



**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

# 2019

## 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 2019 was RMB2,546,900, together with the undistributed profit RMB-1,365,555,300 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,363,008,400 as at the end of 2019.  
  
The Company will not distribute profit or convert capital reserve to the share capital for 2019.
- 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.

\* For identification purposes only

## Definitions

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.
Far East Opto-Electronics	Far East Opto-Electronics 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

	<b>Secretary to the Board</b>	<b>Representative of securities affairs</b>
Name	Wu Zhixin	Zhao Zhiming
Correspondence address	Secretary Office of the Board of Luoyang Glass 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	<a href="http://www.zhglb.com/">http://www.zhglb.com/</a>
Email	lybl600876@163.com

## IV. PLACES FOR INFORMATION DISCLOSURE AND REFERENCE

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

## V. BASIC INFORMATION OF THE COMPANY'S SHARES

### Basic Information of the Company's Shares

Type of shares	Place of listing of the Company's shares	Stock abbreviation	Stock code	Stock abbreviation before changes
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	Qiao Guanfang(喬冠芳), Wang Haizhou(汪海洲)
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	2019	2018	Increase/decrease over the same period last year (%)	
				2017
Operating income	<b>1,854,842,208.09</b>	1,402,748,187.74	32.23	1,502,152,910.64
Net profit attributable to shareholders of the listed company	<b>53,999,883.71</b>	15,645,310.47	245.15	87,672,262.83
Net profit attributable to shareholders of the listed company after deducting nonrecurring profit or loss	<b>11,804,391.65</b>	-21,745,281.44	N/A	-43,601,538.34
Net cash flow from operating activities	<b>22,491,988.77</b>	-80,220,923.17	N/A	-310,839,620.63
	<b>As at the end of 2019</b>	As at the end of 2018	Increase/decrease over the same period last year (%)	As at the end of 2017
Net assets attributable to shareholders of the listed company	<b>1,299,216,365.32</b>	1,245,216,484.61	4.34	1,131,687,647.58
Total assets	<b>5,241,039,877.95</b>	4,504,181,920.36	16.36	3,998,452,082.99

# Company Profile and Major Financial Indicators

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

### (II) Major Financial Indicators

Major financial indicators	2019	2018	Increase/ decrease over the same period last year (%)	2017
Basic earnings per share (RMB/share)	<b>0.0965</b>	0.0280	244.64	0.1583
Diluted earnings per share (RMB/share)	<b>0.0965</b>	0.0280	244.64	0.1583
Basic earnings per share after deducting nonrecurring profit and loss (RMB/share)	<b>0.0211</b>	-0.0394	N/A	-0.0828
Weighted average return on net assets (%)	<b>4.24</b>	1.22	Increased by 3.02 percentage points	8.17
Weighted average return on net assets after deducting non-recurring profit and loss (%)	<b>0.93</b>	-1.89	N/A	-8.17

## VIII. DIFFERENCE BETWEEN DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARD

### (I) Difference in net profit and net assets attributable to shareholders of the listed company in financial statements as disclosed in accordance with IASs and PRC GAAP

N/A

### (II) Difference in net profit and net assets attributable to shareholders of the listed company in financial statements as disclosed in accordance with overseas accounting standards and PRC GAAP

N/A

### (III) Explanation on difference in domestic and overseas accounting standards

N/A

## IX. MAJOR QUARTERLY FINANCIAL INDICATORS IN 2019

Unit: Yuan Currency: RMB

	Q1 (January-March)	Q2 (April-June)	Q3 (July-September)	Q4 (October-December)
Operating revenue	437,416,302.24	421,969,839.19	463,924,589.53	531,531,477.13
Net profit attributable to shareholders of the listed company	1,987,273.59	13,643,922.47	30,768,935.77	7,599,751.88
Net profit attributable to shareholders of the listed company after deducting nonrecurring profit or loss	-2,591,205.60	1,230,747.19	6,727,577.12	6,437,272.94
Net cash flow from operating activities	-129,951,288.11	-14,902,418.12	52,852,304.24	114,493,390.76

# Company Profile and Major Financial Indicators

## X. NON-RECURRING ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Non-recurring Items	2019	Note (if applicable)	2018	2017
Profit/loss on disposal of non-current assets	<b>11,355,077.66</b>		1,306,818.50	6,063,804.98
Government subsidies (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to profits and losses for the period	<b>35,456,524.36</b>		28,264,273.25	78,201,332.80
Fund possession fee received from non-financial enterprises attributable to profits and losses for the period	<b>441,031.51</b>			
Profit/loss from debt restructuring			373,719.66	2,000,783.33
Costs of corporate reorganization, i.e. expenses for staff settlement, integration costs, etc.				-19,411,503.76
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
Reversal of provision made for impairment of receivables and contract assets that are individually tested for impairment	<b>1,000,000.00</b>			/
Custody fee income from entrusted operation	<b>377,358.52</b>			
Other non-operating income and expenses excluding the aforesaid items	<b>-1,710,884.67</b>		-1,353,675.63	-290,282.58
Effect of minority interests	<b>-702,084.87</b>		-5,827,124.21	-17,415,625.94
Effect of income tax	<b>-4,021,530.45</b>		-5,865,320.55	-2,394,535.92
Total	<b>42,195,492.06</b>		37,390,591.91	131,273,801.17

## XI. OTHERS

### (I) Legal Advisors

Legal advisor as to PRC laws: 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 as to Hong Kong laws: 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: 17M floor, 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 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.

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. The Company keeps up with technological development trend of downstream photovoltaic components, and took the lead in developing and producing 1.6 mm ultrathin photovoltaic glass, a new product, catering to the development trend favoring thin and lightweight photovoltaic glass.

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.

There is a basic balance between the demand and supply of ultra-thin electronic glass substrate in the national and regional market. The application of new touch and display technologies is emerging at rapid pace and the update on and repeated operation of the whole industry including core materials, critical equipment and key processes are speeding up, resulting in the decline in the market price of repeated middle and low end products with same quality and a steady increase in the demand of ultra-thin glass substrate with high quality and high performance.

After the severe hit by the “PV New Policy” in 2018, the domestic market of photovoltaic industry gradually recovered in 2019, and coupled with the increase in overseas market demand, photovoltaic glass witnessed a slight return of growth in both sales volume and prices.

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

N/A

# Business Summary of the Company

## III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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 ultrathin 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.

The new energy business of the Company is equipped with high scientific research capabilities, strong abilities to put scientific research results into practical use, and processing techniques, and therefore is 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 new energy 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 proactively set its footprint in the new energy glass area and further diversify its product structure, thus enhancing profitability and overall competitiveness.

# Discussion and Analysis of the Operations

## I. DISCUSSION AND ANALYSIS OF THE OPERATIONS

During the reporting period, opportunities and challenges coexisted in the industry transformation and upgrading and structure adjustment under the complicated and volatile market circumstance. Under the direction of high-quality development, the Company made great efforts to promote the adjustment and optimization of all business segments, accelerated the research and development of new products, and carried out the “streamlined, refined and lean management” in a deep-going way, thereby improving the management capacity and profitability continuously.

**Streamlined organization.** The Company, in the light of its development needs, optimized the structuring and duties of its departments, and implemented the job rotation and communication system between the higher-ups and the staff, which aroused the staff’s enthusiasm and vitality effectively.

**Refined management.** Thanks to its efforts in system management enhancement and process reengineering, the Company fully sorted through and revised various management systems; it emphasized benchmarking management and consummated the benchmarking system in a bid to promote mutual learning, identify and fill the gaps and in turn continue to improve the management level through aligning.

**Lean operation.** The Company implemented the quality improvement program and conducted technological innovation and renovation around quality improvement. Longmen Glass recorded an increase of 2.4% and more than 5% in respect of the overall yield rate and the customer use rate, respectively; Hefei New Energy soared to record highs in respect of the overall yield rate and processed yield rate of original glass; Bengbu CNBM Information Display Materials solved the quality problem of the panel through modification and optimization of process, which was a significant breakthrough; Yixing New Energy carried out process improvement to have the thickness differences of products under effective control, and hit the high spots in the industry in respect of yield and other indicators.

**Adhering to market orientation and adjusting product portfolio.** Yixing New Energy effectuated the production of dual-panel and thinner photovoltaic glass; Hefei New Energy increased the production volume of CIGS cover glass, and developed high value-added 2mm semi-steel coated ceramic white glass and white coated dual-panel glass; Tongcheng New Energy developed 2mm large physically and fully toughened anti-PID coated glass for double-panel glass modules and glass with high light transmittance, high haze and light diffusing for greenhouse workshops of the sunshine plant farms; Bengbu CNBM Information Display Materials adjusted its product portfolio in due course based on market demands.

**Striving for government grant.** During the reporting period, government grant income increased year-on-year.

**Boosting project construction and nurturing new growth drivers.** Longhai Glass completed the project on technical reform of production line and the project came on stream on 28 April 2019. The technical reform pushed the automatic and intelligent capacity of the production line to a new stage.

The main projects including the Ultra-White Solar Thermal Material Project in Puyang County, civil construction and equipment installation of the production line have been basically completed, and it is expected to be put into production in 2020.

Yixing New Energy successively completed the new construction and renovation projects of screen printing, laser punching and thin glass toughening technology, and thereby became the bellwether in the innovation of substrate materials of dual-panel glass modules.

# Discussion and Analysis of the Operations

## I. DISCUSSION AND ANALYSIS OF THE OPERATIONS (CONTINUED)

Tongcheng New Energy completed the technological transformation project for the solar raw glass production line, and the furnace was ignited for production on 20 June 2019. The technological transformation optimized and improved the production capacity and technical performance of the raw glass production line, which was conducive to improving product quality, enriching product mix, and reducing energy consumption and product costs.

## II. THE PRINCIPAL OPERATIONS DURING THE REPORTING PERIOD

During the reporting period, the Company's operating revenue amounted to RMB1,854,842,208.09, representing a year-on-year increase of RMB452,094,020.35; operating profit amounted to RMB70,388,559.63, representing a year-on-year increase of RMB44,931,837.90; net profit attributable to the shareholders of the Company amounted to RMB53,999,883.71, representing a year-on-year increase of RMB38,354,573.24; and basic earnings per share attributable to shareholders of the Company amounted to RMB0.0965. Gearing ratio was 73.02%, representing an increase of 2.89 percentage points from 2018.

### (I) Analysis of principal operating activities

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

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for the same period last year	Change (%)
Operating revenue	<b>1,854,842,208.09</b>	1,402,748,187.74	32.23
Operating costs	<b>1,404,274,867.15</b>	1,097,267,859.38	27.98
Taxes and surcharges	<b>25,687,293.69</b>	19,105,892.28	34.45
Selling expenses	<b>65,890,259.11</b>	46,941,994.81	40.37
Administrative expenses	<b>112,889,849.73</b>	96,387,902.71	17.12
Research and development expenses	<b>66,823,935.81</b>	62,819,240.48	6.37
Financial expenses	<b>97,929,142.26</b>	75,405,360.82	29.87
Investment income	<b>-8,939,588.06</b>	-5,660,178.53	57.94
Impairment losses on credit (loss is represented by "-")	<b>-27,639,136.97</b>	-1,663,767.57	1,561.24
Impairment losses on assets (loss is represented by "-")	<b>-8,087,991.61</b>	-2,108,032.94	283.67
Gains on disposal of assets (loss is represented by "-")	<b>11,355,077.66</b>	1,306,818.50	768.91
Non-operating income	<b>18,408,314.15</b>	8,302,300.33	121.73
Net cash flow from operating activities	<b>22,491,988.77</b>	-80,220,923.17	N/A
Net cash flow from investment activities	<b>-265,869,190.41</b>	-313,529,004.60	N/A
Net cash flow from financing activities	<b>231,443,719.91</b>	355,367,247.40	-34.87

# Discussion and Analysis of the Operations

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

### (I) Analysis of principal operating activities (Continued)

#### 1. *Analytical statement of changes in relevant items in the income statement and cash flow statement (Continued)*

Reasons for change in taxes and surcharges: relevant additional taxes increased due to increase in value-added taxes during the reporting period

Reasons for change in investment income: loss from de-recognition of accounts receivable financing increased during the reporting period

Reasons for impairment losses on credit: the expected impairment on credit increased during the reporting period

Reasons for change of impairment losses on assets: provision for impairment on assets increased during the reporting period

Reasons for change in gains on disposal of assets: receipt of gains from demolition of office building of a subsidiary

Reasons for change in non-operating income: government grant increased year-on-year during the reporting period

Reasons for change in net cash flow from operating activities: cash received from sale of goods or rendering of services increased year-on-year during the reporting period

Reasons for change in net cash flow from investment activities: cash investment cost in fixed assets decreased year-on-year during the reporting period

Reasons for change in net cash flow from financing activities: net amount of financing decreased year-on-year during the reporting period

#### 2. *Analysis of revenue and costs*

During the reporting period, the Company recorded operating revenue of RMB1,854,842,200, representing an increase of 32.23% as compared with that of the same period of last year. The operating cost amounted to RMB1,404,274,900, representing an increase of 27.98% as compared with that of the same period of last year, mainly due to the increased sales volume and product price resulting from the recovery in photovoltaic glass market in 2019.

# Discussion and Analysis of the Operations

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

### (I) Analysis of principal operating activities (Continued)

#### 2. Analysis of revenue and costs (Continued)

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

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	1,800,247,448.59	1,367,307,636.65	24.05	34.61	31.61	Increased by 1.74 percentage points

Principal operations by product						
By product	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	260,012,118.07	205,715,560.16	20.88	-16.47	-7.53	Decreased by 7.65 percentage points
New energy glass	1,540,235,330.52	1,161,592,076.49	24.58	50.11	42.27	Increased by 4.15 percentage points

# Discussion and Analysis of the Operations

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

### (I) Analysis of principal operating activities (Continued)

#### 2. Analysis of revenue and costs (Continued)

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

By region	Principal operations by region			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 (%)
	Operating revenue	Operating costs	Gross profit margin (%)			
PRC (excluding Hong Kong, Macau and Taiwan)	1,728,023,673.98	1,312,322,839.18	24.06	32.75	29.90	Increased by 1.67 percentage points
Other countries and regions	72,223,774.61	54,984,797.47	23.87	102.77	91.96	Increased by 4.29 percentage points

##### (2) Analytical statement of production and sales volume

Major product	Unit	Production		Storage volume	Increase/ decrease of production volume as compared with last year (%)	Increase/ decrease of sales volume as compared with last year (%)	Increase/ decrease of storage volume as compared with last year (%)
		Production volume	Sales volume				
Information display glass	'0,000 square meters	2,981.49	2,361.78	1,208.61	11.00	-12.00	105.17
New energy glass	'0,000 square meters	6,242.02	6,805.68	138.19	28.11	43.10	-64.26

# Discussion and Analysis of the Operations

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

### (I) Analysis of principal operating activities (Continued)

#### 2. Analysis of revenue and costs (Continued)

##### (3) Analytical statement of costs

Unit: Yuan

By industry	Component of cost	Amount for current period	By industry		Percentage of changes in amount for the current period over the same period last year (%)	Explanation
			Percentage over total cost for the current period (%)	Amount for the same period last year		
New materials	Direct materials	1,200,943,679.75	87.83	894,766,115.28	34.14	
	Direct labour	70,354,302.73	5.15	57,151,379.17	23.65	
	Manufacturing expenses	96,009,654.17	7.02	87,016,542.08	10.75	

By product	Component of cost	Amount for current period	By product		Percentage of changes in amount for the current period over the same period last year (%)	Explanation
			Percentage over total cost for the current period (%)	Amount for the same period last year		
Information display glass	Direct materials	146,278,955.29	71.11	153,784,370.91	-4.88	
	Direct labour	21,069,369.67	10.24	21,673,356.91	-2.79	
	Manufacturing expenses	38,367,235.20	18.65	44,858,380.62	-14.47	
New energy glass	Direct materials	1,054,664,724.46	90.80	740,981,744.37	42.33	
	Direct labour	49,284,933.06	4.24	35,478,022.26	38.92	
	Manufacturing expenses	57,642,418.97	4.96	42,158,161.46	36.73	



# Discussion and Analysis of the Operations

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

### (I) Analysis of principal operating activities (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 RMB867,760,000, representing 46.78% of the total annual sales, of which sales to the related party of the top five customers amounted to RMB0, representing 0% of the total annual sales.

The purchase amount of top five suppliers is RMB558,530,000, representing 37.72% of total purchase amount of the year, of which the amount purchased from the related parties was RMB223,140,000, representing 15.07% of total purchase amount of the year.

#### 3. Expenses

Item	2019	2018	Changes (%)	Reasons of changes
Selling expenses	<b>65,890,259.11</b>	46,941,994.81	40.37	the increase in sales volume and sales related expenses during the reporting period
Administration expenses	<b>112,889,849.73</b>	96,387,902.71	17.12	the increase in employee remuneration and other related expenses during the reporting period
R&D expenses	<b>66,823,935.81</b>	62,819,240.48	6.37	the increase in R&D expenditure during the reporting period
Finance expenses	<b>97,929,142.26</b>	75,405,360.82	29.87	the increase in finance expenses during the reporting period
Income tax expenses	<b>18,203,965.20</b>	8,960,304.34	103.16	the year-on-year increase in taxable profits during the reporting period

# Discussion and Analysis of the Operations

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

### (I) Analysis of principal operating activities (Continued)

#### 4. R&D expenditures

Unit: Yuan

Expensed R&D expenditure in current period	66,505,104.99
Capitalized R&D expenditure in current period	19,660,892.44
Total of R&D expenditure	86,165,997.43
Percentage of total R&D expenditure to operating revenue (%)	4.65
Number of the Company's R&D staff	289
Percentage of R&D staff number to the Company's total number of employees (%)	12.82
Proportion of capitalization of R&D investment (%)	22.82

#### 5. Cash flow

- (1) The net cash flow from operating activities amounted to RMB22,492,000, representing an increase of RMB102,712,900 as compared with RMB-80,220,900 for the same period last year, mainly due to increase in cash received from sale of goods or rendering of services during the reporting period.
- (2) The net cash outflow from investing activities amounted to RMB265,869,200 representing a decrease of RMB47,659,800 over that of RMB313,529,000 for the same period last year, mainly due to the year-on-year decrease in cash investment cost in fixed assets during the reporting period.
- (3) The net cash flow from financing activities amounted to RMB231,443,700, representing a decrease of RMB123,923,500 over RMB355,367,200 for the same period last year, mainly due to the year-on-year decrease on net amount of financing during the reporting period.

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

During the reporting period, the subsidy received from the government has increased year on year.

# Discussion and Analysis of the Operations

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

### (III) Analysis of assets and liabilities

#### 1. 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 over the total assets (%)	Percentage of changes in closing balance of current period over the closing balance of previous period (%)	Explanation
Bank balance and cash	432,871,497.66	8.26	276,132,689.62	6.13	56.76	primarily attributable to the increase in deposit of notes during the reporting period
Accounts receivable financing	162,706,438.58	3.10	104,046,358.38	2.31	56.38	primarily attributable to the increase in sales payment during the reporting period
Inventories	281,882,687.59	5.38	245,395,799.98	5.45	14.87	primarily attributable to the increase in inventories during the reporting period
Other current assets	83,085,172.69	1.59	70,237,506.22	1.56	18.29	primarily attributable to the increase in tax to be deducted during the reporting period
Fixed assets	2,343,435,561.00	44.71	1,915,114,403.91	42.52	22.37	primarily attributable to the transformation of construction in progress to fixed assets during the reporting period
Development expenditures	3,073,758.34	0.06	15,075,276.42	0.33	-79.61	primarily attributable to the carry forward of R&D capitalization acceptance during the reporting period
Deferred income tax assets	9,366,216.00	0.18	6,109,809.23	0.14	53.30	primarily attributable to the increase in deductible temporary differences of the provision for impairment of assets during the reporting period
Other non-current assets	3,671,639.24	0.07	2,714,102.55	0.06	35.28	primarily attributable to the increase in the amount of unsettled equipment installation during the reporting period
Short-term borrowings	1,240,054,086.26	23.66	851,888,356.04	18.91	45.57	primarily attributable to the increase in bank borrowings during the reporting period
Notes payable	605,123,498.86	11.55	305,058,652.43	6.77	98.36	primarily attributable to the increase in notes financing during the reporting period
Contract liabilities	15,654,739.42	0.30	29,020,814.15	0.64	-46.06	primarily attributable to the decrease in trade accounts collected in advance during the reporting period
Employee compensation payable	31,097,821.63	0.59	24,115,765.81	0.54	28.95	primarily attributable to the increase in employee compensation payable during the reporting period
Taxes payable	36,694,248.37	0.70	18,769,988.13	0.42	95.49	primarily attributable to the increase in income tax payable 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 (Continued)

#### 1. Assets and liabilities (Continued)

Other remarks:

##### (1) Capital liquidity

As at 31 December 2019, the Group's liquidity ratio was 0.57 (31 December 2018: 0.58) and quick ratio was 0.44 (31 December 2018: 0.43). The turnover rate of accounts receivable for the year was 3.41 times (31 December 2018: 2.61 times); and the turnover rate of inventory was 5.19 times (31 December 2018: 4.87 times).

##### (2) Financial resources

As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB148,188,549.43, including 97.68% denominated in RMB and 2.32% denominated in US\$ and other foreign currencies.

As at 31 December 2019, the Group's bank loans amounted to RMB2,000,461,443.43 (31 December 2018: RMB1,609,355,266.98), including short-term loans amounting to RMB1,240,054,086.26 (31 December 2018: RMB851,888,356.04) and long-term loans amounting to RMB760,407,357.17 (31 December 2018: RMB757,466,910.94).

##### (3) Capital structure

As at 31 December 2019, the Group's current liabilities amounted to RMB3,176,527,786.58 (31 December 2018: RMB2,530,476,027.00), representing an increase of 25.53% from 2018; non-current liabilities amounted to RMB650,569,574.58 (31 December 2018: RMB628,364,792.15), representing an increase of 3.53% from 2018; and equity attributable to shareholders of the Company amounted to RMB1,299,216,365.32 (31 December 2018: RMB1,245,216,484.61), representing an increase of 4.34% from 2018.

# 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

Item	Book value at the end of the period	Reasons for restriction
Monetary funds	284,682,948.23	Deposits
Notes receivable	33,746,730.41	Pledge
Accounts receivable	19,107,277.79	Pledge
Fixed assets	711,810,105.65	Mortgage
Intangible assets	93,875,450.64	Mortgage
Total	1,143,222,512.72	--

### (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. The state actively promoted the construction of artificial intelligence, industrial Internet and Internet of Things, and accelerated 5G commercial popularity, which will boost the ever-changing and fast-growing of information display technology and demand. Driven by intelligent vehicle, new retail and industrial intelligence, the market scale of mobile innovative applications such as vehicle display, industrial and medical industries, and mobile payment devices will grow at a faster pace, it is expected that the market demand for ultra-thin glass substrate with high quality and high performance will increase at a steady pace.

New energy glass segment:

This business segment mainly produces photovoltaic original 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.

The outlook for the global photovoltaic market is optimistic and will remain at a higher level of demand. 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.

# Discussion and Analysis of the Operations

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

### (IV) Analysis on industry operating information (Continued)

2020 is a crucial year for the transformation of photovoltaic power generation in the PRC from dependence on subsidies to parity. The management model of photovoltaic power generation projects will still adopt the management model of giving priority to parity projects and bidding for subsidized projects. With the further increase of industrial concentration, the photovoltaic industry is expected to usher in a stage of high-quality development. It is estimated that the new installed capacity in the PRC will reach 40GW-45GW in 2020.

### (V) Analysis of investment

#### 1. Overall analysis of external equity investment

Having been considered and approved at the fifth meeting of the ninth session of the Board of the Company, the Company contributed additional capital of RMB138,000,000 to Hefei New Energy, a wholly-owned subsidiary of the Company. As at the end of the reporting period, the Company completed its capital contribution in cash. Upon the completion of cash contribution, the registered capital of Hefei New Energy increased from RMB130,000,000 to RMB268,000,000.

##### (1) Material equity investments

N/A

##### (2) Material non-equity investments

N/A

##### (3) Financial assets measured at fair value

N/A

### (VI) Sale of significant assets and equity interests

N/A

# Discussion and Analysis of the Operations

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

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

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	130,940,510.43	-496,639,730.87	298,145.99
CLFG Longhai Electronic Glass Co., Ltd.	New materials	Information display glass	100,000,000	501,369,565.39	138,093,675.15	-17,390,739.52
Bengbu CNBM Information Display Material Co., Ltd.	New materials	Information display glass	632,764,300	875,806,332.62	747,341,936.37	11,122,219.54
CNBM (Puyang) Photoelectric Material Co., Ltd.	New materials	New energy glass	240,000,000	801,117,641.01	239,231,364.45	194,878.89
CNBM (Hefei) New Energy Co., Ltd.	New materials	New energy glass	268,000,000	1,226,289,774.59	397,653,061.73	42,803,306.09
CNBM (Tongcheng) New Energy Materials Co., Ltd.	New materials	New energy glass	133,388,980	654,382,541.17	255,194,821.47	12,892,449.19
CNBM (Yixing) New Energy Resources Co., Ltd.	New materials	New energy glass	313,700,000	1,219,645,802.68	395,471,049.51	50,332,764.10

### (VIII) Structured entities controlled by the Company

N/A

### (IX) Five-year financial highlight

The operating results, assets and liabilities of the Group for the five years ended 31 December 2019 are summarized below:

#### Operating results

Unit: Yuan Currency: RMB

Item	2019	2018	2017	2016	2015
Operating income	<b>1,854,842,208.09</b>	1,402,748,187.74	1,502,152,910.64	1,167,990,738.04	745,938,243.31
Total profit	<b>86,805,383.78</b>	32,146,544.91	132,789,587.47	76,107,147.69	-195,869,932.09
Income tax	<b>18,203,965.20</b>	8,960,304.34	27,701,698.70	16,290,022.67	9,930,146.82
Net profit	<b>68,601,418.58</b>	23,186,240.57	105,087,888.77	59,817,125.02	-205,800,078.91
Net profit attributable to the owners of the parent company	<b>53,999,883.71</b>	15,645,310.47	87,672,262.83	55,437,169.81	-203,080,728.10
Minority interests	<b>14,601,534.87</b>	7,540,930.10	17,415,625.94	4,379,955.21	-2,719,350.81

# Discussion and Analysis of the Operations

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

### (IX) Five-year financial highlight (Continued)

#### *Assets and liabilities*

Unit: Yuan Currency: RMB

Item	2019	2018	2017	2016	2015
Monetary funds	<b>432,871,497.66</b>	276,132,689.62	204,245,757.54	248,020,020.85	155,679,819.77
Inventory	<b>281,882,687.59</b>	245,395,799.98	180,924,918.81	225,066,290.40	230,131,937.61
Fixed assets	<b>2,343,435,561.00</b>	1,915,114,403.91	1,766,535,573.58	1,885,812,876.39	1,412,853,884.72
Construction in progress	<b>603,637,921.26</b>	680,485,100.59	282,234,935.76	95,120,361.81	319,748,257.43
Non-current assets	<b>3,421,335,462.33</b>	3,038,792,641.97	2,437,724,816.09	2,318,956,162.94	2,012,935,787.07
Current liabilities	<b>3,176,527,786.58</b>	2,530,476,027.00	2,173,272,699.98	1,901,391,114.87	1,525,345,468.61
Non-current liabilities	<b>650,569,574.58</b>	628,364,792.15	478,990,428.91	327,012,156.05	707,949,996.46
Share capital	<b>552,396,509.00</b>	559,797,391.00	526,766,875.00	526,766,875.00	515,018,242.00
Equity attributable to owners of the Parent Company	<b>1,299,216,365.32</b>	1,245,216,484.61	1,131,687,647.58	1,028,713,715.86	473,425,028.37
Minority interests	<b>114,726,151.47</b>	100,124,616.60	214,501,306.52	197,085,680.58	35,672,100.56

### (X) Others

#### 1. *Gearing ratio*

As at the end of the reporting period, the gearing ratio was 73.02%, up by 2.89 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 VII (note 40) to the financial statements.

#### 3. *Taxation*

Details about taxation during the reporting period are set out in Note VII (notes 25 and 48) 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 VII (notes 13 and 15) to the financial statements.



# Discussion and Analysis of the Operations

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

### (X) Others (Continued)

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

Details of bank and other loans during the reporting period are set out in Note VII (notes 20, 27 and 29) to the financial statements.

#### 6. *Capitalization of interests*

Interests capitalised during the reporting period were RMB16,446,664.76.

#### 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 VII (notes 32, 33 and 34) to the financial statements.

#### 9. *Accumulated losses*

As at 31 December 2019, the accumulated loss of the Company was RMB-1,283,084,419.02.

#### 10. *Retirement plan*

The Company 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 Company 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 Company is not obligated to pay any other significant retirement benefits.

# Discussion and Analysis of the Operations

## III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

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

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 national industrial policies and technical improvement.

Information display glass: The state actively promoted the construction of artificial intelligence, industrial Internet and Internet of Things, and accelerated 5G commercial popularity, which will boost the ever-changing and fast-growing of information display technology and demand. Under the global novel coronavirus ("COVID-19") since 2020, the demand for online education and remote office has become prominent, and which has also stimulated and driven the strong demand for information display technology and information display glass to a certain extent. It is expected that the demand for ultra-thin glass substrate with high quality and high performance will increase at a steady pace, and the competitions among middle and low end products will remain fierce.

Photovoltaic glass: According to the statistics of the China Photovoltaic Industry Association, in 2019, China's new installed capacity of photovoltaic on-grid reached 30.1GW, down by 32.0% year-on-year. As at the end of 2019, the cumulative installed capacity of photovoltaic on-grid reached 204.3GW, up by 17.1% year-on-year. The photovoltaic power generation was 224.26 billion kWh, up by 26.3% year-on-year, accounting for 3.1% of China's total power generation for the whole year, up by 0.5% year-on-year. 2020 marks the last year of the decrease of subsidies for China's photovoltaic power generation, and the first year of entering into the photovoltaic parity. With the technical improvement and the continuous decline in initial investment, it is expected that the domestic new photovoltaic installation market will witness a recovery growth trend in 2020. Although the photovoltaic glass is expected to be profitable in the middle and long term, applications based on new technologies such as the Internet, the Internet of Things, big data and cloud computing have increasingly entered social production and exchange, resulting in many new products, new industries and new business format. While the dual driving of industry technological breakthroughs and market application demands bring new market opportunities and rapid development opportunities, the product competition will become more fierce, industry concentration will be further improved, and technological innovation and scale effects will become an important support for improving profitability.

### (II) Development strategy

The Company, centering on new glass, new material and new energy market, expands application fields and optimizes product mix. Supported by technological innovation, the Company continuously enhances and improves the production process standard and equipment standard of related products to maintain its leading technological advantages, product competitive advantages and market advantages in the sectors of ultra-thin glass substrate business and new energy glass business through following the high-tech development direction, and implementing technological innovation, product innovation and market innovation, with a view to become a manufacturer of a new type of special functional glass with strong influence in the market and solutions.

# Discussion and Analysis of the Operations

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

### (III) Operating plan

In 2020, the final year for building a moderately prosperous society in all respects and the 13th Five-Year Plan, the State will further deepen reform and expand opening-up. In the face of the domestic and overseas market tendencies in 2020, the Company will, with an aim to achieve high-efficiency operation, continue to promote the “streamlined, refined and lean management” and “increasing, economizing and reducing” activities, and exert emphatic efforts on the implementation of various operation measures, so as to strengthen and expand each business segment and in turn achieve improvement in both scale and efficiency on a new threshold. The Company aims to achieve production volume of 109 million square meters and operating revenue of RMB2,413 million during the year.

#### 1. *The Company adhered to high-quality and high-efficiency operation*

- (1) Quality improvement for set off again. The Company continued to carry out “quality improvement for set off again activities” to continuously improve product quality through benchmarking against the leading enterprises in the industry. Investment in scientific research was increased to grow with innovation. Through the application of new technologies, the Company improved the production efficiency and product quality, and leads the market demand by increasing the research and development of new products.
- (2) Stabilizing prices and laying a solid results foundation. The Company put emphasis on the operating concept of “Price-Cost-Profit” to strengthen the overall planning of the market and stabilize product prices.
- (3) Maintaining steady growth and creating more benefits. The Company insisted on lean operation to firmly establish an operating concept centering on the results, through technological transformation and innovation to improve equipment operation efficiency and increasing product output to create benefits.
- (4) Inventory control for control risks. The Company made greater efforts to the clearance of accounts receivable to resolve operating risks.
- (5) Adjusting the structure for market and end-user oriented. The Company adhered to the differentiated strategy through optimizing and adjusting product structure by focusing on the market demand.
- (6) The Company reduced the costs through “improving efficiency, cutting expenditures and reducing costs”, such as reduction of production costs through innovation, reduction of procurement costs through centralized procurement, and shoring up of weakness and checking for vulnerabilities through benchmarking.

# Discussion and Analysis of the Operations

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

### (III) Operating plan (Continued)

2. ***The Company implemented the project development and acceptance for planning its future development***

The completed projects must be checked and accepted in an earnest and timely manner. The approved projects under construction shall be actively promoted according to the progress schedule to ensure the quality, so as to complete the project, put it into operation and achieve results as soon as possible.

3. ***The Company actively implemented meticulous management to promote continuous improvement of management***

The Company continued to further implement meticulous management to optimize work processes and improve work efficiency. It paid special attention to the implementation of work and the implementation of various management systems. With the system construction as drivers, the Company promoted the continuous improvement of management quality and product quality. It strengthened risk management and control, as well as the internal control. It also improved work efficiency by accelerating the office information process, established the concept of macro-safety to prevent safety risks, and implemented social responsibilities through focusing on energy conservation and emission reduction.

4. ***The Company promoted organization streamlining to strengthen the talents team building***

The Company improved the talent growth mechanism through strengthening the construction of a reserve cadre team to provide a growth platform for young talents with integrity and competence. It established and improved a professional talent growth mechanism to provide growth channels for all types of talents. The Company, vigorously carrying forward the model worker spirit and craftsman spirit, spared no effort to build an operation team with craftsmanship. It also promoted organization streamlining, aiming at improving production efficiency, to integrate and optimize human resources, and improve the vibrancy and efficiency of enterprise development.

5. ***The Company led high-quality development with high-quality Party building***

Adhering to the Party building concepts of “one account book”, “four combinations”, “four integrations”, “four elaborateness” and “Party building KPI”, the Company led the first-class enterprises with first-class Party building.

# Discussion and Analysis of the Operations

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

### (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.

#### (2) *Risks arising from price of raw material*

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 frontline staff and formulate comprehensive and reasonable remuneration system to increase staff's welfare and keep a stable talents team.

# Discussion and Analysis of the Operations

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

### (IV) Potential Risks (Continued)

#### (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.

#### (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 basically does not confront with technical risks regarding the above.

## IV. DETAILS OF AND REASONS FOR THE COMPANY'S NON-DISCLOSURE DUE TO INAPPLICABILITY OR OTHER SPECIAL REASONS SUCH AS INVOLVEMENT OF STATE OR TRADE SECRETS

N/A

# Discussion and Analysis of the Operations

## V. OTHER DISCLOSURES

### 1. Service contracts of directors and supervisors

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

### 2. Management Contracts

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

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

Pursuant to the authorization approved by the general meeting, in December 2019, the Company completed the buy-backs and cancellation of an aggregate of 7,400,882 A shares of compensation shares for the profit guarantee in relation to significant asset restructuring in 2018. The total share capital of the Company was changed from 559,797,391 shares to 552,396,509 shares.

### 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

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

During the reporting period, the Company has strictly complied with all the requirements of the Code on Corporate Governance Practices and Report on Corporate Governance 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 dividend 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 inclusive)</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>
2019	0	0	0	0	53,999,883.71	0
2018	0	0	0	0	15,645,310.47	0
2017	0	0	0	0	87,672,262.83	0

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

N/A

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

N/A



# Significant Events

## II. PERFORMANCE OF UNDERTAKINGS

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

#### 1. *Commitment on 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 lock-up period of 15,000,000 A shares obtained through the restructuring has expired, and such shares can be circulated on the market on 19 April 2019, and the commitments have been honored by CLFG.

#### 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.

#### 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 of Luoyang Glass to be held as a result of Luoyang Glass' issuance of bonus shares and conversion to share capital are also subject to the above arrangement.

## 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 (Continued)

- (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. The lock-up period of 3,029,276 A shares obtained by Hefei Gaoxin Investment through the significant assets restructuring has expired, and such shares can be circulated on the market on 19 April 2019.

#### 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.

# 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)

#### 4. *Significant assets restructuring in 2017 and commitment on limiting horizontal competition (Continued)*

- (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.

#### 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 and 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.

## 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

The counterparties, CLFG, Hefei Gaoxin 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, the 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.

- (1) 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 WUYIGE 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. 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 when the very substantial acquisitions were carried out, and the compensation scheme for unfulfilled performance commitment in 2018 in respect of the target assets under the significant assets restructuring approved on the 2018 annual general meeting of the Company, the 2019 first A Share Class Meeting and the 2019 first H Share Class Meeting, the Company has repurchased and cancelled a total of 7,400,882 A shares held by the counterparties for performance compensation on 11 December 2019 and completed the 2018 performance commitment compensation.
- (2) Pursuant to the Review Report on the Level of Fulfillment of the Performance Commitment (Da Xin Zhuan Shen Zi [2020] No. 2-00069) issued by WUYIGE 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 2019 were RMB40,554,200, RMB9,662,200 and RMB47,912,600, respectively. Except for Yixing New Energy that has completed the performance commitments, Hefei New Energy and Tongcheng New Energy failed to complete the performance commitments, resulting in an aggregate of 3,856,077 shares required to be compensated by the relevant counterparties. 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.

# Significant Events

## II. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

### (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 period

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, the 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.

Pursuant to the Review Report on the Level of Fulfillment of the Performance Commitment (Da Xin Zhuan Shen Zi [2020] No. 2-00069) issued by WUYIGE 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 2019 were RMB40,554,200, RMB9,662,200 and RMB47,912,600. Yixing New Energy has fulfilled the performance commitment, while Hefei New Energy and Tongcheng New Energy have failed in completing the performance commitments with shortfalls amounting to RMB28,840,700 and RMB17,057,700, respectively.

The main reasons for their failure to complete performance commitments are:

1. The main businesses of Hefei New Energy and Tongcheng New Energy are both production and sales of photovoltaic original glass and its further processed products. Affected by the continuous impact of the "531 Photovoltaic Policy (531光伏政策)" in 2018, although the domestic photovoltaic glass market in 2019 has rebounded from the second half of 2018, it still fell short of expectations, which had a certain adverse impact on the operating performance of Hefei New Energy and Tongcheng New Energy and the market demand and product prices have not met expectations;
2. Tongcheng New Energy's photovoltaic original glass production line was technically reformed in March 2019 and ignited to operate on 20 June 2019, affecting the supply of original glass during the reporting period and resulting in a decline in production and sales during the reporting period, which in turn affected revenue and profit levels;
3. The raw materials and energy power required for photovoltaic glass production account for a relatively high proportion of production costs. During the reporting period, the prices of raw materials such as silica sand and natural gas continued to rise, putting pressure on cost control.
4. Affected by the "531 Photovoltaic Policy", some downstream customers suffered from capital chain breakage and even bankruptcy. According to the principle of prudence, corresponding credit loss provisions were made for receivables, of which credit loss provisions of RMB15,800,000 were made by Hefei New Energy, and RMB38,400,000 were made by Tongcheng New Energy, which affected the net profit of the two companies during the reporting period.

## II. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

### (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 when the very substantial acquisitions were carried out, and the compensation scheme for unfulfilled performance commitment in 2018 in respect of the target assets under the significant assets restructuring approved on the annual general meeting of the Company, the 2019 first A Share Class Meeting and the 2019 first H Share Class Meeting, the Company has repurchased and cancelled a total of 7,400,882 A shares of CLFG, Hefei Gaoxin Investment, Huaguang Group, Bengbu Institute, International Engineering, Triumph Group, Yixing Environmental Technology and GCL System Integration for performance compensation on 11 December 2019 and completed the 2018 performance commitment compensation.

After this buy-backs and cancellation of the compensation shares for performance commitment, the total number of ordinary shares issued by the Company was 552,396,509 shares.

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

N/A

## IV. EXPLANATION FROM THE COMPANY FOR THE “NON-STANDARD AUDIT OPINION REPORT” ISSUED BY THE ACCOUNTING FIRM

N/A

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

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

#### 1. Lease

On 7 December 2018, the MOF made amendments to the Accounting Standards for Business Enterprises No. 21 – Lease (“New Lease Standards”), which provided that companies listed on both domestic and overseas stock exchanges and overseas listed companies that adopt the International Financial Reporting Standards or Accounting Standards for Business Enterprises in preparing their financial statements are required to apply the New Lease Standards since 1 January 2019. For a contract that had already existed prior to the Date of Initial Application, the Company has elected not to reassess whether such contract is, or contains a lease. The Company adjusts the opening balance of retained earnings and the amount of other relevant items in the financial statements at the beginning of the year in which this Standard is first implemented according to the cumulative effect of initially implementing this Standard, and not adjusts the information of the comparative period.

The implementation of the New Lease Standards does not have any material impact on the financial statements of the Company for the current period.

# 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)

#### 2. *Format of Financial Statements*

On 30 April 2019, the MOF issued the “Notice on Amendment and Issuance of the 2019 Format of Financial Statements of General Enterprises” (Cai Kuai [2019] No. 6) (“New Format of Financial Statements”), and the enterprises who adopt ASBEs should prepare financial statements in accordance with the requirement of ASBEs and the Notice.

Adopting the New Format of Financial Statements only affects the reporting items of the financial statements and does no harm to the net profits and shareholders’ interests of the Company. The Company makes adjustments to the presentation of the aforesaid reporting items in the financial statements as well as the comparative figures for the comparable accounting period accordingly as per the New Format of Financial Statements.

#### 3. *Non-monetary Asset Exchange*

On 9 May 2019, the MOF issued the revised “Accounting Standards for Business Enterprises No. 7 – Non-monetary Asset Exchange” (“New Standards on Non-monetary Asset Exchange”), which shall be effective from 10 June 2019. New Standards on Non-monetary Asset Exchange provide that non-monetary asset exchanges conducted before 1 January 2019 require no retrospective adjustment, while those conducted during the period from 1 January 2019 to the effective date shall be subject to adjustment pursuant to the revised standards.

The implementation of the New Standards on Non-monetary Asset Exchange does not have any material impact on the financial statements of the Company for the current period.

#### 4. *Debt Restructuring*

On 16 May 2019, the MOF issued the revised “Accounting Standards for Business Enterprises No. 12 – Debt Restructuring” (“New Debt Restructuring Standards”), which shall be effective from 17 June 2019. The New Debt Restructuring Standards provide that debt restructuring conducted before 1 January 2019 requires no retrospective adjustment, while that conducted during the period from 1 January 2019 to the effective date shall be subject to adjustment pursuant to the revised standards.

The implementation of the New Debt Restructuring Standards does not have any material impact on the financial statements of the Company for the current period.

### (II) Company’s analysis on the cause and impact of correction of material errors of accounting

N/A

# Significant Events

## VI. APPOINTMENT OR DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 currency: RMB

<b>Current appointee</b>	
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	12

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

Explanation on appointment or dismissal of accounting firms

At the 2018 annual general meeting of the Company held on 21 June 2019, the reappointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for the year 2019 was considered and approved.

## VII. RISK OF SUSPENSION OF LISTING

N/A

## VIII. STATUSES AND CAUSES OF TERMINATION OF LISTING

N/A

## IX. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

N/A



# Significant Events

## X. MATERIAL LITIGATION AND ARBITRATION MATTERS

### (I) Litigation and arbitration which have been published in temporary announcement and without further progress

Overview and Type of Events	Search Index
<p>In June 2019, Hefei Gas Group Company Limited filed against Hefei New Energy, a wholly-owned subsidiary of the Company, over the dispute of gas supply contract. In September 2019, the People's Court of Hefei Hi-tech Industrial Development Zone of Anhui Province ruled in the first instance: Hefei New Energy shall pay Hefei Gas Group Company Limited the natural gas fees of RMB8,851,360 plus the late payment penalty (which is calculated based on RMB7,924,966 at twice of the benchmark interest rate for similar loans in the same period announced by the People's Bank of China from 1 April 2019 to 8 May 2019). Hefei New Energy filed an appeal on the first instance judgment; In December 2019, the Hefei Intermediate People's Court of Anhui Province made a final judgment: the appeal was dismissed and the original judgment was upheld.</p>	<p>Announcement Lin No.2019-036 on 10 June 2019, Announcement Lin No.2019-041 on 26 June 2019, Announcement Lin No.2019-048 on 30 September 2019 and Announcement Lin No.2019-058 on 23 December 2019 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a></p>

### (II) Litigation and arbitration which have not been published in temporary announcement or with further progress

N/A

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

N/A

## XII. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

N/A

## XIII. 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 Lin No. 2018-006 on 24 January 2018, Announcement Lin No. 2018-030 on 27 April 2018 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a></p>
<p>On 14 January 2019, the signing of the Financial Service Framework Agreement (《金融服務框架協議》) between the Company and Triumph Group was considered and approved at the 62nd meeting of the Eighth Board of the Company, pursuant to which, Triumph Group provided financial services to the Group. In 2019, the cumulative principal amount of financing guarantee and payment on behalf of the Group shall be not more than RMB3,329.46 million and RMB1,929.16 million, respectively, with the term of validity ending on 31 December 2019.</p>	<p>Announcement Lin No. 2019-003 on 14 January 2019 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a></p>
<p>On 28 May 2019, the signing of Agreement on Settlement of Utility Fees, Lease Contract and Contract in Relation to Lease of Substation between Yixing New Energy and Far East Opto-Electronics was considered and approved at the 5th meeting of the Ninth Board of the Company for a term of three years. The approved annual caps of transaction amounts under the collection and payment of utility fees as an agent and leasing with related parties were RMB14,112,000 and RMB507,729.36, respectively, with the term of validity ending on 31 December 2021.</p>	<p>Announcement Lin No. 2019-034 on 28 May 2019 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a></p>

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

N/A

# Significant Events

## XIII. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (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
On 31 December 2019, having been considered and approved at the ninth meeting of the ninth session of the Board, Yixing New Energy and Far East Opto-Electronics entered into assets acquisition agreement in an amount of approximately RMB11,350,500.	Announcement Lin No. 2019-062 on 31 December 2019 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> and <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>

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

N/A

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

N/A

## XIV. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

### (I) Custody, contracting and leasing matters

1. *Custody*

Unit: 0,000 Currency: RMB

Name of principal	Name of trustee	Assets in custody	Amounts of assets in custody	Commencement date of custody	End date of custody	Custody income	Recognition basis for custody income	Impact of custody income on the Company	Is it a connected transaction	Connected relationship
Zhumadian High-tech Industrial Development Investment Development Co., Ltd.* (駐馬店高新技術產業開發投資發展有限公司)	The Company	35% equity of Haichuan Electronic Glass Co., Ltd., of Henan Province was held by Zhumadian High-tech Industrial Development Investment Development Co., Ltd.	3,500	1 September 2019	31 August 2020	The fixed custody fee is RMB100,000 per month; the performance custody fee is charged at 50% of the actual dividend paid by the principal.	According to the principle of marketization, determined by the two parties through negotiation.	Increase the income of other businesses in this period by RMB377,400	No	

2. *Contracting*

N/A

3. *Leasing*

N/A

## XIV. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

### (II) Guarantees

Unit: Yuan Currency: RMB

Total amount of guarantees provided during the reporting period (excluding guarantees provided for subsidiaries)	0
Total amount of guarantees outstanding at the end of the reporting period (A) (excluding guarantees provided for subsidiaries)	0

#### Guarantees provided by the Company and its subsidiaries for subsidiaries

Total amount of guarantees provided for subsidiaries during the reporting period	140,000,000.00
Total amount of guarantees provided for subsidiaries outstanding at the end of the reporting period (B)	115,000,000.00

#### Total amount of guarantees provided by the Company (including guarantees provided for subsidiaries)

Total amount of guarantees (A+B)	115,000,000.00
Proportion of the total amount of guarantees to the Company's net assets (%)	8.85
Including:	

### (III) Entrusting others to manage cash assets

N/A

# Significant Events

## XV. POSITIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

### (I) Poverty alleviation efforts of the listed Company

N/A

### (II) Performance of social responsibilities

For details, see the 2019 Social Responsibility Report of Luoyang Glass Company Limited disclosed on 29 April 2020 by the Company

### (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*

##### (1) *Information on pollution discharge*

During the reporting period, four wholly-owned subsidiaries of the Company fell under the Environmental Information Disclosure Directory or 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 Longhai Glass, Longmen Glass, Tongcheng New Energy and Hefei New Energy, all being wholly-owned subsidiaries of the Company, was listed under the 2019 Directory of Major Pollution Discharge Units of Henan Province, the 2019 Environmental Information Disclosure Directory for Enterprises and Public Institutions of Anqing City and the Self-monitoring and Supervisory Monitoring Information Disclosure Directory of Major Pollution Discharge Units in Anhui Province, respectively.

Major pollutants generated from the production process: dust-laden gases, and smoke, waste water and solid waste emitted from furnaces.

## XV. 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)

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

Type of pollutants	Pollutant discharge standards (Notes)	Major pollutants	Discharge concentration
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)	Atmospheric particulate (dust) SO <sub>2</sub> NO <sub>x</sub>	Atmospheric particulate matters≤50mg/m <sup>3</sup> SO <sub>2</sub> ≤400 mg/m <sup>3</sup> NO <sub>x</sub> ≤700 mg/m <sup>3</sup>
	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)		Atmospheric particulate matters≤50mg/m <sup>3</sup> SO <sub>2</sub> ≤400 mg/m <sup>3</sup> NO <sub>x</sub> ≤700 mg/m <sup>3</sup>
	Emission Standard of Air Pollutants for Industrial Furnaces in Henan Province (《河南省工業爐窯大氣污染物排放標準》)(DB41/1066-2015)		Atmospheric particulate matters≤30 mg/m <sup>3</sup> SO <sub>2</sub> ≤200 mg/m <sup>3</sup> NO <sub>x</sub> ≤400 mg/m <sup>3</sup>
	Relevant emission standards of 2019 Special Plan for the Improvement of Non-electricity Industry Standards in Luoyang City (《洛陽市2019年非電行業提標治理專項方案》)		Atmospheric particulate matters≤30mg/m <sup>3</sup> SO <sub>2</sub> ≤150 mg/m <sup>3</sup> NO <sub>x</sub> ≤400 mg/m <sup>3</sup>
	Wastewater	Integrated Wastewater Discharge Standard (《污水綜合排放標準》)(GB 8978-1996) Class I	pH, COD, SS, BOD <sub>5</sub> ,pH: 6~9, COD≤100mg/L, NH <sub>3</sub> -N, petroleum and other relevant pollutants

Notes:

1. Enterprises in Luoyang City, Henan Province implement all the above standards;
2. Enterprises in other provinces implement national and industry standards.

# Significant Events

## XV. 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)

Table II Way of discharge and distribution of major pollutants:

Subsidiary	Type of pollutant	Representative pollutant	Way of discharge	Number and distribution of discharge vent
Longmen Glass	Exhaust	Atmospheric particulate matters, SO <sub>2</sub> , NO <sub>x</sub>	Emission by chimney stack after being treated through electrostatic precipitator and SCR denitration.	1 chimney, the discharge vent is located in front of the glass melting furnace in the plant
	Wastewater	COD, NH <sub>3</sub> -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 sewage outlet, located in the southeast corner of the plant
Longhai Glass	Exhaust	Atmospheric particulate matters, SO <sub>2</sub> , NO <sub>x</sub>	Emission by chimney stack after being treated with vertical boiler, dry desulfurization, high temperature electrostatic precipitator, the SCR denitration and vertical boiler.	1 chimney, the discharge vent is located in front of the glass melting furnace in the plant
	Wastewater	COD, NH <sub>3</sub> -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 sewage outlet, located in the southeast corner of the plant
Tongcheng New Energy	Exhaust	Atmospheric particulate matters, SO <sub>2</sub> , NO <sub>x</sub>	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 chimney, the discharge vent is located in front of the glass melting furnace in the plant
	Wastewater	PH, COD, BOD <sub>5</sub> , NH <sub>3</sub> -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 sewage outlet, located in the plant
Hefei New Energy	Exhaust	Atmospheric particulate matters, SO <sub>2</sub> , NO <sub>x</sub>	Emission by chimney stack after being treated with the full-oxygen combustion technology and through semi-dry desulfurization.	1 chimney, the discharge vent is located next to the glass melting furnace in the plant
	Wastewater	PH, COD, BOD <sub>5</sub> , NH <sub>3</sub> -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 sewage outlet, located in the plant

## XV. 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)

Table III 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)	Excessive discharge	
Longmen Glass	91410300706542258A001V	Exhaust	SO <sub>2</sub>	69.94	11.89	See note
			NO <sub>x</sub>	162.4	52.419	
			Atmospheric particulate matters	-	4.457	
Tongcheng New Energy	91340881567507232G001P	Wastewater	COD	3.2	2.189	Discharge up to standard
		Exhaust	SO <sub>2</sub>	174.5	10.363	
			NO <sub>x</sub>	305	52.826	
Hefei New Energy	91340100570418775Y001P	Exhaust	Atmospheric particulate matters	21.8	8.247	Discharge up to standard
			SO <sub>2</sub>	36.7	13.599	
			NO <sub>x</sub>	169.5	133.773	
Longhai Glass	91410300776503385G001V	Exhaust	SO <sub>2</sub>	16.586	3.160	Discharge up to standard
			NO <sub>x</sub>	71.431	13.904	
			Atmospheric particulate matters	7.650	2.269	
			Wastewater	COD	2.4981	



# Significant Events

## XV. 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)

*Note:* During the reporting period, Longmen Glass, a wholly-owned subsidiary of the Company, was subject to administrative penalties for environmental protection as follows:

- ① On 24 May 2019, the Luoyang Ecological Environment Bureau issued the Administrative Penalty Decision (Luo Huan Fa [2019] No. 9010) (行政處罰決定書(洛環罰[2019]9010 號)) and imposed a fine of RMB100,000 for the reason that the computer crash of the pollution source automatic monitoring equipment of Longmen Glass has resulted in the failure of data uploading to the environmental protection department during such period.

Rectification: Longmen Glass has formulated relevant systems and arranged for special personnel to regularly inspect the online monitoring room for pollutants to ensure the stable operation of the monitoring equipment.

- ② On 21 August 2019, the Luoyang Ecological Environment Bureau issued the Administrative Penalty Decision (Luo Huan Fa [2019] No. 12037) (行政處罰決定書(洛環罰[2019]12037 號)): a fine of RMB200,000 was imposed because the lightning in the external power supply system caused the failure of the ammonia water pump equipment, which caused the denitration agent ammonia water to not be ejected, resulting in instantaneous nitrogen oxides exceeding the standard.

Rectification: Report to Ecological Environment Bureau of Luoyang City and Yibin District in a timely manner when the data returns to normal after the equipment is overhauled and explain the situation.

- ③ On 21 October 2019, the Luoyang Ecological Environment Bureau issued the Administrative Penalty Decision (Luo Huan Fa [2019] No. 7059) (行政處罰決定書(洛環罰[2019]7059 號)): Luoyang Ecological Environment Bureau conducted on-site inspection and the Luoyang Environment Monitor Station collected samples from the furnace waste gas outlet of Longmen Glass. Through manual monitoring and analysis, it is known that the smoke and dust emission concentration exceeds the standard, therefore, a fine of RMB400,000 was imposed.

Rectification: In view of the inconsistency between the automatic monitoring data and the manual detection data on the day of the on-site inspection, Longmen Glass actively contacted the maintenance company of the automatic detection system to find out the reason, and accepted the re-testing of the Luoyang Environment Monitor Station, after which the data showed normal.

## XV. 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)*

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

In the ordinary course of production and operation, the Company has 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. Each subsidiary 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 is achieved by adopting oxygen-enriched combustion technology, thus implementing clean production. To reduce utilization of natural gas, reasonable adjustments of certain parameters in the manufacturing processing and heat preservation for the furnace wall are adopted. Also, the reduction of emission of SO<sub>2</sub>, NO<sub>x</sub> and smoke dust is achieved by strengthening operation and management of environmental protection facilities for desulphurization, denitration and dedusting to guarantee high efficiency of desulphurization, denitration and dedusting.

The Company strictly implements the requirements of national and local environmental protection emission standards, and implements environmental protection responsibilities through a standardized system to ensure the effective operation of environmental protection facilities. When problems are found, timely measures are taken to correct them.

##### (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 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), 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).

# Significant Events

## XV. 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 (Continued)

During the reporting period, the upgrading of cold repair technology for production line of ultra-thin substrate for information display project of Longhai Glass was completed and put into operation. In November 2019, Henan Zhonghong Detection Center (河南中弘檢測中心) compiled the Monitoring Report on Completion Acceptance for Environmental Protection of the Ultra-thin Substrate for Information Display Project of CLFG Longhai Electronic Glass Limited (Zhong Hong Huan Jian Zi (2019) No. 10-268) (《洛玻集團洛陽龍海電子玻璃有限公司信息顯示超薄基板項目竣工環境保護驗收監測報告》(中弘環檢字(2019)第10-268號)). On 22 November 2019, Henan Zhonghong Detection Center organized a completion acceptance meeting for environmental protection on the project. After the on-site inspection and review of the relevant materials, the acceptance team concluded that the project has completed the environmental assessment approval procedures, constructed the main pollution prevention and control facilities, and achieved the emission standards; the project has met the requirements under the Interim Measures for the Acceptance Inspections of Environment Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) and the conditions under completion acceptance for environmental protection, therefore, it was recommended to pass the completion acceptance for environmental protection. Longhai Glass has submitted the acceptance materials to the Yanshi Ecological Environment Bureau, and has published relevant information on the website.

##### (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 during the year.

## XV. 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)

##### (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, SO<sub>2</sub>, NO<sub>x</sub>, particulate matters, etc. Such subsidiaries as Longmen Glass, Tongcheng New Energy and Longhai Glass also put on LED display at the gateway to published regular monitoring data concerning the discharge of exhausts and fumes to the public.

##### (6) Other environmental information that should be disclosed

N/A

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

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.

# Significant Events

## XV. 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)

During the reporting period, the Company established the Environmental Protection Committee and the Ecological Environmental Protection Supervision Leading Group and clarified the work responsibilities of the committee. At the same time, Environmental Protection Responsibility System of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司環境保護責任制》), Environmental Protection Management Implementation Rules of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司環境保護管理實施細則》), Environmental Emergency Management Measures of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司環境突發事件應急管理辦法》), Energy Conservation and Emissions Reduction Supervision and Management System of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司節能減排監督管理制度》), Environmental Emergency Reporting Management Measures of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司環境突發事件報告管理辦法》) and other related documents were prepared and published, and key environmental protection work were continuously strengthened.

The following table sets forth the annual total discharge of major pollutants by production-related subsidiaries of the Company:

Subsidiary	Types of pollutants and annual discharge amounts of major pollutants					
	Exhaust (0'000 standard cubic meters)	Waste water (tonnes)	SO <sub>2</sub> (tonnes)	NO <sub>x</sub> (tonnes)	Atmospheric particular matters (tonnes)	COD (tonnes)
Longhai Glass	21,149	26,396	3.160	13.904	2.269	2.352
Longmen Glass	36,627	78,896	11.890	52.419	4.457	2.189
Bengbu CNBM						
Information Display	45,623	55,455	32.956	262.199	6.734	8.340
Hefei New Energy	28,952	439,932	13.599	133.773	1.978	27.736
Tongcheng New Energy	34,289	-	10.363	52.826	8.247	-
Yixing New Energy	43,388	103,560	8.616	-	2.448	4.350
Total	210,028	704,239	80.584	515.121	26.133	44.967

Note: During the reporting period, relevant production lines of the ultra-white solar thermal materials project of Puyang Photoelectric Material, a wholly-owned subsidiary of the Company, have yet to be completed.

#### 3. Explanation of reasons for non-disclosure of information on environmental protection of enterprises other than major pollutant discharge units

N/A

## XVI. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

N/A

# Related Party Transactions

Save as disclosed in this chapter, no connected party transaction or continuing connected party transaction falls under the definition of discloseable connected transaction or continuing connected transaction under the Listing Rules of the Stock Exchange. Details of the Group's other related party transactions are set out in the chapter of related party transactions in the audited consolidated financial statements prepared this year in accordance with the Chinese accounting standards for business enterprises.

## I. CONTINUING RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2019 IN ACCORDANCE WITH THE FRAMEWORK AGREEMENT AND ITS TRANSACTIONS APPROVED BY THE GENERAL MEETING

Unit: 0'000 Currency: RMB

Number	Party	Related relationship	Content of transactions	Principle of trade pricing	Expected trade amount for 2019	Trade amount actually incurred for 2019
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 supplier to an independent third party.	45,257	16,124
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 price of such same or similar products provided by the supplier to an independent third party.	3,642	484
3	CNBM	De facto controller	CNBM and its subsidiaries provided the Company and its subsidiaries with 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 similar or same engineering technical service provided by the supplier to an independent third party.	2,400	225
4	CNBM	De facto controller	CNBM and its subsidiaries provided the Company and its subsidiaries with equipments, materials and facilities required by engineering projects, as well as engineering equipments and materials and construction and installation services required by civil work.	Transaction price is determined subject to the market price at that time and should not be higher than the price charged for such similar or same engineering equipment, materials and installation provided by the supplier to an independent third party.	110,500	20,729
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 price of such same or similar products provided by the supplier to an independent third party.	2,529	655
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 price of such same or similar products provided by the supplier to an independent third party.	57,137	24,218
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 price charged for such same or similar products provided by the supplier to an independent third party.	648	105

# Related Party Transactions

## I. CONTINUING RELATED PARTY TRANSACTIONS FOR THE YEAR ENDED 31 DECEMBER 2019 IN ACCORDANCE WITH THE FRAMEWORK AGREEMENT AND ITS TRANSACTIONS APPROVED BY THE GENERAL MEETING (CONTINUED)

The total amount of the abovementioned continuing related party transactions was RMB625.40 million. The total annual cap as considered and approved was RMB2,221.13 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 for the year ended 31 December 2019, 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; and (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 2019 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; and (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.

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

1. On 14 January 2019, 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 agreed to provide cumulative principal amount of financing guarantee and payment on behalf of the Group not more than RMB3,329.46 million and RMB1,929.16 million, respectively to the Company in 2019. The agreement is valid until 31 December 2019.

The financial services provided by Triumph Group to the Company represent the financial assistance provided by related parties, and the Company did not have any pledge of assets in this regard. Pursuant to the Listing Rules of the Stock Exchange, they are exempted from the reporting, announcement and independent shareholders' approval requirements. Pursuant to the Listing Rules of the SSE, the financial services provided by Triumph Group to the Company constitute daily related party transactions with financial assistance in nature and are exempted from fulfilling the approval procedures at the general meeting.

During the reporting period, the actual incurred amounts of guarantee and payment on behalf of the Group during the transaction year under the Financial Services Framework Agreement were RMB2,100.86 million and RMB126,770,000.

## Related Party Transactions

### II. DAILY RELATED PARTY TRANSACTIONS AND RELATED PARTY TRANSACTIONS CONSIDERED AND APPROVED BY THE BOARD DURING THE REPORTING PERIOD (CONTINUED)

2. On 28 May 2019, Bengbu CNBM Information Display, a wholly-owned subsidiary of the Company entered into the Technology Development (Entrustment) Agreement with Bengbu Institute, pursuant to which, Bengbu Institute will delegate Bengbu CNBM Information Display to conduct research and development of ultra-thin new glass products with total research and development expenditure and remuneration of RMB20,000,000.
3. On 28 May 2019, Yixing New Energy, a controlled subsidiary of the Company and Far East Opto-Electronics entered into the Agreement on Settlement of Utility Fees, Lease Contract and Contract in Relation to Lease of Substation for a term of three years. The approved annual caps of transaction amounts under the collection and payment of utility fees as an agent and leasing with related parties were RMB14,112,000 and RMB507,729.36, respectively, with the term of validity ending on 31 December 2021.

The transactions under the above three contracts constitute continuing related party transactions under Chapter 14A of Listing Rules of the Stock Exchange. As all applicable percentage ratios are more than 0.1% but less than 5%, the above contracts are subject to the reporting and announcement requirements only but are exempt from the independent shareholders' approval requirements. The transactions under the above three contracts constitute daily related party transactions under the Listing Rules of the SSE.

During the reporting period, the actual amount of transactions under the Agreement on Settlement of Utility Fees amounted to RMB8,371,400. Among them, the actual incurred amount of related utility fees paid by Yixing New Energy for the related party Far East Optoelectronics amounted to RMB6,842,000; the actual incurred amount of related utility fees paid by the related party Far East Optoelectronics for Yixing New Energy amounted to RMB1,529,400.

During the reporting period, the cumulative amount of leasing with related parties actually incurred was RMB403,200.

4. On 31 December 2019, Yixing New Energy and Far East Optoelectronics entered into the Asset Acquisition Agreement, pursuant to which Yixing New Energy will purchase part of the equipment, electronic equipment and other related assets of Far East Optoelectronics in the plant area, with a transaction amount of approximately RMB11,350,500.



# 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		New shares	Increase/decrease (+, -) Capital reserve				After the change	
	Number	Percentage (%)		Bonus shares	transferred to shares	Others	Sub-total	Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	30,001,240	5.36				-6,650,608	-6,650,608	23,350,632	4.23
1. Shares held by the state									
2. Shares held by state-owned legal person	28,227,292	5.04				-6,289,288	-6,289,288	21,938,004	3.97
3. Shares held by other domestic shareholders	1,773,948	0.32				-361,320	-361,320	1,412,628	0.26
Including: Shares held by domestic non-state-owned legal persons	1,773,948	0.32				-361,320	-361,320	1,412,628	0.26
Shares held by domestic natural persons									
4. Shares held by overseas shareholders									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
<b>II. Shares not subject to trading moratorium</b>	529,796,151	94.64				-750,274	-750,274	529,045,877	95.77
1. Renminbi ordinary shares	279,796,151	49.98				-750,274	-750,274	279,045,877	50.51
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	250,000,000	44.66				0	0	250,000,000	45.26
4. Others									
<b>III. Total ordinary shares</b>	559,797,391	100.00				-7,400,882	-7,400,882	552,396,509	100.00

#### 2. Explanation on changes in ordinary shares

In December 2019, the company completed the repurchase and cancellation of a total of 7,400,882 A-share shares in the 2018 major asset restructuring performance commitment compensation shares. Total share capital of the Company was changed from 559,797,391 shares to 552,396,509 shares.

#### 3. Impact (if any) of changes in shareholding of ordinary shares on earnings per share, net asset value per share or other financial indicators for the latest year and latest period

N/A

## 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	25,097,588	15,000,000	-2,500,912	7,596,676	Non-public issuance	19 April 2019
Hefei Gaoxin Investment	3,029,276	3,029,276	0	0	Non-public issuance	19 April 2019
Total	28,126,864	18,029,276	-2,500,912	7,596,676	/	/

### II. ISSUE AND LISTING OF SECURITIES

#### (I) Issue of securities during the reporting period

N/A

#### (II) Changes in the total number of ordinary shares of the Company and shareholder structure and changes in the Company's assets and liabilities structure

Based on the authorisation granted at the general meeting, in December 2019, the company completed the repurchase and cancellation of a total of 7,400,882 A-share shares in the 2018 major asset restructuring performance commitment compensation shares. Total share capital of the Company was changed from 559,797,391 shares to 552,396,509 shares.

#### (III) Existing internal staff shares condition

N/A

# Changes in Shareholding of Ordinary Shares and Information of Shareholders

## III. INFORMATION OF SHAREHOLDERS AND DE FACTO CONTROLLERS

### (I) Total number of shareholders

Total number of holders of ordinary shares as at the end of the reporting period (shareholder) 57,474 (including 57,428 holders of A shares and 46 holders of H shares)

Total number of ordinary shareholders at the end of the previous month before the date of disclosure of annual report 44,761 (including 44,717 holders of A shares and 44 holders of H shares)

### (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		Nature of shareholder
					Status	Number	
HKSCC NOMINEES LIMITED	-110,090	248,620,699	45.01	0	Unknown		Overseas legal person
China Luoyang Float Glass (Group) Co., Ltd.	-2,500,912	112,614,918	20.39	7,596,676	Pledged	57,557,915	State-owned legal person
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	-572,456	70,793,520	12.82	1,793,520	None		State-owned legal person
Triumph Technology Group Co., Ltd.	-1,338,292	6,170,699	1.12	6,170,699	None		State-owned legal person
Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	-1,543,055	4,834,435	0.88	4,834,435	None		State-owned legal person
Hong Kong Securities Clearing Co., Ltd.	1,897,039	2,431,049	0.44	0	None		Overseas legal person
Hefei Gaoxin Development and Investment Group Company*	-750,274	2,279,002	0.41	0	None		State-owned legal person
Yixing Environmental Technology Innovation Venture Investment Co., Ltd.*	-334,573	1,542,674	0.28	1,542,674	None		State-owned legal person
GCL System Integration Technology Co., Ltd.	-189,870	875,468	0.16	875,468	None		Domestic non-state owned legal persons
Miao Mengmeng(苗萌萌)	545,800	545,800	0.10	0	Unknown		Domestic natural 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	248,620,699	Overseas listed foreign shares	248,620,699
China Luoyang Float Glass (Group) Company Limited	105,018,242	Ordinary shares denominated in RMB	105,018,242
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	69,000,000	Ordinary shares denominated in RMB	69,000,000
Hong Kong Securities Clearing Co., Ltd.	2,431,049	Overseas listed foreign shares	2,431,049
Hefei Gaoxin Development and Investment Group Company*	2,279,002	Ordinary shares denominated in RMB	2,279,002
Miao Mengmeng(苗萌萌)	545,800	Ordinary shares denominated in RMB	545,800
Zhejiang Qiaorui Asset Management Co., Ltd.(浙江橋睿資產管理有限公司)	463,192	Ordinary shares denominated in RMB	463,192
Zuo Huiming(左慧明)	407,200	Ordinary shares denominated in RMB	407,200
Liu Senqiang(劉森強)	396,200	Ordinary shares denominated in RMB	396,200
Zhao Fenfei	389,300	Ordinary shares denominated in RMB	389,300

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.
- As at 18 July 2019, CLFG, a Shareholder, pledged 16,557,915 shares to Triumph Group, whereafter, the accumulated number of shares pledged by CLFG was 57,557,915.

## 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		Trading moratorium
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	China Luoyang Float Glass (Group) Company Limited	7,596,676	17 April 2021	0	Non-transferable within 36 months from the completion date of the issuance
2	Triumph Technology Group Co., Ltd.	6,170,699	17 April 2021	0	Non-transferable within 36 months from the completion date of the issuance
3	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	4,834,435	17 April 2021	0	Non-transferable within 36 months from the completion date of the issuance
4	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	1,793,520	17 April 2021	0	Non-transferable within 36 months from the completion date of the issuance
5	Yixing Environmental Technology Innovation Venture Investment Co., Ltd.*	1,542,674	17 April 2021	0	Non-transferable within 36 months from the completion date of the issuance
6	GCL System Integration Technology Co., Ltd.	875,468	17 April 2021	0	Non-transferable within 36 months from the completion date of the issuance
7	China Triumph International Engineering Co., Ltd.	537,160	17 April 2021	0	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》).

#### (III) Strategic investors or general legal persons becoming the top 10 shareholders due to rights issue

N/A

# 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	XIE JUN
Date of establishment	25 December 1996
Principal activities	Manufacture of glass and related raw materials and complete sets of equipment; exploitation and sale of silica sand used for glass, and ore; 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 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.
Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period	None
Other situations	None

#### 2 *Natural person*

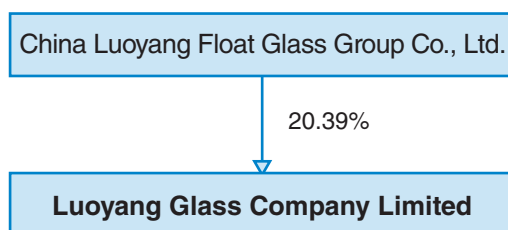
N/A

# Changes in Shareholding of Ordinary Shares and Information of Shareholders

## IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

### (I) Controlling shareholders (Continued)

#### 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	ZHOU YUXIAN
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; 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

As at 31 December 2019, CNBM directly and through its subsidiaries held 41.55% equity interest in China National Building Material Co., Ltd. (HK03323) (directly and indirectly holding 41.37% equity interest in its domestic shares, directly holding 0.1% equity interest in its H shares and indirectly holding 0.08% equity interest in its H shares). Through its subsidiaries holding 35.29% equity interest in Luoyang Glass(600876, HK1108); 40.13% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 27.22% 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), and 60.24% equity interest in Sinoma Science & Technology Co., Ltd. (002080). Through its subsidiaries participating in 23.00% equity interest in China Glass Holdings Limited (HK 03300), 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), 3.05% equity interest in China Conch Venture Holdings Limited (00586), directly participating in 0.02% Henan City Development Environment Co., Ltd. (000885) and through its subsidiaries participating in 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), 14.40% 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 16.75% equity interest in Singulus (ISIN DE 000A1681X5).

Other situations

None



# Changes in Shareholding of Ordinary Shares and Information of Shareholders

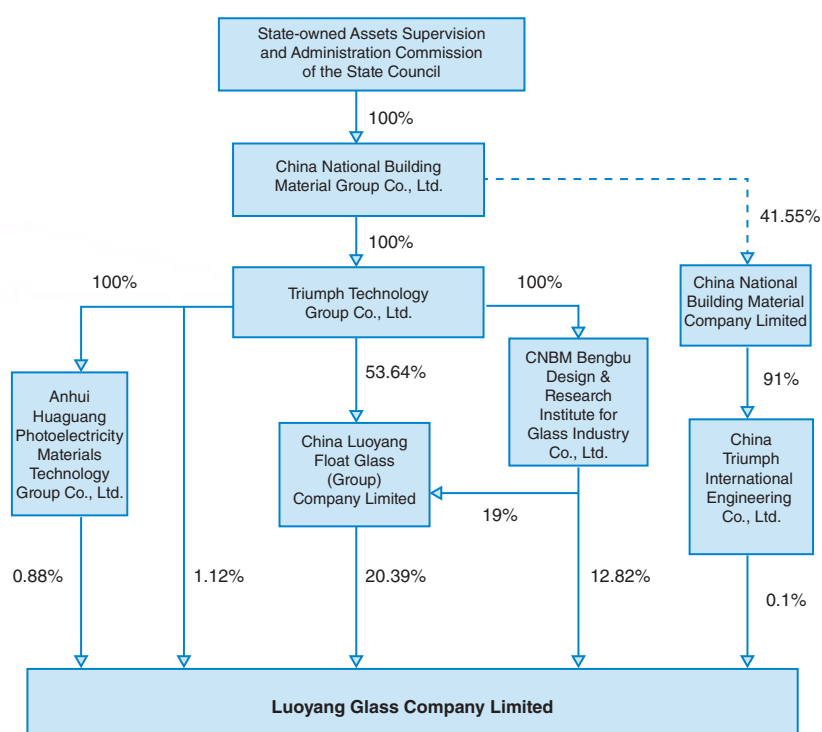
## IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

### (II) De Facto Controller (Continued)

#### 2 Natural person

N/A

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



#### 4. De Facto Controller controlled the Company by way of trust or other assets management methods

N/A

## 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

### VI. EXPLANATION ON RESTRICTION ON REDUCED SHAREHOLDING

N/A

# Directors, Supervisors, Senior Management and Employees

## I. CHANGES IN SHAREHOLDINGS AND REMUNERATION

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

Unit: share

Name	Position <i>(note)</i>	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/decrease of shares during the year	Reason for change	Total remuneration before tax received from the Company during the reporting period	Whether received remuneration from the Company's related parties or not
										(RMB'000)	
Zhang Chong	Chairman	Male	57	2015-12-24	2022-03-03	0	0	0	Nil	0	Y
Xie Jun	Vice chairman	Male	54	2015-12-24	2022-03-03	0	0	0	Nil	0	Y
Ma Yan	Executive director	Male	49	2015-12-23	2022-03-03	0	0	0	Nil	60	N
	Financial executive			2016-05-06	-						
	General Manager			2018-11-21	-						
Wang Guoqiang	Executive director, Vice general manager	Male	51	2015-12-23	2022-03-03	0	0	0	Nil	55	N
Zhang Rong	Vice general manager	Male	46	2018-11-21	-	0	0	0	Nil	55	N
	Director			2019-03-04	2022-03-03						
Ren Hongcan	Non-executive director	Male	56	2019-03-04	2022-03-03	0	0	0	Nil	0	Y
	Former supervisor			2015-12-23	2019-03-03						
Chen Yong	Non-executive director	Male	48	2019-03-04	2022-03-03	0	0	0	Nil	0	Y
Jin Zhanping	Independent director	Male	56	2014-06-03	2020-06-02	0	0	0	Nil	0	N
He Baofeng	Independent director	Male	47	2015-12-23	2022-03-03	0	0	0	Nil	6	N
Ye Shuhua	Independent director	Male	58	2015-12-23	2022-03-03	0	0	0	Nil	6	N
Liu Tianni	Former independent director	Male	56	2012-11-09	2019-03-03	0	0	0	Nil	1	N
Zhang Yajuan	Independent director	Female	46	2019-03-04	2022-03-03	0	0	0	Nil	5	N
Ren Zhenduo	Chairman of the Supervisory Committee	Male	55	2007-09-12	2022-03-03	0	0	0	Nil	0	Y
Li Wenge	Supervisor	Male	54	2019-03-04	2022-03-03	0	0	0	Nil	33	N
Wang Jian	Employee supervisor	Male	44	2010-05-26	2022-03-03	0	0	0	Nil	25.47	N
Ma Jiankang	Employee supervisor	Male	54	2012-12-17	2022-03-03	0	0	0	Nil	18.52	N
Qiu Mingwei	Supervisor	Male	48	2015-12-23	2022-03-03	0	0	0	Nil	3	N
Yan Mei	Supervisor	Female	57	2015-12-23	2022-03-03	0	0	0	Nil	3	N
Liu Yuquan	Vice general manager	Male	52	2015-12-24	-	0	0	0	Nil	45	N
Yang Bomin	Vice general manager	Male	53	2018-11-21	-	0	0	0	Nil	55	N
Wu Zhixin	Secretary to the board	Female	53	2014-05-20	-	0	0	0	Nil	38	N
Ip Pui Sum	Company secretary	Male	60	2008-08-06	-	0	0	0	Nil	10.80	N
Total	/	/	/	/	/	0	0	0	/	419.79	/

# 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
<b>Zhang Chong</b>	a professor-grade senior engineer with a master's degree, and the chairman of the Company. He is the vice general manager and general engineer of Bengbu Institute and the general engineer of Bengbu China Optoelectronics Technology Co., Ltd., 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 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.
<b>Xie Jun</b>	a professor-grade senior engineer with a doctor's degree in engineering and vice chairman of the Company. He is currently the legal person and 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 and general engineer of CLFG, and also the secretary of party general branch and deputy executive general manager of Chengdu Zhongguangdian Technology Co., Ltd.*, etc.
<b>Ma Yan</b>	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.
<b>Wang Guoqiang</b>	an engineer with a master's degree and a professor-grade senior engineer. He is currently an executive director, a deputy general manager and the party secretary of the Company, 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 and an executive director, general manager and the party secretary of Longhai 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
<b>Zhang Rong</b>	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.
<b>Ren Hongcan</b>	a professor-grade senior engineer with bachelor's degree, a non-executive director (a former supervisor) of the Company. He currently serves as an assistant general engineer of Bengbu Institute, a deputy general engineer of CLFG and a deputy general manager of Chengdu China Optoelectronics Technology Co., Ltd.. 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., the general manager of Bengbu Zhongxian and secretary to the disciplinary committee of Luoyang Glass, etc.
<b>Chen Yong</b>	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 chairman of Triumph Photovoltaic Materials (凱盛光伏材料有限公司) and an executive director of Huaguang Group. 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.
<b>Jin Zhanping</b>	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 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 and the secretary general of the Chinese Ceramic Society.
<b>He Baofeng</b>	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)

<b>Name</b>	<b>Main Working Experience</b>
<b>Ye Shuhua</b>	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.
<b>Liu Tianni</b>	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.
<b>Zhang Yajuan</b>	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. 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.
<b>Ren Zhenduo</b>	a holder of bachelor's degree, the Chairman of the Supervisory Committee of the Company. He is currently the secretary to the disciplinary committee of CLFG. He served as general manager of CLFG Longxin Glass Co., Ltd.* (CLFG龍新玻璃有限公司) and deputy secretary of party committee of the Company.
<b>Li Wenge</b>	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
<b>Wang Jian</b>	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.
<b>Ma Jiankang</b>	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. (CLFG龍新玻璃有限公司) and CLFG Luoyang Longhao Glass Co., Ltd. (CLFG洛陽龍昊玻璃有限公司) and the deputy general manager of the enterprise development department of the Company.
<b>Qiu Mingwei</b>	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.
<b>Yan Mei</b>	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.
<b>Liu Yuquan</b>	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
<b>Yang Bomin</b>	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.
<b>Wu Zhixin</b>	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.
<b>Ip Pui Sum</b>	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.

- (1) Save as disclosed above, as at 31 December 2019, 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 2019, 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.



# Directors, Supervisors, Senior Management and Employees

## I. CHANGES IN SHAREHOLDINGS AND REMUNERATION (CONTINUED)

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

N/A

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

### (I) Positions in shareholder entities

<b>Name</b>	<b>Name of shareholder entity</b>	<b>Position held</b>	<b>Starting date of term of office</b>	<b>Expiry date of term of office</b>
Zhang Chong	Bengbu Institute	Vice general manager, General engineer	December 2014	–
Xie Jun	CLFG	Deputy secretary to the party committee, General Manager, General engineer	11 September 2018	–
Ren Zhenduo	CLFG	Secretary of disciplinary committee	August 2009	–
Chen Yong	Bengbu Institute	Vice dean, chief accountant	December 2014	–
Positions in Shareholder Entities		Nil		

# Directors, Supervisors, Senior Management and Employees

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

### (II) Positions in other entities

Name	Name of entity	Position held	Starting date of term of office	Expiry date of term of office
Zhang Chong	Bengbu China Optoelectronics Technology Co., Ltd.	General Manager	December 2016	–
Ren Hongcan	Chengdu Zhongguangdian Technology Co., Ltd.* (成都中光電科技有限公司)	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	–
Liu Tianni	Wonderful Sky Financial Group Holdings Limited	Chairman and chief executive officer	July 1996	–

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 performance 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	419.79

## IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for change
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
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	62
Number of in-service employees of the major subsidiaries	2,192
Total number of in-service employees	2,254
The number of retired employees whose expenses are borne by the Parent Company and its major subsidiaries	1,982

### Composition of professions

<u>Type of profession</u>	<u>Number of staff in the profession</u>
Production staff	1,636
Sales staff	63
Technical staff	285
Finance staff	46
Administrative staff	224
Total	2,254

### Education level

<u>Type of education level</u>	<u>Number of persons (headcount)</u>
University graduates or above	253
College graduates	462
Specialised secondary school graduates	390
High school graduates	516
Junior high school or below	633
Total	2,254

# Directors, Supervisors, Senior Management and Employees

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

### (II) Remuneration policy

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

### (III) Training programme

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

### (IV) Labour Outsourcing

N/A

## 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 the requirements in the relevant laws and regulations such as the Company Law, the Standards on Corporate Governance of Listed Companies, 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. After the completion of the reelection of the Board on 4 March 2019, there were 11 members of the ninth session of Board of Directors of the company during the reporting period, which consisted of 5 executive directors, 2 non-executive directors and 4 independent non-executive directors. Under the Board of Directors were set up five special committees: the Audit (Examination) Committee, Remuneration and Assessment Committee, Nomination Committee, Strategic Development Committee and Compliance Committee. Among which, the chairmen of the Audit (Examination) Committee, Remuneration and Assessment Committee, Nomination Committee and Compliance Committee were assumed by independent directors. Clear rules were set up for both the Board of Directors and its subordinate special committees to standardize the rules of procedure, improve efficiency of meetings and rationality of decision making.

The supervising role of the Supervisory Committee was fully played. The Supervisory Committee of the Company supervised and examined behaviors of directors, the General Manager, 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, after the completion of the reelection of the Supervisory on 4 March 2019, the ninth session of 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.

# Corporate Governance

## I. INTRODUCTION OF CORPORATE GOVERNANCE (CONTINUED)

### I. Improving the structure of corporate governance (continued)

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

### II. Improving the level of information disclosure and strengthening registration and management of insiders

The Company strictly abided by 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.

### 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, the principle of fair disclosure was adhered to. No undisclosed major information was revealed, nor was any information revealed to intentionally mislead investors.

## I. INTRODUCTION OF CORPORATE GOVERNANCE (CONTINUED)

### V. Institutional improvement in internal control

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

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

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.



# Corporate Governance

## 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
2019 First Extraordinary General Meeting	4 March 2019	To consider and approve the proposed remuneration for the Ninth Board of the Company; to consider and approve the proposed remuneration for the Ninth Supervisory Committee of the Company; to consider and approve the election of the non-independent directors of the Ninth Board of the Company; to consider and approve the election of the independent directors of the Ninth Board of the Company; and to consider and approve the election of the Ninth Supervisory Committee of the Company.	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	4 March 2019
2018 Annual General Meeting	21 June 2019	To consider and approve the working report of the Board of the Company for the year 2018; to consider and approve the working report of the supervisory committee of the Company for the year 2018; to consider and approve the final accounts report of the Company for the year 2018; to consider and approve the Company's annual report 2018 and its summary; to consider and approve the profit distribution plan for the year 2018; to consider and approve the financial budget report of the Company for the year 2019; to consider and approve the reappointment of WUYIGE Certified Public Accountants LLP as the auditor of the Company for the year 2019 and authorization to the Board for determining its remunerations according to the audit workload; the resolution on the amendments to the Procedural Rules of the Board; the resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Hefei) New Energy Company Limited* in 2018; the resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Tongcheng) New Energy Materials Company Limited* in 2018; the resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Yixing) New Energy Company Limited* in 2018; and to consider and approve the grant of authorisation to the Board to handle the share repurchase, cancellation, registered capital reduction and other relevant matters, amendments to relevant articles of Articles of Association of the Company in respect of total share capital and equity structure, and the implementation of relevant registration and filing procedures.	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	21 June 2019
The 2019 First Class Meeting of A Shareholders And The 2019 First Class Meeting of H Shareholders	21 June 2019	The resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Hefei) New Energy Company Limited* in 2018; the resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Tongcheng) New Energy Materials Company Limited* in 2018; the resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Yixing) New Energy Company Limited* in 2018; and to consider and approve the grant of authorisation to the Board to handle the share repurchase, cancellation, registered capital reduction and other relevant matters, amendments to relevant articles of Articles of Association of the Company in respect of total share capital and equity structure, and the implementation of relevant registration and filing procedures.	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>	21 June 2019

## 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			Any failure in attending in person for two consecutive meetings	Attendance at General meetings (times)
			Attendance in person	Attendance by way of communication	Attendance by proxy		
Zhang Chong	No	11	11	1	0	0 No	2
Xie Jun	No	11	11	1	0	0 No	2
Ma Yan	No	11	11	1	0	0 No	2
Wang Guoqiang	No	11	11	1	0	0 No	2
Zhang Rong	No	9	9	4	0	0 No	1
Chen Yong	No	9	9	6	0	0 No	1
Ren Hongcan	No	9	9	6	0	0 No	1
Jin Zhanping	Yes	11	11	6	0	0 No	2
Ye Shuhua	Yes	11	11	6	0	0 No	2
He Baofeng	Yes	11	11	4	0	0 No	2
Zhang Yajuan	Yes	9	9	6	0	0 No	1
Liu Tianni	Yes	2	2	2	0	0 No	0
Number of Board meetings held in the year							11
Including: Number of on-site meetings							3
Number of meetings held by way of communication							1
Number of meetings held on-site with attendance by way of communication							7

### (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.

## 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

From 1 January 2019 to 4 March 2019, the Audit Committee of the Company consists of Mr. He Baofeng as the chairman of the committee, Mr. Ye Shuhua and Mr. Liu Tianni as members. 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. 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 7 special meetings during the reporting period, mainly engaging in carefully looking over regularly reports of the Company and changes in accounting policies of the Company and internal control, 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 2019, which has been disclosed on the websites of both stock exchanges together with the annual reports of the Company.

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

### 1. Audit Committee (continued)

Meeting attendance by members of the Audit Committee in 2019:

Number of meetings 7

Name	Attendance	Attendance by proxy
He Baofeng	7	0
Ye Shuhua	7	0
Zhang Yajuan	5	0
Liu Tianni	2	0

### 2. Remuneration and Review Committee

From 1 January 2019 to 4 March 2019, the Remuneration and Review Committee of the Company consists of Mr. Ye Shuhua as the chairman of the committee, Mr. Zhang Chong and Mr. Liu Tianni as members. 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. 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 two special meetings during the reporting period for reviewing the remuneration plan of the ninth session of the Board and Supervisory Committee, remuneration of Directors, supervisors and senior management personnel as disclosed in 2018 annual report.

# Corporate Governance

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

### 2. Remuneration and Review Committee (continued)

Meeting attendance by members of the Remuneration and Review Committee in 2019:

Number of meetings 2

<b>Name</b>	<b>Attendance</b>	<b>Attendance by proxy</b>
Ye Shuhua	2	0
Zhang Chong	2	0
Zhang Yajuan	1	0
Liu Tianni	1	0

### 3. Nomination Committee

During the reporting period, the Company's Nomination Committee included 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 candidates for the members of the ninth session of the board of director and supervisor 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)

### 3. Nomination Committee (continued)

Meeting attendance by members of the Nomination Committee in 2019:

Number of meetings 1

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

### 4. Strategic Committee

From 1 January 2019 to 4 March 2019, the Strategic Committee of the Company consists of Mr. Ye Shuhua as the chairman of the committee, Mr. Zhang Chong and Mr. Liu Tianni as members. 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. 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 1 special meeting during the reporting period, at which the committee proposed reasonable recommendations on the equity custodian of the Company.

# Corporate Governance

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

### 4. Strategic Committee (continued)

Meeting attendance by members of the Strategic Committee in 2019:

Number of meetings 1

<b>Name</b>	<b>Attendance</b>	<b>Attendance by proxy</b>
Zhang Chong	1	0
Xie Jun	1	0
Chen Yong	1	0
Ma Yan	1	0
Jin Zhanping	1	0

### 5. Compliance Committee

From 1 January 2019 to 4 March 2019, the Compliance Committee of the Company consists of Mr. Liu Tianni as the chairman of the committee, Mr. Ip Pui Sum and Mr. Xie Jun as members. 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.

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.

## 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)

The Company's Compliance Committee held 2 special meetings during the reporting period, at which the committee mainly considered the amendments to the procedural rules of the Board and related party transactions of the subsidiaries, and raised applicable compliance proposals.

Meeting attendance by members of the Compliance Committee in 2019:

Number of meetings 2

Name	Attendance	Attendance by proxy
Zhang Yajuan	2	0
Xie Jun	2	0
Wu Zhixin	2	0

## V. RISKS DISCOVERED BY THE SUPERVISORY COMMITTEE

N/A

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

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



# Corporate Governance

## 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 2019 disclosed on 29 April 2020 by the Company.

## 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 in Appendix 10 to the Listing Rules of the Stock Exchange as its own code of conduct regarding securities transactions by the Directors. During the reporting period, all the Directors of the Company had strictly complied with the code of conduct in relation to the securities transactions by the Directors under the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules of the Stock Exchange.

## X. OTHERS (CONTINUED)

### (III) Directors and the Board

#### 1. Directors

- (1) As at the end of the reporting period, the ninth session of the Board of the Company was composed of 11 Directors, including 5 executive Directors, i.e. Mr. Zhang Chong, Mr. Xie Jun, Mr. Ma Yan, Mr. Wang Guoqiang and Mr. Zhang Rong; two non-executive Directors, i.e. Mr. Ren Hongcan and Mr. Chen Yong; and four independent non-executive Directors, i.e. Mr. Ye Shuhua, Mr. He Baofeng, Mr. Jin Zhanping and Ms. Zhang Yajuan.

During the reporting period, 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 on 4 March 2019 due to term expiration.

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.

#### (2) Meeting attendance by Directors

During the reporting period, the Company convened 11 Board meetings and 2 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.

## X. OTHERS (CONTINUED)

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

#### 2. *The Board*

The Board of the Company is elected at the general meeting and responsible to the general meeting. All Directors 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.

### (IV) Chairman and General Manager

During the reporting period, Mr. Zhang Chong was the chairman of the Company and Mr. Ma Yan has been the general manager. 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.

## X. OTHERS (CONTINUED)

### (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 2019.

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

The 2019 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 2019, the Company implemented, adopted and applied the applicable accounting policies.

### (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. In the year of 2019, 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.

# Corporate Governance

## X. OTHERS (CONTINUED)

### (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.

### (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 by shareholders at the 2018 annual general meeting, 2019 first H Share class meeting and 2019 first A Share class meeting convened on 21 June 2019.

The main amendments include: the Company will complete the buy-backs and cancellation of the compensation shares for the profit guarantee on 12 December 2019 in accordance with the compensation scheme for unfulfilled profit guarantee of the assets underlying the material asset reorganization for the year 2018. Consequential amendments to the relevant articles of the Articles of Association of the Company will be made in respect of the changes in total number of shares and registered capital of the Company.

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 REPORT

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 2019, 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 2019, 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 2019, and the consolidated and the Parent Company's operating results and cash flows for 2019.

## 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) Revenue recognition

#### 1. Description of the matter

Please refer to related disclosures in note VII.35 in the Company's financial statement. The Company is mainly engaged in the production and sales of information display glass and new energy glass. In 2019, the amount of operating revenue shown in the Company's financial statements was RMB1,854,842,208.09, of which the revenue from new energy glass business was RMB1,540,235,330.52, accounting for 83.04% of the operating revenue.

The revenue generated from sales of glass products by the Company is recognised when the control of the goods has been transferred to the customer, that is, the delivery of glass products to the customer is usually regarded as the points in time for recognition of sales revenue.

As operating revenue is one of the Company's key performance indicators, which may give rise to inherent risks that specific targets or expectations could be achieved by the management of the Company (hereinafter referred to as management) through inappropriate revenue recognition. Therefore, we will identify revenue recognition as a key audit matter.

# Auditors' Report

## III. KEY AUDIT MATTERS (CONTINUED)

### (I) Revenue recognition (continued)

#### 2. Response to the audits

Our audit procedures for revenue recognition mainly include:

- (1) We obtained an understanding of the key internal controls related to revenue recognition, evaluated the design of these controls, determined whether they are implemented, and tested the effectiveness of related internal control operations;
- (2) We checked the main sales contract, identified the terms and conditions of contracts related to the transfer of control of goods, and evaluated whether the revenue recognition policy was in line with the requirements of the Accounting Standards for Business Enterprises;
- (3) We implemented substantive analysis procedures for operating revenue and gross profit margin by month, product and customer, identified whether there were significant or abnormal fluctuations, and analyzed the reasons for fluctuations;
- (4) We checked the supporting documents related to revenue recognition on a sample basis, including sales contracts, orders, sales invoices, outbound orders, shipping documents, and customer acceptance receipts;
- (5) We sampled the sales of the period to the major customers with letter based on the accounts receivable confirmations;
- (6) We checked the operating revenue recognised before and after the balance sheet date on a sample basis against the supporting documents such as outbound orders, shipping documents and delivery notes, and evaluated whether the operating revenue was recognised in the appropriate period;
- (7) We checked whether the information related to operating revenue had been presented and disclosed in the financial statements in a proper manner.

### (II) Impairment of receivables

#### 1. Description of the matter

Please refer to relevant disclosures in note VII (4), (5), (6) in the Company's financial statement. As at 31 December 2019, the net book value of notes receivable and accounts receivable and accounts receivable financing of the Company was RMB924,152,310.37, based on their original value of RMB1,033,027,796.14 less an impairment provision of RMB108,875,485.77, accounting for 50.79% of its current assets. The credit period granted to customers was determined on a case-by-case basis. 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 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 reasonability of accounts receivables by different credit risk grades, the accuracy of the information 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 discussed and evaluated with management on the accounts receivable with default or impairment indication, and pay attention to the repayment of accounts receivable after the period and the adequacy of bad debt provision;
- (5) We reviewed whether the relevant disclosure of accounts receivable had been presented by the management in the financial statements in a proper manner.

### IV. OTHER INFORMATION

The Management is responsible for other information. Other information includes the information included in the Company's 2019 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.

Those charged with governance are 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, 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 rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **WUYIGE Certified Public Accountants LLP**

*Chinese Certified Public Accountant:* **Qiao Guanfang (Engagement Partner)**

*Beijing • the PRC Chinese Certified Public Accountant:* **Wang Haizhou**

29 April 2020

# Consolidated Balance Sheet

31 December 2019  
Prepared by: Luoyang Glass Company Limited\*  
Unit: Yuan Currency: RMB

Item	Note	31 December 2019	31 December 2018
<b>Current assets:</b>			
Cash and cash equivalents	VII.1	432,871,497.66	276,132,689.62
Bills receivables	VII.4	198,553,190.06	168,650,511.63
Accounts receivables	VII.5	562,892,681.73	492,277,446.70
Accounts receivable financing	VII.6	162,706,438.58	104,046,358.38
Prepayments	VII.7	59,807,534.23	62,462,228.34
Other receivables	VII.8	37,905,213.08	46,186,737.52
Inventories	VII.9	281,882,687.59	245,395,799.98
Other current assets	VII.10	83,085,172.69	70,237,506.22
<b>Total current assets</b>		<b>1,819,704,415.62</b>	<b>1,465,389,278.39</b>
<b>Non-current assets:</b>			
Long-term receivables	VII.11	55,000,000.00	55,000,000.00
Fixed assets	VII.13	2,343,435,561.00	1,915,114,403.91
Construction in progress	VII.14	603,637,921.26	680,485,100.59
Intangible assets	VII.15	396,358,331.06	356,370,051.76
Development expenditures	VII.16	3,073,758.34	15,075,276.42
Long-term deferred expenses	VII.17	6,792,035.43	7,923,897.51
Deferred income tax assets	VII.18	9,366,216.00	6,109,809.23
Other non-current assets	VII.19	3,671,639.24	2,714,102.55
<b>Total non-current assets</b>		<b>3,421,335,462.33</b>	<b>3,038,792,641.97</b>
<b>Total assets</b>		<b>5,241,039,877.95</b>	<b>4,504,181,920.36</b>
<b>Current liabilities:</b>			
Short-term borrowings	VII.20	1,240,054,086.26	851,888,356.04
Bills payables	VII.21	605,123,498.86	305,058,652.43
Accounts payables	VII.22	675,397,180.53	678,096,403.19
Receipts in advance			
Contract liabilities	VII.23	15,654,739.42	29,020,814.15
Employee compensation payable	VII.24	31,097,821.63	24,115,765.81
Taxes payable	VII.25	36,694,248.37	18,769,988.13
Other payables	VII.26	356,002,972.21	387,488,441.66
Including: Interest payable			3,971,724.81
Dividends payable			
Non-current liabilities due within one year	VII.27	214,668,497.03	236,037,605.59
Other current liabilities	VII.28	1,834,742.27	
<b>Total current liabilities</b>		<b>3,176,527,786.58</b>	<b>2,530,476,027.00</b>

## Consolidated Balance Sheet

Item	Note	31 December 2019	31 December 2018
<b>Non-current liabilities:</b>			
Long-term borrowings	VII.29	545,738,860.14	521,429,305.35
Deferred income	VII.30	104,830,714.44	106,935,486.80
<b>Total non-current liabilities</b>		<b>650,569,574.58</b>	628,364,792.15
<b>Total Liabilities</b>		<b>3,827,097,361.16</b>	3,158,840,819.15
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)	VII.31	552,396,509.00	559,797,391.00
Capital reserve	VII.32	1,978,538,766.30	1,971,137,887.30
Surplus reserve	VII.33	51,365,509.04	51,365,509.04
General risk provisions			
Undistributed profit	VII.34	-1,283,084,419.02	-1,337,084,302.73
<b>Total owners' equity attributable to owners of the Company (or shareholders' equity)</b>		<b>1,299,216,365.32</b>	1,245,216,484.61
Minority interests		114,726,151.47	100,124,616.60
<b>Total owners' equity (or shareholders' equity)</b>		<b>1,413,942,516.79</b>	1,345,341,101.21
<b>Total liabilities and owners' equity (or shareholders' equity)</b>		<b>5,241,039,877.95</b>	4,504,181,920.36

Legal representative:  
**Zhang Chong**

Person in charge of accounting:  
**Ma Yan**

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

# Balance Sheet of the Parent Company

31 December 2019  
Prepared by: Luoyang Glass Company Limited\*  
Unit: Yuan Currency: RMB

Item	Note	31 December 2019	31 December 2018
<b>Current assets:</b>			
Cash and cash equivalents		152,463,896.56	107,734,602.60
Bills receivables		1,029,000.00	
Accounts receivables	XVI.1	198,240,989.31	194,884,664.69
Accounts receivable financing		12,886,125.11	8,859,660.98
Prepayments		57,754.85	67,501.58
Other receivables	XVI.2	258,954,816.38	343,017,501.55
Other current assets		664,323.60	111,464.47
<b>Total current assets</b>		<b>624,296,905.81</b>	<b>654,675,395.87</b>
<b>Non-current assets:</b>			
Long-term receivables		55,000,000.00	55,000,000.00
Long-term equity investment	XVI.3	1,886,146,638.35	1,690,841,658.35
Fixed assets		1,788,774.67	2,179,571.19
Intangible assets		5,735,396.92	34,013,794.93
Long-term deferred expenses			54,000.00
<b>Total non-current assets</b>		<b>1,948,670,809.94</b>	<b>1,782,089,024.47</b>
<b>Total assets</b>		<b>2,572,967,715.75</b>	<b>2,436,764,420.34</b>
<b>Current liabilities:</b>			
Short-term borrowings		339,443,640.19	224,284,000.00
Bills payables		282,000,000.00	160,000,000.00
Accounts payables		28,749,713.99	4,767,691.66
Contract liabilities		12,849,147.70	9,166,122.06
Employee compensation payable		6,853,521.41	7,023,662.82
Taxes payable		405,258.48	367,234.35
Other payables		434,067,998.84	634,347,385.84
Including: Interest payable			646,964.51
Non-current liabilities due within one year		5,649,975.70	610,104.27
Other current liabilities		1,670,389.18	
<b>Total current liabilities</b>		<b>1,111,689,645.49</b>	<b>1,040,566,201.00</b>

## Balance Sheet of the Parent Company

Item	Note	31 December 2019	31 December 2018
<b>Non-current liabilities:</b>			
Long-term borrowings		262,532,959.53	200,000,000.00
Total non-current liabilities		262,532,959.53	200,000,000.00
<b>Total Liabilities</b>		1,374,222,605.02	1,240,566,201.00
<b>Owners' equity (or shareholders' equity):</b>			
Paid-in capital (or share capital)		552,396,509.00	559,797,391.00
Capital reserve		1,957,991,478.30	1,950,590,599.30
Less: Treasury stock			
Surplus reserve		51,365,509.04	51,365,509.04
Undistributed profit		-1,363,008,385.61	-1,365,555,280.00
<b>Total owners' equity (or shareholders' equity)</b>		1,198,745,110.73	1,196,198,219.34
<b>Total liabilities and owners' equity (or shareholders' equity)</b>		2,572,967,715.75	2,436,764,420.34

Legal representative:  
**Zhang Chong**

Person in charge of accounting:  
**Ma Yan**

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

# Consolidated Income Statement

January–December 2019  
Unit: Yuan Currency: RMB

Item	Note	2019	2018
<b>I. Total operating revenue</b>		<b>1,854,842,208.09</b>	1,402,748,187.74
Including: Operating revenue	VII. 35	<b>1,854,842,208.09</b>	1,402,748,187.74
<b>II. Total operating costs</b>		<b>1,773,495,347.75</b>	1,397,928,250.48
Including: Operating costs	VII. 35	<b>1,404,274,867.15</b>	1,097,267,859.38
Taxes and surcharges	VII. 36	<b>25,687,293.69</b>	19,105,892.28
Selling expenses	VII. 37	<b>65,890,259.11</b>	46,941,994.81
Administration expenses	VII. 38	<b>112,889,849.73</b>	96,387,902.71
R&D expenses	VII. 39	<b>66,823,935.81</b>	62,819,240.48
Finance expenses	VII. 40	<b>97,929,142.26</b>	75,405,360.82
Including: Interest expenses		<b>92,019,454.58</b>	67,533,806.87
Interest income		<b>3,133,668.95</b>	924,940.33
Add: Other income	VII. 41	<b>22,353,338.27</b>	28,761,945.01
Investment income (losses are represented by "-")	VII. 42	<b>-8,939,588.06</b>	-5,660,178.53
Impairment losses on credit (losses are represented by "-")	VII. 43	<b>-27,639,136.97</b>	-1,663,767.57
Impairment losses on assets (losses are represented by "-")	VII. 44	<b>-8,087,991.61</b>	-2,108,032.94
Gains on disposal of assets (losses are represented by "-")	VII. 45	<b>11,355,077.66</b>	1,306,818.50
<b>III. Operating profit (loss is represented by "-")</b>		<b>70,388,559.63</b>	25,456,721.73
Add: Non-operating income	VII. 46	<b>18,408,314.15</b>	8,302,300.33
Less: Non-operating expenses	VII. 47	<b>1,991,490.00</b>	1,612,477.15
<b>IV. Total profit (total loss is represented by "-")</b>		<b>86,805,383.78</b>	32,146,544.91
Less: Income tax expenses	VII.48	<b>18,203,965.20</b>	8,960,304.34
<b>V. Net profit (net loss is represented by "-")</b>		<b>68,601,418.58</b>	23,186,240.57
(I) Classified on a going concern basis			
1. Net profit from continued operation (Net loss is represented by "-")		<b>68,601,418.58</b>	23,186,240.57
2. Net profit from discontinued operation (net loss is represented by "-")			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the Company (net loss is represented by "-")		<b>53,999,883.71</b>	15,645,310.47
2. Minority interests (net loss is represented by "-")		<b>14,601,534.87</b>	7,540,930.10

## Consolidated Income Statement

Item	Note	2019	2018
<b>VI. Other comprehensive income net of tax</b>			
(I) Total other comprehensive income net of tax attributable to owners of the Company			
1. Other comprehensive income that can not be reclassified to profit and loss			
2. Other comprehensive income that will be reclassified to profit and loss			
(II) Total other comprehensive income net of tax attributable to minority interests			
<b>VII. Total comprehensive income</b>			
(I) Total comprehensive income attributable to owners of the Company		<b>68,601,418.58</b>	23,186,240.57
(II) Total comprehensive income attributable to minority interests		<b>53,999,883.71</b>	15,645,310.47
		<b>14,601,534.87</b>	7,540,930.10
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share ( <i>RMB/share</i> )		<b>0.0965</b>	0.0280
(II) Diluted earnings per share ( <i>RMB/share</i> )		<b>0.0965</b>	0.0280

Legal representative:  
**Zhang Chong**

Person in charge of accounting:  
**Ma Yan**

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



# Income Statement of the Parent Company

January–December 2019  
Unit: Yuan Currency: RMB

Item	Note	2019	2018
<b>I. Operating revenue</b>	XVI.4	<b>336,181,828.04</b>	196,977,430.19
Less: Operating costs	XVI.4	<b>333,677,621.35</b>	189,334,742.63
Taxes and surcharges		<b>1,080,107.77</b>	2,380,869.97
Selling expenses		<b>595,167.09</b>	549,401.44
Administration expenses		<b>16,227,238.71</b>	20,231,314.43
R&D expenses			
Finance expenses		<b>32,264,533.00</b>	30,222,123.19
Including: Interest expenses		<b>47,070,717.03</b>	33,422,951.80
Interest income		<b>15,158,190.41</b>	3,667,474.86
Add: Other income		<b>42,307.00</b>	32,017.00
Investment income (loss is represented by "-")		<b>60,000,000.00</b>	70,742,228.15
Including: Gains from investment in associates and joint ventures			
Gains on termination of financial assets measured at amortized cost			
Gains from changes in fair value (loss is represented by "-")			
Impairment losses on credit (loss is represented by "-")		<b>-28,088,301.15</b>	50,292,500.65
Impairment losses on assets (loss is represented by "-")			-50,000,000.00
Gains on disposal of assets (loss is represented by "-")		<b>1,185,046.14</b>	839,994.86
<b>II. Operating profit (loss is represented by "-")</b>		<b>-14,523,787.89</b>	26,165,719.19
Add: Non-operating income		<b>17,070,682.28</b>	5,065,649.19
Less: Non-operating expenses			52,054.86
<b>III. Total profit (total loss is represented by "-")</b>		<b>2,546,894.39</b>	31,179,313.52
Less: Income tax expenses			
<b>IV. Net profit (net loss is represented by "-")</b>		<b>2,546,894.39</b>	31,179,313.52
(I) Net profit from continued operation (net loss is represented by "-")		<b>2,546,894.39</b>	31,179,313.52
(II) Net profit from discontinued operation (net loss is represented by "-")			

## Income Statement of the Parent Company

Item	Note	2019	2018
<b>V. Other comprehensive income net of tax</b>			
(I) Other comprehensive income that can not be reclassified to profit and loss			
(II) Other comprehensive income that will be reclassified to profit and loss			
<b>VI. Total comprehensive income</b>		<b>2,546,894.39</b>	31,179,313.52
<b>VII. Earnings per share:</b>			
(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

January–December 2019  
Unit: Yuan Currency: RMB

Item	Note	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or rendering of services		<b>1,055,592,878.10</b>	961,301,366.77
Tax refunds received		<b>5,226,228.61</b>	7,794,518.20
Other cash received from activities related to operation	VII.49	<b>60,066,753.95</b>	59,439,262.72
Sub-total of cash inflow from operating activities		<b>1,120,885,860.66</b>	1,028,535,147.69
Cash paid for purchase of goods and rendering of services		<b>716,915,409.41</b>	770,249,627.76
Cash paid to and on behalf of employees		<b>200,811,953.77</b>	190,043,283.13
Tax payments		<b>79,464,474.27</b>	71,236,234.03
Other cash paid for activities related to operation	VII.49	<b>101,202,034.44</b>	77,226,925.94
Sub-total of cash outflow from operating activities		<b>1,098,393,871.89</b>	1,108,756,070.86
Net cash flow from operating activities		<b>22,491,988.77</b>	-80,220,923.17
<b>II. Cash flow from investment activities:</b>			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>15,256,192.45</b>	2,473,720.89
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		<b>15,256,192.45</b>	2,473,720.89
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		<b>281,125,382.86</b>	316,002,725.49
Sub-total of cash outflow from investment activities		<b>281,125,382.86</b>	316,002,725.49
Net cash flow from investment activities		<b>-265,869,190.41</b>	-313,529,004.60

## Consolidated Cash Flow Statement

Item	Note	2019	2018
<b>III. Cash flow from financing activities:</b>			
Proceeds from loans		<b>1,706,350,558.83</b>	1,377,284,000.00
Other cash received from financing-related activities	VII.49	<b>423,558,370.55</b>	1,272,816,865.97
Sub-total of cash inflow from financing activities		<b>2,129,908,929.38</b>	2,650,100,865.97
Cash paid for repayment of loans		<b>1,304,848,430.62</b>	1,182,802,047.90
Cash payment for distribution of dividends and profits or repayment of interest		<b>95,873,036.26</b>	68,035,675.64
Including: Dividends and profits paid to minority shareholders by subsidiaries			1,278,763.09
Other cash paid for financing-related activities	VII.49	<b>497,743,742.59</b>	1,043,895,895.03
Sub-total of cash outflow from financing activities		<b>1,898,465,209.47</b>	2,294,733,618.57
Net cash flow from financing activities		<b>231,443,719.91</b>	355,367,247.40
<b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>			
		<b>53,682.54</b>	-346,759.09
<b>V. Net increase in cash and cash equivalents</b>			
Add: Opening balance of cash and cash equivalents		<b>160,068,348.62</b>	198,797,788.08
<b>VI. Closing balance of cash and cash equivalents</b>			
		<b>148,188,549.43</b>	160,068,348.62

Legal representative:  
**Zhang Chong**

Person in charge of accounting:  
**Ma Yan**

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

# Cash Flow Statement of the Parent Company

January–December 2019  
Unit: Yuan Currency: RMB

Item	Note	2019	2018
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods or rendering of services		<b>71,479,312.29</b>	96,765,732.42
Tax refunds received			
Other cash received from activities related to operation		<b>29,353,054.59</b>	55,078,950.42
Sub-total of cash inflow from operating activities		<b>100,832,366.88</b>	151,844,682.84
Cash paid for purchase of goods and rendering of services		<b>42,353,540.58</b>	7,316,208.02
Cash paid to and on behalf of employees		<b>12,083,945.44</b>	12,993,210.69
Tax payments		<b>4,011,974.12</b>	5,838,775.01
Other cash paid for activities related to operation		<b>32,627,078.58</b>	198,875,836.14
Sub-total of cash outflow from operating activities		<b>91,076,538.72</b>	225,024,029.86
Net cash flow from operating activities		<b>9,755,828.16</b>	-73,179,347.02
<b>II. Cash flow from investment activities:</b>			
Cash received from disposal of investments			
Cash received from returns on investments			3,129,244.82
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		<b>15,342.00</b>	
Other cash received from activities related to investment			223,117,040.63
Sub-total of cash inflow from investment activities		<b>15,342.00</b>	226,246,285.45
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets			
Cash paid for investment		<b>163,606,799.00</b>	120,000,000.00
Sub-total of cash outflow from investment activities		<b>163,606,799.00</b>	120,000,000.00
Net cash flow from investment activities		<b>-163,591,457.00</b>	106,246,285.45

## Cash Flow Statement of the Parent Company

Item	Note	2019	2018
<b>III. Cash flow from financing activities:</b>			
Cash received from capital contributions			
Proceeds from loans		<b>415,860,000.00</b>	435,084,000.00
Other cash received from financing-related activities		<b>2,128,954,623.66</b>	874,321,872.18
Sub-total of cash inflow from financing activities		<b>2,544,814,623.66</b>	1,309,405,872.18
Cash paid for repayment of loans		<b>234,038,799.17</b>	358,719,649.25
Cash payment for distribution of dividends and profits or repayment of interest		<b>25,767,832.32</b>	11,780,989.19
Other cash paid for financing-related activities		<b>2,121,039,197.26</b>	986,982,655.31
Sub-total of cash outflow from financing activities		<b>2,380,845,828.75</b>	1,357,483,293.75
Net cash flow from financing activities		<b>163,968,794.91</b>	-48,077,421.57
<b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>			
		<b>142.97</b>	296.67
<b>V. Net increase in cash and cash equivalents</b>			
		<b>10,133,309.04</b>	-15,010,186.47
Add: Opening balance of cash and cash equivalents		<b>36,334,602.60</b>	51,344,789.07
<b>VI. Closing balance of cash and cash equivalents</b>			
		<b>46,467,911.64</b>	36,334,602.60

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 2019  
Unit: Yuan Currency: RMB

Item	Equity attributable to owners of the Parent Company										Total shareholder's equity					
	Paid-in capital (or 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	Others	Sub-total	Minority interests
<b>I. Balance at the end of last year</b>	526,766,875.00				1,488,406,708.39					51,365,509.04	-1,507,399,946.07	189,109,340.71		559,139,146.36		559,139,146.36
Add: Changes in accounting policies											-14,439,007.84			-14,439,007.84		-14,439,007.84
Effects of correction of prior year errors																
Business combination under common control					403,439,160.51							189,109,340.71		572,549,501.22	214,501,306.52	787,049,807.74
Others										51,365,509.04	-1,352,729,613.20			1,117,249,639.74	210,916,682.09	1,328,165,321.83
<b>II. Balance at the beginning of the year</b>	526,766,875.00				1,891,845,868.90					51,365,509.04				1,117,249,639.74	210,916,682.09	1,328,165,321.83
<b>III. Increase/decrease in the year (decrease is represented by "-")</b>	33,030,516.00				79,292,018.40						15,645,310.47	15,645,310.47		127,967,844.87	-110,792,065.49	17,175,779.38
(I) Total comprehensive income											15,645,310.47	15,645,310.47		15,645,310.47	7,540,930.10	23,186,240.57
(II) Shareholders' contribution and decrease in capital	33,030,516.00				79,292,018.40									112,322,534.40	-117,054,232.50	-4,731,698.10
1. Ordinary shares paid by shareholders																
2. Capital input by holders of other equity instruments	33,030,516.00				76,476,546.66									109,507,082.66		109,507,082.66
3. Share based payments credited to owners' equity																
4. Others					2,816,471.74									2,816,471.74	-117,054,232.50	-114,238,760.76
(III) Profit distribution																
1. Appropriation to surplus reserve																
2. Appropriation to general risk provisions																
3. Distribution to owners (or shareholders)																
4. Others																
(IV) Internal carry-forward of owners' equity																
(V) Special reserve																
(VI) Others																
<b>IV. Balance at the end of the year</b>	559,797,391.00				1,971,137,887.30					51,365,509.04	-1,337,084,302.73			1,245,216,464.61	100,124,616.60	1,345,341,101.21

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

Item	Equity attributable to owners of the Parent Company											Total shareholder's equity				
	Other equity instruments				Less:			Others								
	Paid-in capital (or share capital)	Preferential shares	Perpetual bonds	Others	Capital reserve	Treasury stock	Comprehensive income	Other	Special reserve	Surplus reserve	General risk provisions	Unistributed profit	Others	Sub-total	Minority interests	
<b>I. Balance at the end of last year</b>	559,797,991.00				1,971,137,887.30				51,365,509.04			-1,337,084,302.73		1,245,216,484.61	100,124,616.60	1,345,341,101.21
Add: Changes in accounting policies																
Effects of correction of prior year errors																
Business combination under common control																
Others																
<b>II. Balance at the beginning of the year</b>	559,797,991.00				1,971,137,887.30				51,365,509.04			-1,337,084,302.73		1,245,216,484.61	100,124,616.60	1,345,341,101.21
<b>III. Increase/decrease in the year</b>	-7,400,882.00				7,400,879.00							53,999,883.71		53,999,883.71	14,601,534.87	68,601,415.58
(I) Total comprehensive income												53,999,883.71		53,999,883.71	14,601,534.87	68,601,415.58
(II) Shareholders' contribution and decrease in capital	-7,400,882.00				7,400,879.00											-3.00
1. Ordinary shares paid by shareholders																
2. Capital input by holders of other equity instruments																
3. Share based payments credited to owners' equity																
4. Others	-7,400,882.00				7,400,879.00											-3.00
(III) Profit distribution																
(IV) Internal carry-forward of owners' equity																
(V) Special reserve																
(VI) Others																
<b>IV. Balance at the end of the year</b>	552,396,309.00				1,978,538,766.30				51,365,509.04			-1,283,084,419.02		1,299,216,365.32	114,726,151.47	1,413,942,516.79



# Statement of Changes in Owners' Equity of the Company

January–December 2019  
Unit: Yuan Currency: RMB

2018

Item	Other equity instruments						Less: Treasury stock	Other Comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder's equity
	Paid-in capital (or share capital)	Preferential shares	Perpetual bonds	Others	Capital reserve	Others						
<b>I. Balance at the end of last year</b>	526,766,875.00				1,268,692,769.04				51,365,509.04	-1,386,267,053.32	450,568,099.76	
Add: Changes in accounting policies										-467,540.20	-467,540.20	
Effects of correction of prior year errors												
Others												
<b>II. Balance at the beginning of the year</b>	526,766,875.00				1,268,692,769.04				51,365,509.04	-1,386,734,593.52	450,090,559.56	
<b>III. Increase/decrease in the year (decrease is represented by "-")</b>	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. Capital input by holders of other equity instruments												
3. Share based payments credited to owners' equity												
4. Others					2815,471.74						2815,471.74	
(III) Profit distribution												
(IV) Internal carry-forward of owners' equity												
(V) Special reserve												
1. Appropriation in the current period												
2. Utilized in the current period												
(VI) Others												
<b>IV. Balance at the end of the year</b>	559,797,391.00				1,950,590,599.30				51,365,509.04	-1,365,555,280.00	1,196,198,219.34	

Legal representative:

**Zhang Chong**

Person in charge of accounting:

**Ma Yan**

Person in charge of accounting department:

**Chen Jing**

## Statement of Changes in Owners' Equity of the Company

Item	2019							Total shareholder's equity			
	Paid-in capital (or share capital)	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other Comprehensive income		Special reserve	Surplus reserve	Undistributed profit
<b>I. Balance at the end of last year</b>	559,797,391.00				1,950,590,599.30				51,365,509.04	-1,365,555,280.00	1,196,198,219.34
Add: Changes in accounting policies											
Effects of correction of prior year errors											
Others											
<b>II. Balance at the beginning of the year</b>	559,797,391.00				1,950,590,599.30				51,365,509.04	-1,365,555,280.00	1,196,198,219.34
<b>III. Increase/decrease in the year (decrease is represented by "-")</b>	-7,400,882.00				7,400,879.00					2,546,894.39	2,546,894.39
(I) Total comprehensive income										2,546,894.39	2,546,894.39
(II) Shareholders' contribution and decrease in capital	-7,400,882.00				7,400,879.00						-3.00
1. Ordinary shares paid by shareholders											
2. Capital input by holders of other equity instruments											
3. Share based payments credited to owners' equity											
4. Others											
(III) Profit distribution											
(IV) Internal carry-forward of owners' equity											
(V) Special reserve											
1. Appropriation in the current period											
2. Utilized in the current period											
(VI) Others											
<b>IV. Balance at the end of the year</b>	552,396,509.00				1,957,991,478.30				51,365,509.04	-1,363,008,385.61	1,198,745,110.73

## III. COMPANY PROFILE

### 1. Company Overview

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

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

According to the Resolution on the compensation scheme for unfulfilled profit guarantee of CNBM (Hefei) New Energy Co., Ltd.\* (中建材(合肥)新能源有限公司) in 2018, the Resolution on the compensation scheme for unfulfilled profit guarantee of CNBM (Tongcheng) New Energy Materials Co., Ltd.\* (中國建材桐城新能源材料有限公司) in 2018 and the Resolution on the compensation scheme for unfulfilled profit guarantee of CNBM (Yixing) New Energy Resources Co., Ltd.\* (中建材(宜興)新能源有限公司) in 2018 considered and approved at the general meeting on 21 June 2019, the Company completed the buy-backs and cancellation of 7,400,882 compensation shares for the profit guarantee on 11 December 2019. Following the buy-backs and cancellation of the compensation shares for the profit guarantee, the total number of issued ordinary shares of the Company was 552,396,509.

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

## IV. 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 2019, the business operations of the Company were in normal condition with smooth financing channels and its gearing ratio was 73.02%. Although the current liabilities of the Group exceeded current assets by RMB1,356,823,370.96, 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 believes 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.

## V. 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 2019, and operating results, cash flows and other relevant information for the year 2019 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”).

## V. 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 shareholders' equity of the merged party in the ultimate controller's consolidated financial statements 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.

## V. 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 financial statements 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.

## V. 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 not a party of a joint venture, it should carry out accounting depending on their influence on the joint venture.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 8. Recognition standard for cash and cash equivalents

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

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

#### 1. Translation of foreign currency transactions

Foreign currency transactions of the Company are recorded in the recording currency translated at the spot exchange rates on the transaction date. At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used in initial recognition or on the last balance sheet date shall be recorded into the profit or loss for the 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 nonmonetary 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.



## V. 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.

##### (1) Financial assets

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

A financial asset is measured at FVOCI if it meets the following conditions: ① it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ② 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.

For those financial assets other than financial assets measured at amortised cost and financial assets at fair value through other comprehensive income, the Company classifies it as financial assets measured at fair value through profit or loss. At initial recognition, if accounting mismatch can be eliminated or reduced, the Company may irrevocably designate financial assets as financial assets measured at fair value through profit or loss.

When the Company changes the business model for managing financial assets, all relevant financial assets as affected are reclassified on the first day of the first reporting period after the business model changes, and the reclassification are applied prospectively from the reclassification date. The Company does not retroactively adjust any previously recognized gains, losses (including impairment losses or gains) or interest.

##### (2) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities measured at fair value through profit or loss, financial liabilities formed when transfer of financial assets does not meet the conditions of derecognition or continues to be involved in the transferred financial assets and financial liabilities measured at amortised cost. All financial liabilities are not reclassified.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 10. Financial instruments (continued)

#### 2. *Measurement of financial instruments*

Financial instruments of the Company 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 or bills receivable arising from sales of goods or rendering services or without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

##### (1) *Financial assets*

- ① 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 hedging instruments are recorded in current profit or loss when in the case of derecognition, reclassification, amortisation based on the effective interest method, or impairment consideration.
- ② Financial assets measured at fair value through profit or loss. Upon initial recognition, gain or loss (including interest and dividend income) arisen from subsequent measurement of the financial assets (excluding the financial assets are parts of the hedging relationships) at fair value is included in profit and loss in the period which they incurred.
- ③ Debt instrument 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 or losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 10. Financial instruments (continued)

#### 2. Measurement of financial instruments (continued)

##### (2) Financial liabilities

- ① Financial liabilities measured at fair value through profit or loss. Such financial liabilities include trading financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss. Upon initial recognition, the financial liabilities are subsequently measured at fair value. Except for those involving the hedge accounting, the gains or losses (including interest expenses) arising from changes in fair value of trading financial liabilities are included in profit or loss in the period which they incurred. For the financial liabilities designated at fair value through profit or loss, the amount of changes in the fair value of the financial liabilities arising from the changes in enterprise's own credit risk is included in other comprehensive income, and other changes in fair value are recognised in profit or loss. If the inclusion of the effects of the changes in the credit risk of the financial liabilities in other comprehensive income will cause or expand the accounting mismatch in profit or loss, the Company will include all the gains or losses of the financial liabilities in the profit and loss.
- ② Financial liabilities measured at amortised cost. Upon initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

#### 3. Recognition of fair values of financial instruments by the Company

For financial instruments with an active market, their fair values shall be determined based on their quotations in the active market. Where there is no active market for a financial instrument, the fair value shall be determined using valuation techniques, which mainly include the market approach, income approach and cost approach. In limited circumstances, if the short-term information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of the fair value within the scope, the cost may represent appropriate estimates of fair value within this distribution. The Company determines whether the cost represents the fair value based on all information in relation to the results and operations of the investees available since the date of initial recognition.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 10. Financial instruments (continued)

#### 4. *Basis of recognition and methods of measurement for transfer of financial assets and financial liabilities*

##### (1) *Financial assets*

A financial asset of the Company is derecognised when any of the below criteria is met:

① the contractual rights to receive the cash flows from the financial asset expire; ② the financial asset has been transferred and the Company transfers substantially all the risks and rewards of ownership of the financial asset; or ③ the financial asset has been transferred and the Company has not retained control of the financial asset, although the Company neither transfers nor retains substantially all the rewards of ownership of the financial asset.

In the case that the Company has neither transferred nor retained substantially all the rewards associated with ownership of such financial assets and has not retained control of such financial assets, the Company will continue to recognise such financial assets according to the extent of transfer of such financial assets, and will recognise relevant liabilities accordingly.

When the overall transfer of a financial asset meets the criteria for derecognition, the balance between the following two amounts will be included in the current profit or loss:

① the carrying amount of the financial asset transferred on the derecognition date; ② the sum of the consideration received from the transfer of the financial asset and the amount of the corresponding derecognised part in the accumulated changes in fair value previously recorded directly in other comprehensive income (the financial asset involved in the transfer is classified as financial asset measured at fair value through other comprehensive income).

If part of the transfer of a financial asset meets the criteria for derecognition, the entire carrying amount of the financial asset transferred shall be first proportionally amortised between the derecognised portion and the retained portion according to their respective relative fair value on the transfer date. Then, the balance between the following two amounts will be included in the current profit or loss: ① the carrying amount of the derecognised part on the derecognition date; ② the sum of the consideration received for the derecognised part and the amount of the corresponding derecognised part in the accumulated amount of the changes in fair value originally included in other comprehensive income (the financial asset involved in the transfer is classified as financial asset measured at fair value through other comprehensive income).

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 10. Financial instruments (continued)

#### 4. *Basis of recognition and methods of measurement for transfer of financial assets and financial liabilities (continued)*

##### (2) *Financial liability*

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

The difference between the carrying amount of financial liabilities (or parts of them) and consideration paid (including transferred non-cash assets or liabilities) is recognized in the current profit or loss, when financial liabilities (or parts of them) are derecognised.

#### 5. *Determination of expected credit loss*

Based on the expected credit loss ("ECL"), the Company made the impairment accounting for financial assets measured at amortised cost (including accounts receivable), financial assets measured at fair value through other comprehensive income (including accounts receivable financing), rental receivable and contract assets, and recognised the provision for such losses.

The Company assesses whether the credit risk of relevant financial instruments since its initial recognition is significantly increased on each balance sheet date, and divides the process of credit impairment of financial instruments into three stages, with different accounting treatment methods for impairment of financial instruments in different stages: (1) stage 1, where the credit risk of financial instruments is not significantly increased since its initial recognition, the Company measures the loss provisions at 12-month ECL of such financial instruments, and calculates the interest income based on its carrying amount (that is, without deduction of impairment provision) and effective interest; (2) stage 2, where the credit risk of financial instruments is significantly increased since its initial recognition but no impairment of credits existed, the Company measures the loss provisions at lifetime ECL of such financial instrument, and calculates the interest income based on its carrying amount and effective interest; (3) stage 3, where impairment of credits existed since its initial recognition, the Company measures the loss provisions at lifetime ECL of such financial instruments in the lifetime, and calculates the interest income based on its amortised cost (carrying amount minus provision made for impairment) and effective interest.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 10. Financial instruments (continued)

#### 5. Determination of expected credit loss (continued)

(1) *Measurement of loss provision for financial instruments with lower credit risk*

For financial instruments with low credit risk at the balance sheet date, the Company can directly assume the credit risk of such instruments does not increase significantly after the initial recognition without comparing it with the credit risk at the initial recognition.

If a financial instrument has a low risk of default, the debtor 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.

(2) *Method for measurement of loss provisions for accounts receivable, contract assets and rental receivable*

① Accounts receivable and contract assets without containing significant financing components. For the accounts receivable or contract assets without containing significant financing components arising from transactions regulated under the Accounting Standards for Business Enterprises No. 14 – Revenue, the Company adopts a simplification approach which always measures the loss provisions at lifetime ECL.

Based on the nature of financial instruments, the Company assesses whether credit risk has increased significantly on the basis of an individual financial asset or groupings of financial assets. The Company divides notes receivable and accounts receivable into certain groupings based on credit risk characteristics, then pursuant to which, calculates the ECL. Basis for grouping is as follows:

Accounts receivable grouping 1:	general customer
Accounts receivable grouping 2:	related party customer
Notes receivable grouping 1:	commercial acceptances
Notes receivable grouping 2:	bank acceptances

For accounts receivable and notes receivable that are classified into general customer grouping and commercial acceptances, respectively, by making reference to the experience of historical credit losses and giving consideration to the current situation and the forecast of the future economic situation, the Company prepares a comparison table specifying the aging and the lifetime ECL rates of such receivables to calculate the ECL. For accounts receivable that are classified into related party grouping, by making reference to the experience of historical credit losses and giving consideration to the current situation and the forecast of the future economic situation, the Company calculates ECL using exposure at default ("EAD") and lifetime ECL rate.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 10. Financial instruments (continued)

#### 5. Determination of expected credit loss (continued)

(2) *Method for measurement of loss provisions for accounts receivable, contract assets and rental receivable (continued)*

- ② Accounts receivable, contract assets and rental receivable containing significant financing components

For accounts receivable or contract assets containing significant financing components, and rental receivable regulated under the Accounting Standards for Business Enterprises No. 21 – Leases, the Company measures loss provisions with the general approach, i.e. the “three-stage” model.

(3) *Method for measurement of loss provisions for other financial assets*

For financial assets other than those mentioned above, e.g. debt investments, other debt investments, other receivables, long-term receivables other than lease receivables, etc., the Company measures loss provisions with the general approach, i.e. the “three-stage” model.

In case of credit impairment at measurement of financial instruments, the following information is taken into account when assessing whether credit risk has increased significantly:

The Company divides other receivables into certain groupings based on the nature of amount, then pursuant to which, calculates the ECL. Basis for grouping is as follows:

Other receivables grouping 1:	margin and deposit
Other receivables grouping 2:	related party payment
Other receivables grouping 3:	advance money

#### 6. Accounting treatment of the ECL

In order to reflect the changes in the credit risk of financial instruments since the initial recognition, the Company re-measures the ECL on each balance sheet date, and the resulting increase or reversal in loss provision shall be included in the profit or loss for the current period as impairment losses or gains, and shall be deducted from the carrying amounts of the financial assets on the balance sheet or included in the estimated liability (loan commitments or financial guarantee contracts) or other comprehensive income (debt investments measured at fair value through other comprehensive income) according to the type of financial instruments.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 11. Notes receivable

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 V. Important Accounting Policies and Estimates.

### 12. Accounts receivable

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 V. Important Accounting Policies and Estimates.

### 13. Accounts receivable financing

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

### 14. Other receivables

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 V. Important Accounting Policies and Estimates.

### 15. 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.

#### 2. Measurement for delivered inventories

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



## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 15. Inventories (continued)

#### 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 16. Contract assets

#### (1) Recognition and standards of contract assets

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.

#### (2) Determination and accounting treatment of the ECL of contract assets

Details of the determination and accounting treatment of the ECL of contract assets are set forth in 10. Financial instruments under V. Important Accounting Policies and Estimates.

### 17. Long-term receivables

N/A

### 18. 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 equity interest 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 18. Long-term equity investments (continued)

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

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

### 19. 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
Transportation tools	Straight-line method	6–12	3–5	7.92–16.17
Others	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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 19. Fixed assets (continued)

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

At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as leasing revenue over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial accounting value of the finance lease receivables.

### 20. 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.

### 21. 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 21. Borrowing costs (continued)

#### 2. Calculation of amount to be capitalized (continued)

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.

### 22. 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 22. Intangible assets (continued)

#### (1) Measurement, useful life and impairment test (continued)

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

Amortization of an intangible asset with finite useful life is as follows:

Category	Useful life (year)	Amortization
Land use rights	37–70	straight-line basis
Patent right	10–20	straight-line basis
Non-patent technology	10	straight-line basis
Trademark rights	10	straight-line basis
Software use rights	3–10	straight-line basis

##### 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.

#### (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:

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 22. Intangible assets (continued)

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

- (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.

### 23. 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 23. Long-term asset impairment (continued)

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or asset group portfolio expected to benefit from the synergy of business combination. Where the test results indicate the recoverable amount of the asset groups or asset group portfolio allocated with goodwill is lower than their carrying amounts, impairment loss is recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or asset group portfolio, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or asset group portfolio on pro rata basis.

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

### 24. 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.

### 25. 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.

### 26. 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.



## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 26. Employees' wages (continued)

#### (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.

#### (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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 27. 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.

### 28. Revenue

#### (1) *Accounting policies adopted for revenue recognition and measurement*

When the Company has implemented the performance obligation in the contract, namely, when the customer obtains the right to control relevant goods or services, revenues will be recognized as per transaction prices allocated to such performance obligation. Obtaining the right to control relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. Performance obligation represents the Company's commitment to transfer distinct goods to the customer in the contract. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer by the Company.

Whether performance obligations satisfied over time or at a point in time is based on the terms of contracts and related law regulations. If the performance obligations satisfied over time, the Company will recognise revenue via contract performance schedule, otherwise the Company satisfies the performance obligation at a point in time.

#### *Revenue recognition*

Generally, the sales contract between the Company and a customer typically may contain a number of commitments such as the sales of goods, the combination of sales of goods and transportation services. For the sales of goods and transportation services that can be separately distinguished, the Company accounted them as standalone contractual performances. For the combination of sales of goods and transportation services that cannot be separately distinguished, it is inseparable from the performance of the contract, so the Company accounted the aforesaid combination as standalone contractual performances. The Company recognises the revenue from such standalone contractual performances after the fulfillment of corresponding standalone contractual performances, at the point in time when the customer obtains control over the relevant goods, and the goods are usually delivered at the point in time.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 28. Revenue (continued)

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

##### *Contracts for the sales of goods*

Generally, the sales contract between the Company and a customer may only contain the performance obligation of transferring goods. The Company usually recognizes revenue when the goods are delivered at the point in time based on the following considerations: the current collection rights of the goods, the transfer of the significant risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the acceptance of the goods by the customer.

##### *Sales return terms*

For sales with sales return terms attached, the Company recognizes revenue when the customer obtains control over the relevant goods in accordance with the consideration expected to receive from the customer upon transfer of control of the good to the customer, and recognizes an estimated liability in accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset (i.e. the return cost receivable) in accordance with the carrying value during the expected transfer of returned goods after deducting the costs of the above net assets carried forward. At each balance sheet date, the Company re-estimates the future sales return and re-measures the above assets and liabilities.

##### *Quality assurance obligations*

The Company provides quality assurance for the goods sold and assets constructed pursuant to contractual agreement and laws and regulations. The Company performs accounting treatments in accordance with Note V. 27 with a view to providing guarantee to the customers that the goods sold meet the established quality standards. In addition to providing guarantee to the customers that the goods sold meet the established quality standards, providing the customers with a separate quality assurance for services is regarded as a standalone contractual performance by the Company. Based on the relative proportion of the individual selling prices of providing quality assurance for goods and services, part of the transaction price is allocated to quality assurance of services and revenue is recognized when the customers take control of the services. In assessing whether quality assurance is provided as a separate service other than providing guarantee to the customers that the goods sold meet the established quality standards; the Company considers factors such as whether the quality assurance is a statutory requirement, the term of quality assurance and nature of the Company's commitment to perform its obligations.

#### (2) *The adoption of different business models for the same type of business will lead to different accounting policies for revenue recognition*

N/A

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 29. Contract costs

Contract costs of the Company 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 Company 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 of the Company 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;
3. the costs are expected to be recovered.

Assets recognised for the Incremental Costs of obtaining a contract and 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 30. 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 30. Government grants (continued)

#### 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.

### 31. 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 32. Lease

#### (1) Accounting treatment for operating leases

The Company recognizes the lease payments derived from operating leases as rental income on a straight-line basis over the respective lease terms. The Company capitalizes the initial direct costs relating to operating leases, and includes them in the current income by stages at the same base as the recognition of rental income over the lease term.

#### (2) Accounting treatment for lease under financing

At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as leasing revenue over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial accounting value of the finance lease receivables.

#### (3) Determination and accounting treatment of lease under the New Lease Standards

At the commencement date of lease term, the Company recognizes right-of-use assets and lease liabilities for leases (excluding short-term leases and leases of low-value assets), and recognizes depreciation and interest expenses separately over the lease term.

Short-term leases and leases of low-value assets are included in the current expenses by the Company on a straight-line basis over the respective lease terms.

#### (1) Right-of-use assets

Right-of-use assets represent the lessee's right to use the leased asset for the lease term. At the commencement date of lease term, right-of-use assets are measured initially at cost. Such cost comprises: ① the amount of the initial measurement of lease liability; ② lease payments made at or before the inception of the lease less any lease incentives already received (if there is a lease incentive); ③ initial direct costs incurred by the lessee; ④ an estimate of costs to be incurred by the lessee in dismantling and removing the leased assets, restoring the site on which it is located or restoring the leased assets to the condition required by the terms and conditions of the lease.

The depreciation of the right-of-use assets of the Company is accrued using the straight-line method. For those who can reasonably determine the ownership of the leased asset when the lease term expires, the depreciation is accrued over the estimated remaining useful life of leased asset. If it is not reasonable to determine that the leased asset will be acquired at the expiration of the lease term, the depreciation is accrued over the shorter of the lease term and the remaining useful life of the leased asset.

The Company recognizes whether the right-of-use assets are impaired or not and performs accounting treatment under relevant regulations of the Accounting Standard for Business Enterprises No.8 – Impairment of Asset.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 32. Lease (continued)

#### (3) *Determination and accounting treatment of lease under the New Lease Standards (continued)*

##### (2) *Lease liabilities*

Lease liabilities are initially measured at the present value of outstanding lease payment at the beginning date of lease period. Lease payment include: ① fixed payments (including in-substance fixed payments), less any lease incentives (if there is a lease incentive); ② variable lease payment that are based on an index or a rate; ③ amounts expected to be payable under the guaranteed residual value provided by the lessee; ④ the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; ⑤ payments of penalties for terminating the lease option, if the lease term reflects that the lessee will exercise that option.

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the Company's incremental borrowing rate is used. The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into financial expenses. The periodic interest rate refers to the discount rate adopted by the Company or the revised discount rate.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

When the Company's evaluation results on extension, termination or purchase options change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and revised discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly. When the in-substance leased payments, amounts expected to be payable under the guaranteed residual value and the variable lease payments that depend on an index or a rate change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and original discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly.



## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 33. Other significant accounting policies and accounting estimates

The Company shall make 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 in Note V. 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*

As described in Note V.10, 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*

As described in Note V.15, 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 33. Other significant accounting policies and accounting estimates (continued)

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

As described in Note V.19, 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.

#### 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*

As described in Note V.31, 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.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 34. 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)
On 7 December 2018, the MOF revised the "Accounting Standards for Business Enterprises No. 21 – Leases" ("New Lease Standards"). Enterprises listed in both domestic and overseas markets and enterprises listed overseas adopting International Financial Reporting Standards or Accounting Standards for Business Enterprises for preparation of financial statements are required to adopt the New Lease Standards with effect from 1 January 2019.	"The proposal relating to change in the accounting policy of the Company" was considered and approved at the sixth meeting of the ninth session of the Board held by the Company on 30 August 2019	For operating leases prior to the date of initial implementation of which the lease assets are low-value assets, or operating leases that will be completed within 12 months, the Group adopts simplified treatment and does not recognize the right-of-use assets and lease liabilities. The adoption of the New Lease Standards did not have significant impact on the financial statements of the Company for the current period.
In April 2019, the MOF issued the Notice of the Revised Format of Financial Statements for General Business Enterprises for 2019 (Cai Kuai [2019] No. 6).	"The proposal relating to change in the accounting policy of the Company" was considered and approved at the sixth meeting of the ninth session of the Board held by the Company on 30 August 2019	The notes receivable and accounts receivable decreased by RMB764,974,316.71, notes receivable increased by RMB168,650,511.63, accounts receivable increased by RMB492,277,446.70, accounts receivable financing increased by RMB104,046,358.38 in the consolidated balance sheet as at 31 December 2018. The notes payable and accounts payable decreased by RMB983,155,055.62, notes payable increased by RMB305,058,652.43, accounts payable increased by RMB678,096,403.19 in the consolidated balance sheet

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 34. 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)
<p>In April 2019, the MOF issued the Notice of the Revised Format of Financial Statements for General Business Enterprises for 2019 (Cai Kuai [2019] No. 6).</p>	<p>“The proposal relating to change in the accounting policy of the Company” was considered and approved at the sixth meeting of the ninth session of the Board held by the Company on 30 August 2019</p>	<p>The notes receivable and accounts receivable decreased by RMB203,744,325.67, notes receivable increased by RMB194,884,664.69, accounts receivable financing increased by RMB8,859,660.98 in the balance sheet of the Company as at 31 December 2018. The notes payable and accounts payable decreased by RMB164,767,691.66, notes payable increased by RMB160,000,000.00, accounts payable increased by RMB4,767,691.66 in the balance sheet of the Company</p>
<p>On 9 May 2019, the MOF issued the revised “Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets” (the “New Standards for Exchange of Non-monetary Assets”). The revised standards shall be applied from 10 June 2019</p>	<p>“The proposal relating to change in the accounting policy of the Company” was considered and approved at the sixth meeting of the ninth session of the Board held by the Company on 30 August 2019</p>	<p>The implementation of the New Standards for Exchange of Non-monetary Assets has no significant impact on the current financial statements of the Company.</p>
<p>On 16 May 2019, the MOF issued the revised “Accounting Standards for Business Enterprises No. 12 – Debt Restructuring” (the “New Standards for Debt Restructuring”). The revised standards shall be applied from 17 June 2019</p>	<p>“The proposal relating to change in the accounting policy of the Company” was considered and approved at the sixth meeting of the ninth session of the Board held by the Company on 30 August 2019</p>	<p>The implementation of the New Standards for Debt Restructuring has no significant impact on the current financial statements of the Company</p>

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 34. Changes in significant accounting policies and accounting estimates (continued)

#### (1) Changes in significant accounting policies (continued)

##### *Other explanations*

1. Changes in accounting policies and basis therefor
  - (1) The MOF issued the revised “Accounting Standards for Business Enterprises No. 21 – Leases” in December 2018, which was applied by the Company on 1 January 2019. For a contract that had already existed prior to the date of initial application, the Company has elected not to reassess whether such contract is, or contains a lease. The Company will adjust the respective amounts of the opening retained earnings and other related items in the financial statements based on the cumulative effect of the initial application, but will not adjust those figures in the comparative period.
  - (2) The MOF issued the revised “Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets” in May 2019. The revised standards were implemented from 10 June 2019. No retrospective adjustment is required for the exchange of non-monetary assets conducted before 1 January 2019, while an adjustment shall be made in compliance with the revised standards for the exchange of non-monetary assets conducted between 1 January 2019 and the date of application.
  - (3) The MOF issued the revised “Accounting Standards for Business Enterprises No. 12 – Debt Restructuring” in May 2019. The revised standards were implemented from 17 June 2019. No retrospective adjustment is required for the debt restructuring conducted before 1 January 2019, while an adjustment shall be made in compliance with the revised standards for the debt restructuring conducted between 1 January 2019 and the date of application.
  - (4) The MOF issued the Notice of the Revised Format of Financial Statements for General Business Enterprises for 2019 (Cai Kuai [2019] No. 6) (hereinafter referred to as the “Format of Financial Statements”) in April 2019. Enterprises that implement the Accounting Standards for Business Enterprises shall prepare financial statements in accordance with the requirements of the Accounting Standards for Business Enterprises and the Notice.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 34. Changes in significant accounting policies and accounting estimates (continued)

#### (1) Changes in significant accounting policies (continued)

*Other explanations (continued)*

#### 2. Impact of changes in accounting policies

- (1) Impact of implementation of the revised Lease, Exchange of Non-monetary Assets and Debt Restructuring Standards

The implementation of the revised Lease, Exchange of Non-monetary Assets and Debt Restructuring Standards by the Company has no impact on the consolidation, net profit or shareholders' interests of the Company.

- (2) Impact of implementation of the revised Format of Financial Statements

According to the requirements of the Notice of the Revised Format of Financial Statements for General Business Enterprises for 2019 (Cai Kuai [2019] No. 6), the item "notes receivable and accounts receivable" will be split by the Company into "notes receivable" and "accounts receivable"; the item "notes payable and accounts payable" will be split into "notes payable" and "accounts payable"; a new item of "accounts receivable financing" is added to reflect the notes receivable and accounts receivable measured at fair value through other comprehensive income as at the balance sheet date, the Company will make retrospective adjustment to the financial statements during the comparative period. The Changes in accounting policies have no impact on the consolidation, net profit or shareholders' interests of the Company.

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 34. Changes in significant accounting policies and accounting estimates (continued)

#### (1) Changes in significant accounting policies (continued)

Other explanations (continued)

2. Impact of changes in accounting policies (continued)

(2) Impact of implementation of the revised Format of Financial Statements (continued)

1) The impacts on consolidated balance sheet and income statement are listed as follows:

Changes in accounting policies and reasons therefor	Financial Statement Line Item affected	Amount affected	
		31 December 2018	1 January 2018
Notes receivable and accounts receivable will be split into accounts receivable, notes receivable and accounts receivable financing	Accounts receivable and notes receivable	-764,974,316.71	-1,022,562,666.40
	Accounts receivable	492,277,446.70	531,850,536.95
	Notes receivable	168,650,511.63	236,893,406.01
Notes payable and accounts payable will be split into accounts payable and notes payable	Accounts receivable financing	104,046,358.38	253,818,723.44
	Accounts payable and notes payable	-983,155,055.62	-711,822,787.13
	Notes payable	305,058,652.43	139,568,673.34
2018	Accounts payable	678,096,403.19	572,254,113.79
	Gain or loss on derecognition of accounts receivable financing originally recognized in financial expenses will be reclassified to investment income	Financial expenses	-5,660,178.53
	Investment income		-5,660,178.53

## V. IMPORTANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

### 34. Changes in significant accounting policies and accounting estimates (continued)

#### (1) Changes in significant accounting policies (continued)

Other explanations (continued)

2. Impact of changes in accounting policies (continued)

(2) Impact of implementation of the revised Format of Financial Statements (continued)

2) The impacts on balance sheet and income statement of the Company are listed as follows:

Changes in accounting policies and reasons therefor	Financial Statement Line Item affected	Amount affected	
		31 December 2018	1 January 2018
Notes receivable and accounts receivable will be split into accounts receivable, notes receivable and accounts receivable financing	Accounts receivable and notes receivable	-203,744,325.67	-211,797,338.88
	Accounts receivable	194,884,664.69	204,327,727.83
	Accounts receivable financing	8,859,660.98	7,469,611.05
Notes payable and accounts payable will be split into accounts payable and notes payable	Accounts payable and notes payable	-164,767,691.66	-5,062,801.26
	Notes payable	160,000,000.00	
	Accounts payable	4,767,691.66	5,062,801.26

#### (2) Changes in significant accounting estimates

N/A

#### (3) Status of relevant items in financial statements at the beginning of the year when adjustment to the New FI Standards, the New Revenue Standard or the New Lease Standards were applied since 2019

N/A

#### (4) Information of retrospective prior period adjustment when the New FI Standards or the New Lease Standards were applied since 2019

N/A



## VI. TAXES

### 1. Major categories of taxes and tax rates

Major categories of taxes and tax rates

Category	Tax basis	Tax rate
Value added tax	Sell of goods or the supply of taxable services	6%, 9%, 13%, 16%
Consumption tax		
Business tax		
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 (%)
Luoyang Glass Co., Ltd.	25%
CLFG Longhai Electronic Glass Co., Ltd.	15%
CLFG Longmen Glass Co., Ltd.	25%
Bengbu CNBM Information Display Material Co., Ltd.	15%
CNBM (Puyang) Photoelectric Material Co., Ltd.	25%
CNBM (Hefei) New Energy Co., Ltd.	15%
CNBM (Tongcheng) New Energy Materials Co., Ltd.	15%
CNBM (Yixing) New Energy Resources Co., Ltd.	15%

## VI. 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 2019 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2019.

Bengbu CNBM Information Display Materials, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in September 2019 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2019.

Hefei New Energy, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in September 2019 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2019.

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 2019.

Yixing New Energy, a controlling subsidiary of the Company, has been approved as a high-tech enterprise in November 2019 with a term of 3 years and paid the enterprise income tax at a tax rate of 15% in 2019.

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

## VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

In the following notes, unless otherwise specified, the end of the period refers to 31 December 2019, the beginning of the period refers to 1 January 2019, the period refers to the year of 2019 and the previous period refers to the year of 2018.

### 1. Monetary funds

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Cash on hand	324,480.10	215,682.50
Deposits at banks	149,331,130.05	161,256,666.12
Other monetary funds	283,215,887.51	114,660,341.00
Total	432,871,497.66	276,132,689.62
Including: Amount deposited abroad		

Other explanation

The security deposits for the bank acceptance under other monetary funds as at the end of the period was RMB283,215,887.51; in the balance of bank deposit, RMB1,467,060.72 was restricted deposit, mainly including the pledged deposit certificates.

### 2. Held-for-trading financial assets

N/A

### 3. Derivative financial assets

N/A

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

### 4. Notes receivable

#### (1) Notes receivable by category

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Bank acceptances		
Commercial acceptances	<b>202,605,295.99</b>	176,542,954.73
Less: provision for bad debts	<b>4,052,105.93</b>	7,892,443.10
Total	<b>198,553,190.06</b>	168,650,511.63

- In 2019, the Company only endorsed or discounted a few commercial acceptances receivable, and the objective of their business model remained the collection of contract cash flow, so they were still classified as a financial asset measured at amortised cost. In addition, due to the needs of daily fund management, the Company discounted and endorsed part of bank acceptances, therefore they were classified as financial assets measured at fair value through other comprehensive income, and presented as accounts receivable financing (Note VII. 6).
- For notes receivable, no matter whether there is a significant financing component, the Company measures loss provision based on lifetime ECL, and the balance of provision for bad debts at the end of the period was RMB4,052,105.93.

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

N/A

#### (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

N/A

#### (4) Provision for bad debts

N/A

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 5. Receivables

#### (1) Disclosure by ageing

Unit: Yuan Currency: RMB

Aging	31 December 2019	31 December 2018
Within 1 year	<b>529,539,527.68</b>	473,659,958.81
1 to 2 years	<b>68,145,837.66</b>	10,468,899.75
2 to 3 years	<b>10,955,320.36</b>	23,813,794.31
3 to 4 years	<b>2,578,490.56</b>	1,914,277.29
4 to 5 years	<b>1,914,277.29</b>	219,720.82
Over 5 years	<b>54,582,608.02</b>	54,403,387.20
Subtotal	<b>667,716,061.57</b>	564,480,038.18
Less: provision for bad debts	<b>104,823,379.84</b>	72,202,591.48
Total	<b>562,892,681.73</b>	492,277,446.70

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 2019					31 December 2018				
	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	18,072,307.94	2.70	18,072,307.94	100.00		2,003,735.65	0.35	2,003,735.65	100.00	
Bad debt provision on group basis	649,643,753.63	97.30	86,751,071.90	13.35	562,892,681.73	562,476,302.53	99.65	70,198,855.83	12.48	492,277,446.70
Total	667,716,061.57	/	104,823,379.84	/	562,892,681.73	564,480,038.18	/	72,202,591.48	/	492,277,446.70

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

### 5. Receivables (continued)

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

Bad debt provision on individual basis:

Unit: Yuan Currency: RMB

Name	Carrying amount	31 December 2019		Reason for provision
		Provision for bad debts	Provision ratio (%)	
Entity 1	6,013,529.96	6,013,529.96	100.00	Significant financial difficulty experienced by the debtors
Entity 2	5,563,971.47	5,563,971.47	100.00	Significant financial difficulty experienced by the debtors
Entity 3	3,879,480.81	3,879,480.81	100.00	Significant financial difficulty experienced by the debtors
Entity 4	2,003,735.65	2,003,735.65	100.00	Significant financial difficulty experienced by the debtors
Entity 5	611,590.05	611,590.05	100.00	Significant financial difficulty experienced by the debtors
Total	<u>18,072,307.94</u>	<u>18,072,307.94</u>	<u>100.00</u>	/

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 5. Receivables (continued)

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

Bad debt provision on group basis:

Item provision on group basis: Group 1: General customers

Unit: Yuan Currency: RMB

Name	Accounts receivable	31 December 2019	
		Provision for bad debts	Provision ratio (%)
General customers	593,102,896.07	85,620,254.74	14.44
Total	593,102,896.07	85,620,254.74	14.44

Group 2: Related party customers

Unit: Yuan Currency: RMB

Name	Accounts receivable	31 December 2019	
		Provision for bad debts	Provision ratio (%)
Related party customers	56,540,857.56	1,130,817.16	2.00
Total	56,540,857.56	1,130,817.16	2.00

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

### 5. Receivables (continued)

#### (3) Provision for bad debts

Unit: Yuan Currency: RMB

Category	31 December 2018	Provision	Changes during the period			31 December 2019
			Recovered or reversed	Resale or written-off	Other changes	
Provision for bad debts	72,202,591.48	32,620,788.36				104,823,379.84
Total	72,202,591.48	32,620,788.36				104,823,379.84

#### (4) Accounts receivable written-off during the period

N/A

#### (5) Top five accounts receivable by ending balance of debtors

Name	31 December 2019	Proportion in the total amount of accounts receivable (%)	Balance of provision for bad debts
First place	102,362,714.87	15.33	2,047,254.30
Second place	80,420,667.46	12.04	1,608,413.35
Third place	48,794,964.33	7.31	975,899.29
Fourth place	34,605,349.57	5.18	4,834,609.22
Fifth place	34,228,150.58	5.13	684,563.01
Total	300,411,846.81	44.99	10,150,739.17

#### (6) Accounts receivable derecognised arising from transfer of financial assets

N/A



# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 6. Accounts receivable financing

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Notes receivable	<b>162,706,438.58</b>	104,046,358.38
Total	<b>162,706,438.58</b>	104,046,358.38

Other explanation:

- Due to the needs of daily fund management, the Company discounted and endorsed part of bank acceptances, and which were eligible for derecognition, therefore the bank acceptances were classified as financial assets measured at fair value through other comprehensive income.
- Notes receivable pledged as at the end of the period

Category	Amount pledged as at the end the period
Bank acceptances	<b>33,746,730.41</b>
Total	<b>33,746,730.41</b>

- 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

Category	Derecognized amount at the end of the period	Not-yet derecognized amount at the end of the period
Bank acceptances	<b>646,279,025.97</b>	
Total	<b>646,279,025.97</b>	

*Note:* 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.

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

### 7. Prepayments

#### (1) Aging analysis of prepayments

Unit: Yuan Currency: RMB

Aging	31 December 2019		31 December 2018	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	59,081,573.49	98.79	61,072,638.26	97.78
1 to 2 years	608,529.02	1.02	1,375,386.08	2.20
2 to 3 years	105,357.72	0.18	6,364.00	0.01
Above 3 years	12,074.00	0.01	7,840.00	0.01
Total	59,807,534.23	100.00	62,462,228.34	100.00

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

Name	31 December 2019	Percentage of total prepayments (%)
First place	25,055,599.39	41.89
Second place	6,940,572.91	11.60
Third place	5,759,473.26	9.63
Fourth place	3,224,246.60	5.39
Fifth place	2,743,123.20	4.59
Total	43,723,015.36	73.10

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 8. Other receivables

#### *Presentation by item*

Unit: Yuan Currency: RMB

<b>Item</b>	<b>31 December 2019</b>	31 December 2018
Interest receivable		
Dividend receivable		
Other receivables	<b>88,512,548.33</b>	97,935,386.99
Less: provision for bad debts	<b>50,607,335.25</b>	51,748,649.47
Total	<b>37,905,213.08</b>	46,186,737.52

#### *Interest receivable*

N/A

#### *Dividend receivable*

N/A

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

### 8. Other receivables (continued)

#### Other receivables

(1) Disclosure by ageing

Unit: Yuan Currency: RMB

Aging	31 December 2019	31 December 2018
Within 1 year	<b>11,834,347.16</b>	28,442,577.49
1 to 2 years	<b>20,654,701.69</b>	7,192,733.73
2 to 3 years	<b>4,800,133.86</b>	10,175,362.15
3 to 4 years	<b>98,652.00</b>	968,344.51
4 to 5 years	<b>950,344.51</b>	499,624.00
Over 5 years	<b>50,174,369.11</b>	50,656,745.11
Subtotal	<b>88,512,548.33</b>	97,935,386.99
Less: provision for bad debts	<b>50,607,335.25</b>	51,748,649.47
Total	<b>37,905,213.08</b>	46,186,737.52

(2) Category of other receivables by nature of amount

Unit: Yuan Currency: RMB

Nature of amount	31 December 2019	31 December 2018
Photovoltaic subsidies	<b>11,920,222.09</b>	10,089,187.12
Security deposit, deposit, reserve	<b>23,142,528.25</b>	30,570,568.12
Current accounts	<b>53,449,797.99</b>	57,275,631.75
Total	<b>88,512,548.33</b>	97,935,386.99

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 8. Other receivables (continued)

(3) Provision for bad debts

Unit: Yuan Currency: RMB

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Next 12-month ECLs	Lifetime ECLs (non-credit impaired)	Lifetime ECLs (credit impaired)	
Balance as at 1 January 2019	952,506.85		50,796,142.62	51,748,649.47
Balance as at 1 January 2019 during the period				
– Transferred to Stage 2				
– Transferred to Stage 3				
– Reversed to Stage 2				
– Reversed to Stage 1				
Provision for the period	-141,314.22			-141,314.22
Reversal for the period			1,000,000.00	1,000,000.00
Write-off for the period				
Cancellation for the period				
Other changes				
Balance as at 31 December 2019	<b>811,192.63</b>		<b>49,796,142.62</b>	<b>50,607,335.25</b>

(4) Provision for bad debts

Unit: Yuan Currency: RMB

Category	31 December 2018	Provision	Changes during the period			31 December 2019
			Recovered or reversed	Resale or written-off	Other changes	
Provision for bad debts	51,748,649.47	-141,314.22	1,000,000.00			50,607,335.25
Total	51,748,649.47	-141,314.22	1,000,000.00			50,607,335.25

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

### 8. Other receivables (continued)

(5) Other receivables actually written off in this period

N/A

(6) 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 2019	Aging	Ratio representing with respect to the total balance of other receivables as at 31 December 2019 (%)	Balance of provision for bad debts at the end of the period
First place	Security deposit	16,000,000.00	Within 1 year, 1 to 2 years	18.08	320,000.00
Second place	Current accounts	10,808,704.00	Over 5 years	12.21	10,808,704.00
Third place	Current accounts	9,856,832.00	Over 5 years	11.14	9,856,832.00
Fourth place	Subsidies for tariff	8,006,909.91	Within 1 year, 1 to 2 years	9.05	160,138.20
Fifth place	Current accounts	4,600,000.00	Over 5 years	5.20	4,600,000.00
Total	/	<u>49,272,445.91</u>	/	<u>55.68</u>	<u>25,745,674.20</u>

(7) Receivables relating to government grants

N/A

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 9. Inventories

#### (1) Category of inventories

Unit: Yuan Currency: RMB

Item	31 December 2019			31 December 2018		
	Carrying amount	Provision for impairment of inventories/ performance cost	Book value	Carrying amount	Provision for impairment of inventories/ performance cost	Book value
Raw materials	137,700,855.19		137,700,855.19	101,968,449.19	1,325,240.88	100,643,208.31
Products in process	5,051,065.27		5,051,065.27	6,679,131.53		6,679,131.53
Commodity inventories	147,180,440.87	9,331,959.06	137,848,481.81	147,029,481.17	9,589,485.12	137,439,996.05
Circulation materials	824,954.06		824,954.06	633,464.09		633,464.09
Consigned commodities	457,331.26		457,331.26			
Total	291,214,646.65	9,331,959.06	281,882,687.59	256,310,525.98	10,914,726.00	245,395,799.98

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

Unit: Yuan Currency: RMB

Item	31 December	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		
Commodity inventories	9,589,485.12	3,396,587.15		3,654,113.21		9,331,959.06
Total	10,914,726.00	3,396,587.15		4,979,354.09		9,331,959.06

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.

#### (3) Explanation on the closing balance of inventory including capitalised borrowing costs

N/A

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

### 10. Other current assets

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Incremental costs of obtaining a contract		
Return cost receivables		
Input tax to be deducted/unverified	<b>82,123,198.15</b>	67,364,982.42
Prepaid insurance expenses	<b>717,536.22</b>	728,434.49
Taxes paid in advance	<b>244,438.32</b>	2,144,089.31
Total	<b>83,085,172.69</b>	70,237,506.22

### 11. Long-term receivables

#### (1) Long-term receivables

Unit: Yuan Currency: RMB

Item	31 December 2019			31 December 2018			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	<b>55,000,000.00</b>		<b>55,000,000.00</b>	55,000,000.00		55,000,000.00	
Total	<b>55,000,000.00</b>		<b>55,000,000.00</b>	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 (new buildings) and the Company shall take it as long-term receivables. As at 31 December 2019, the main structure and the exterior decoration of the new buildings have been completed and interior decoration is still in progress. It is expected to be delivered to the Company in 2020.

#### (2) Provision for bad debts

N/A



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

### 12. Other investments in equity instruments

#### (1) Other investments in equity instruments

Unit: Yuan Currency: RMB

Item	Cost of investment	31 December 2019	31 December 2018	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
<b>Total</b>	<b>7,791,217.53</b>			

Note: The Company is of the view that, despite the Company's shareholding in the investees exceeds 20%, since the Company did not assign any management personnel to the investees, or participate in any formulation of the investees' financial and operating policies, engage in any significant transactions with the investees, or provide any key technological information to the investees, Thus, the Company is of the view that it has no significant impact on the investees and classified as other equity instrument investment. As at 31 December 2019, the fair value of the abovementioned equity investment was nil.

#### (2) Equity investments that are not held for trading

N/A

### 13. Fixed assets

#### Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Fixed assets	2,343,435,561.00	1,915,114,403.91
Disposal of fixed assets		
<b>Total</b>	<b>2,343,435,561.00</b>	<b>1,915,114,403.91</b>

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

### 13. Fixed assets (continued)

#### Fixed assets

(1) Fixed assets

Unit: Yuan Currency: RMB

Item	Buildings	Machinery	Equipment	Others	Total
<b>I. Original book value:</b>					
1. Opening balance	776,389,675.23	1,634,392,648.51	5,859,254.88	9,057,120.96	2,425,698,699.58
2. Increase for the period	56,310,605.69	626,888,393.13	909,759.10	2,462,213.52	686,570,971.44
(1) Purchase	1,606,682.19	2,721,476.72	909,759.10	301,377.52	5,539,295.53
(2) Transfer from construction in progress	54,703,923.50	624,166,916.41		2,160,836.00	681,031,675.91
(3) Increase from business combination					
3. Decrease for the period	4,052,170.20	170,781,042.52	713,485.77		175,546,698.49
(1) Disposal or retirement	4,052,170.20	17,072,969.79	256,617.95		21,381,757.94
(2) Transferred to construction in progress		153,708,072.73			153,708,072.73
(3) Debt restructuring			456,867.82		456,867.82
4. Closing balance	828,648,110.72	2,090,499,999.12	6,055,528.21	11,519,334.48	2,936,722,972.53
<b>II. Accumulated depreciation</b>					
1. Opening balance	92,971,505.07	391,795,413.02	4,127,880.57	4,587,262.38	493,482,061.04
2. Increase for the period	20,926,507.58	111,265,919.33	384,980.33	1,319,651.01	133,897,058.25
(1) Provision	20,926,507.58	111,265,919.33	384,980.33	1,319,651.01	133,897,058.25
3. Decrease for the period	2,237,851.65	52,877,573.24	640,374.46		55,755,799.35
(1) Disposal or retirement	2,237,851.65	16,024,744.02	206,350.04		18,468,945.71
(2) Debt restructuring			434,024.42		434,024.42
(3) Transferred to construction in progress		36,852,829.22			36,852,829.22
4. Closing balance	111,660,161.00	450,183,759.11	3,872,486.44	5,906,913.39	571,623,319.94

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

### 13. Fixed assets (continued)

#### Fixed assets (continued)

(1) Fixed assets (continued)

Item	Buildings	Machinery	Equipment	Others	Total
<b>III. Provision for impairment</b>					
1. Opening balance		17,102,234.63			17,102,234.63
2. Increase for the period		4,691,404.46			4,691,404.46
(1) Provision		4,691,404.46			4,691,404.46
3. Decrease for the period		129,547.50			129,547.50
(1) Disposal or retirement		129,547.50			129,547.50
4. Closing balance		21,664,091.59			21,664,091.59
<b>IV. Book value</b>					
1. Book value at the end of the period	716,987,949.72	1,618,652,148.42	2,183,041.77	5,612,421.09	2,343,435,561.00
2. Book value at the beginning 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

Note: Original value of the fixed assets continued to be used upon full provision for impairment at the end of the period was RMB24,998,246.35.

(2) Fixed assets that are temporarily idle

N/A

(3) Fixed assets under financing lease

N/A

#### Disposal of fixed assets

N/A

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

### 14. Construction in progress

#### Presentation by category

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Construction in progress	<b>603,637,921.26</b>	680,485,100.59
Total	<b>603,637,921.26</b>	680,485,100.59

#### Construction in progress

(1) Construction in progress

Unit: Yuan Currency: RMB

Item	31 December 2019			31 December 2018		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Longhai upgrading of cold repair technology for production line of ultra-thin substrate for information display project	3,705,168.77		3,705,168.77	310,612,902.87		310,612,902.87
Puyang 400 tons of ultra-white photothermal materials project	429,093,920.75		429,093,920.75	255,507,456.12		255,507,456.12
Tongcheng processing glass production lines 4#	91,218,310.64		91,218,310.64	63,661,172.35		63,661,172.35
Hefei New Energy oxy-combustion new photovoltaic cover material production line project	9,047,761.44		9,047,761.44	18,003,088.80		18,003,088.80
Tongcheng furnace desulphurization, denitrification and dedusting equipment	13,157,101.17		13,157,101.17	8,054,016.83		8,054,016.83

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

### 14. Construction in progress (continued)

#### *Construction in progress (continued)*

(1) *Construction in progress (continued)*

Item	31 December 2019			31 December 2018		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Yixing Solar coating glass production line with annual capacity of 48 million m <sup>2</sup> –Phase I project (subsequent)	77,876.11		77,876.11	191,950.00		191,950.00
Solar coating glass production line with annual capacity of 48 million m <sup>2</sup> –Phase II project (subsequent)	4,679,603.02		4,679,603.02	2,577,680.21		2,577,680.21
Yixing Solar coating glass production line with annual capacity of 48 million m <sup>2</sup> –Phase III project (subsequent)	614,743.37		614,743.37	48,168.84		48,168.84
The project of black plate glass for double-glass modules processing line of Yixing				20,932,334.62		20,932,334.62
The project of black plate glass for double-glass modules processing line 2 of Yixing	37,709,442.04		37,709,442.04			
Tongcheng Rooftop Distributed Photovoltaic Power Generation Project	13,302,707.05		13,302,707.05			
Others	1,031,286.90		1,031,286.90	896,329.95		896,329.95
<b>Total</b>	<b>603,637,921.26</b>		<b>603,637,921.26</b>	<b>680,485,100.59</b>		<b>680,485,100.59</b>

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

### 14. 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 2018	Increase for the current period	Fixed assets amount transferred for the current period	Other decreased amount for period	31 December 2019	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 (%)					
Longhai upgrading of cold repair technology for production line of ultrathin substrate for information display project	508,710,000.00	310,612,902.87	77,999,836.62	384,551,063.43	356,507.29	3,705,168.77	76.39	76.39	13,312,496.66	12,303,182.77	5.635	Self-raised funds
Puyang 400 tons of ultra-white photothermal materials project	800,300,000.00	255,507,456.12	173,586,464.63			429,093,920.75	53.62	53.62	4,435,898.66	4,143,481.99	5.635	Self-raised funds
Tongcheng processing glass production lines 4#	100,800,000.00	63,661,172.35	27,557,138.29			91,218,310.64	90.49	90.49				Self-raised funds
The project of black plate glass for double-glass modules processing line 2 of Yixing	44,870,000.00		37,709,442.04			37,709,442.04	84.04	84.04				Self-raised funds
The project of black plate glass for double-glass modules processing line of Yixing	36,220,000.00	20,932,334.62	18,594,889.75	39,527,224.37			109.13	100.00				Self-raised funds
The technical renovation project on cold repair of Tongcheng 320t/d solar power original glass production line	133,325,000.00		147,119,849.26	147,119,849.26			110.35	100.00				Self-raised funds
Technical upgrading project of Tongcheng processing line 2	54,740,000.00		39,310,029.13	39,310,029.13			71.81	100.00				Self-raised funds
<b>Total</b>	<b>1,678,965,000.00</b>	<b>650,713,865.96</b>	<b>521,877,649.72</b>	<b>610,508,166.19</b>	<b>356,507.29</b>	<b>561,726,842.20</b>			<b>17,748,395.32</b>	<b>16,446,664.76</b>	<b>/</b>	<b>/</b>

# Notes to the Financial Statements

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

### 14. Construction in progress (continued)

#### *Construction in progress (continued)*

(3) Impairment provision for the construction in progress for the period

N/A

#### *Engineering materials*

N/A

### 15. Intangible Assets

#### (1) Intangible assets

Unit: Yuan Currency: RMB

Item	Land use rights	Patent right	Non-patent technology	Software use rights	Trademark rights	Total
<b>I. Original Book value</b>						
1. Opening balance	390,959,567.27	141,509.43	12,316,037.70	1,717,864.85	6,000,000.00	411,134,979.25
2. Increase for the period	18,726,409.04	61,320.76	31,662,410.52	193,085.06		50,643,225.38
(1) Purchase	18,726,409.04	61,320.76		193,085.06		18,980,814.86
(2) Internal research and development			31,662,410.52			31,662,410.52
(3) Increase from business combination						
3. Decrease for the period	284,811.38					284,811.38
(1) Disposal	284,811.38					284,811.38
4. Closing balance	409,401,164.93	202,830.19	43,978,448.22	1,910,949.91	6,000,000.00	461,493,393.25
<b>II. Accumulated amortization</b>						
1. Opening balance	39,591,561.76	27,122.64	8,504,520.22	641,722.87	6,000,000.00	54,764,927.49
2. Increase for the period	8,766,338.51	14,308.17	1,555,151.46	152,436.90		10,488,235.04
(1) Provision	8,766,338.51	14,308.17	1,555,151.46	152,436.90		10,488,235.04
3. Decrease for the period	118,100.34					118,100.34
(1) Disposal	118,100.34					118,100.34
4. Closing balance	48,239,799.93	41,430.81	10,059,671.68	794,159.77	6,000,000.00	65,135,062.19

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

### 15. Intangible Assets (continued)

#### (1) Intangible assets (continued)

Item	Land use rights	Patent right	Non-patent technology	Software use rights	Trademark rights	Total
<b>III. Provision for impairment</b>						
1. Opening balance						
2. Increase for the period						
(1) Provision						
3. Decrease for the period						
(1) Disposal						
4. Closing balance						
<b>IV. Book value</b>						
1. Book value at the end of the period	361,161,365.00	161,399.38	33,918,776.54	1,116,790.14		396,358,331.06
2. Book value at the beginning of the period	351,368,005.51	114,386.79	3,811,517.48	1,076,141.98		356,370,051.76

Intangible assets from internal research and development of the Company accounted for 7.99% of the balance of intangible assets at the end of the period

Notes: 1. The land use right certificates with original values of RMB55,153,380.80 in Puyang County, Puyang City and 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 25 to 70 years.

#### (2) Land use rights without proper title certificates

N/A



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

### 16. Development expenditure

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the period		Decrease for the period		31 December 2019
		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	7,283,337.86		9,068,467.86		
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	2,092,501.22		3,650,208.92		
R&D of Intelligent Ultra-thin Patterned Rolling Machines	3,018,345.08	2,233,596.32		5,251,941.40		
R&D of Intelligent Ultra-thin AR Coating Machine	172,393.16	11,902.00		184,295.16		
R&D of Ultra-thin and Antireflective Photovoltaic Mirrored Single-suede Original Glass	3,171,401.17	3,738,811.65		6,910,212.82		
R&D of Anti-reflective AR Nano Membrane Liquid of Photovoltaic Glass	791,594.38	1,226,985.05		2,018,579.43		
Technical renovation research on the main rotating shaft of edge grinding machine		1,327,902.53				<b>1,327,902.53</b>
The research and development on the fluxing action of titanium nitride nanoparticles for glass batch		569,810.21				<b>569,810.21</b>
Renovation research on the cooling inlet system of calender roll		548,177.64				<b>548,177.64</b>
Research and development on 2.0 mm large physically and fully toughened anti-PID glass		627,867.96				<b>627,867.96</b>
<b>Total</b>	<b>15,075,276.42</b>	<b>19,660,892.44</b>		<b>31,662,410.52</b>		<b>3,073,758.34</b>

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

### 17. Long-term deferred expenses

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the period	Amortized amount for period	Other decreased amount	31 December 2019
Consultation service charge	7,402,500.06	2,226,226.40	3,152,500.15		<b>6,476,226.31</b>
Renovation expenses	467,397.45		151,588.33		<b>315,809.12</b>
Reconstruction of the electrical circuit of the office	54,000.00		54,000.00		
<b>Total</b>	<b>7,923,897.51</b>	<b>2,226,226.40</b>	<b>3,358,088.48</b>		<b>6,792,035.43</b>

### 18. Deferred tax assets/deferred tax liabilities

#### (1) Deferred tax assets not being offset

Unit: Yuan Currency: RMB

Item	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	<b>59,754,067.62</b>	<b>8,963,110.16</b>	31,163,084.79	5,175,878.20
Unrealised profits from internal transactions				
Deductible losses	<b>2,687,372.30</b>	<b>403,105.84</b>	4,535,724.10	933,931.03
Deferred income				
<b>Total</b>	<b>62,441,439.92</b>	<b>9,366,216.00</b>	<b>35,698,808.89</b>	<b>6,109,809.23</b>

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

### 18. Deferred tax assets/deferred tax liabilities (continued)

(2) *Deferred tax liabilities not being offset*

N/A

(3) *Deferred income tax assets or deferred income tax liabilities presented on a net basis after being offset*

N/A

(4) *Breakdown of unrecognized deferred tax assets*

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Deductible temporary differences	<b>130,724,804.05</b>	128,697,559.89
Deductible losses	<b>563,859,267.61</b>	566,611,561.27
Total	<b>694,584,071.66</b>	695,309,121.16

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

(5) *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
2019		22,717,702.45	
2020	<b>360,795,553.98</b>	360,795,553.98	
2021	<b>100,440,480.66</b>	100,440,480.66	
2022	<b>47,781,679.25</b>	47,781,679.25	
2023	<b>15,230,715.68</b>	34,876,144.93	
2024	<b>39,610,838.04</b>		
Total	<b>563,859,267.61</b>	566,611,561.27	/

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

### 19. Other non-current assets

Unit: Yuan Currency: RMB

Item	31 December 2019			31 December 2018		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Incremental costs of obtaining a contract						
Contract performance cost						
Return cost receivables						
Contract assets						
Prepayments for projects and equipment	<b>3,671,639.24</b>		<b>3,671,639.24</b>	2,714,102.55		2,714,102.55
<b>Total</b>	<b>3,671,639.24</b>		<b>3,671,639.24</b>	<b>2,714,102.55</b>		<b>2,714,102.55</b>

### 20. Short-term loans

#### (1) Category of short-term loans

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Pledged loan	<b>19,577,777.79</b>	
Mortgage loan	<b>98,062,400.00</b>	44,700,000.00
Guaranty loan	<b>1,120,690,000.00</b>	788,284,000.00
Credit loan		18,904,356.04
Interest payable	<b>1,723,908.47</b>	
<b>Total</b>	<b>1,240,054,086.26</b>	<b>851,888,356.04</b>

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

### 20. Short-term loans (continued)

#### (1) Category of short-term loans (continued)

Explanation of the category of short-term loans:

- Notes:
- As at 31 December 2019, the Company used accounts receivable with a book value of RMB19,107,277.79 for financing through receivable chain platform, which is presented as pledge loan.
  - Obtained by the Company by mortgage over fixed assets with book value of RMB165,229,116.41 and intangible assets with book value of RMB12,769,273.01 on 31 December 2019.
  - As at 31 December 2019, RMB20,000,000.00 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 2019, annual interest rate of short-term loans was 4.35%-7.8%.

#### (2) Overdue short-term loans

N/A

### 21. Notes payable

#### (1) Notes payable by category

Unit: Yuan Currency: RMB

Category	31 December 2019	31 December 2018
Commercial acceptances	<b>88,391,175.30</b>	14,434,219.82
Bank acceptances	<b>516,732,323.56</b>	290,624,432.61
Total	<b>605,123,498.86</b>	305,058,652.43

The total notes payable due but not paid at the end of the period was nil.

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

### 22. Accounts payable

#### (1) Accounts payable by item

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Within 1 year (including 1 year)	<b>488,832,656.23</b>	425,891,609.33
Above 1 year	<b>186,564,524.30</b>	252,204,793.86
Total	<b>675,397,180.53</b>	678,096,403.19

#### (2) Significant accounts payable aged over 1 year

Unit: Yuan Currency: RMB

Item	31 December 2019	Reason for outstanding or carrying forward
China Triumph International Engineering Co., Ltd.	<b>141,259,927.20</b>	Not yet settled
Total	<b>141,259,927.20</b>	/

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 23. Contract liabilities

#### (1) Contract liabilities

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Within 1 year (including 1 year)	<b>15,330,437.39</b>	24,318,016.75
Over 1 year	<b>324,302.03</b>	4,702,797.40
Total	<b>15,654,739.42</b>	29,020,814.15

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

N/A

### 24. Employee compensation payable

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

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
I. Short-term remuneration	23,689,970.31	212,478,452.45	205,482,202.48	<b>30,686,220.28</b>
II. After-service welfare – defined provision plan	425,795.50	17,638,527.35	17,696,821.50	<b>367,501.35</b>
III. Termination benefits		362,970.00	318,870.00	<b>44,100.00</b>
IV. Other benefits due within one year				
Total	24,115,765.81	230,479,949.80	223,497,893.98	<b>31,097,821.63</b>

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

### 24. Employee compensation payable (continued)

#### (2) Short-term remuneration is shown as follows (continued)

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
I. Salary, bonus, allowance and subsidy	16,381,119.52	175,129,386.82	168,301,737.95	<b>23,208,768.39</b>
II. Staff's welfare		18,796,884.25	18,796,884.25	
III. Social insurance premium	234,252.07	8,738,827.14	8,756,394.72	<b>216,684.49</b>
Including: Medical				
insurance	179,239.66	7,447,727.04	7,465,856.44	<b>161,110.26</b>
Labor injury				
insurance	39,837.41	826,049.22	825,641.26	<b>40,245.37</b>
Maternity				
insurance	15,175.00	465,050.88	464,897.02	<b>15,328.86</b>
IV. Housing Provident fund	331,697.05	6,665,354.42	6,756,588.59	<b>240,462.88</b>
V. Labor union expenses and employee education expenses	6,589,987.04	3,138,238.82	2,802,517.82	<b>6,925,708.04</b>
VI. Short-period paid leave				
VII. Short-term profit sharing plan				
VIII. Other short-term remuneration	152,914.63	9,761.00	68,079.15	<b>94,596.48</b>
<b>Total</b>	<b>23,689,970.31</b>	<b>212,478,452.45</b>	<b>205,482,202.48</b>	<b>30,686,220.28</b>



# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 24. Employee compensation payable (continued)

(3) Defined provision plan is shown as follows

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
1. Basic pension insurance	414,269.23	16,957,183.42	17,015,463.79	<b>355,988.86</b>
2. Unemployment insurance		119,166.28	119,166.28	
3. Enterprise annuity	11,526.27	562,177.65	562,191.43	<b>11,512.49</b>
Total	425,795.50	17,638,527.35	17,696,821.50	<b>367,501.35</b>

### 25. Tax payable

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Value-added tax	<b>7,454,829.89</b>	3,223,023.01
Enterprise income tax	<b>22,098,757.58</b>	9,614,393.38
Individual income tax	<b>333,087.27</b>	322,090.86
City maintenance tax	<b>345,524.72</b>	291,693.04
Resource tax	<b>51,854.08</b>	30,000.00
Property tax	<b>2,960,563.66</b>	2,916,294.21
Land-use tax	<b>2,660,473.82</b>	1,868,103.55
Education surcharges	<b>187,966.21</b>	139,519.86
Other tax and charges	<b>601,191.14</b>	364,870.22
Total	<b>36,694,248.37</b>	18,769,988.13

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

### 26. Other payables

#### *Presentation by category*

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Interest payable		3,971,724.81
Dividend payable		
Other payables	<b>356,002,972.21</b>	383,516,716.85
Total	<b>356,002,972.21</b>	387,488,441.66

#### *Interest payable*

N/A

#### *Dividend payable*

N/A

#### *Other payables*

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

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Announcement and intermediary fee	<b>6,118,480.48</b>	17,028,428.72
Security deposits	<b>3,728,696.69</b>	3,326,646.70
Current accounts	<b>346,155,795.04</b>	363,161,641.43
Total	<b>356,002,972.21</b>	383,516,716.85

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 26. Other payables (continued)

#### Other payables (continued)

(2) Significant other payables aged over 1 year

Unit: Yuan Currency: RMB

Item	31 December 2019	Reason for outstanding or carrying forward
China Luoyang Float Glass (Group) Co., Ltd.	179,784,182.13	Not yet settled
Triumph Technology Group Limited Company	147,114,461.03	Not yet settled
Total	326,898,643.16	/

### 27. Non-current liabilities due within one year

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Long-term loans due within one year	214,668,497.03	236,037,605.59
Bonds payable due within one year		
Long term payables due within one year		
Lease liabilities due within one year		
Total	214,668,497.03	236,037,605.59

### 28. Other current liabilities

Other current liabilities

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Short-term bonds payable		
Refund payable		
Ending balance of output VAT	1,834,742.27	
Total	1,834,742.27	

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

### 29. Long-term loans

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

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Pledged loan	<b>32,959.53</b>	
Mortgage loan	<b>113,205,900.61</b>	271,429,305.35
Guaranty loan	<b>432,500,000.00</b>	250,000,000.00
Credit loan		
Total	<b>545,738,860.14</b>	521,429,305.35

Explanation on the category of long-term loans:

- Notes:
- Obtained by the Company by pledging a deposit certificate of RMB1,400,000.00 on 31 December 2019.
  - 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 2019, the book value of after-sale lease-back fixed assets was RMB290,302,282.79 and the balance of such long-term loan was RMB150,173,194.26, among which, the long-term loan due within one year amounted to RMB77,242,293.65. Other mortgage loans were obtained by mortgage over fixed assets with a book value of RMB256,278,706.45 and intangible assets with a book value of RMB81,106,177.63 and being guaranteed by the related parties at the same time.
  - As at 31 December 2019, the guaranty loan of RMB517,500,000.00 was obtained through warranty guarantee from related parties provided to the Company.
  - Repayment period for long-term loan with over one year

Repayment period	31 December 2019	31 December 2018
1 to 2 years	<b>164,174,936.14</b>	197,112,293.66
2 to 5 years	<b>306,063,924.00</b>	124,317,011.69
Over 5 years	<b>75,500,000.00</b>	200,000,000.00
Total	<b>545,738,860.14</b>	521,429,305.35

# Notes to the Financial Statements

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Unit: Yuan Currency: RMB

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

### 30. Deferred income

#### Deferred income

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the current period	Decrease for the current period	31 December 2019	Reasons of formation
Government grants	106,935,486.80		2,104,772.36	<b>104,830,714.44</b>	
Total	<u>106,935,486.80</u>		<u>2,104,772.36</u>	<u><b>104,830,714.44</b></u>	/

Projects involving government subsidy:

Unit: Yuan Currency: RMB

Projects with liabilities	31 December 2018	New additional subsidy for the period	Amount recorded in non-operating profits for the period	Amount recorded in other income for the period	Other changes	31 December 2019	Related to assets/ related to income
Land-use subsidy for ultra-thin and ultra-white glass production line project	2,197,262.70			<b>53,920.56</b>		2,143,342.14	Related to assets
Fiscal subsidy for ultrathin and ultra-white glass production line	202,500.00			<b>202,500.00</b>			Related to asset
Special fund for ultrathin production line	450,000.00			<b>75,000.00</b>		375,000.00	Related to asset
Investment subsidy for ultra-white solar thermal material project	100,000,000.00					100,000,000.00	Related to asset
Premium subsidy of the insurance for application of the first batch of ultra-thin float electronic glass	1,550,000.00			<b>1,550,000.00</b>			Related to income
Special subsidy for the application of new model of smart manufacturing	2,535,724.10			<b>223,351.80</b>		2,312,372.30	Related to asset
Total	<u>106,935,486.80</u>			<u><b>2,104,772.36</b></u>		<u>104,830,714.44</u>	

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

### 31. Share capital

Unit: Yuan Currency: RMB

	31 December 2018	Changes in this period (+, -)			Sub-total	31 December 2019
		New shares	Bonus transferred shares to shares	Others		
Total number of shares	559,797,391.00			-7,400,882.00	-7,400,882.00	552,396,509.00

Other explanations:

*Note:* The resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Hefei) New Energy Company Limited\* in 2018; the resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Tongcheng) New Energy Materials Company Limited\* in 2018; and the resolution on the compensation schemes for unfulfilled profit guarantee of CNBM (Yixing) New Energy Company Limited\* in 2018 were considered and approved at the 2018 annual general meeting convened on 21 June 2019. The Company repurchased 7,400,882 compensation shares of counterparties at a total consideration of RMB3, and completed deregistration procedures with China Securities Depository and Clearing Corporation Limited, Shanghai Branch on 11 December 2019. The buy-backs and cancellations resulted in the decrease of the Company's registered capital from RMB559,797,391 to RMB552,396,509.

### 32. Capital reserve

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
Capital premium (share capital premium)	1,896,021,942.29	7,400,879.00		1,903,422,821.29
Other capital reserves	75,115,945.01			75,115,945.01
Total	1,971,137,887.30	7,400,879.00		1,978,538,766.30

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

*Note:* On 18 April 2018, in respect of the target companies (Hefei New Energy, Tongcheng New Energy and Yixing New Energy) involved in the acquisition of assets by issuance of shares of the Company, the Company entered into the Profit Guarantee Indemnity Agreements for the Acquisition of Assets by Issuance of Shares and the supplemental agreement with the counterparties. As the audited net profit for 2018 was lower than the performance guarantee, 7,400,882 shares were repurchased by the Company at total repurchase price of RMB3.00 pursuant to the agreements, and the difference was recorded in capital reserve.

# Notes to the Financial Statements

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Unit: Yuan Currency: RMB

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

### 33. Surplus reserve

Unit: Yuan Currency: RMB

Item	31 December 2018	Increase for the period	Decrease for the period	31 December 2019
Statutory surplus reserve	51,365,509.04			<b>51,365,509.04</b>
Total	<u>51,365,509.04</u>			<u><b>51,365,509.04</b></u>

### 34. Undistributed profit

Unit: Yuan Currency: RMB

Item	The period	Previous period
Undistributed profit at the end of the previous year before adjustment	<b>-1,337,084,302.73</b>	-1,507,399,946.07
Total of adjustment of undistributed profit at the beginning of the period (increase expresses with +, and decrease expressed with -)		154,670,332.87
Undistributed profit at the beginning of the period after adjustment	<b>-1,337,084,302.73</b>	-1,352,729,613.20
Add: Net profit attributable to owners of parent company during the period	<b>53,999,883.71</b>	15,645,310.47
Undistributed profit at the end of the period	<u><b>-1,283,084,419.02</b></u>	<u>-1,337,084,302.73</u>

### 35. Operating revenue and operating costs

#### (1) Operating revenue and operating costs

Unit: Yuan Currency: RMB

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal operations	<b>1,800,247,448.59</b>	<b>1,367,307,636.65</b>	1,337,353,776.71	1,038,934,036.53
Other operations	<b>54,594,759.50</b>	<b>36,967,230.50</b>	65,394,411.03	58,333,822.85
Total	<u><b>1,854,842,208.09</b></u>	<u><b>1,404,274,867.15</b></u>	<u>1,402,748,187.74</u>	<u>1,097,267,859.38</u>

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

### 35. Operating revenue and operating costs (Continued)

(2) *Revenue generated from the contracts*

N/A

(3) *Description of performance obligations*

Generally, there is only one performance obligation in the contracts of sales of goods related to sales of glass products to customers by the Company, and the consideration for sales of products is determined according to the fixed price agreed in the sales contract or temporary pricing arrangement. The Company recognises revenue when the control over related goods is transferred to customers.

In addition, the Company carries out businesses by adopting the methods of advance receipt or credit sales according to the credit status of the counterparties.

(4) *Explanation on allocation to the remaining performance obligation*

N/A

### 36. Taxes and surcharges

Unit: Yuan Currency: RMB

Item	2019	2018
City maintenance tax	<b>3,747,860.71</b>	2,177,965.22
Education surcharges	<b>2,787,181.76</b>	1,555,731.24
Property tax	<b>7,426,407.18</b>	5,993,319.52
Land-use tax	<b>9,136,754.19</b>	6,354,231.88
Stamp duty	<b>1,104,625.98</b>	1,264,844.89
Others	<b>1,484,463.87</b>	1,759,799.53
Total	<b>25,687,293.69</b>	19,105,892.28



# Notes to the Financial Statements

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Unit: Yuan Currency: RMB

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

### 37. Selling expenses

Unit: Yuan Currency: RMB

Item	2019	2018
Staff expense	14,947,279.13	12,077,047.77
Transportation costs	45,128,432.36	31,765,687.81
Travel Expense	575,200.21	867,233.40
Office expenses	961,667.29	962,445.69
Other selling expenses	4,277,680.12	1,269,580.14
Total	65,890,259.11	46,941,994.81

### 38. Administrative expenses

Unit: Yuan Currency: RMB

Item	2019	2018
Staff expense	63,136,240.20	51,411,014.22
Depreciation of fixed assets	8,029,521.39	7,941,089.41
Business entertainment expenses	1,536,200.50	1,740,196.60
Travel expenses	1,598,399.35	1,484,936.18
Transportation expenses	2,063,374.29	1,712,618.27
Office expenses	3,973,067.82	2,687,902.90
Intermediary engagement and consulting fees	6,868,076.46	10,566,014.60
Property management fee	2,267,806.03	1,908,528.35
Amortization of intangible assets	9,274,750.94	8,258,323.26
Other expenses	14,142,412.75	8,677,278.92
Total	112,889,849.73	96,387,902.71

### 39. Research and development expenses

Unit: Yuan Currency: RMB

Item	2019	2018
Staff expense	20,847,864.17	21,659,650.05
Material expense	38,519,046.12	33,878,802.04
Depreciation expense	6,998,876.68	6,740,897.75
Other expenses	458,148.84	539,890.64
Total	66,823,935.81	62,819,240.48

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

### 40. Financial expenses

Unit: Yuan Currency: RMB

Item	2019	2018
Interest expense	92,019,454.58	67,533,806.87
Less: interest income	-3,133,668.95	-924,940.33
Exchange losses (less: exchange income)	-650,850.51	469,052.48
Handling charges expenses	8,609,529.82	7,358,931.98
Other finance expenses	1,084,677.32	968,509.82
Total	97,929,142.26	75,405,360.82

### 41. Other income

Unit: Yuan Currency: RMB

Item	2019	2018
R&D subsidy	5,543,741.80	10,791,245.90
Subsidy for photovoltaic power generation	5,719,772.73	5,840,451.76
Financing subsidy	3,000,000.00	5,000,000.00
Subsidy for production and operation	3,421,120.56	2,695,990.00
Tax refunds	997,700.00	1,995,400.00
Subsidy for stabilizing employment	1,686,993.00	1,888,936.79
Insurance subsidy	1,666,500.00	310,000.00
Others	317,510.18	239,920.56
Total	22,353,338.27	28,761,945.01

### 42. Investment income

Unit: Yuan Currency: RMB

Item	2019	2018
Loss from de-recognition of accounts receivable financing	-8,939,588.06	-5,660,178.53
Total	-8,939,588.06	-5,660,178.53

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

### 43. Impairment losses of credit

Unit: Yuan Currency: RMB

Item	2019	2018
Bad debt loss for other receivables		
Impairment losses of debt investments		
Impairment losses of other debt investments		
Bad debt loss for long-term receivables		
Impairment losses of contract assets		
Impairment losses of financial assets at amortized cost	<b>-27,639,136.97</b>	-1,663,767.57
Total	<b>-27,639,136.97</b>	-1,663,767.57

### 44. Impairment losses of assets

Unit: Yuan Currency: RMB

Item	2019	2018
I. Bad debt loss		
II. Inventory impairment loss and impairment loss of contract performance costs	<b>-3,396,587.15</b>	-2,108,032.94
III. Impairment losses of available-for-sale financial assets		
IV. Impairment losses of held-to-maturity investments		
V. Impairment losses of long-term equity investments		
VI. Impairment losses of investment properties		
VII. Impairment losses of fixed assets	<b>-4,691,404.46</b>	
VIII. Impairment losses of engineering materials		
IX. Impairment losses of construction in progress		
X. Impairment losses of productive biological assets		
XI. Impairment losses of oil and gas assets		
XII. Impairment losses of intangible assets		
XIII. Impairment losses of goodwill		
XIV. Others		
Total	<b>-8,087,991.61</b>	-2,108,032.94

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

### 45. Gains on the Disposal of Assets

Unit: Yuan Currency: RMB

Item	2019	2018
Fixed assets	<b>10,660,229.70</b>	1,306,818.50
Intangible assets	<b>694,847.96</b>	
Total	<b>11,355,077.66</b>	1,306,818.50

### 46. Non-operating income

#### Non-operating income

Unit: Yuan Currency: RMB

Item	2019	2018	Amount recognized as non-recurring gain or loss for the period
Income from debt restructuring	<b>4,016.80</b>	373,719.66	4,016.80
Government subsidy	<b>18,150,339.00</b>	7,338,180.00	18,150,339.00
Others	<b>253,958.35</b>	590,400.67	253,958.35
Total	<b>18,408,314.15</b>	8,302,300.33	18,408,314.15

#### Government subsidy recognized as profit or loss for the period

Unit: Yuan Currency: RMB

Subsidy Item	2019	2018	Related to assets/income
Industry supporting fund	<b>16,880,000.00</b>	5,300,000.00	Related to income
Government rewards	<b>1,000,000.00</b>	1,775,480.00	Related to income
Others	<b>270,339.00</b>	262,700.00	Related to income
Total	<b>18,150,339.00</b>	7,338,180.00	

# Notes to the Financial Statements

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

### 47. Non-operating expenses

Unit: Yuan Currency: RMB

Item	2019	2018	Amount recognized as non-recurring profit or loss of the period
Donations	10,000.00		10,000.00
Penalties and overdue fine	1,981,050.00	1,222,054.86	1,981,050.00
Others	440.00	390,422.29	440.00
Total	1,991,490.00	1,612,477.15	1,991,490.00

### 48. INCOME TAX EXPENSES

#### (1) The table for income tax expenses

Unit: Yuan Currency: RMB

Item	2019	2018
Income tax expenses for the period	21,460,371.97	9,146,134.88
Deferred income tax expenses	-3,256,406.77	-185,830.54
Total	18,203,965.20	8,960,304.34

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

Unit: Yuan Currency: RMB

Item	2019
Total profit	86,805,383.78
Income tax expenses calculated at statutory/applicable tax rates	21,701,345.95
Effect of different tax rates applicable to subsidiaries	-11,635,734.87
Effect of income tax before adjustments	23,393.13
Effect of non-taxable income	
Effect of costs, expenses and losses not deductible for tax purposes	7,582,846.06
Effect of utilization of deductible losses of unrecognized deferred income tax assets in previous periods	-2,772,011.33
Effect of current deductible temporary differences or deductible loss of unrecognized deferred income tax assets	11,181,748.18
Deduction of aggregate expense items such as R&D expenses	-7,877,621.92
Income tax expenses	18,203,965.20

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

### 49. Items of cash flow statement

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

Unit: Yuan Currency: RMB

Item	2019	2018
Government grants	<b>37,894,752.99</b>	32,366,595.70
Others	<b>22,172,000.96</b>	27,072,667.02
Total	<b>60,066,753.95</b>	59,439,262.72

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

Unit: Yuan Currency: RMB

Item	2019	2018
Consultation and audit, assessment, legal fees, bulletin fees	<b>8,054,647.89</b>	10,716,369.92
Bill deposits	<b>58,396,032.42</b>	40,612,371.54
Other current accounts and expenses	<b>34,751,354.13</b>	25,898,184.48
Total	<b>101,202,034.44</b>	77,226,925.94

#### (3) Other cash received from activities relating to investment

N/A

#### (4) Other cash paid for activities relating to investment

N/A

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 49. Items of cash flow statement (Continued)

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

Unit: Yuan Currency: RMB

Item	2019	2018
Bill discount	<b>173,531,177.87</b>	194,424,155.54
Triumph Technology Group Co., Ltd.		424,300,000.00
CLFG	<b>126,580,321.40</b>	355,195,569.80
Performance compensation		18,117,140.63
China Triumph International Engineering Co., Ltd.	<b>93,495,000.00</b>	233,380,000.00
CNBM Bengbu Design Institute for Glass Industry Co., Ltd.	<b>28,400,000.00</b>	47,400,000.00
Others	<b>1,551,871.28</b>	
Total	<b>423,558,370.55</b>	1,272,816,865.97

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

Unit: Yuan Currency: RMB

Item	2019	2018
Repayment of matured bill	<b>170,000,000.00</b>	80,000,000.00
Triumph Technology Group Co., Ltd.		440,568,800.00
CLFG	<b>159,800,000.00</b>	141,944,257.67
China Triumph International Engineering Co., Ltd.	<b>91,500,000.00</b>	233,380,000.00
CNBM (Bengbu) Photoelectric Materials Co., Ltd.		25,742,837.36
CNBM Bengbu Design Institute for Glass Industry Co., Ltd.	<b>28,500,000.00</b>	47,580,000.00
Financing security deposits and service fees	<b>9,560,000.00</b>	4,680,000.00
Bill deposit	<b>38,383,739.59</b>	70,000,000.00
Payment for repurchase of Shares	<b>3.00</b>	
Total	<b>497,743,742.59</b>	1,043,895,895.03

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

### 50. Supplementary information of cash flow statement

#### (1) Supplementary information of cash flow statement

Unit: Yuan Currency: RMB

Supplementary information	2019	2018
<b>1. Net profit adjusted to cash flow of operating activities:</b>		
Net profit	<b>68,601,418.58</b>	23,186,240.57
Add: Provision for impairment of assets	<b>8,087,991.61</b>	2,108,032.94
Impairment losses of credit	<b>27,639,136.97</b>	1,663,767.57
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	<b>133,579,396.97</b>	118,551,085.12
Amortization of right-of-use assets		
Amortization of intangible assets	<b>10,488,235.04</b>	9,235,780.37
Amortization of long-term deferred expenses	<b>3,358,088.48</b>	2,295,240.83
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	<b>-11,355,077.66</b>	-1,306,818.50
Losses from scrapping of fixed assets ("-" for gains)		232,929.42
Losses from changes in fair value ("-" for gains)		
Finance expenses ("-" for gains)	<b>100,628,984.40</b>	73,109,651.33
Investment losses ("-" for gains)	<b>8,939,588.06</b>	5,660,178.53
Decrease in deferred income tax assets ("-" for increase)	<b>-3,256,406.77</b>	-185,830.54
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	<b>-2,445,458.58</b>	-53,412,659.22
Decrease in operating receivables ("-" for increase)	<b>-216,207,886.55</b>	-201,579,784.28
Increase in operating payables ("-" for decrease)	<b>-105,566,021.78</b>	-59,778,737.31
Others		
Net cash flow from operating activities	<b>22,491,988.77</b>	-80,220,923.17



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

### 50. Supplementary information of cash flow statement (Continued)

#### (1) Supplementary information of cash flow statement (Continued)

Supplementary information	2019	2018
<b>2. Significant investing and financing activities that do not involve cash receipts and payment:</b>		
Capital transferred from debts		
Convertible corporate bonds due within one year		
Fixed assets under finance lease		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	<b>148,188,549.43</b>	160,068,348.62
Less: Opening balance of cash	<b>160,068,348.62</b>	198,797,788.08
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	<b>-11,879,799.19</b>	-38,729,439.46

Note: Commercial bill from sale of goods that did not involve cash receipt and payment was RMB859,293,300.

#### (2) Constitution of cash and cash equivalents

Unit: Yuan Currency: RMB

Item	2019	2018
<b>I. Cash</b>	<b>148,188,549.43</b>	160,068,348.62
Including: Cash on hand	<b>324,480.10</b>	215,682.50
Bank deposit available for payment at any time	<b>147,864,069.33</b>	159,852,666.12
Other monetary funds available for payment at any time		
Placement with the central bank available for payment		
Inter-bank deposit		
Deposits from interbank		
<b>II. Cash equivalents</b>		
Including: Bond investments due within three months		
<b>III. Closing balance of cash and cash equivalents</b>	<b>148,188,549.43</b>	160,068,348.62
Including: Restricted cash and cash equivalents of the parent company or subsidiaries of the Group		

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

### 51. 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	284,682,948.23	Security deposit
Notes receivable	33,746,730.41	Pledge
Fixed assets	711,810,105.65	Mortgage
Intangible assets	93,875,450.64	Mortgage
Accounts receivable	19,107,277.79	Pledge
Total	1,143,222,512.72	/

### 52. 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	–	–	3,441,438.23
Including: USD	492,391.04	6.9762	3,435,018.37
EURO	0.05	7.8155	0.39
HKD	7,166.18	0.8958	6,419.46
Accounts receivable	–	–	18,979,323.59
Including: USD	2,720,581.92	6.9762	18,979,323.59
Long-term loans	–	–	32,959.53
Including: USD	–	–	–
EURO	4,217.20	7.8155	32,959.53
Other payables	–	–	4,482,977.01
Including: HKD	5,004,439.62	0.8958	4,482,977.01
Long-term loans due within one year	–	–	169,581.26
EURO	21,698.07	7.8155	169,581.26

#### (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

# Notes to the Financial Statements

31 December 2019  
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## VII. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 53. Government grants

#### (1) Basic information on government grants

Unit: Yuan Currency: RMB

Items	Amount	Presentation	The amount recognized in the profit and loss
Industry supporting fund	16,880,000.00	Non-operating income	16,880,000.00
Government subsidy	1,000,000.00	Non-operating income	1,000,000.00
R&D subsidy	5,543,741.80	Other income	5,543,741.80
Subsidy for photovoltaic power generation	5,719,772.73	Other income	5,719,772.73
Financing subsidy	3,000,000.00	Other income	3,000,000.00
Subsidy for production and operation	3,421,120.56	Other income	3,421,120.56
Tax refunds	997,700.00	Other income	997,700.00
Subsidy for stabilizing employment	1,686,993.00	Other income	1,686,993.00
Insurance subsidy	1,666,500.00	Other income	1,666,500.00
Loan interest subsidy	2,234,070.00	Finance expenses/ construction in progress	1,692,950.00
Others	587,849.18	Other income/Non-operating income	587,849.18

#### (2) Refund of government subsidy

N/A

## VIII. CHANGE IN THE SCOPE OF CONSOLIDATION

N/A

## IX. 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%	14,601,534.87		114,726,151.46

# Notes to the Financial Statements

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Unit: Yuan Currency: RMB

## IX. 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 2019						31 December 2018					
	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	551,358,799.32	668,287,003.36	1,219,645,802.68	766,306,825.26	57,867,927.91	824,174,753.17	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

Name of Subsidiary	2019				2018			
	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	621,015,512.36	50,332,764.10	50,332,764.10	-42,269,029.63	300,334,769.71	14,989,719.87	14,989,719.87	-118,768,801.17

#### (4) Significant restrictions on usage of Group assets and payment of Group debts

N/A

#### (5) Financial support or other supports for structured entities included in the scope of consolidated financial statements

N/A

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

N/A

### 3. Interests in joint ventures or associates

N/A

## X. 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 2019 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.

In addition, with regard to notes receivables, accounts receivable financing 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 credit quality of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

## X. RISKS RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Credit risk (Continued)

For ECLs measurement, based upon whether credit risk has significantly increased or impaired, the Company measures impairment provision for different assets upon the ECLs during 12 months or entire lifetime. The Company takes into account the quantitative analysis of historical statistics and forward-looking information.

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 44.99% 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.

### 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 Group level in order to ensure that it maintains cash and cash equivalents of normal operations. Meanwhile, it should have access to the controlling shareholder commitment to provide financial assistance to meet short-term and long-term funding needs. The management of the Company is responsible to monitor the usage of borrowings and ensures compliance with loan agreements.

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

Item	Within 1 year	1 to 5 years	Over 5 years	Total
Short-term loans	1,268,832,259.64		1,268,832,259.64	
Accounts payable	675,397,180.53		675,397,180.53	
Other payables	356,002,972.21		356,002,972.21	
Long-term loans (including long-term loans due within one year)	250,004,966.67	539,597,044.92	80,199,481.08	869,801,492.68
Total financial liability	2,550,237,379.05	539,597,044.92	80,199,481.08	3,170,033,905.06

## X. RISKS RELATING TO FINANCIAL INSTRUMENTS (CONTINUED)

### 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 2019	31 December 2018
Gearing ratio	73.02%	70.13%

## XI. DISCLOSURE OF FAIR VALUE

### 1. Closing fair value of assets and liabilities measured at fair value

*Unit: Yuan Currency: RMB*

Items	Fair value at the end of period			Total
	Level One	Level Two	Level Three	
	Fair Value	Fair Value	Fair Value	
	Measurement	Measurement	Measurement	
<b>I. Recurring fair value measurement</b>				
(I) Financial assets held for trading				
1. Financial assets at fair value through profit or loss				
2. Financial assets designated at fair value through profit or loss				
(II) Other debt investments				
(III) Other equity investments				
(IV) Investment property				
(V) Biological assets				
(VI) Receivable financing			162,706,438.58	162,706,438.58
<b>Total assets measured at fair value on a recurring basis</b>			162,706,438.58	162,706,438.58
(VI) Financial liabilities held for trading				
<b>Total liabilities measured at fair value on a recurring basis</b>				



## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 1. Closing fair value of assets and liabilities measured at fair value (Continued)

Items	Fair value at the end of period			Total
	Level One Fair Value Measurement	Level Two Fair Value Measurement	Level Three Fair Value Measurement	
<b>II. Non-recurring fair value measurement</b>				
(I) Assets held for sale				
<b>Total assets measured at fair value on a non-recurring basis</b>				
<b>Total liabilities measured at fair value on a non-recurring basis</b>				

### 2. The basis for determining the market value of recurring and non-recurring fair value measurement items categorized within level one

N/A

### 3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorized within level two

N/A

### 4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorized within level three

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 2019, the fair value of other equity investments included in level three was nil.

The fair value of receivable financing at the end of period is determined based on the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## XII. 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 in the Company by parent company (%)	Ratio of voting 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	1,627,921,337.60	20.39	20.39

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 IX. Interests in Other Entities

### 3. Associates and joint ventures of the Company

For the details of major associates or joint ventures of the Company, please refer to Note

### 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
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

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (Continued)

Name of other related parties	Relationship with the Company
Triumph Technology Company Limited	Brother company of the Group
Bengbu Huayi Branch of Triumph Technology Company Limited (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
CTIEC Shenzhen Scieno-tech Engineering Company	Brother company of the Group
China Triumph Bengbu Engineering and Technology Company Limited	Brother company of the Group
CTIEC Environmental Protection Research Institute (Jiangsu) 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
Jiangsu Kairui Technetium Photovoltaic Technology Co., Ltd.	Brother company of the Group
Ruitai 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
Anhui Tianzhu Green Energy Sources Technology Co., Ltd.	Brother company of the Group
CNBM Jetion Solar (China) Co., Ltd.	Brother company of the Group
CNBM New Energy Engineering Co., Ltd.	Brother company of the Group
AVIC Sanxin PV Solar Glass Co., Ltd.	Others
Wonderful Sky Financial Group Limited	Others
Far East Opto-Electronics Co., Ltd.	Others

## XII. 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	2019	2018
Purchase of commodity, receiving of labor service:			
Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	Sodium carbonate	<b>135,416,300.40</b>	
Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	Raw glass	<b>58,221.04</b>	2,249,573.96
Bengbu Chemical Machinery Manufacturing Co., Ltd.	Materials, spare parts	<b>8,416,423.28</b>	7,559,854.32
China Triumph Bengbu Engineering and Technology Company Limited	Materials, spare parts, repair charges	<b>673,304.74</b>	3,572,416.06
Bengbu Xingke Glass Co., Ltd.	Raw glass	<b>702.10</b>	176,985.65
Wonderful Sky Financial Group Limited	Announcement fees	<b>2,002,450.65</b>	2,831,715.83
Triumph Technology Group Co., Ltd.	Sodium carbonate	<b>38,593,268.54</b>	100,532,627.79
Triumph Technology Group Co., Ltd.	Interests expenditure	<b>5,513,902.89</b>	5,640,358.15
Triumph Quartz Material (Taihu) Co., Ltd.	Silica sand	<b>23,357,899.57</b>	5,641,476.03
CLFG Longhao Glass Co. Ltd.	Raw glass		596,031.75
Ruitai Technology Co., Ltd.	Firebrick		392,991.45
Shanghai CTIEC Luculent Information Technology Co., Ltd.	Information system	<b>3,069,518.59</b>	3,773,040.72
Shanghai CTIEC Luculent Information Technology Co., Ltd.	Information service fees	<b>150,943.40</b>	
Far East Opto-Electronics Co., Ltd.	Backup power	<b>1,229,713.58</b>	832,087.30
Far East Opto-Electronics Co., Ltd.	Electricity charges-dormitory charges	<b>793,147.53</b>	
Far East Opto-Electronics Co., Ltd.	Water charges-Hengshan	<b>26,077.85</b>	
Far East Opto-Electronics Co., Ltd.	Vehicle rental	<b>145,950.44</b>	

## XII. 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 purchase of commodity/receiving of labor service (Continued)*

Related party	Content of related party transactions	2019	2018
Far East Opto-Electronics Co., Ltd.	Fixed assets	<b>11,350,490.75</b>	
China Triumph International Engineering Co., Ltd. Bengbu Branch	Design service		37,735.85
China Triumph International Engineering Co., Ltd. Hainan Branch	Silica sand	<b>10,394,917.56</b>	27,197,805.79
China Building Material Test & Certification Group Co., Ltd.	Service fees	<b>81,481.13</b>	5,250.00
China Luoyang Float Glass (Group) Company Limited	Interests expenditure	<b>8,108,335.62</b>	4,258,358.53
CNBM (Bengbu) Photoelectricity Materials Co., Ltd.	Interests expenditure		127,596.87
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Sodium carbonate	<b>6,428,876.42</b>	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	<b>450,725.00</b>	840,090.00
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	Electricity charges	<b>923,440.72</b>	721,477.81
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	consulting fees, service fees	<b>756,906.59</b>	386,791.67
CNBM Triumph Robotics (Shanghai) Co., Ltd.	Spare parts, equipment	<b>339,810.14</b>	2,320,988.36
CNBM Research Institute For Automation of Light Industry Co., Ltd.	Spare parts, equipment	<b>69,251.45</b>	4,218,799.39
Anhui Tianzhu Green Energy Sources Technology Co., Ltd.	Equipment	<b>255,402.29</b>	

## XII. 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	2019	2018
Disposal of commodity, provision of labor service:			
China Luoyang Float Glass (Group) Company Limited	Tenant and utilities		151,325.35
Triumph Information Display Material (Luoyang) Co., Ltd.	Information display glass	<b>4,320,432.01</b>	8,699,205.84
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	<b>32,026,336.19</b>	328,804.81
Far East Opto-Electronics Co., Ltd.	Tenant and utilities	<b>6,360,100.93</b>	6,476,046.15
Far East Opto-Electronics Co., Ltd.	Materials	<b>5,730.09</b>	
China Triumph International Engineering Co., Ltd.	New energy glass	<b>201,237.38</b>	40,577,689.78
China Triumph International Engineering Co., Ltd. Jiangsu Branch	Technical services	<b>2,452,830.20</b>	
China Triumph International Engineering Co., Ltd. Bengbu Branch	Electricity charges		28,317.76
AVIC Sanxin PV Solar Glass Co., Ltd.	New energy glass	<b>2,451,254.06</b>	18,311,571.86
CNBM (Bengbu) Photoelectricity Materials Co., Ltd.	Technical services		4,716,981.15
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	<b>19,339,622.71</b>	
CNBM Jetion Solar (China) Co., Ltd.	New energy glass	<b>76,746,452.57</b>	18,637,935.47
Triumph Technology Company Limited	Information display glass	<b>21,660,464.18</b>	
Bengbu Huayi Branch of Triumph Technology Company Limited (Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.)	Information display glass	<b>4,631,212.03</b>	16,722,817.63
Bengbu China Optoelectronics Technology Co., Ltd.	Silica sand	<b>3,013.10</b>	

## XII. 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)**

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

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.

(2) **Related party entrusted management/contracting and entrusted management/outsourcing**

N/A

(3) **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		133,068.33
Far East Opto-Electronics Co., Ltd.	Fixed assets	<b>402,131.74</b>	455,142.52

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Related party guarantees

*The Company as the guarantor party*

N/A

*The Company as the guaranteed party*

*Unit: Yuan Currency: RMB*

<b>Guarantor</b>	<b>Amount under guaranty</b>	<b>Commencement date of the guaranty</b>	<b>Expiry date of the guaranty</b>	<b>Whether the guaranty been completed or not</b>
Triumph Technology Group Co., Ltd.	300,000,000.00	2018-12-7	2026-4-30	No
Triumph Technology Group Co., Ltd.	106,860,000.00	2019-2-14	2020-2-28	No
Triumph Technology Group Co., Ltd.	49,000,000.00	2019-3-26	2021-3-25	No
Triumph Technology Group Co., Ltd.	50,000,000.00	2019-1-10	2020-1-9	No
Triumph Technology Group Co., Ltd.	50,000,000.00	2019-5-29	2022-5-27	No
Triumph Technology Group Co., Ltd.	200,000,000.00	2019-5-17	2020-11-8	No
Triumph Technology Group Co., Ltd.	100,000,000.00	2019-8-15	2020-11-3	No
Triumph Technology Group Co., Ltd.	100,000,000.00	2019-1-22	2020-12-9	No
Triumph Technology Group Co., Ltd.	50,000,000.00	2019-12-27	2020-11-9	No
Triumph Technology Group Co., Ltd.	106,860,000.00	2018-2-1	2019-2-1	Yes
Triumph Technology Group Co., Ltd.	57,600,000.00	2018-1-26	2019-1-26	Yes
Triumph Technology Group Co., Ltd.	100,000,000.00	2018-1-10	2019-1-10	Yes
China National Building Materials Group Corporation	71,424,000.00	2017-2-10	2019-2-9	Yes
Triumph Technology Group Co., Ltd.	300,000,000.00	2019-7-15	2027-1-15	No
Triumph Technology Group Co., Ltd.	100,000,000.00	2017-4-11	2022-4-11	No



## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Related party guarantees (Continued)

The Company as the guaranteed party (Continued)

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.	50,000,000.00	2017-11-8	2022-11-8	No
Triumph Technology Group Co., Ltd.	100,000,000.00	2019-11-29	2020-11-29	No
Triumph Technology Group Co., Ltd.	30,000,000.00	2019-12-25	2022-12-25	No
Triumph Technology Group Co., Ltd.	150,000,000.00	2019-12-20	2020-12-11	No
Triumph Technology Group Co., Ltd.	55,000,000.00	2019-11-5	2020-11-4	No
Triumph Technology Group Co., Ltd.	70,000,000.00	2018-11-19	2021-11-19	No
Triumph Technology Group Co., Ltd.	80,000,000.00	2019-9-27	2020-9-23	No
CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	290,000,000.00	2015-3-26	2023-12-14	No
Triumph Technology Group Co., Ltd., Far East Opto-Electronics Co., Ltd.	30,000,000.00	2017-4-12	2022-6-30	No
Triumph Technology Group Co., Ltd., Far East Opto-Electronics Co., Ltd.	90,000,000.00	2017-4-12	2022-6-30	No
Triumph Technology Group Co., Ltd., Far East Opto-Electronics Co., Ltd.	50,000,000.00	2017-4-12	2020-4-30	No
Triumph Technology Group Co., Ltd., Far East Opto-Electronics Co., Ltd.	50,000,000.00	2018-8-13	2020-8-13	No
Triumph Technology Group Co., Ltd.	30,000,000.00	2018-9-7	2021-9-7	No
Triumph Technology Group Co., Ltd.	90,000,000.00	2018-12-13	2021-12-13	No

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Related party guarantees (Continued)

*The Company as the guaranteed party (Continued)*

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.	200,000,000.00	2019-8-16	2020-7-30	No
Triumph Technology Group Co., Ltd.	40,000,000.00	2019-7-23	2022-7-22	No
Triumph Technology Group Co., Ltd.	50,000,000.00	2019-5-20	2022-5-20	No
Triumph Technology Group Co., Ltd.	80,000,000.00	2019-6-17	2020-6-16	No
Triumph Technology Group Co., Ltd.	50,000,000.00	2019-9-18	2020-9-18	No
Triumph Technology Group Co., Ltd.	50,000,000.00	2019-12-5	2020-12-4	No
Triumph Technology Group Co., Ltd.	40,000,000.00	2019-2-19	2022-2-19	No
Real estate charge, Far East Opto-Electronics Co., Ltd.	100,000,000.00	2019-7-22	2022-7-22	No
Triumph Technology Group Co., Ltd.	50,000,000.00	2019-2-21	2022-2-21	No
Triumph Technology Group Co., Ltd.	10,000,000.00	2019-9-18	2020-5-6	No

*Note:* In 2019, the obligation for guarantee amounts of RMB1,075.00 million has been completed.

#### (5) Borrowings/loans with related parties

N/A

#### (6) Assets transfer and debt restructuring of related parties

N/A

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (7) Remuneration of key management personnel

Unit: Yuan Currency: RMB

Item	2019	2018
Remuneration of key management personnel	<b>4,653,537.29</b>	4,330,989.08

#### (1) Remuneration of Directors and Supervisors

The remuneration of each director and supervisor in 2019 is as follows:

Name	Fees	Bonus	Salary, allowance and benefit in kind	Defined contribution plan contribution	Total	Note
<b>Executive directors</b>						
Ma Yan			600,000.00	72,233.27	672,233.27	
Wang Guoqiang			550,000.00	61,451.24	611,451.24	
Zhang Chong			550,000.00	114,452.17	664,452.17	
<b>Independent directors</b>						
He Baofeng	60,000.00				60,000.00	
Ye Shuhua	60,000.00				60,000.00	
Zhang Yajuan	50,000.00				50,000.00	
Liu Tianni	10,000.00				10,000.00	
<b>Supervisors</b>						
Li Wenge			330,000.00	60,659.66	390,659.66	
Qiu Mingwei	30,000.00				30,000.00	
Yan Me	30,000.00				30,000.00	
<b>Employee supervisors</b>						
Wang Jian			254,720.00	60,902.07	315,622.07	
Ma Jiankang			185,170.00	45,313.68	230,483.68	
<b>Total</b>	<b>240,000.00</b>		<b>2,469,890.00</b>	<b>415,012.09</b>	<b>3,124,902.09</b>	

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (7) Remuneration of key management personnel (Continued)

##### (1) Remuneration of Directors and Supervisors (Continued)

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
<b>Executive directors</b>						
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	
<b>Independent directors</b>						
Liu Tianni	60,000.00				60,000.00	
Ye Shuhua	60,000.00				60,000.00	
He Baofeng	60,000.00				60,000.00	
<b>Supervisors</b>						
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	
<b>Employee supervisors</b>						
Wang Jian			190,000.00	61,441.98	251,441.98	
Ma Jiankang			145,000.00	47,490.36	192,490.36	
<b>Total</b>	<b>240,000.00</b>		<b>2,052,000.00</b>	<b>388,064.98</b>	<b>2,680,064.98</b>	

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (7) Remuneration of key management personnel (Continued)

##### (2) The five individuals whose remunerations are the highest

The five individuals whose remuneration were the highest during 2019, (2018: 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 (2018: one) during the year are set out as below:

Item	2019	2018
Salary, allowance and benefit in kind	550,000.00	430,000.00
Defined contribution, plan contribution	27,682.00	21,925.44
Total	577,682.00	451,925.44

The range of remunerations of one highest paid individual (2018: one):

Item	2019	2018
Nil to HK\$1,000,000.00	1	1

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (8) 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, Equipment Supply Contract and Installation Engineering Contract respectively, pursuant to which, China Triumph International Engineering Co., Ltd. shall provide civil engineering services, equipment supply and installation of equipment materials not involved in civil engineering and equipment supply for Longhai Glass's production line upgrade project with contract amounts of RMB28,300,000, RMB252,000,000, and RMB27,000,000, respectively. In January 2019, Longhai Glass and China Triumph International Engineering Co., Ltd. entered into the New Civil Engineering Contract and New Installation Engineering Contract with contract amounts of RMB27,000,000 and RMB16,700,000, respectively. In 2019, Longhai Glass made payment for project and equipment of RMB15,000,000 in total with the aggregated amounts paid amounting to RMB284,552,700 as at 31 December 2019.

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線立式餘熱鍋爐和乾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線立式餘熱鍋爐和乾法調質系統設備供貨總承包合同》) respectively, with a contract amount of RMB11.28 million. This project has been completed in December 2019. In 2019, Longhai Glass made payment for project and equipment supply of RMB3.9248 million in total with the aggregated amounts paid amounting to RMB10.716 million.

In November 2018, Longhai Glass and Shanghai CTIEC Luculent Information Technology Co., Ltd. entered into the Cloud Server Contract for Smart Factory Project, Software Procurement Contract and Hardware Procurement Contract with contract amounts of RMB675,000, RMB1,865,000 and RMB310,000, respectively. In February 2019, Longhai Glass and Shanghai CTIEC Luculent Information Technology Co., Ltd. entered into the Order Contract for Low Voltage System Equipment with a contract amount of RMB1,580,000 and the aggregated amounts paid amounting to 3,234,000 in 2019.

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (8) Other related party transactions (Continued)

- (2) In December 2017, Puyang CNBM Photovoltaic Materials, 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 2019, this project was yet to be completed. In 2019, Puyang CNBM Photovoltaic Materials made payment for project and equipment of RMB170 million in total with the aggregated amounts paid amounting to RMB240.4086 million.

Puyang CNBM Photovoltaic Materials and CTIEC Shenzhen Scieno-tech Engineering Co., Ltd. Bengbu Branch respectively entered into the Supportive Flue Gas Treatment Project Equipment Procurement, Installation and Construction Contract for the Ultra-White Solar Thermal Material Project of CNBM (Puyang) Photoelectric Material Co., Ltd. (《中建材(濮陽)光電材料有限公司超白光熱材料項目配套煙氣治理項目設備採購、安裝施工合同》) and the Supportive Waste Heat Boiler Room Project Equipment Procurement, Design and Installation Contract for the Ultra-White Solar Thermal Material Project of CNBM (Puyang) Photoelectric Material Co., Ltd. CNBM (Puyang) Photoelectric Material Co., Ltd. (《超白光熱材料項目配套餘熱鍋爐房項目設備採購、設計安裝合同》), with a total contract amount of RMB26 million and RMB7.5 million respectively. As at 31 December 2019, this project was yet to be completed. In 2019, Puyang CNBM Photovoltaic Materials made payment for project and equipment of RMB7.6 million in total with the aggregated amounts paid amounting to RMB15.5382 million.

- (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#生產線合同》) with a total contract amount of RMB80.8 million. This project has not been completed in 2019. In 2019, Tongcheng New Energy made payment for project and equipment of RMB23.2 million in total with the aggregated amounts paid amounting to RMB67.5066 million.

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 (《窯爐脫硝脫硫除塵工程》), with a total contract amount of RMB15.5 million. This project has not been completed in 2019. In 2019, Tongcheng New Energy made payment for project and equipment of RMB3.8 million in total with the aggregated amounts paid amounting to RMB12.4017 million.

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (8) Other related party transactions (Continued)

##### (3) (Continued)

In March 2019, Tongcheng New Energy and China Triumph International Engineering Co., Ltd. Jiangsu Branch entered into the Equipment Material Supply Contract for Upgrading of Cold Repair Technology for 320t/d Original Solar Glass Production Line Project of CNBM (Tongcheng) New Energy Materials Company Limited and the Equipment Material Installation Contract for Upgrading of Cold Repair Technology for 320t/d Original Solar Glass Production Line Project of CNBM (Tongcheng) New Energy Materials Company Limited with a contract amount of RMB39,690,000 in total. The project was completed in 2019. In April 2019, Tongcheng New Energy and China Triumph International Engineering Co., Ltd. Jiangsu Branch entered into the Equipment Material Supply Contract for Technical Transformation for Capacity Expansion of Deep Processing First-line and Second-line Project of CNBM (Tongcheng) New Energy Materials Company Limited and the Equipment Material Installation Contract for Technical Transformation for Capacity Expansion of Deep Processing First-line and Second-line Project of CNBM (Tongcheng) New Energy Materials Company Limited with a contract amount of RMB14,076,000 in total. The project was completed in 2019. In 2019, Tongcheng New Energy made payment for project and equipment of RMB11,040,000 in total with the aggregated amounts paid amounting to RMB11,040,000.

In November 2019, Tongcheng New Energy and CNBM New Energy Engineering Co., Ltd. entered into the EPC General Contract for Rooftop Distributed Photovoltaic Power Generation Project of CNBM (Tongcheng) New Energy Materials Company Limited with a contract amount of RMB27,470,000 in total. The project has not been completed in 2019. In 2019, Tongcheng New Energy made payment for project and equipment of RMB15,032,059 in total with the aggregated amounts paid amounting to RMB15,032,059.



## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (8) Other related party transactions (Continued)

- (4) In December 2018, Yixing New Energy, a controlled subsidiary of the Company, and China Triumph International Engineering Co., Ltd. Jiangsu Branch 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 2019, this project has been completed. In 2019, Yixing New Energy made payment for project and equipment of RMB16.13 million in total with the aggregated amounts paid amounting to RMB27.58 million.

In August 2019, Yixing New Energy, a controlled subsidiary of the Company, and China Triumph International Engineering Co., Ltd. Jiangsu Branch entered into the Equipment Material Supply Contract with a contract amount of RMB4,600,000 in total. As of 31 December 2019, the project has been completed. In 2019, Yixing New Energy made payment for project and equipment of RMB4,600,000 in total with the aggregated amounts paid amounting to RMB4,600,000.

In August 2019, Yixing New Energy, a controlled subsidiary of the Company, and China Triumph International Engineering Co., Ltd. Jiangsu Branch entered into the Back Plate Second-line Supply Contract and the Back Plate Second-line Equipment Material Installation Contract with a contract amount of RMB34,110,000 in total. As of 31 December 2019, the project has not been completed. In 2019, Yixing New Energy made payment for project and equipment of RMB28,150,000 in total with the aggregated amounts paid amounting to RMB28,150,000.

- (5) In April 2019, Hefei New Energy, a wholly-owned subsidiary of the Company, and China Triumph International Engineering Co., Ltd. entered into the Phase I Back Plate Line Equipment Contract with a contract amount of RMB11,000,000 in total. The project was completed in November 2019. In 2019, Hefei New Energy made payment for project and equipment of RMB11,000,000 in total with the aggregated amounts paid amounting to RMB11,000,000.

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables and payables of related parties

#### (1) Receivables

Unit: Yuan Currency: RMB

Item	Related party	2019		2018	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable	Bengbu Huayi Branch of Triumph Technology Company Limited	6,342,977.05	126,859.54	26,142,717.78	522,854.36
Accounts receivable	Far East Opto-Electronics Co., Ltd.	1,021,747.43	101,562.15	1,550,472.44	31,009.45
Accounts receivable	China Triumph International Engineering Co., Ltd.	1,522,529.95	30,450.60	30,761,229.14	615,224.58
Accounts receivable	AVIC Sanxin PV Solar Glass Co., Ltd.	56,243.53	1,124.87	56,243.53	1,124.87
Accounts receivable	CNBM Jetion Solar (China) Co., Ltd.	13,978,963.35	279,579.27	18,736,104.13	374,722.08
Accounts receivable	Triumph Photovoltaic Materials Ltd.	34,228,150.58	684,563.01	15,045.00	300.90
Accounts receivable	Anhui Tianzhu Green Energy Sources Technology Co., Ltd.	39,114.10	782.28		
Prepayment	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	3,419.54		2,166.62	
Prepayment	China Triumph Bengbu Engineering and Technology Company Limited	109,990.00		8,400.00	
Prepayment	Triumph Technology Group Co., Ltd.	84.01		84.01	
Prepayment	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	12,406.90		1,912,353.14	
Prepayment	CNBM Triumph Robotics (Shanghai) Co., Ltd.	178,000.00			
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	2,545,878.05	50,917.56
Other receivables	China Triumph International Engineering Co., Ltd.			200,000.00	4,000.00
Other receivables	China Luoyang Float Glass (Group) Company Limited	273,732.26	5,474.65	273,732.26	5,474.65
Other receivables	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	6,092.43	121.85		

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables and payables of related parties (Continued)

#### (2) Payables

Unit: Yuan Currency: RMB

Item	Related party	31 December 2019	31 December 2018
Bills payable	China Triumph International Engineering Co., Ltd. Bengbu Branch		10,000,000.00
Bills payable	China Triumph International Engineering Co., Ltd.	<b>45,644,237.97</b>	
Accounts payable	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.	<b>24,730,156.51</b>	373,053.20
Accounts payable	Anhui Tianzhu Green Energy Sources Technology Co., Ltd.	<b>14,355.00</b>	
Accounts payable	Bengbu Chemical Machinery Manufacturing Co., Ltd.	<b>972,309.49</b>	1,252,824.86
Accounts payable	China Triumph Bengbu Engineering and Technology Company Limited	<b>555,647.00</b>	433,595.00
Accounts payable	Bengbu Xingke Glass Co., Ltd.		11,893.25
Accounts payable	Jiangsu CTIEC Environmental Protection Research Institute Co., Ltd.		1,182,499.11
Accounts payable	Triumph Technology Group Co., Ltd.		763,134.18
Accounts payable	Triumph Quartz Material (Taihu) Co., Ltd.	<b>3,432,707.57</b>	4,460,918.34
Accounts payable	Shanghai CTIEC Luculent Information Technology Co., Ltd.	<b>868,500.00</b>	1,850,700.00
Accounts payable	Yinan Huasheng Mineral Products Industry Co., Ltd.	<b>2,714.60</b>	2,714.60
Accounts payable	CTIEC Shenzhen Scienco-tech Engineering Company Bengbu Branch	<b>17,106,364.86</b>	4,550,625.53
Accounts payable	China Triumph International Engineering Co., Ltd.	<b>365,466,801.40</b>	421,432,962.26
Accounts payable	China Triumph International Engineering Co., Ltd. Bengbu Branch	<b>13,621,654.50</b>	19,221,654.50
Accounts payable	China Triumph International Engineering Co., Ltd. Hainan Branch	<b>8,340,112.24</b>	9,077,910.11
Accounts payable	China Triumph International Engineering Co., Ltd. Jiangsu Branch	<b>82,439,872.87</b>	25,741,209.31
Accounts payable	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd	<b>1,153,003.08</b>	4,030,303.17

## XII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables and payables of related parties (Continued)

#### (2). Payables (Continued)

Item	Related party	31 December 2019	31 December 2018
Accounts payable	CNBM Triumph Robotics (Shanghai) Co., Ltd.		241,000.00
Accounts payable	CNBM Research Institute For Automation of Light Industry Co., Ltd.	<b>851,008.00</b>	4,500,000.00
Accounts payable	CTIEC Environmental Protection Research Institute (Jiangsu) Co., Ltd.	<b>1,182,499.11</b>	
Contract liabilities	Bengbu Huayi Branch of Triumph Technology Company Limited	<b>2,398,724.04</b>	595,282.76
Contract liabilities	Triumph Information Display Material (Luoyang) Co., Ltd.	<b>8,144.32</b>	23,865.39
Contract liabilities	AVIC Sanxin PV Solar Glass Co., Ltd.	<b>2.59</b>	586,347.21
Contract liabilities	Sino-Italian CTIEC (Bengbu) Glass Cold-End Machinery Company Limited		6,552.00
Other payables	Triumph Technology Group Co., Ltd.	<b>148,500,798.00</b>	142,986,895.11
Other payables	Wonderful Sky Financial Group Limited	<b>3,433,955.54</b>	4,164,314.19
Other payables	China Triumph International Engineering Co., Ltd. Bengbu Branch	<b>140,000.00</b>	140,000.00
Other payables	China Triumph International Engineering Co., Ltd. Hainan Branch		5,000.00
Other payables	China Building Material Test & Certification Group Co., Ltd.	<b>10,500.00</b>	
Other payables	China Luoyang Float Glass (Group) Company Limited	<b>179,784,182.13</b>	204,264,211.46
Other payables	CNBM Bengbu Design & Research Institute for Glass Industry Co., Ltd.	<b>3,892,405.95</b>	3,427,625.65
Other payables	China Triumph Bengbu Engineering and Technology Company Limited		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
Other payables	CNBM Triumph Robotics (Shanghai) Co., Ltd.	<b>20,000.00</b>	
Other payables	Bengbu Huayi Branch of Triumph Technology Company Limited	<b>347,185.00</b>	
Other payables	Bengbu Xingke Glass Co., Ltd.	<b>11,624.94</b>	
Other payables	Bengbu Chemical Machinery Manufacturing Co., Ltd.	<b>10,000.00</b>	

## XII. 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 HighTech"), 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 HighTech had undertaken that the audited net profit after deducting non-recurring profit or loss of Hefei Company would not be lower than RMB69.3949 million for 2019. Huaguang Group, Bengbu Institute and International Engineering had undertaken that the audited net profit after deducting non-recurring profit or loss of Tongcheng Company would not be lower than RMB26.7199 million for 2019. 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 RMB41.2450 million for 2019. The audited net profit after deducting non-recurring profit or loss of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2019 is RMB40.5542 million, RMB9.6622 million and RMB47.9126 million, respectively, Hefei Company and Tongcheng Company 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 will be used to increase the capital reserve of the Company.

## XIII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

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

At 31 December 2019, the Company had the following significant capital commitments:

Item	31 December 2019	31 December 2018
Contracted but not provided for – Construction project	209,365,691.82	565,467,765.40
Total	209,365,691.82	565,467,765.40

### 2. Contingencies

N/A

## XIV. SUBSEQUENT EVENTS AFTER THE DATE OF BALANCE SHEET

### 1. Significant non-adjusted events

N/A

### 2. Profit distribution

N/A

### 3. Sales return

N/A

### 4. Description of other matters after the balance sheet date

Since the outbreak of novel coronavirus pneumonia in early 2020, the Company strictly implemented relevant national regulations and requirements, improved the prevention and control mechanism and work deployment, and actively supported the prevention and control of the novel coronavirus pneumonia epidemic. At the same time, the Company actively implemented the resumption of production according to the regulations while conducting epidemic prevention. With the domestic epidemic situation under control, the Company's various businesses will gradually return to normal.

The novel coronavirus pneumonia epidemic will affect the global economic prospects and business operations, and the degree of its impact will depend on the epidemic prevention and control situation, the duration, and the implementation of various regulatory policies. The Company will continue to pay close attention to the development of the novel coronavirus pneumonia epidemic, and evaluate and actively respond to the possible impact of the epidemic on the Company's financial condition and operating results.

## XV. OTHER SIGNIFICANT EVENTS

### 1. Correction of accounting errors in previous period

N/A

### 2. 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.

## XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Segment Information (Continued)

#### (2) Financial information of reporting segment

Unit: Yuan Currency: RMB

Item	Information			Inter-segment offset	Total
	display glass	New energy glass	Unallocated items		
1. Operating income	280,258,027.21	1,574,206,822.36	377,358.52		1,854,842,208.09
Including: Revenue from external					
principal operations	260,012,118.07	1,540,235,330.52			1,800,247,448.59
Revenue from other external					
operations	20,245,909.14	33,971,491.84	377,358.52		54,594,759.50
2. Impairment losses of assets	-7,610,866.19	-477,125.42			-8,087,991.61
3. Impairment losses of credit	-5,304,375.41	-22,704,270.90	369,509.34		-27,639,136.97
4. Depreciation expenses and amortization expenses	48,603,982.43	97,959,825.99	861,912.07		147,425,720.49
5. Total profit	-3,668,187.89	122,146,117.79	2,546,894.39	34,219,440.51	86,805,383.78
6. Income tax expenses	2,166,696.73	16,065,286.57		28,018.10	18,203,965.20
7. Net profit	-5,834,884.62	106,080,831.22	2,546,894.39	34,191,422.41	68,601,418.58
8. Total assets	2,302,980,292.57	3,088,771,740.72	686,821,077.40	837,533,232.74	5,241,039,877.95
9. Total liabilities	1,675,174,286.05	2,040,400,496.16	1,374,222,605.02	1,262,700,026.07	3,827,097,361.16

#### (3) If the Company has no reportable segment, or cannot disclose the total assets and total liabilities of each reportable segment, explanations thereof shall be given

N/A

### 3. Other major transactions and events that have an impact on investors' decisions

N/A



## XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 4. Others

#### (1) Operating income by customer's geographical location

Geographical location	2019	2018
China (excluding Hong Kong, Macau and Taiwan)	<b>1,782,618,433.48</b>	1,367,129,433.87
Other countries and regions	<b>72,223,774.61</b>	35,618,753.87
Total	<b>1,854,842,208.09</b>	1,402,748,187.74

#### (2) Non-current assets by its geographical location

Geographical location	31 December 2019	31 December 2018
China (excluding Hong Kong, Macau and Taiwan)	<b>3,356,969,246.33</b>	2,977,682,832.74
Total	<b>3,356,969,246.33</b>	2,977,682,832.74

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 2019, the transaction of three customers from new energy reporting segment exceeds 10% of the Company's revenue.

## XVI. NOTES TO MAJOR ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

### 1. Accounts receivable

#### (1) Disclosure by aging

Unit: Yuan Currency: RMB

Aging	31 December 2019	31 December 2018
Within 1 year	45,317,394.61	3,772,286.41
1 to 2 years	3,772,285.86	0.23
2 to 3 years	0.21	60,623,362.41
3 to 4 years	60,623,362.41	45,954,862.42
4 to 5 years	45,954,862.42	53,824,294.76
Over 5 years	162,033,065.16	110,208,770.40
Subtotal	317,700,970.67	274,383,576.63
Less: provision for bad debts	119,459,981.36	79,498,911.94
Total	<b>198,240,989.31</b>	<b>194,884,664.69</b>

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

Unit: Yuan Currency: RMB

Category	31 December 2019					31 December 2018				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision Ratio (%)		Amount	Ratio (%)	Amount	Provision Ratio (%)	
Bad debt provision on individual basis	234,488,675.62	73.81	68,197,630.51	29.08	166,291,045.11	223,121,224.33	81.32	28,236,563.22	12.66	194,884,661.11
Bad debt provision on group basis	83,212,295.05	26.19	51,262,350.85	99.99	31,949,944.20	51,262,352.30	18.68	51,262,348.72	100.00	3.58
Related parties	31,949,943.32	10.05			31,949,943.32	0.08				0.08
General customers	51,262,351.73	16.14	51,262,350.85	99.99	0.88	51,262,352.22	18.68	51,262,348.72	100.00	3.50
Total	<b>317,700,970.67</b>		<b>119,459,981.36</b>		<b>198,240,989.31</b>	274,383,576.63		79,498,911.94		194,884,664.69

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 1. Accounts receivable (Continued)

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

Bad debt provision on individual basis:

Unit: Yuan Currency: RMB

Name	Carrying amount	31 December 2019		Reason for making provision
		Provision for bad debts	Provision Ratio (%)	
CLFG Longmen Glass Co., Ltd.	234,488,675.62	68,197,630.51	29.08	Unable to be recovered in full
Total	<u>234,488,675.62</u>	<u>68,197,630.51</u>	<u>29.08</u>	/

Bad debt provision on group basis:

Items for which provision is assessed on a group basis: Group 1: Related party customers

Unit: Yuan Currency: RMB

Name	31 December 2019		
	Accounts receivable	Provision for bad debts	Provision Ratio (%)
Related party customers	31,949,943.32		
Total	<u>31,949,943.32</u>		

Group 2: General customers

Unit: Yuan Currency: RMB

Name	31 December 2019		
	Accounts receivable	Provision for bad debts	Provision Ratio (%)
General customers	51,262,351.73	51,262,350.85	99.99
Total	<u>51,262,351.73</u>	<u>51,262,350.85</u>	<u>99.99</u>

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

### 1. Accounts receivable (Continued)

#### (3) Provision for bad debts

Unit: Yuan Currency: RMB

Category	31 December 2018	Provision	Changes during the period			31 December 2019
			Recovery or reversal	Write-off or cancellation	Other changes	
Provision for bad debts	79,498,911.94	39,961,069.42				119,459,981.36
Total	79,498,911.94	39,961,069.42				119,459,981.36

#### (4) Accounts receivable actually written off in this period

N/A

#### (5) Accounts receivable of the top five parties with arrears regarding the collected balance at the end of the period

Name	31 December 2019	Proportion in the total amount of accounts receivable (%)	Balance of provision for bad debts
First place	234,488,675.62	73.81	68,197,630.51
Second place	4,757,122.32	1.50	4,757,122.32
Third place	2,820,625.92	0.89	2,820,625.92
Fourth place	2,796,175.91	0.88	2,796,175.91
Fifth place	2,548,928.08	0.80	2,548,928.08
Total	247,411,527.85	77.88	81,120,482.74

#### (6) Account receivables that were derecognized on transfer of financial assets

N/A

# Notes to the Financial Statements

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

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

### 2. Other receivables

#### Presentation of items

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Interest receivable		
Dividend receivable		
Other receivables	<b>258,954,816.38</b>	343,017,501.55
Total	<b>258,954,816.38</b>	343,017,501.55

#### Interest receivable

N/A

#### Dividend receivable

N/A

#### Other receivables

(1) Disclosure by aging

Unit: Yuan Currency: RMB

Aging	31 December 2019	31 December 2018
Within 1 year	<b>434,237,766.80</b>	723,357,008.19
1 to 2 years	<b>193,564,638.33</b>	1,850.38
2 to 3 years		
Over 3 years		
3 to 4 years		844,296.51
4 to 5 years	<b>826,296.51</b>	383,600.00
Over 5 years	<b>31,355,503.42</b>	31,353,903.42
Subtotal	<b>659,984,205.06</b>	755,940,658.50
Less: provision for bad debts	<b>401,029,388.68</b>	412,923,156.95
Total	<b>258,954,816.38</b>	343,017,501.55

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

### 2. Other receivables (Continued)

#### Other receivables (Continued)

(2) Category of other receivables by nature of amount

Unit: Yuan Currency: RMB

Nature of amount	31 December 2019	31 December 2018
Amounts due from subsidiaries	<b>627,275,765.43</b>	723,332,550.59
Current accounts	<b>32,708,439.63</b>	32,608,107.91
Total	<b>659,984,205.06</b>	755,940,658.50

(3) Provision for bad debts

Unit: Yuan Currency: RMB

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Next 12-month ECLs	Lifetime ECLs (non-credit impaired)	Lifetime ECLs (credit impaired)	
Balance as at				
1 January 2019	1,044.26		412,922,112.69	412,923,156.95
Balance as at 1 January 2019 during the period				
– Transferred to Stage 2				
– Transferred to Stage 3				
– Reversed to Stage 2				
– Reversed to Stage 1				
Provision for the period	9,488.53		-11,503,256.80	-11,493,768.27
Reversal for the period			400,000.00	400,000.00
Write-off for the period				
Cancellation for the period				
Other changes				
Balance as at 31 December 2019	<b>10,532.79</b>	<b>401,018,855.89</b>	<b>401,029,388.68</b>	<b>401,029,388.68</b>

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 2. Other receivables (Continued)

#### Other receivables (Continued)

(4) Provision for bad debts

Unit: Yuan Currency: RMB

Category	31 December	Provision	Changes during the period			31 December
	2018		Recovery or reversal	Write-off or cancellation	Other changes	2019
Provision for bad debts	412,923,156.95	-11,493,768.27	400,000.00			401,029,388.68
Total	412,923,156.95	-11,493,768.27	400,000.00			401,029,388.68

Including any significant recovery or reversal of provision for bad debts for the period:

Unit: Yuan Currency: RMB

Name of unit	Amount of reversal or recovery	Manner of recovery
CLFG Longmen Glass Co., Ltd.	11,893,748.27	Cash
Total	11,893,748.27	/

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

### 2. Other receivables (Continued)

#### *Other receivables (Continued)*

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

Unit: Yuan Currency: RMB

Name of unit	Nature of amount	31 December 2019	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
Rank 1 <sup>st</sup>	Current accounts	368,837,055.96	Within 1 year	55.89	368,837,055.96
Rank 2 <sup>nd</sup>	Current accounts	255,330,105.97	Within 1 year, 1 to 2 years	38.69	
Rank 3 <sup>rd</sup>	Current accounts	10,808,704.00	Over 5 years	1.64	10,808,704.00
Rank 4 <sup>th</sup>	Current accounts	4,600,000.00	Over 5 years	0.7	4,600,000.00
Rank 5 <sup>th</sup>	Current accounts	3,108,603.50	Within 1 year	0.47	
Total	/	<u>642,684,469.43</u>	/	<u>97.39</u>	<u>384,245,759.96</u>

(6) *Receivables involving government subsidy*

N/A

(7) *Other receivables derecognised due to transfer of financial assets*

N/A

(8) *Amount of assets or liabilities for which other receivables have been transferred but involvement continues*

N/A



# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

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

### 3. Long-term equity investment

Unit: Yuan Currency: RMB

Item	31 December 2019			31 December 2018		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Investment in subsidiaries	2,000,660,028.53	114,513,390.18	1,886,146,638.35	1,805,355,048.53	114,513,390.18	1,690,841,658.35
Total	2,000,660,028.53	114,513,390.18	1,886,146,638.35	1,805,355,048.53	114,513,390.18	1,690,841,658.35

#### (1) Investment in subsidiaries

Unit: Yuan Currency: RMB

Investee	31 December	Increase for	Decrease for	31 December 2019	Provision for impairment for the period	Balance of provision for bad debts at the end of the period
	2018	the period	the period			
CNBM (Puyang) Photoelectric Material Co., Ltd.	182,695,020.00	57,304,980.00		240,000,000.00		
CLFG Longmen Glass Co., Ltd.	114,513,390.18			114,513,390.18		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	138,000,000.00		375,180,001.59		
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	1,805,355,048.53	195,304,980.00		2,000,660,028.53		114,513,390.18

#### (2) Investment in associates and joint ventures

N/A

## XVI. 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	2019		2018	
	Income	Costs	Income	Costs
Principal business	<b>159,376,832.44</b>	<b>159,376,832.45</b>	169,298,590.63	169,298,590.62
Other business	<b>176,804,995.60</b>	<b>174,300,788.90</b>	27,678,839.56	20,036,152.01
Total	<b>336,181,828.04</b>	<b>333,677,621.35</b>	196,977,430.19	189,334,742.63

#### (2) Income from contracts

N/A

### 5. Investment income

Unit: Yuan Currency: RMB

Item	2019	2018
Investment income from long-term equity investments under cost method	<b>60,000,000.00</b>	63,129,244.82
Interest income from debt investments held		7,612,983.33
Total	<b>60,000,000.00</b>	70,742,228.15

# Notes to the Financial Statements

31 December 2019  
Prepared by: Luoyang Glass Company Limited  
Unit: Yuan Currency: RMB

## XVII. 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	11,355,077.66	
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	35,456,524.36	
Included in the profit or loss against the non-financial enterprises funds occupation fee collected	441,031.51	
Reversal of provision made for impairment of receivables and contract assets that are individually tested for impairment	1,000,000.00	
Custody fee income from entrusted operation	377,358.52	
Other non-operating income and expenses other than the aforesaid items	-1,710,884.67	
Effect of income taxation	-4,021,530.45	
Amount of effect on minority interest	-702,084.87	
Total	42,195,492.06	

### 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	4.24	0.0965	0.0965
Net profit attributable to holders of ordinary shares of the Company after deducting non-recurring profit or loss	0.93	0.0211	0.0211

## XVII. SUPPLEMENTARY INFORMATION (CONTINUED)

### 2. Return on net assets and earnings per share (Continued)

The calculation of basic earnings per share and diluted earnings per share:

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of the outstanding ordinary shares of the Company as set out in the following table:

Items	Current period	Previous period
Net profit attributable to ordinary shareholders of the Company	53,999,883.71	15,645,310.47
The weighted average number of the outstanding ordinary shares of the Company	559,797,391	558,304,426
Basic earnings per share (RMB/share)	0.0965	0.0280

The weighted average number of ordinary shares is calculated as follows:

Items	Current period	Previous period
Number of ordinary shares issued at the beginning of the Period	559,797,391	553,825,530
The weighted average number of the outstanding ordinary shares of the Company	559,797,391	558,304,426

During the Reporting Period, the Company does not have dilutive potential ordinary shares, and diluted earnings per share and basic earnings per share are the same.

### 3. Difference between data under domestic and international accounting standard

N/A

## Documents Available for Inspection

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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 April 2020