longhai Glass, 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 Glass's production line upgrade project with contract amounts of RMB28,300,000 and RMB252,000,000, respectively. As at 31 December 2018, this project was yet to be completed. In 2018, Longhai Glass made payment for project and equipment of RMB251,252,725.46 in total with the aggregated amounts paid amounting to RMB269,552,725.46.

Longhai Glass 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. As at 31 December 2018, this project was yet to be completed. In 2018, Longhai Glass made payment for project and equipment supply of RMB4,008,727.79 in total with the aggregated amounts paid amounting to RMB6,791,217.79.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(6) Other related party transactions (Continued)

- (2) 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. As at 31 December 2018, this project was yet to be completed. In 2018, Puyang Company made payment for project and equipment of RMB60,360,982.23 in total with the aggregated amounts paid amounting to RMB70,408,562.03.

Puyang Company and CTIEC Shenzhen Scienco-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. As at 31 December 2018, this project was yet to be completed. In 2018, Puyang Company made payment for project and equipment of RMB3,000,000.00 in total with the aggregated amounts paid amounting to RMB7,938,156.68.

- (3) In April 2017, Tongcheng New Energy and China Triumph International Engineering Co., Ltd. entered into the Contract for Construction of Deep Processing Production Line No. 4 (《深加工4#生產綫合同》) with a total contract amount of RMB80.8 million. As at 31 December 2018, this project was yet to be completed. In 2018, Tongcheng New Energy made payment for project and equipment of RMB32,000,000.00 in total with the aggregated amounts paid amounting to RMB44,306,600.00.

In October 2017, Tongcheng New Energy and CTIEC Environmental Protection Research Institute (Jiangsu) Co., Ltd. entered into the Contract for Project of Desulphurization, Denitration and Dedusting of Furnaces(《窑爐脫硝脫硫除塵工程》), with a total contract amount of RMB15.5 million. As at 31 December 2018, this project was yet to be completed. In 2018, Tongcheng New Energy made payment for project and equipment of RMB8,601,693.84 in total with the aggregated amounts paid amounting to RMB8,601,693.84.

- (4) In December 2018, Yixing New Energy, a controlled subsidiary of the Company, and China Triumph International Engineering Co., Ltd. entered into the Phase I Technical Transformation (Material Supply) Contract (《一期技術改造(供貨)合同》) and Phase I Technical Transformation (Installation) Contract (《一期技術改造(安裝)合同》) respectively, with a total contract amount of RMB27.6 million. As at 31 December 2018, this project was yet to be completed. In 2018, Yixing New Energy made payment for project and equipment of RMB11,449,036.50 in total.

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(6) Other related party transactions (Continued)

(5) Bill discount with related parties

In 2018, the Company made an application to the related parties for commercial bill discount, with the total discounted bills of RMB87,461,236.35. Among which, the bank acceptance of RMB21,931,254.22 was endorsed to Bengbu China Optoelectronics Technology Co., Ltd., with discounted amount of RMB21,453,788.80 and discounted interest of RMB477,465.42; the bank acceptance of RMB6,258,852.00 was endorsed to CNBMG Chengdu Photoelectric Material Co., Ltd. (成都中建材光电材料有限公司), with discounted amount of RMB6,121,450.36 and discounted interest of RMB37,401.64; the bank acceptance of RMB4,162,890.30 was endorsed to Triumph Quartz Material (Taihu) Co., Ltd. with discounted amount of RMB4,060,786.18 and discounted interest of RMB102,104.12; the bank acceptance of RMB49,108,239.83 was endorsed to China Triumph International Engineering Co., Ltd. with discounted amount of RMB49,108,239.83; and the bank acceptance of RMB6,000,000.00 was endorsed to China Triumph International Engineering Co., Ltd. Jiangsu Branch, with discounted amount of RMB5,902,272.22 and discounted interest of RMB97,727.78.

(6) Payment for goods by related party on behalf of a customer

On 3 July 2018, Hefei New Energy entered into a cooperation agreement with Anhui Tianzhu Green Energy Sources Technology Co., Ltd. ("Anhui Tianzhu") and Changshu Canadian Solar Power Technology Co., Ltd. ("Changshu Canadian"), pursuant to which, Anhui Tianzhu, which undertook the poverty alleviation project, will procure photovoltaic modules from Changshu Canadian, and Changshu Canadian will procure photovoltaic glass from Hefei New Energy, with three parties thereto agreed on a monthly reconciliation on accounts and the reconciliation results shall be the basis for issue of offsetting agreements. It was agreed in the offsetting agreement that the payment for photovoltaic modules which is payable by Anhui Tianzhu to Changshu Canadian shall be directly paid to Hefei New Energy based on offsetting amount as the payment for photovoltaic glass procured by Changshu Canadian from Hefei New Energy. In 2018, Anhui Tianzhu paid RMB42,764,096.10 to Hefei New Energy on behalf of Changshu Canadian.

(7) Financial assistance from related party

In 2018, CLFG provided an aggregate financial assistant of RMB452,303,569.80. A total of RMB305,662,300.97 was repaid by the Company, with an annual interest rate of 4.35%. As at 31 December 2018, the outstanding balance of loans was RMB204,264,211.46.

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables and payables of related parties

(1) Receivables

Unit: Yuan Currency: RMB

Project name	Related party	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Bills receivable	China Triumph Bengbu Engineering and Technology Company Limited			10,000,000.00	
Accounts receivable	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	26,142,717.78	522,854.36	25,372,807.55	
Accounts receivable	Triumph Technology Company Limited			11,092.33	
Accounts receivable	CLFG Longhao Glass Co. Ltd.			1,963,000.00	
Accounts receivable	Far East Opto-Electronics Co., Ltd.	1,550,472.44	31,009.45	372,879.00	
Accounts receivable	China Triumph International Engineering Co., Ltd.	30,761,229.14	615,224.58	46.64	
Accounts receivable	AVIC Sanxin PV Solar Glass Co., Ltd.	56,243.53	1,124.87	1,875,152.05	
Accounts receivable	CNBM (Bengbu) Photoelectric Materials Co., Ltd.			545,878.05	
Accounts receivable	CNBM Jietion Solar (China) Co., Ltd.	18,736,104.13	374,722.08	80,717,243.01	
Accounts receivable	Jiangsu Kairui Technetium Photovoltaic Technology Co., Ltd.			109,140.81	
Accounts receivable	Triumph Photovoltaic Materials Ltd.	15,045.00	300.90		
Prepayment	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	2,166.62			
Prepayment	China Triumph Bengbu Engineering and Technology Company Limited	8,400.00		164,032.48	
Prepayment	Triumph Technology Group Co., Ltd.*	84.01		1,322,451.39	
Prepayment	Far East Opto-Electronics Co., Ltd.			726,981.68	
Prepayment	Ruitai Technology Co., Ltd.			137,940.00	
Prepayment	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	1,912,353.14			
Prepayment	China Triumph International Engineering Co., Ltd. Hainan Branch	2,481,354.79			
Prepayment	China Building Material Test & Certification Group Co., Ltd.	65,600.00			
Other receivables	CNBM (Bengbu) Photoelectricity Materials Co., Ltd.	2,545,878.05	50,917.56		
Other receivables	Luoyang Boxian Glass Fibre Co., Ltd.			150,738.92	
Other receivables	China Triumph International Engineering Co., Ltd.	200,000.00	4,000.00	23,756.20	
Other receivables	China Luoyang Float Glass (Group) Company Limited	273,732.26	5,474.65	15,567,921.58	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables and payables of related parties (Continued)

(2) Payables

Unit: Yuan Currency: RMB

Item	Related party	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Bills payable	China Triumph International Engineering Co., Ltd. Bengbu Branch	10,000,000.00	
Accounts payable	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	373,053.20	
Accounts payable	Bengbu Chemical Machinery Manufacturing Co., Ltd.*	1,252,824.86	2,459,156.12
Accounts payable	China Triumph Bengbu Engineering and Technology Company Limited	433,595.00	13,040.00
Accounts payable	Bengbu Xingke Glass Co., Ltd.	11,893.25	
Accounts payable	Dengfeng Hong Zhai silica sand Co., Ltd		81,224.51
Accounts payable	Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.	1,182,499.11	1,182,499.11
Accounts payable	Triumph Technology Group Co., Ltd.*	763,134.18	7,391,313.44
Accounts payable	Triumph Quartz Material (Huangshan) Co., Ltd.		2,000,000.00
Accounts payable	Triumph Quartz Material (Taihu) Co., Ltd.	4,460,918.34	
Accounts payable	Ruitai Technology Co., Ltd.		304,345.00
Accounts payable	Shanghai CTIEC Luculent Information Technology Co., Ltd.*	1,850,700.00	850,800.00
Accounts payable	Yinan Huasheng Mineral Products Industry Co., Ltd.	2,714.60	2,714.60
Accounts payable	CTIEC Shenzhen Scieno-tech Engineering Company Bengbu Branch	4,550,625.53	
Accounts payable	China Triumph International Engineering Co., Ltd.	421,432,962.26	307,478,387.57
Accounts payable	China Triumph International Engineering Co., Ltd. Bengbu Branch	19,221,654.50	36,011,654.50
Accounts payable	China Triumph International Engineering Co., Ltd. Hainan Branch	9,077,910.11	12,638,622.33
Accounts payable	China Triumph International Engineering Co., Ltd. Jiangsu Branch	25,741,209.31	6,858,990.19
Accounts payable	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	4,030,303.17	1,301,949.64
Accounts payable	CNBM Triumph Robotics (Shanghai) Co., Ltd.*	241,000.00	563,000.00
Accounts payable	CNBM Research Institute For Automation of Light Industry Co., Ltd.	4,500,000.00	
Receipts in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.		702,248.13
Receipts in advance	Jiangsu Kairui Technetium Photovoltaic Technology Co., Ltd.		584,783.71

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X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables and payables of related parties (Continued)

(2) Payables (Continued)

Unit: Yuan Currency: RMB

Item	Related party	Carrying amount at the end of the period	Carrying amount at the beginning of the period
Receipts in advance	Far East Opto-Electronics Co., Ltd.		707,398.07
Receipts in advance	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited		6,552.00
Contract liabilities	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	595,282.76	
Contract liabilities	Triumph Information Display Material (Luoyang) Co., Ltd.	23,865.39	
Contract liabilities	AVIC Sanxin PV Solar Glass Co., Ltd.	586,347.21	
Contract liabilities	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited	6,552.00	
Other payables	Wonderful Sky Financial Group Limited		2,953,393.90
Other payables	Triumph Technology Group Co., Ltd.*	142,986,895.11	150,755,526.08
Other payables	CTIEC Shenzhen Scieno-tech Engineering Company Bengbu Branch		61,843.32
Other payables	Taishan Plaster (Henan) Co., Ltd.		10,000.00
Other payables	China Triumph International Engineering Co., Ltd.		136,800.00
Other payables	China Triumph International Engineering Co., Ltd. Bengbu Branch	140,000.00	196,604.80
Other payables	China Triumph International Engineering Co., Ltd. Hainan Branch	5,000.00	5,000.00
Other payables	China Luoyang Float Glass (Group) Company Limited	204,264,211.46	167,669,220.36
Other payables	CNBM (Bengbu) Photoelectricity Materials Co., Ltd.		30,740,686.56
Other payables	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	3,427,625.65	3,014,108.93
Other payables	China Triumph Bengbu Engineering and Technology Company Limited	1,600.00	1,600.00
Other payables	Shanghai CTIEC Luculent Information Technology Co., Ltd.*	652,500.00	
Other payables	China National Building Materials Group Corporation	1,000.00	

X. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

7. Commitments of related parties

As approved by the CSRC with the "Approval on Purchase of Assets by Share Issue to China Luoyang Float Glass (Group) Company Limited* (中國洛陽浮法玻璃集團有限責任公司), etc. and Raising of Supporting Funds by Luoyang Glass Company Limited* (關於核准洛陽玻璃股份有限公司向中國洛陽浮法玻璃集團有限責任公司等發行股份購買資產並募集配套資金的批覆)" (Zheng Jian Xu Ke [2018] No. 475), the Company acquired 100% equity interest in Hefei New Energy from China Luoyang Float Glass Group Co., Ltd. ("CLFG") and Hefei High-Tech Construction Investment Group Company ("Hefei High-Tech"), 100% equity interest in Tongcheng New Energy from Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd. ("Huaguang Group"), CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd. ("Bengbu Institute"), China Triumph International Engineering Co., Ltd. ("International Engineering") and 70.99% equity interest in Yixing New Energy from Triumph Technology Group Co., Ltd. ("Triumph Group"), Yixing Environmental Technology Innovation Venture Investment Co., Ltd. ("Yixing Environmental Technology"), GCL System Integration Technology Co., Ltd. ("GCL System Integration") by way of issuance of shares.

GLFG and Hefei High-tech had undertaken that the audited net profit after deducting non-recurring profit or loss of Hefei New Energy would not be lower than RMB61,678,800 for 2018. Huaguang Group, Bengbu Institute and International Engineering had undertaken that the audited net profit after deducting non-recurring profit or loss of Tongcheng New Energy would not be lower than RMB26,367,100 for 2018. Triumph Group, Yixing Environmental Technology and GCL System Integration had undertaken that the audited net profit after deducting non-recurring profit or loss of Yixing New Energy would be not lower than RMB33,370,300 for 2018. The audited net profit after deducting non-recurring profit or loss of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2018 is RMB10,848,800, RMB6,972,200 and RMB11,669,100, respectively, all of which are less than the amount under the performance commitment. Pursuant to the commitments, the counterparties shall calculate the compensation amount and the number of compensation shares, and the Company shall repurchase the compensation shares at a total consideration of RMB1.00. The share capital of the Company will be reduced upon repurchase, and accordingly the difference between the share capital repurchased and the consideration of RMB1.00 will be used to increase the capital reserve of the Company.

XI. SHARE-BASED PAYMENT

N/A

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XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

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

At 31 December 2018, the Company had the following significant capital commitments:

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Contracted but not provided for – Construction project	565,467,765.40	714,762,796.93
Total	565,467,765.40	714,762,796.93

2. Contingencies

N/A

XIII. SUBSEQUENT EVENTS AFTER THE DATE OF BALANCE SHEET

N/A

XIV. OTHER SIGNIFICANT EVENTS

1. Segment Information

(1) *Determination basis and accounting policies of reporting segment:*

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. For management purposes, the Company has two operating segments. The management of the Company regularly reviews the financial information of each segment to make decisions about resources to be allocated to the segment and to assess its performance.

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.

The operating segments of the Company include information display glass segment and new energy glass segment.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements. Segment assets exclude deferred income tax assets and segment liabilities exclude deferred income tax liabilities.

Intersegment transactions are measured based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

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XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment Information (Continued)

(2) Financial information of reporting segment

Unit: Yuan Currency: RMB

Item	Information		Unallocated items	Inter-segment offset	Offset	Total
	display glass	New energy glass				
1. Operating income	343,890,760.93	1,081,897,429.32			-23,040,002.51	1,402,748,187.74
Including: Revenue from external						
principal operations	311,272,421.11	1,026,081,355.60				1,337,353,776.71
Revenue from other						
external operations	9,578,337.31	55,816,073.72				65,394,411.03
Revenue from other inter-segment operations	23,040,002.51				-23,040,002.51	
2. Impairment losses of assets	2,101,183.75	6,849.19				2,108,032.94
3. Impairment losses of credit	424,784.69	1,238,982.88				1,663,767.57
4. Depreciation expenses and amortization expenses	47,325,037.91	81,141,795.02	1,615,273.39			130,082,106.32
5. Total profit	27,373,454.07	42,008,033.71	31,179,313.52		-68,414,256.39	32,146,544.91
6. Income tax expenses	3,914,250.06	5,046,054.28				8,960,304.34
7. Net profit	23,459,204.01	36,961,979.43	31,179,313.52		-68,414,256.39	23,186,240.57
8. Total assets	1,654,082,712.02	3,324,994,730.64	548,220,743.97		-1,023,116,266.27	4,504,181,920.36
9. Total liabilities	1,196,980,506.88	2,343,523,297.86	1,040,566,201.00		-1,422,229,186.59	3,158,840,819.15

2. Others

(1) Operating income by customer's geographical location

Geographical location	2018	2017
China (excluding Hong Kong, Macau and Taiwan)	1,367,129,433.87	1,464,236,092.16
Other countries and regions	35,618,753.87	37,916,818.48
Total	1,402,748,187.74	1,502,152,910.64

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Others (Continued)

(2) Non-current assets by its geographical location

Geographical location	31 December 2018	31 December 2017
China (excluding Hong Kong, Macau and Taiwan)	2,977,682,832.74	2,380,220,054.55
Total	2,977,682,832.74	2,380,220,054.55

Note: Non-current assets are attributable to the areas where the assets are located, excluding financial assets, separate account assets and deferred income tax assets.

(3) Degree of reliance on major customers

The Company has a diversified customer base. In 2018, the transaction of two customers from new energy reporting segment exceeds 10% of the Company's revenue.

XV. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE COMPANY

1. Accounts receivable and notes receivable

Summary table

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Notes receivable	8,859,660.98	7,469,611.05
Accounts receivable	274,383,576.63	278,458,567.55
Less: provision for bad debts	79,498,911.94	74,130,839.72
Total	203,744,325.67	211,797,338.88

Notes to the Financial Statements

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

1. Accounts receivable and notes receivable (Continued)

Notes receivable

(1) Notes receivable by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Bank acceptance	8,859,660.98	7,469,611.05
Trade acceptance		
Total	8,859,660.98	7,469,611.05

(2) Classified disclosure by the method of bad debt provision

Unit: Yuan Currency: RMB

Category	31 December 2018					31 December 2017				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	ratio (%)	Book value	Amount	Ratio (%)	Amount	ratio (%)	Book value
Provision for bad debts on group basis	8,859,660.98				8,859,660.98	7,469,611.05				7,469,611.05
Total	8,859,660.98	/		/	8,859,660.98	7,469,611.05	/		/	7,469,611.05

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

1. Accounts receivable and notes receivable (Continued)

Accounts receivable

(1) Ageing analysis of accounts receivable by date of entry:

Unit: Yuan Currency: RMB

Aging	31 December 2018	31 December 2017
Within 1 year	3,772,286.41	7,847,276.56
1 to 2 years	0.23	60,623,362.41
2 to 3 years	60,623,362.41	45,954,862.42
3 to 4 years	45,954,862.42	53,824,294.76
4 to 5 years	53,824,294.76	23,949,436.39
Over 5 years	110,208,770.40	86,259,335.01
Subtotal	274,383,576.63	278,458,567.55
Less: provision for bad debts	79,498,911.94	74,130,839.72
Total	194,884,664.69	204,327,727.83

(2) Classified disclosure by the method of bad debt provision

Unit: Yuan Currency: RMB

Category	31 December 2018					31 December 2017				
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision		Amount	Ratio (%)	Amount	Provision	
				ratio (%)	Book value				ratio (%)	Book value
Provision for bad debts on an individual basis	223,121,224.33	81.32	28,236,563.22	12.66	194,884,661.11	219,348,939.58	78.77	22,868,491.89	10.43	196,480,447.69
Provision for bad debts on group basis	51,262,352.30	18.68	51,262,348.72	100.00	3.58	59,109,627.97	21.23	51,262,347.83	86.99	7,847,280.14
Total	274,383,576.63	/	79,498,911.94	/	194,884,664.69	278,458,567.55	/	74,130,839.72	/	204,327,727.83

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

1. Accounts receivable and notes receivable (Continued)

Accounts receivable (Continued)

(2) Classified disclosure by the method of bad debt provision (Continued)

Provision for bad debts on an individual basis:

Unit: Yuan Currency: RMB

Name	31 December 2018			Reason for making provision
	Carrying amount	Provision for bad debts	Provision Ratio (%)	
CLFG Longmen Glass Co., Ltd.	223,121,224.33	28,236,563.22	12.66	Unable to be recovered in full
Total	<u>223,121,224.33</u>	<u>28,236,563.22</u>	<u>12.66</u>	/

Accounts receivable for which provision for bad debts were made on group basis

Aging	Amount at the end of the period		
	Carrying amount	Lifetime ECLs (%)	Provision for bad debts
Within 1 year	1.58	1.90	0.03
1 to 2 years	0.23	30.43	0.07
2 to 3 years	3.58	50.00	1.79
3 to 4 years	2.14	100.00	2.14
4 to 5 years	79,720.82	100.00	79,720.82
Above 5 years	<u>51,182,623.87</u>	<u>100.00</u>	<u>51,182,623.87</u>
Total	<u>51,262,352.22</u>	<u>100.00</u>	<u>51,262,348.72</u>

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

1. Accounts receivable and notes receivable (Continued)

Accounts receivable (Continued)

(3) Provision for bad debts

Unit: Yuan Currency: RMB

Item	31 December 2017	Changes in accounting policies	1 January 2018	Provision for the period	31 December 2018
Provision for bad debts	74,130,839.72	156,945.53	74,287,785.25	5,211,126.69	79,498,911.94

(4) Accounts receivables of the top five parties with arrears regarding the collected balance at the end of the period

Unit: Yuan Currency: RMB

Name	31 December 2018	Proportion in the total amount of accounts receivable (%)	Balance of provision for bad debts
First place	223,121,224.33	81.32	28,236,563.22
Second place	4,757,122.32	1.73	4,757,122.32
Third place	2,820,625.92	1.03	2,820,625.92
Fourth place	2,796,175.91	1.02	2,796,175.91
Fifth place	2,548,928.08	0.93	2,548,928.08
Total	236,044,076.56	86.03	41,159,415.45

Notes to the Financial Statements

31 December 2018
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

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

2. Other receivables

Summary table

(1) Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2018	31 December 2017
Other receivables	343,017,501.55	30,820,701.99
Total	343,017,501.55	30,820,701.99

Other receivables

(1) Ageing analysis of other receivables by date of entry:

Unit: Yuan Currency: RMB

Aging	31 December 2018	31 December 2017
Within 1 year	723,357,008.19	152,342,459.29
1 to 2 years	1,850.38	60,487,321.70
2 to 3 years		11,880,984.01
3 to 4 years	844,296.51	11,820,287.50
4 to 5 years	383,600.00	11,300,512.31
Over 5 years	31,353,903.42	46,566,660.39
Subtotal	755,940,658.50	294,398,225.20
Less: provision for bad debts	412,923,156.95	263,266,928.54
Total	343,017,501.55	31,131,296.66

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

2. Other receivables (Continued)

Other receivables

(2) 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	723,332,550.59	245,886,692.04
Compensation for performance commitment		15,301,668.89
Current accounts	<u>32,608,107.91</u>	<u>33,209,864.27</u>
Total	<u><u>755,940,658.50</u></u>	<u><u>294,398,225.20</u></u>

(3) Provision for bad debts

Unit: Yuan Currency: RMB

Item	31 December 2017	Changes in accounting policies	1 January 2018	Provision for the period	Write-off for the period	31 December 2018
Provision for bad debts	<u>263,266,928.54</u>	<u>310,594.67</u>	<u>263,577,523.2</u>	<u>149,496,372.66</u>	<u>150,738.92</u>	<u><u>412,923,156.95</u></u>

Notes to the Financial Statements

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Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

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

2. Other receivables (Continued)

Other receivables

(4) Other receivables actually written off in this period

Unit: Yuan Currency: RMB

Item	Amount written off
Other receivables actually written off	150,738.92

(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	31 December 2018	Aging	Proportion in total balance of other receivables at the end of the period (%)	Balance of provision for bad debts at the end of the period
Rank 1st	Current accounts	380,340,312.76	0-5 years	50.31	380,340,312.76
Rank 2nd	Current accounts	193,564,638.33	Within 1 year	25.61	
Rank 3rd	Current accounts	149,427,599.50	Within 1 year	19.77	
Rank 4th	Current accounts	10,808,704.00	Over 5 years	1.43	10,808,704.00
Rank 5th	Current accounts	4,600,000.00	Over 5 years	0.61	4,600,000.00
Total	/	<u>738,741,254.59</u>	/	<u>97.73</u>	<u>395,749,016.76</u>

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

3. Long-term equity investment

Unit: Yuan Currency: RMB

Item	31 December 2018			31 December 2017		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investment in subsidiaries	1,805,355,048.53	114,513,390.18	1,690,841,658.35	933,499,984.17	64,513,390.18	868,986,593.99
Investment in associates and joint ventures						
Total	1,805,355,048.53	114,513,390.18	1,690,841,658.35	933,499,984.17	64,513,390.18	868,986,593.99

(1) Investment in subsidiaries

Unit: Yuan Currency: RMB

Investee	31 December 2017	Increase for the period	Decrease for the period	31 December 2018	Provision for impairment for the period	Balance of the
						provision for impairment at the end of the period
CNBM (Puyang) Photoelectric Material Co., Ltd.	80,500,000.00	102,195,020.00		182,695,020.00		
CLFG Longmen Glass Co., Ltd.	64,513,390.18	50,000,000.00		114,513,390.18	50,000,000.00	114,513,390.18
CLFG Longhai Electronic Glass Co., Ltd.	88,941,425.28			88,941,425.28		
Bengbu CNBM Information Display Materials Co., Ltd.	699,545,168.71			699,545,168.71		
CNBM (Hefei) New Energy Co., Ltd.*		237,180,001.59		237,180,001.59		
CNBM (Tongcheng) New Energy Materials Co., Ltd.*		239,788,106.76		239,788,106.76		
CNBM (Yixing) New Energy Resources Co., Ltd.		242,691,936.01		242,691,936.01		
Total	933,499,984.17	871,855,064.36		1,805,355,048.53	50,000,000.00	114,513,390.18

Notes to the Financial Statements

31 December 2018
Prepared by: Luoyang Glass Company Limited
Unit: Yuan Currency: RMB

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

4. Operating income and operating costs:

(1) Operating income and operating costs

Unit: Yuan Currency: RMB

Item	2018		2017	
	Income	Costs	Income	Costs
Principal business	169,298,590.63	169,298,590.62	173,004,819.17	173,042,039.83
Other business	27,678,839.56	20,036,152.01	3,940,309.05	1,021,012.82
Total	196,977,430.19	189,334,742.63	176,945,128.22	174,063,052.65

5 Investment income

Unit: Yuan Currency: RMB

Item	2018	2017
Investment income from long-term equity investments under cost method	63,129,244.82	
Investment income from investments held for maturity		11,085,247.18
Interest income from debt investments held	7,612,983.33	
Total	70,742,228.15	11,085,247.18

XVIII. SUPPLEMENTARY INFORMATION

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

Unit: Yuan Currency: RMB

Item	Amount	Explanation
Profit/loss on disposal of non-current assets	1,306,818.50	
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 profit or loss for the period	28,264,273.25	
Profit/loss from debt restructuring	373,719.66	
The net profit or loss of subsidiary resulting from combination under common control from the beginning of the period to consolidation date	20,491,900.89	
Other non-operating income and expenses other than the aforesaid items	-1,353,675.63	
Effect of income taxation	-5,865,320.55	
Amount of effect on minority interest	-5,827,124.21	
Total	37,390,591.91	

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	1.22	0.0280	0.0280
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss	-1.89	-0.0394	-0.0394

Section XI. 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: 29 March 2019