



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

*Annual  
Report  
2013*

|       |   |     |
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## Important Notice

- I. The board of directors (the "Board"), the supervisory committee and the directors (the "Directors"), supervisors and senior management of the Company confirm that the information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
- II. Mr. Liu Tianni, being an independent non-executive Director of the Company, and Mr. Zhang Chengong, being a non-executive Director of the Company, were unable to attend the Board meeting due to other business engagements and respectively appointed Mr. Huang Ping, being an independent non-executive Director, and Mr. Zhang Chong, being a non-executive Director, to exercise voting rights on their behalf in respect of all matters considered at the meeting. The other 8 Directors attended the Board meeting.
- III. The financial statements of the Company were prepared in accordance with the Accounting Standards and Regulations for Business Enterprises of the People's Republic of China ("PRC") ("PRC GAAP"). PKF DAXIN Certified Public Accountants LLP has issued an auditors' report with standard unqualified opinions.
- IV. Mr. Ma Liyun, the Chairman of the Company, Ms. Sun Lei, the Chief Financial Controller and Ms. Chen Jing, the Head of Finance Department, warrant the truthfulness and completeness of the financial statements set out in the annual report.
- V. Profit Distribution Proposal or Proposal for Conversion of Capital Reserve considered by the Board  

Under the PRC GAAP, the net profit of the Company attributable to owners of the Company for 2013 was RMB-98.98 million, together with the undistributed profit RMB-1,276.92 million at the beginning of the year, the accumulated loss amounted to RMB1,375.90 million. Therefore, the Company will not distribute profit for 2013 or convert capital reserve to the share capital.
- VI. Forward looking statements, including future plan and development strategy, contained in this report do not constitute a real commitment to investors by the Company. Investors should be reminded of such investment risks.
- VII. Has the controlling shareholder of the Company or its associates misappropriated the Company's funds?  
Yes
- VIII. Has the Company provided external guarantees in violation of any specified decision-making procedures?  
No.

# Definitions and Notice of Significant Risks

## I. Definitions

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

### Definitions of frequently-used terms

|   |   |
|---|---|
| CSRC  | China Securities Regulatory Commission                                |
| SSE   | Shanghai Stock Exchange   |
| Stock Exchange  | The Stock Exchange of Hong Kong Limited                               |
| Company, Luoyang Glass                                    | Luoyang Glass Company Limited   |
| Group   | Luoyang Glass Company Limited and its subsidiaries                    |
| CLFG  | China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司)  |
| CNBM or CNBMG   | China National Building Material Group Corporation (中國建築材料集團有限公司)     |
| Longhai Company   | CLFG Longhai Electronic Glass Limited (洛玻集團洛陽龍海電子玻璃有限公司)              |
| Longmen Company   | CLFG Longmen Glass Co. Ltd. (洛玻集團龍門玻璃有限責任公司)                          |
| Longhao Company   | CLFG Longhao Glass Co. Ltd. (洛玻集團洛陽龍昊玻璃有限公司)                          |
| Longxin Company   | CLFG Longxin Glass Co. Ltd. (洛玻集團龍新玻璃有限公司)                            |
| Longfei Company   | CLFG Longfei Glass Co. Ltd (洛玻集團龍飛玻璃有限公司)                             |
| Yinan Huasheng or Yinan Huasheng Mineral Products Company | Yinan Huasheng Mineral Products Industry Co., Ltd. (沂南華盛礦產實業有限公司)     |
| Dengfeng Silicon Company                                  | Dengfeng CLFG Silicon Co. Ltd. (登封洛玻硅砂有限公司)                           |
| Huayi Glass   | Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. (安徽省蚌埠華益導電膜玻璃有限公司) |
| Bengbu Institute  | Bengbu Glass Industry Design Institute                                |
| Industrial Company  | Luoyang Luobo Industrial Co., Ltd.                                    |

## II. Notice of Significant Risks

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

# Company Profile

## I. Information of the Company

|                                     |                               |
|-------------------------------------|-------------------------------|
| Chinese name of the Company         | 洛陽玻璃股份有限公司                    |
| Chinese abbreviation                | 洛陽玻璃                          |
| English name of the Company         | Luoyang Glass Company Limited |
| English abbreviation                | LYG                           |
| Legal representative of the Company | Ma Liyun                      |
| General Manager of the Company      | Ni Zhisen                     |

## II. Contact Persons and Contact Methods

|                        | <b>Secretary to the Board</b>  | <b>Representative of securities affairs</b>  |
|------------------------|--|--|
| Name                   | He Jiang   | Wu Zhixin  |
| Correspondence address | Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC | Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC |
| Telephone              | 86-379-63907655, 63908588  | 86-379-63908637  |
| Fax                    | 86-379-63251984  | 86-379-63251984  |
| Email                  | hejiangcpa@126.com   | lywzhx@126.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                  | <a href="mailto:gfbgs@clfg.com">gfbgs@clfg.com</a>   |

## IV. Places for Information Disclosure and Reference

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

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

### Basic Information of the Company's Shares

| Type of shares | Place of listing of the Company's shares | Stock abbreviation | Stock code |
|----------------|--|--------------------|------------|
| A share        | Shanghai Stock Exchange                  | 洛陽玻璃               | 600876     |
| H share        | The Stock Exchange of Hong Kong Limited  | Luoyang Glass      | 01108      |

# Company Profile

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

### (I) Basic information

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

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

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

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

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

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

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

## VII. Auditors

|   |                             |   |
|---|-----------------------------|---|
| Accounting firm appointed by the Company (domestic) | Name                        | PKF DAXIN Certified Public Accountants LLP  |
|   | Office address              | 7-8/F Blk. A-B, Golden Resources World Centre, 1166 Zhongshan Ave, Wuhan, the PRC |
|   | Names of signing accountant | Qiao Guanfang<br>Wang Haizhou   |

## VIII. Legal Advisors

|                             |   |
|-----------------------------|---|
| Legal advisor of the PRC:   | Henan Yaohua Law Firm (河南耀驊律師事務所)   |
| Address:                    | Rooms 914-917, Tianli Building, Bolichang Road, Xigong District, Luoyang, Henan Province, the PRC |
| Legal advisor of Hong Kong: | Li & Partners Solicitors  |
| Address:                    | 21/F, World Wide House, Central, Hong Kong  |

## IX. Share Registrars for H Shares

|                              |  |
|------------------------------|--|
| Hong Kong Registrars Limited |  |
| Address:                     | Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong |

# Summary of Accounting Data and Financial Indicators

## I. Major Accounting Data and Financial Indicators of the Company for the Last Three Years as at the End of the Reporting Period

### (I) Major accounting data

Unit: RMB

| Major accounting data  | 2013                   | 2012           | Increase/decrease over the same period last year (%) | 2011           |
|--|------------------------|----------------|--|----------------|
| Operating income   | <b>375,735,014.43</b>  | 553,687,171.35 | -32.14   | 920,942,939.77 |
| Net profit attributable to shareholders of the listed company  | <b>-98,980,994.84</b>  | 5,093,137.28   | -2,043.42  | 12,334,559.60  |
| Net profit attributable to shareholders of the listed company after deducting extraordinary profit or loss | <b>-126,902,481.73</b> | -62,801,994.21 | N/A  | -67,761,804.10 |
| Net cash flow from operating activities  | <b>10,986,238.59</b>   | 8,734,731.95   | 25.78  | -61,673,525.63 |

|   | As at the end of 2013   | As at the end of 2012 | Increase/decrease over the end of the same period last year (%) | As at the end of 2011 |
|---|-------------------------|-----------------------|---|-----------------------|
| Net assets attributable to shareholders of the listed company | <b>33,306,058.69</b>    | 132,125,006.45        | -74.79  | 127,013,633.44        |
| Total assets  | <b>1,226,528,319.88</b> | 1,302,782,333.52      | -5.85   | 1,415,785,144.79      |

### (II) Major Financial Data

| Major Financial Indicators   | 2013           | 2012    | Increase/decrease over the same period last year (%) | 2011    |
|--|----------------|---------|--|---------|
| Basic earnings per share (RMB/share)   | <b>-0.1980</b> | 0.0102  | -2,041.18  | 0.0247  |
| Diluted earnings per share (RMB/share)   | <b>-0.1980</b> | 0.0102  | -2,041.18  | 0.0247  |
| Basic earnings per share after deducting extraordinary profit or loss (RMB/share)      | <b>-0.2538</b> | -0.1256 | N/A  | -0.1355 |
| Weighted average return on net assets (%)  | <b>-119.78</b> | 3.93    | Decreased by 123.71 percentage                       | 10.17   |
| Weighted average return on net assets after deducting extraordinary profit or loss (%) | <b>-153.57</b> | -48.47  | Decreased by 105.10 percentage                       | -55.88  |

# Summary of Accounting Data and Financial Indicators

## II. Extraordinary Items and Amounts

Unit: RMB

| Items   | 2013                 | 2012          | 2011           |
|---|----------------------|---------------|----------------|
| Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment  | <b>18,426,457.56</b> | 4,797,498.51  | 78,304,342.47  |
| 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>10,105,688.89</b> | 61,845,855.41 | 22,015,985.76  |
| Profit/loss from debt restructuring   | <b>677,002.87</b>    | 695,482.34    | 2,321,333.90   |
| Costs of corporate reorganisation, i.e. expenses for staff settlement, integration costs, etc   |                      | -407,925.00   | -18,157,247.47 |
| Other non-operating income and expenses other than the aforesaid items, net   | <b>-1,248,574.33</b> | 1,158,948.75  | -4,057,920.35  |
| Aggregate effect of extraordinary items on total profit   | <b>27,960,574.99</b> | 68,089,860.01 | 80,426,494.31  |
| Less: Amount of effect on income tax  | <b>179,365.75</b>    | 80,456.02     | 374,472.00     |
| Less: Amount of effect on minority interest   | <b>-140,277.65</b>   | 114.322.50    | -44,341.39     |
| Extraordinary profit or loss effect attributable to the Company   | <b>27,921,486.89</b> | 67,895,081.49 | 80,096,363.70  |

## III. Items Measured at Fair Value

N/A

# Report of the Directors

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

In 2013, given various unfavorable factors, such as industry overcapacity and increasing price of natural gas, the competition in sheet glass market was further intensified, in particular the ultra-thin glass market saw a significant decrease in price, the production and operation of the Company was shocked and challenged again. With the support and assistant from CNBMG and CLFG, the Company closely centered around the productive and operational targets, focused on “emphasizing management, promoting consumption reduction, controlling costs and improving quality; adjusting structure, ensuring quality, creating efficiency, promoting development”, and pushed forward each work steadily, ensuring the stable going of the production and operation.

### 1. Launched a deepen campaign for management improvement aiming to improve quality and reducing consumption, as well as decreasing costs and increasing efficiency.

To improve quality and reduce consumption as well as decrease costs and increase efficiency by gripping the project promotion and key points breakthrough, and accelerate the further reduction of production costs. Longhai Company improved the utilization rate of gas and better controlled gas costs by consistently fumbling and accumulating service experience of natural gas with the “replacing oil with natural gas” operating safely. Longhai Company also proactively try to replace imported papers with 1.1mm homemade papers, so as to reduce packing expenses.

Longbo Company proactively promoted daily cost accounting by varieties, dynamically traced cost abnormal information and analyzed reasons and made adjustments in time, resulting in a significant decrease in unit production costs.

During the construction period of 650t/d technical innovation project, Longhao Company minimized construction investment costs through project tendering, process controlling as well as repairing and utilizing old or discarded things. The construction investment decreased approximately RMB2.5 million as compared with budget.

### 2. Improved market competition capacity by obtaining new breakthrough in technology and product innovation.

Longhai Company successfully lunched the production of the 0.40mm ultra-thin float glass, and continued to improve technologies of 0.40mm and 0.60mm glass, increased the varieties of the ultra-thin glass products to eleven and further enhanced its variety advantage, thus strengthening the competitiveness of the Company in the ultra-thin glass market. In January 2014, Longhai Company successfully launched the stable production of the 0.33mm ultra-thin float glass, which was the thinnest of its kind in China, supplemented the domestic blank again. The 0.55mm ultra-thin glass won the title of 2013 National Strategic Key New Products.

In July 2013, Longbo Company successfully manufactured ultra-white and ultra-thin glass, and produced double-ultra glasses of 1.0mm, 0.9mm, 0.8mm, 0.7mm and 0.6mm in quantity in succession. Currently, the double-ultra glasses were recognized and accepted by the market gradually. The ultra-white and ultra-thin glass of 1.1mm, as the only one recommended by China Building Material Council, applied to be the 2014 National Strategic Key New Product, and passed the conference for new products organized by the National Ministry of Science and Technology.

### 3. Reduced inventories and increased receivables by increasing the intensity of marketing.

The Company proactively responded to the intensifying severe competition in ultra-thin glass market, firstly promoted new products vigorously, enhanced and accelerated the sales of new products by measures including providing sample for reference, tracing process, in-time feedback of information and rapid response in after-sale services. Secondly, strengthened the promotions of ultra-thin glass inventory, accelerated the realization of inventories, increased receivables and decrease the capital occupancy in inventories by taking the marketing strategy of “One region, one kind, one policy and one price”.

# Report of the Directors

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

### 4. The effect in energy conservation and environmental protection was obvious due to the unremitting grasp on safety production.

The Company thoroughly implemented all rules and systems for production safety, carried out the security responsibility step by step and achieved the annual safety control goals fully. Longhai Company passed the recognition of "Safety Production Standard Level II Enterprise (building materials)" of Henan Province in June 2013, and became the fourth enterprise that obtained this recognition in Henan building materials industry.

Longbo Company passed the investigation by the expert panel and investigation by Municipal Safety Supervision Bureau for satisfaction of standards of production safety (dangerous and chemical level-3), and obtained relevant certificates and plaques. Longbo Company completed the on-site monitoring for environmental investigation of "double ultra" project, with the environmental facilities passing the inspection by the expert panel of Municipal Environmental Protection Bureau.

The safety pre-assessment report for 650t/d renovation project of Longhao Company passed the review of the expert panel of and obtained filing approval from Provincial Administration of Work Safety.

### 5. Accelerated project construction, created excellent projects in high quality and promoted the transformation and upgrading.

The 650T/D production line of Longhao Company came on stream successfully, laying a good foundation for the technical renovation of other discontinued production lines.

### 6. Activated idle assets.

The Company transferred idle plants and 100% equity interests in Luoyang Glass Industrial Company(洛玻實業公司) by way of public auction, so as to increase revenues and meet the capitals required for the production and operation of the company.

In 2013, the Company recorded operating income of RMB375,735,000, representing a year-on-year decrease of RMB177,952,200, and operating profit of RMB-135,527,300, representing a year-on-year decrease of RMB71,261,800. Total profit was RMB-107,566,800, representing a year-on-year decrease of RMB111,799,000. Net profit attributable to shareholders of the Company amounted to RMB-98,981,000, representing a year-on-year decrease of RMB104,074,100. Basic earnings per share attributable to shareholders of the Company were RMB-0.1980.

# Report of the Directors

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

### (I) Analysis of Principal Businesses

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

Unit: RMB

| Item                                     | 2013                  | 2012           | Change (%) |
|--|-----------------------|----------------|------------|
| Operating income                         | <b>375,735,014.43</b> | 553,687,171.35 | -32.14     |
| Operating costs                          | <b>322,728,783.02</b> | 440,659,374.81 | -26.76     |
| Selling expenses                         | <b>22,648,035.94</b>  | 25,292,041.70  | -10.45     |
| Administration expenses                  | <b>107,131,092.30</b> | 123,719,187.34 | -13.41     |
| Finance expenses                         | <b>9,554,004.27</b>   | 10,593,085.84  | -9.81      |
| Net cash flow from operating activities  | <b>10,986,238.59</b>  | 8,734,731.95   | 25.78      |
| Net cash flow from investment activities | <b>-74,851.10</b>     | 6,873,933.21   | -101.09    |
| Net cash flow from financing activities  | <b>-38,397,140.08</b> | -732,505.68    | N/A        |
| R&D expenditures                         | <b>8,929,713.21</b>   | 9,015,336.27   | -0.95      |

#### 2. Revenue

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

The income from principal operations of the Company is mainly from sales of physical products (glass and silicon sand).

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

During the Reporting Period, due to the production lines of common float glass in extended service stopped production, resulting in a decrease in production capacity and sales volume, as well as income; the increasing fierce competition in the electronic glass market led to a decrease in sale price and income.

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

During the Reporting Period, the Company successfully launched the production of the new products, such as 0.4mm ultra-thin glass and 0.7mm ultra-thin and ultra-white glass, realized commercialized production, and further enhanced the Company's variety advantage in ultra-thin glass products, thus strengthening the competitiveness of the Company's products.

##### (4) Major customers

The total sales to the top 5 customers amounted to RMB113,434,993.84, representing 30.19% of the Company's total operating income, among which, the sales to Huayi Glass, the largest customer, accounted for 12.18% of the Company's total operating income for the year. Huayi Glass is a subsidiary controlled by CNBMG, the de facto controller of the Company.

# Report of the Directors

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

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

#### 3. Costs

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

Unit: RMB

##### By industry

| By industry | Component of cost      | 2013           | Percentage over total cost for the current period (%) | 2012           | Percentage over total cost for the same period last year (%) | Percentage of changes in amount over the same period last year (%) | Explanation       |
|-------------|------------------------|----------------|---|----------------|--|--|-------------------|
| Float glass | Direct materials       | 242,233,937.54 | 80.33   | 303,952,140.89 | 81.17  | -20.31   | Decrease in sales |
|             | Direct labour          | 14,353,487.12  | 4.76  | 17,301,771.94  | 4.62   | -17.04   |                   |
|             | Manufacturing expenses | 44,962,044.26  | 14.91   | 53,228,742.74  | 14.21  | -15.53   |                   |
| Silica sand | Direct materials       | 8,880,160.25   | 80.11   | 10,213,833.01  | 79.53  | -13.06   | Decrease in sales |
|             | Direct labour          | 1,105,999.34   | 9.98  | 1,395,898.97   | 10.87  | -20.77   |                   |
|             | Manufacturing expenses | 1,099,015.31   | 9.91  | 1,233,338.91   | 9.60   | -10.89   |                   |

# Report of the Directors

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

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

#### 3. Costs (Continued)

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

###### By products

| By products      | Component of cost      | 2013           | Percentage over total cost for the current period (%) | 2012           | Percentage over total cost for the same period last year (%) | Percentage of changes in amount over the same period last year (%) | Explanation                     |
|------------------|------------------------|----------------|---|----------------|--|--|---------------------------------|
| Common glass     | Direct materials       | 52,021,080.34  | 86.07   | 130,245,666.77 | 81.62  | -60.06   | Decrease in sales               |
|                  | Direct labour          | 2,300,199.70   | 3.80  | 7,907,408.21   | 4.96   | -70.91   |                                 |
|                  | Manufacturing expenses | 6,121,481.15   | 10.13   | 21,412,702.74  | 13.42  | -71.41   |                                 |
| Ultra-thin glass | Direct materials       | 190,212,857.20 | 78.89   | 173,706,474.12 | 80.83  | 9.50   | Adjustment to product structure |
|                  | Direct Labour          | 12,053,287.42  | 5.00  | 9,394,363.73   | 4.37   | 28.30  |                                 |
|                  | Manufacturing expenses | 38,840,563.11  | 16.11   | 31,816,040.00  | 14.80  | 22.08  |                                 |
| Silica sand      | Direct materials       | 8,880,160.25   | 80.11   | 10,213,833.01  | 79.53  | -13.06   | Decrease in sales               |
|                  | Direct labour          | 1,105,999.34   | 9.98  | 1,395,898.97   | 10.87  | -20.77   |                                 |
|                  | Manufacturing expenses | 1,099,015.31   | 9.91  | 1,233,338.91   | 9.60   | -10.89   |                                 |

##### (2) Major Suppliers

The procurement amount of the top five suppliers was RMB247,428,507.65, representing 61.75% of the total procurement amount, among which the procurement amount of the largest supplier was 18.59% of the total procurement amount. The Director and vice chairman of CLFG Yuantong Engery Co., Ltd., one of the top five suppliers which amounted to 13.12% of the total procurement amount, was Mr. Guo Yimin, a Director and the Vice Chairman of the Company.

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

# Report of the Directors

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

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

#### 4. Expenses

There is no material change in the expenses for the Reporting Period over the same period last year.

#### 5. R&D expenditures

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

Unit: RMB

|   |              |
|---|--------------|
| Expensed research and development expenditure in the period                       | 8,929,713.21 |
| Capitalized research and development expenditure in the period                    | –            |
| Total research and development expenditure  | 8,929,713.21 |
| Percentage of total research and development expenditure to net assets (%)        | 26.81        |
| Percentage of total research and development expenditure to operating revenue (%) | 2.38         |

##### (2) Explanation

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

#### 6. Cash flow

- (1) The net cash flow from operating activities amounted to RMB10,986,200, representing an increase of RMB2,251,500 over RMB8,734,700 for the same period last year, mainly due to the decrease in tax paid in the period;
- (2) The net cash flow from investing activities amounted to RMB-74,900, representing an increase of net outflow of RMB6,948,800 over RMB6,873,900 for the same period last year, mainly due to the increase in expenses on purchase and construction of fixed assets in the period;
- (3) The net cash flow from financing activities amounted to RMB-38,397,100, representing an increase of net outflow of RMB37,664,600 over RMB-732,500 for the same period last year, mainly due to the maturity of the bills of CMSB.

# Report of the Directors

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

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

#### 7. Others

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

- 1) **Operating revenue:** During the Reporting Period, operating revenue decreased by 32.14% to RMB375,735,000 from the same period last year, mainly due to decline in sales volume and selling price of products;
- 2) **Impairment loss of assets:** During the Reporting Period, impairment loss of assets increased by 254.43% to RMB46,665,400 from the same period last year, mainly due to increase in impairment provision made for assets with indicator of impairment;
- 3) **Investment income:** During the Reporting Period, investment income increased by 34.43% to RMB2,410,600 from the same period last year, mainly due to increase in dividend of Sanmenxia Bank as compared with last year;
- 4) **Non-operating income:** During the Reporting Period, non-operating income decreased by 55.13% to RMB31,012,400 from the same period last year, mainly due to decrease in government subsidy received;
- 5) **Non-operating expenses:** During the Reporting Period, non-operating expenses increased by 390.06% to RMB3,051,900 from the same period last year, mainly due to the disposal of old and idle assets;
- 6) **Income tax expenses:** During the Reporting Period, income tax expenses decreased by 73.32% to RMB3,287,400 from the same period last year, mainly due to the decrease in profit of Longhai Company (a subsidiary of the Company).

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

During the Reporting Period, the production line was delayed to launch production due to the upgrading and renovation of 650T/D, resulting in a decrease in production capacity and sales volume and income accordingly. Meanwhile, as the sales price of products (in particular electronic glass products) declined due to the sluggish glass market and fierce competition, the Company's business plan was not completed.

# Report of the Directors

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

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

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

Unit: RMB

##### Principal operations by industry

| By industry | Operating income | Operating costs | Gross profit margin (%) | Increase/decrease of operating income as compared with last year (%) | Increase/decrease of operating costs as compared with last year (%) | Increase/decrease of gross profit margin as compared with last year (%) |
|-------------|------------------|-----------------|-------------------------|--|---|---|
| Float glass | 330,464,988.13   | 301,549,468.92  | 8.75                    | -26.94   | -19.48  | -8.46   |
| Silica sand | 24,041,281.97    | 11,085,174.90   | 53.89                   | -18.86   | -13.69  | -2.77   |

##### Principal operations by products

| By products      | Operating income | Operating costs | Gross profit margin (%) | Increase/decrease of operating income as compared with last year (%) | Increase/decrease of operating costs as compared with last year (%) | Increase/decrease of gross profit margin as compared with last year (%) |
|------------------|------------------|-----------------|-------------------------|--|---|---|
| Common glass     | 54,994,295.67    | 60,442,761.19   | -9.91                   | -60.35   | -62.12  | 5.14  |
| Ultra-thin glass | 275,470,692.46   | 241,106,707.73  | 12.47                   | -12.17   | 12.19   | -19.00  |
| Silica sand      | 24,041,281.97    | 11,085,174.90   | 53.89                   | -18.86   | -13.69  | -2.77   |

Explanation of principal operations by industries and products

#### 2. Principal operations by regions

Unit: RMB

| Regions | Revenue from principal operations (RMB) | Increase/decrease of revenue from principal operations as compared with last year (%) |
|---------|---|---|
| PRC     | 354,506,270.10                          | -26.44  |

Explanation of principal operations by regions

There was no export business during the Reporting Period.

# Report of the Directors

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

### (III) Analysis of assets and liabilities

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

Unit: RMB

| Item                     | Closing balance of this period | Percentage of closing balance of this period over the total assets (%) | Closing balance of last period | Percentage of closing balance of last period over the total assets (%) | Increase/decrease of closing balance of this period over closing balance of last period (%) | Explanation  |
|--------------------------|--------------------------------|--|--------------------------------|--|---|--|
| Monetary funds           | 128,509,961.33                 | 10.48  | 236,619,040.45                 | 18.16  | -45.69  | Mainly due to the repayment of loans and bills on due in the period  |
| Bills receivable         | 39,799,612.49                  | 3.24   | 9,779,980.14                   | 0.75   | 306.95  | Mainly due to the receiving of the first tranche of payment in accordance with the agreement in the contract of the proposed disposal of the equity interest of the Industry Company, a subsidiary of the Company, during the period |
| Accounts receivables     | 29,651,547.60                  | 2.42   | 76,455,808.54                  | 5.87   | -61.22  | Mainly due to the collection of receivables in the period  |
| Other receivables        | 81,916,322.40                  | 6.68   | 61,938,475.53                  | 4.75   | 32.25   | Mainly due to the outstanding remaining receivables resulted from disposal of idle fixed assets  |
| Construction in progress | 2,139,957.20                   | 0.17   | 74,565,910.15                  | 5.72   | -97.13  | Construction in progress transferred into fixed assets upon the completion   |
| Intangible assets        | 73,958,045.12                  | 6.03   | 50,184,175.01                  | 3.85   | 47.37   | Mainly due to the investment real estate transferred into intangible assets in the period  |
| Bills payables           | 150,000,000.00                 | 12.23  | 250,000,000.00                 | 19.19  | -40.00  | Mainly due to the acceptance of bills on due in the period   |
| Account payables         | 282,538,381.85                 | 23.04  | 206,951,139.66                 | 15.89  | 36.52   | Mainly due to the increase in construction expenses resulting from the production line renovation in a subsidiary, Longhao Company in the period   |
| Other payables           | 126,044,622.62                 | 10.28  | 82,736,432.67                  | 6.35   | 52.34   | Mainly due to the receiving of the first tranche of payment in accordance with the agreement in the contract of the proposed disposal of the equity interest of the Industry Company, a subsidiary of the Company, during the period |

# Report of the Directors

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

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

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

##### (1) Capital liquidity

As at 31 December 2013, the Group's liquidity ratio was 0.66 (31 December 2012: 0.91) and quick ratio was 0.39 (31 December 2012: 0.60). The turnover rate of accounts receivable for the Year was 6.68 times, up 5.69% over last year; and the turnover rate of inventory was 1.52 times, down 16.48% over the last year.

##### (2) Financial resources

In 2013, the Group's cash and cash equivalents amounted to RMB28,316,110.10, including 99.58% of RMB and 0.42% of HK\$ and other foreign currencies.

As at 31 December 2013, the Group's bank loans amounted to RMB603,144,409.84 (31 December 2012: 618,751,763.80), including short-term loans amounting to RMB50,696,833.33 (31 December 2012: 20,000,000) and long-term loans amounting to RMB552,447,576.51 (31 December 2012: 598,751,763.80).

##### (3) Capital structure

As at 31 December 2013, the Group's current liabilities amounted to RMB750,147,360.67 (31 December 2012: 668,000,370.92), representing an increase of 12.30% over 2012; long term liabilities amounted to MRB516,283,055.86 (31 December 2012: 564,141,545.86), representing a decrease of 8.48% over 2012; and equity attributable to shareholders of the Company amounted to RMB33,306,058.69 (31 December 2012: 132,125,006.45), representing a decrease of 74.79% over 2012.

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

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

### (IV) Analysis of core competitiveness

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

# Report of the Directors

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

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

3. **Many varieties of ultra-thin glass products and high market share.** During the reporting period, the Company has successfully launched the production of the 0.40mm ultra-thin float glass, increased the varieties of the Company's ultra-thin glass products to eleven. The 1.0mm, 0.9mm, 0.8mm, 0.7mm and 0.6mm ultra-white and ultra-thin glass was put into quantity production successively, further enhanced the variety advantage of ultra-thin glass products of the Company, thus strengthening the competitiveness of the Company's products.

In January 2014, the Company successfully researched and developed the 0.33mm ultra-thin glass product, which was the thinnest of its kind in China, and realized continuous and stable production. The products were also put into the market in quantity, further expanded the types of the high-value added products of the Company.

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

### (V) Analysis of Investment

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

##### (1) Statement of the Company's investment in 2013

| Name of investee                                    | Principal activities                             | Percentage of equity in the investee (%) |
|---|--|--|
| CLFG Jingwei Glass Fibre Co., Ltd.                  | Manufacture of glass fibre and relevant products | 35.90                                    |
| CLFG Luoyang Jingjiu Glass Products Company Limited | Manufacture of glass packaging containers        | 31.08                                    |
| CLFG New Lighting Company Limited                   | Manufacture of daily use glass products          | 29.45                                    |
| Sanmenxia Bank Holdings Limited (三門峽銀行股份有限公司)       | Monetary and banking services                    | 2.92                                     |
| Luoyang Jingxin Ceramic Co., Ltd.                   | Manufacture of daily use ceramic products        | 49.00                                    |
| CLFG Mineral Products Company Limited               | Mining of clay and other soil, sand and stone    | 40.29                                    |

##### (2) Statement of changes in external equity investment

Unit: RMB

|  |               |
|--|---------------|
| Amount of external equity investment in the period   | 14,791,217.53 |
| Amount of external equity investment in the last period  | 19,791,217.53 |
| Change amount of the amount of external equity investment in the period over the amount of external equity investment in the last period | -5,000,000.00 |
| Change of the amount of external equity investment in the period over the amount of external equity investment in the last period (%)    | -25.26        |

# Report of the Directors

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

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

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

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

Unit: RMB

| Name of investee                                 | Initial amount of investment | Number of shares held<br>(Share) | Percentage of equity in the company<br>(%) | Amount of investment during the period | Carrying amount at the end of the period | Profit or loss during the Reporting Period | Change in owner's equity during the Reporting Period | Accounting Subject          | Source of Share |
|--|------------------------------|----------------------------------|--|--|--|--|--|-----------------------------|-----------------|
| Sanmenxia Bank Holdings Limited<br>(三门峡银行股份有限公司) | 7,000,000                    | 9,642,290                        | 2.92                                       |  | 7,000,000                                | 2,410,572.50                               |  | Long term equity investment | purchase        |
| Total  | 7,000,000                    | 9,642,290                        | 2.92                                       |  | 7,000,000                                | 2,410,572.50                               |  | Long term equity investment | purchase        |

Explanation of equity held in unlisted financial enterprises      Dividends received for the year amounted to RMB2,410,572.50

#### 2. Entrusted wealth management and derivative investment with nonfinancial corporations

##### (1) Entrusted wealth management

Nil

##### (2) Entrusted loans

As at 31 December 2013, the balance of the entrusted loans provided by the Company through banks to its subsidiaries amounted to RMB416,969,000.00.

# Report of the Directors

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

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

#### 3 Analysis of major subsidiaries and investee companies

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

Unit: RMB

| Company name   | Industry           | Major products or services                            | Registered capital | Total assets   | Net assets      | Net profit     |
|--|--------------------|---|--------------------|----------------|-----------------|----------------|
| CLFG Longmen Glass Company Limited                       | Building materials | Manufacture of float sheet glass                      | 20,000,000         | 231,334,119.89 | -329,490,800.53 | -72,162,015.03 |
| CLFG Longfei Glass Company Limited                       | Building materials | Manufacture of float sheet glass                      | 74,080,000         | 82,870,349.59  | -188,679,490.26 | -18,588,250.53 |
| Yinan Mineral Products Co., Ltd. (沂南華盛礦產實業有限公司)          | Building materials | Mining, processing and sales of quartz sand           | 28,000,000         | 43,260,654.32  | 8,726,039.20    | 1,091,533.32   |
| CLFG Longhai Electronic Glass Co., Ltd.                  | Building materials | Manufacture of float sheet glass and electronic glass | 60,000,000         | 342,571,071.20 | 298,623,436.79  | 9,876,649.79   |
| CLFG Longhao Glass Co., Ltd.                             | Building materials | Manufacture of float sheet glass                      | 50,000,000         | 327,437,518.85 | -125,663,801.29 | -34,734,702.94 |
| CLFG Longxiang Glass Co., Ltd.                           | Building materials | Manufacture of float sheet glass                      | 50,000,000         | 79,070,075.11  | -35,520,640.48  | -14,365,936.96 |
| Dengfeng CLFG Silicon Co., Ltd.                          | Building materials | Sales of silica sand                                  | 13,000,000         | 10,675,455.38  | 10,588,735.63   | -932,155.57    |
| Dengfeng Hongzhai Silicon Co., Ltd.                      | Building materials | Sales of silica sand                                  | 2,050,000          | 10,272,680.71  | 431,032.00      | -347,828.23    |
| Luoyang Luobo Industrial Co., Ltd.                       | Building materials | Sales of glass and raw materials                      | 10,000,000         | 40,846,549.02  | 39,367,777.93   | -279,214.61    |
| Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司) | Building materials | Sales of glass and raw materials                      | 500,000            | 3,045,285.21   | 499,695.67      | -304.33        |

# Report of the Directors

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

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

#### 3 Analysis of major subsidiaries and investee companies (Continued)

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

| Company name  | Way of disposal | Impact on the overall production, operation and performance of the Company |
|---|-----------------|--|
| Luoyang Luobo Furuida Commerce Co., Ltd.<br>(洛陽洛玻福睿達商貿有限公司) | Newly establish | Net profit incurred amounted to RMB-304.33                                 |

#### 4. Projects financed by non-raised capital

N/A

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

N/A

### (VII) Five-year Financial Highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2013 are summarised below:

#### Operating results

| Items  | 2013                    | 2012            | 2011            | 2010             | 2009             |
|--|-------------------------|-----------------|-----------------|------------------|------------------|
| Operating revenue                                | <b>375,735,014.43</b>   | 553,687,171.35  | 920,942,939.77  | 1,168,481,659.06 | 972,949,859.17   |
| Total profit                                     | <b>(107,566,756.55)</b> | 4,232,247.06    | 2,931,576.70    | 72,984,475.22    | (171,666,551.34) |
| Income tax                                       | <b>3,287,385.84</b>     | 12,320,312.18   | 20,563,646.03   | 18,356,189.14    | 1,780,934.50     |
| Net profit                                       | <b>(110,854,142.39)</b> | (8,088,065.12)  | (17,632,069.33) | 54,628,286.08    | (173,447,485.84) |
| Minority interests                               | <b>(11,873,147.55)</b>  | (13,181,202.40) | (29,966,628.93) | (6,159,518.23)   | (31,625,216.70)  |
| Net profit attributable to owners of the Company | <b>(98,980,994.84)</b>  | 5,093,137.28    | 12,334,559.60   | 60,787,804.31    | (141,822,269.14) |

Unit: RMB

#### Assets and liabilities

| Items  | 2013                   | 2012            | 2011            | 2010            | 2009             |
|--|------------------------|-----------------|-----------------|-----------------|------------------|
| Bank balance and cash                        | <b>128,509,961.33</b>  | 236,619,040.45  | 234,137,383.86  | 133,207,882.32  | 225,988,517.81   |
| Inventories                                  | <b>200,349,541.58</b>  | 211,968,354.99  | 214,581,784.76  | 202,066,328.31  | 154,833,492.34   |
| Fixed assets                                 | <b>644,340,372.61</b>  | 539,787,058.69  | 650,334,194.36  | 685,824,554.04  | 725,133,679.14   |
| Construction in progress                     | <b>2,139,957.20</b>    | 74,565,910.15   | 21,667,229.11   | 136,851,711.48  | 84,760,271.11    |
| Non-current assets                           | <b>732,494,513.63</b>  | 691,983,408.59  | 748,309,271.91  | 925,541,206.00  | 924,558,858.29   |
| Current liabilities                          | <b>750,147,360.67</b>  | 668,000,370.92  | 728,371,191.42  | 655,239,864.76  | 1,441,843,813.04 |
| Non-current liabilities                      | <b>516,283,055.86</b>  | 564,141,545.86  | 608,704,756.66  | 690,079,874.01  | 4,824,102.92     |
| Share capital                                | <b>500,018,242.00</b>  | 500,018,242.00  | 500,018,242.00  | 500,018,242.00  | 500,018,242.00   |
| Equity attributable to owners of the Company | <b>33,306,058.69</b>   | 132,125,006.45  | 127,013,633.44  | 115,555,651.36  | 93,762,180.82    |
| Minority interests                           | <b>(73,208,155.34)</b> | (61,484,589.71) | (48,304,436.73) | (21,360,666.47) | (55,215,481.01)  |

Unit: RMB

# Report of the Directors

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

### (VIII) Others

#### 1. *Gearing ratio*

Gearing ratio decreased as compared with the corresponding period of last year, mainly due to the operating loss for the period.

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

Net foreign exchange loss dropped as compared with the corresponding period of last year, mainly attributable to changes in foreign exchange rate.

#### 3. *Taxation*

Details about taxation during the reporting period are set out in Note III. "Taxation" and Notes V.23, V.34 and V.42 in the notes to the financial statements.

#### 4. *Fixed assets and intangible assets*

Details about fixed assets and intangible assets during the reporting period are set out in Notes V.10 and V.13 to the financial statements.

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

Details of bank and other loans during the reporting period are set out in Notes V.18, V.25 and V.26 to the financial statements.

#### 6. *Capitalisation of interests*

There was no capitalisation of interests of the Company and the Group as at 31 December 2013.

#### 7. *Land appreciation tax*

During the Reporting Period, there was no land appreciation tax payable.

#### 8. *Reserves*

Details about reserves during the reporting period are set out in Notes V.29, V.30, V.31 and V.32 to the financial statements.

#### 9. *Accumulated losses*

As at 31 December 2013, the accumulated loss of the Company was RMB1,375,895,993.77.

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

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

# Report of the Directors

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

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

#### **Common glass market:**

#### **Positive factors:**

1. The positive impact of the reform policy of the Third Plenary Session of the 18th Central Committee of the CPC, new-type urbanization, the growth of automobile demand will support the demand of glass market to rise steadily.
2. Industrial policies facilitate the sound development of the industry. In October 2013, the State Council issued the Guidance on Resolving the Contradictions of Excess Production Capacity which proposed to close down outdated production facilities; vigorously improve industrial quality and efficiency; and preliminarily establish a long-term mechanism for inhibiting excess production capacity. On 1 January 2014, the state started to execute the new Air Pollutant Release Standard on Sheet Glass (《平板玻璃大氣污染物排放標準》) to raise the environmental protection requirements and improve the energy structure, resulting in larger pressure over the manufacturers using fuels with low cost and high pollution in the industry. The introduction and implementation of the said policies and measures for resolving the industrial contradictions of excess production capacity will be favorable for the benign competition in and sound development of the sheet glass industry.

#### **Adverse factors:**

1. Against the backdrop of slower recovery of international economy and decelerated growth of Chinese economy, the domestic rigid demand of real estate may decrease. The growth of the real estate industry is expected to fall, which will suppress the demand growth of the glass industry to some extent.
2. The contradiction of oversupply is prominent. In 2013, a high tide of capacity expansion reoccurred in the glass industry. At present, scores of glass production lines are in construction. The too large increment of production capacity further intensified the contradiction of oversupply and also sowed the seed of cut-throat competition in the glass industry in the future. In particular, the concentrated increase of production capacity in the northern China which is adjacent to Henan Province will directly shock the market in Henan Province.
3. It is very likely that the price of natural gas will go up in 2014, which will further increase the pressure over the costs of the industry.

# Report of the Directors

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

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

#### **Electronic glass market:**

**Analysis of market supply:** In 2013, under the joint efforts of rapid expansion of domestic production capacity of ultra-thin glass, increased products imported from Japan, etc., the domestic ultra-thin glass market showed a turning point and the gross profit margin dropped sharply. It is expected that the production capacity of ultra-thin glass will further increase and the competition will be fiercer in 2014. The double extrusions from the internal and external markets will make the market competition fiercer.

**Analysis of downstream demand:** The downstream ITO market demand was stable and improving. The touch mobile terminal market flourished. The market demand of glass cover-plate and substrate continued to maintain high growth. The diversified development of electronic industry will lead the emergence of new application fields of ultra-thin glass. The said factors provide a development space for the ultra-thin glass used for electronic substrate.

In light of the above market situation of common and electronic glass, the common glass market won't be optimistic in 2014; the price competition of medium and low-end ultra thin glass will be fiercer and the market demand for high-end ultra thin glass will continue to go up.

### (II) Development strategy

The Company will proactively conform to the industrial development trend and the direction of national industrial policy adjustment, and be engaged in transformation development towards the direction of "high-end, LOW-E, ultra thin and high performance", allowing the Company to gradually become a electronic information display glass manufacturer and special glass manufacturer with strong market radiation force in the domestic and even the international glass industry and a constant leader in the Luoyang float technology.

# Report of the Directors

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

### (III) Business plan and measures for 2014

#### 1. Business plan for 2014

Output of float glass: 8,634,600 boxes

Sales: 8,873,800 boxes

Sales revenue: RMB923,542,500

Cost and expenses as a proportion of the sales revenue: 98.37%

#### 2. Countermeasures

##### (1) Implement system and mechanism reform, stimulate vitality, transmit pressure and promote benefits.

The Company will proactively boost the “fixed quota” system for allocation, post and personnel, to achieve person-post matching and post-salary matching, improve work efficiency and enhance enterprise vitality. All the subsidiaries will conduct reform of management system and management mode and emphasize on the unification of rights. In addition, the Company will increase the weight of provision for wages for high-value-added products, further stimulate the vitality and power of product innovation, implement the wage composed of basic salary and business commission and assessment system reform for the market center and eliminate business personnel ranking the last.

##### (2) Make market demand our orientation, strengthen coordination between production and sales and fully meet market demand

**Ultra-thin glass:** we shall carry out in-depth analysis on the differences in respect of quality and properties between the ultra-thin series products (especially those with high gross profit margin) and imported products, further explore make progress in technological parameters, production control and procedure quality management and constantly improve the quality, competitiveness and output and sales of the products.

**Ultra-white and ultra-thin products:** we shall, drawing from the production experiences of ultra-white and ultra-thin glass in 2013 and taking into account of feedbacks from our customers, work out careful plans for technology upgrading, make endeavor to achieve new breakthroughs in the output, quality, variety and specification of ultra-white and ultra-thin glass and better meet the market demand, making ultra-white and ultra-thin glass become the actual new profit point.

**Common glass:** we will tackle key technological problems especially during the upgrading and changing process of varieties and specifications of products, strengthen the process control and shorten the time for upgrading and changing, so as to increase the total output, quantity and quality of our products.

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

### (III) Business plan and measures for 2014 *(Continued)*

#### 2. Countermeasures *(Continued)*

##### (3) Strengthen marketing and focus on enhancement of sales volume and price

Firstly, we must carefully analyze the market situation, carrying out in-depth analysis on market classification, formulate practicable marketing strategy and make market development, channel broaden, sales volume and price enhancement the top priority of our works.

We must first make greater effort to the market promotion of 0.33mm and 0.4mm ultra-thin glasses and constantly increase output and sales, targeting at double the total sales of ultra-white and ultra-thin products of 2013; secondly, on the basis of consolidating the customer group and market share of the mainstream 1.1mm and 0.7mm ultra-thin products, we will further classify the customer group, reasonably arrange orders and production, and thirdly, for 2mm series products, we will reinforce the trace of orders from sophisticated processing customers and market exploration, gradually consolidate a group of customers with strong capacity, stable orders and high price.

Secondly, we will make meeting customers' demand as our orientation, keeps to enhance service conscientious and quality, and meet customers' demands to the utmost extent. We will carefully deal with customers' complaint and improve the effectiveness of after-sale services based on the strict implementation of compensation procedures and clear definition of responsibility.

Thirdly, we will strengthen the incentive and restraint system of marketing personnel, carry out strict internal appraisal and elimination mechanism, fully stimulating the enthusiasm of the marketing personnel. We will strengthen the internal business study and training of the marketing personnel, focusing on the improvement of their comprehensive quality.

##### (4) Strengthen management, reduce costs and enhance efficiency, standardize operation and prevent risks.

The first is to continue to deepen management improvement. We will conscientiously sum up the experience of management improvement to consolidate its results and further deepen management improvement and implement management innovation, forming the long-term mechanism for improving works by management and consolidating the foundation of management.

The second is to strengthen internal control and risk management of the Company. Centering on the Company's working policy and development targets, we will earnestly implement the internal control and audit system to further improve corporate governance, standardizing the Company's economic behavior and ensuring the effective implementation of its internal control system to effectively prevent and resolve risks.

The third is to vigorously carry out cost reduction and efficiency enhancement, lowering debt and improving efficiency, controlling costs and boosting efficiency. Through the thorough benchmarking between different internal economic units and between different units inside every single economic units, we will strictly control costs and expenditures, taping the potentials of cost reduction; strengthen budget management, attaching more importance to the supervision of segments such as raw material procurement, utilization and lowering of inventories, repairs and maintenance of old equipments and recycle of the wastes, focusing on the control of non-operating expenses like office expenses, travel expenses and entertainment expenses, so a to ensure the fulfillment of the budget targets.

# Report of the Directors

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

### (IV) Potential Risks

#### 1. Risks arising from macro policies

“Guidelines for Addressing Severe Overcapacity” issued by the State Council can help eliminate backward production capacity, promote the reorganization, integration and industrial upgrading of the glass industry, and thus making the glass industry to develop in a healthier and more orderly manner. The Company currently has no backward production capacity after the upgrading of production lines and reconstruction of products in the past few years; therefore, the guidelines have no adverse effect on the Company.

#### 2. Risks arising from the industry

At present, the world’s economy is witnessing a slow recovery and China’s economy growth is also slowing down, which both pose certain repression to the growth in the demand for glass industry. Continuing expansion of the production capacity of glass, increasingly fierce contradiction between supply and demand and increasingly intensive industrial competition will pose certain difficulties and challenges to the Company’s operation.

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

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 to the Company. The Company boasts a stable supplier base and so faces few supply risks.

#### 4. Financial Risks

The Company’s business involves a variety of financial risks, which mainly include the following types:

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

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

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

**Exchange rate risk:** because the Group currently has almost no foreign exchange trading, exchange rate fluctuation thus has little impact on the Group.

#### 5. Technological risks

The Company is not exposed to technological risks as our core products are high quality products independently developed with indigenous intellectual property, and the technology and quality of ultra-white and ultra-thin glass, in particular, are leading in China.

# Report of the Directors

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

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

Pursuant to the requirements under the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” published by CSRC and the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” (Henan Supervisory Bureau Yu Zheng Jian Fa [2012] No. 214), the Company, based on its own situation, has made amendments and improvements to Article 210 in respect of profit distribution policy, setting out detailed requirements on the principles and specific policy for profit distribution, procedures for considering the profit distribution policy, implementation of the Company’s profit distribution plan and changes in the Company’s profit distribution policy. The amended profit distribution policy of the Company attaches great importance to reasonable investment return to investors, better safeguards the interest of investors, especially minority investors, helps to further improve the corporate governance structure, and stays in line with relevant requirements of the CSRC and the reality of the Company.

The above amendments have been implemented upon consideration and approval at the 2012 first extraordinary general meeting of the Company held on 1 November 2012.

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

Under the PRC GAAP, the net profit of the Company attributable to owners of the Company for 2013 was RMB-98.98 million, together with the undistributed profit RMB-1,276.92 million at the beginning of the year, the accumulated loss amounted to RMB1,375.90 million. Therefore, the Company will not distribute profit for 2013 or convert capital reserve to the share capital.

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

N/A

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

Unit: RMB

| Year | Bonus share for every 10 shares<br>(share) | Dividend for every 10 shares<br>(tax inclusive) | Conversion into share capital for every 10 shares<br>(share) | Amount of cash dividends<br>(tax inclusive) | Net profit attributable to shareholders of the Company based on the consolidated statements for the corresponding year | Percentage in net profit attributable to shareholders of the Company based on the consolidated statements<br>(%) |
|------|--|---|--|---|--|--|
| 2013 | 0  | 0   | 0  | 0   | -98,980,994.84   | 0  |
| 2012 | 0  | 0   | 0  | 0   | 5,093,137.28   | 0  |
| 2011 | 0  | 0   | 0  | 0   | 12,334,559.60  | 0  |

# Report of the Directors

## IV. Positive Performance of Social Responsibilities

### (I) Performance of social responsibilities

During the reporting period, the company has actively implemented the Directive of SASAC on Central Enterprises Performing Social Responsibilities, fully discharging social responsibilities, carrying out overall risk management, insisting on aiming to construct an innovation performance type, resource-conserving, environment friendly and socially responsible enterprise, paying attention to the demands of interested parties, such as investors, governments, staff, customers, cooperative partners, affiliated organizations, complexes and media and environment, sticking to the core idea of maximization of resources and construction of services, taking innovation, performance, harmony and responsibility as the core values, achieving healthy and sustainable development between enterprise and employees, between enterprise and society, and between enterprise and environment, and making contributions to building a harmonious socialist society. See the Social Responsibility Report of LUOYANG GLASS COMPANY LIMITED in 2013 disclosed by the company on <http://www.sse.com.cn> and <http://www.hkexnews.hk> for details.

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

N/A

## V. Other Disclosure Matters

### 1. Service Contracts of Directors and Supervisors

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

### 2. Management Contracts

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

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

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

### 4. Pre-emptive Rights

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

### 5. Public Float

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

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

During the year ended 31 December 2013, holders of listed securities of the Company were not entitled to any tax relief by reason of their holding of such securities pursuant to the laws of the PRC.

### 7. Compliance with the Corporate Governance Code

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

# Significant Events

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

The Company did not have any material litigation, arbitration and matters commonly questioned by media for this year.

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

As at 31 December 2013, the funds appropriated by the controlling shareholder of the Company for non-operative purposes amounted to RMB40.90 million. Details are as follows:

In November of 2013, it has been decided at the office meeting presided by the mayor of municipal people's government of Luoyang to deposit the spare money of the company after purchasing land to the account of the controlling shareholder, CHINA LUOYANG FLOAT GLASS GROUP CO., LTD., which is an account jointly managed by the State-owned Assets Supervision and Administration Commission of Luoyang and CHINA LUOYANG FLOAT GLASS GROUP CO., exclusively used for solving resettlement of the company's staff and problems left over by the past. From February to March of 2014, RMB 3.8058 million deposited in the account has been used to pay out the arrearage of staff's social security and housing funds of the staff, and the spare money has been transferred to the account of our company on 27 March 2014. The occupation of this non-operating fund has been solved.

## III. Asset Transactions and Business Combinations

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

| Overview and type of events  | Search index   |
|--|--|
| Disposal of assets: The Company disposed the idle buildings to Luoyang Crane Factory Company Limited* (洛陽起重機廠有限公司) at a public auction at a consideration of RMB33,000,000.  | Announcement Lin No. 2013-031 on 20 December 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> |
| Disposal of assets: The Company disposed the 100% equity interest in Luoyang Luobo Shiye Company Limited* (洛陽洛玻實業有限公司), a wholly-owned subsidiary of the Company, to Luoyang Tianyuan Property Company Limited* (洛陽天元置業有限公司) at a public auction at a consideration of RMB122,000,000. | Announcement Lin No. 2014-001 on 2 January 2014 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>   |

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

#### 1. Acquisition of assets

N/A

# Significant Events

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

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

#### 2. Disposal of assets

Unit: RMB

| Counterparty  | Assets disposed of                      | Date of disposal | Disposal price | Net profit contributed to the Company from the beginning of the year to the date of disposal<br>(Note 1) | Whether a connected transaction (if so, please elaborate the pricing principle) | Pricing principle | Whether all relevant entitlement of the assets had been transferred | Whether all related claims and debts had been transferred | Percentage of net profit of the Company attributable to the asset disposal in total profit (%) | Connected relations        |
|---|---|------------------|----------------|--|---|-------------------|---|---|--|----------------------------|
| Jiangsu Taihe Metal Industry Co., Ltd.<br>(江蘇泰禾金屬工業)                | Copper Oxide                            | January 2013     | 418,888.89     | 140,151.42   | No  | Market price      | Yes   | Yes   | N/A  | Independent third party    |
| Luoyang Hande Properties Co., Ltd.<br>(洛陽漢德置業有限公司)                  | Cable                                   | March 2013       | 559,038.46     | -197,425.21  | No  | Market price      | Yes   | Yes   | N/A  | Independent third party    |
| Chenzhou Yunxiang Mining and Metallurgy Co., Ltd.<br>(郴州雲湘礦冶有限責任公司) | Tin                                     | April 2013       | 1,515,647.66   | 1,101,117.40   | No  | Market price      | Yes   | Yes   | N/A  | Independent third party    |
| Luoyang Jiangxin Construction Engineering Company (洛陽江鑫建築工程公司)      | Power supply and distribution equipment | June 2013        | 323,653.85     | 178,353.77   | No  | Market price      | Yes   | Yes   | N/A  | Independent third party    |
| Luoyang Luoobo Glass Fibre Co., Ltd. (洛陽洛玻玻璃纖維有限公司)                 | High voltage switch cabinet             | November 2013    | 500,000.00     | 238,376.30   | Yes   | Market price      | Yes   | Yes   | N/A  | The same major shareholder |
| Luoyang Kaiqiang Industrial Co., Ltd. (洛陽凱強實業有限公司)                  | Gazogene                                | October 2013     | 2,560,000.00   | 1,454,333.38   | No  | Valuation         | Yes   | Yes   | N/A  | Independent third party    |
| Changge Lingyun Alloy Co., Ltd. (長葛市凌雲合金有限公司)                       | Tin                                     | March-June 2013  | 415,011.96     | 9,326.60   | No  | Market price      | Yes   | Yes   | N/A  | Independent third party    |

Explanation for disposal of assets

The Company disposed of its idle assets.

## IV. Material Related Party Transactions

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

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

| Overview of Events   | Search Index  |
|--|---|
| In 2011, the Company entered into 13 framework agreements respectively with CLFG, CNBMG and Huayi Glass, estimating the annual cap amounts of relevant daily connected transactions involving financial services, provision of goods, provision of water and electricity, composite services, provision of raw materials, equity custodian, supply of glass and silicon powder, community services, and etc.<br>The above continuing connected transactions were considered and approved at the 31st meeting of the sixth session of the Board on 19 October 2011 and the 2011 third extraordinary general meeting of the Company on 28 December 2011. | Announcement Lin No. 2011-031 on 19 October 2011 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> and Announcement Lin No. 2011-038 on 28 December 2011 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>    |
| Longhao Company purchased natural gas from CLFG Yuantong Engery Co., Ltd.  | Announcement Lin No. 2013- 013 on 5 June 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>  |
| Longhao Company purchased natural gas from CLFG Yuantong Engery Co., Ltd.  | Announcement Lin No. 2013- 026 on 14 November 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> and Announcement Lin No. 2013- 034 on 30 December 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> |

Please refer to VI Connected Transactions for details about actual implementation of continuing connected transactions during the reporting period.

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

During the Reporting Period, the Company had no material related party transactions relating to acquisition and disposal of assets.

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

During the reporting period, there was no material connected transaction relating to joint external investment by the Company and related parties.

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

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

| Overview of Events  | Search Index  |
|---|---|
| China Building Materials Glass Company ("CBM Glass") paid RMB6,000,000 on behalf of the Company.                        | Announcement Lin No. 2013-004 on 14 March 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> |
| CBM Glass paid RMB30,000,000 on behalf of the Company.  | Announcement Lin No. 2013-011 on 20 May 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>   |
| CLFG provided entrusted loans of RMB10,000,000 to the Company   | Announcement Lin No. 2013-012 on 28 May 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>   |
| The accumulated amount paid by CBM Glass on behalf of the Company did not exceed RMB150 million as at 31 December 2013. | Announcement Lin No. 2013-017 on 7 June 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>   |

# Significant Events

## V. Material Contracts and Implementation Thereof

### (I) Trusteeship, contracting and leasing

#### 1. Trusteeship

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

#### 2. Leasing

Unit: RMB

| Name of lessor             | Name of lessee | Details of lease of assets               | Amount of the leased assets | Starting date of lease | Ending date of lease | Gain from lease | Basis for determining such gain | Effect of such gain on the Company | Whether a connected transaction | Connected relations     |
|----------------------------|----------------|--|-----------------------------|------------------------|----------------------|-----------------|---------------------------------|------------------------------------|---------------------------------|-------------------------|
| CLFG Longhao Glass Limited | CLFG           | Land use rights over a land of 183.30 mu |                             | 1 January 2013         | 31 December 2013     | 680,000.00      | Cost plus                       | Less                               | Yes                             | Controlling shareholder |

Explanation for the leasing

### (II) Guarantee

During the reporting period, the Company did not have any external guarantee.

### (III) Other material contracts

None

## VI. Performance of Undertakings

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

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

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

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

## VI. Performance of Undertakings (Continued)

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

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

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

With respect to aforesaid undertakings, CNBM and CNBM GLASS COMPANY also respectively have taken targeting measures to solve relevant horizontal competition problems over the last years. However, relevant undertakings have not been fulfilled according to schedule due to the effect of some factors like macro-economic situation and industry policies, and so on. The company has released the Announcement of LUOYANG GLASS COMPANY LIMITED on the Implementation of the Undertakings of Avoiding Horizontal Competition by the Actual Controller and Interested Party on 6 December 2013, disclosing the measures that CNBM and CNBM GLASS COMPANY had taken to implement the undertakings, the reasons for failure to complete the undertakings on time and the commitment of deferring solving horizontal competition and other relevant information in detail, without a definite deadline for implementing the undertakings in the deferring commitment for the following reasons:

Since the undertakings have been made, CNBM and CNBM GLASS COMPANY also have been actively making research and exploration to work out a feasible implementation plan. However, in view of current operation situation of glass market, it will take time to work out a concrete and feasible plan that is best for the company and adapted to market realities. In consideration of the feasibility and prudence of the undertakings, it is difficult to determine the exact time for the moment. Blind and impractical undertakings probably will be adverse to the long-term and stable development of the company in the future, and be adverse to the interests of investors and the stability of capital market either. Therefore, no definite deadline for implementing the undertakings had been specified in the deferring commitment.

In accordance with related requirements of No. 4 Regulatory Guideline on Listed Companies--Actual Controller, Shareholders, Affiliated Parties, Buyer of Listed Companies and Undertakings and Performance of Undertakings of Listed Companies issued by CSRC, CNBM expressed that it will standardize and update the methods of, deadline for and capacity of performing the undertakings, risks and countermeasures and other matters by 27 June 2014.

# Significant Events

## VII. Appointment or Dismissal of Certified Public Accountants

At the 6th meeting of the seventh Board on 27 March 2013 and the 2013 AGM on 6 June 2013, the reappointment of PKF DAXIN Certified Public Accountants LLP and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2013 respectively was considered and approved.

|   | Original appointee                         | Current appointee                          |
|---|--|--|
| Name of the domestic accounting firm          | PKF DAXIN Certified Public Accountants LLP | PKF DAXIN Certified Public Accountants LLP |
| Remuneration for the domestic accounting firm |  | RMB1,680,000                               |
| Audit years of the domestic accounting firm   | 6 years                                    |  |

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

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

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

# Connected Transactions

Apart from the connected transactions as disclosed in this chapter, other details about the connected transactions of the Group are set out as in the note “connected and related party transactions” to the audited consolidated financial statements prepared for this year under the China Accounting Standards for Business Enterprises.

## I. Continuing Connected Transactions

**(I) During the year ended 31 December 2013, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011):**

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

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

During the year 2013, the total transaction amount for supply of products was RMB0, mainly due to no appropriate products as a result of the shutdown of the Group’s common float glass production lines for upgrading and transformation in the recent two years..

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

The Company implements a centralized procurement policy for certain bulk raw materials. As Longxin Company, a subsidiary of CLFG, was managed by the Company under trusteeship, the Company procured raw materials on its behalf. The Company determined the transaction price with reference to the then market price for supply of raw materials, and supplied certain raw materials to Longxin Company, including alkali, coal, sodium sulfate, silicon powder, dolomite powder, limestone powder and potassium feldspar powder.

During the year 2013, the total transaction amount for supply of raw materials was RMB0, mainly because Longxin Company stopped production throughout the year of 2013..

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

As Longxin Company, a subsidiary of CLFG, was managed by the Company under trusteeship, the Company provided it with composite services including use of technology, technical consulting services, warehousing, transportation services, staff training and brand management, the price of which was determined with reference to the then market price.

During the year 2013, the total transaction amount for provision of composite services was RMB0, mainly because Longxin Company stopped production throughout the year of 2013..

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

The Company was entrusted to manage the 50% equity interest held by CLFG in Longxin Company. After both parties considered the operational condition of Longxin Company in the recent years, the custodian fee would be 15% of the realized profit attributable to shareholders of Longxin for the year (irrespective of the unrecovered losses of Longxin Company in previous years), being not less than RMB1,000,000 but not more than RMB3,000,000.

During the year 2013, the total transaction amount for provision of equity custodian was RMB0, due to that the equity custodian did not exist because Longxin Company stopped production and entered into the bankruptcy proceedings .

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

The Company provided CLFG with water and electricity supply and asset use services on ongoing basis, the price of which was determined with reference to the relevant state-prescribed requirements and on normal commercial terms in respect of water and electricity supply.

During the year 2013, the total transaction amount for provision of water and electricity supply and asset use services was RMB524,000 and the approved annual cap was RMB1.54 million, due to the decrease in water and electricity supply services of the Company in 2013..

# Connected Transactions

## I. Continuing Connected Transactions (Continued)

- (I) **During the year ended 31 December 2013, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011): (Continued)**

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

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

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

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

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

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

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

During the year 2013, the transaction amount for supply of silicon power was RMB1,910,000 and the approved annual cap was RMB25,143,000.

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

The Company implements a centralized sales policy to common float glass products. As Longxin Company, a subsidiary of CLFG, was entrusted to be managed by the Company, the Company sold products on its behalf. Longxin Company provided float glass products to the Company, the price of which was determined with reference to the then market price.

During the year 2013, the transaction amount for supply of products was RMB0, mainly because Longxin Company stopped production throughout the year of 2013.

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

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

During the year 2013, the transaction amount for provision of engineering technical services and production equipment was RMB0, because no engineering technical service was provided in 2013.

# Connected Transactions

## I. Continuing Connected Transactions (Continued)

- (I) **During the year ended 31 December 2013, the Group entered into the following three-year continuing connected transactions (Details of the transactions are set out in the announcement of the Company dated 18 October 2011): (Continued)**

**10. Supply of products by the Company to CNBMG and its subsidiaries**

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

During the year 2013, the transaction amount for sales of products was RMB45,776,000 and the approved annual cap was RMB199,180,000, mainly due to the decrease in products provided by the Group and sale price as a result of the fierce competition in the electronic glass market.

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

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

During the year 2013, the transaction amount for provision of engineering technical services was RMB0, because no engineering technical service was provided in 2013.

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

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

During the year 2013, the transaction amount for supply of engineering materials was RMB0, because no engineering material was provided in 2013.

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

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

During the year 2013, the connected transaction amount for provision of financial services was RMB755,000 and the approved annual cap was RMB20 million, mainly due to the decrease in expenses paid.

The total amount of the said continuing connected transactions amounted to RMB48,965,000 and the annual cap considered and approved totaled RMB928,350,000. All the transactions did not exceed the annual cap considered and approved.

- (II) **Continuing connected transactions announced and disclosed during the reporting period**

**14. CNBM GLASS COMPANY provides fund payment for the group**

CNBM GLASS COMPANY, as the indirect controlling shareholder of the company, provides financial aid to the group, and pays funds to the supplier for the group to relieve financial pressure of the company.

The sum of connected transactions accrued in 2013 for funds payment for the group reaches RMB 177.57 million, while the approved cap as of 31 December 2013 is RMB 186 million.

# Connected Transactions

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

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

#### 15. *Yuantong Energy Limited Company affiliated to CHINA LUOYANG FLOAT GLASS GROUP CO. supplies gas to Longhao Company*

Yuantong Energy Limited Company affiliated to CHINA LUOYANG FLOAT GLASS GROUP CO., in pursuance of stock listing rules of Shanghai Stock Exchange, is determined as the affiliated party of the company, who supplies gas to Longhao Company. Please refer to price discovery at trade hours for the price.

The sum of connected transactions accrued in 2013 for supplying gas reaches RMB 46.532 million, while the approved cap as of 31 December 2013 is RMB 56.5 million.

The total sum of the above two continuing connected transactions reaches RMB 224.102 million, while the cap approved through discussion as of 31 December 2013 is RMB 242.5 million.

The total sum of the above 15 continuing connected transactions accrued to the group in 2013 reaches RMB 273.067 million, while the cap of the year approved through discussion is RMB 1,170.85 million.

The company has engaged PKF DAXIN Certified Public Accountants LLP as the auditor of the company to perform related audit procedures as to the continuing connected transactions of the company as of 31 December 2013, as set forth in from Item 1 to 12 above in accordance with No. 3000 of "verification except auditing or reviewing historical financial information" of the Hong Kong Verification Standard promulgated by Hong Kong Institute of Certified Public Accountants (HKICPA), and by reference to No. 740 of "continuing connected transactions auditor's correspondence as provided in Hong Kong listing rules" of the Practice Note promulgated by HKICPA, and the auditor confirms transactions as follows:

- (1) have received the approval from the Board;
- (2) the transactions in relation to provision of goods and services in accordance with the pricing policies of the Group;
- (3) have been entered into in accordance with the relevant agreements governing the transactions;
- (4) have not exceeded the annual caps disclosed in previous announcements of the Company.

The independent non-executive Directors have reviewed the above mentioned continuing connected transactions that took place during the year ended 31 December 2013 and confirmed that these transactions were:

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

# Changes in Shares and Information of Shareholders

## I. Changes in Shares Capital

### (I) Changes in shares capital

#### 1. Changes in share capital

Unit: share

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

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

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

# Changes in Shares and Information of Shareholders

## II. Issue and Listing of Securities

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

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

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

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

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

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

## III. Shareholders and De Facto Controller

### (I) Total number of shareholders

Total number of shareholders at the end of the reporting period 17,085, including 17,031 holders of A shares and 54 holders of H shares

Total number of shareholders as at the end of the fifth trading day before the disclosure date of the annual report 16,253, including 16,199 holders of A shares and 54 holders of H shares

### (II) Shareholdings of the top 10 shareholders

Unit: share

#### Shareholdings of the top 10 shareholders

| Name of shareholder (full name)  | Increase/decrease during the reporting period | Total number of shares held as at the end of the reporting period | Shareholding percentage (%) | Number of shares subject to trading moratorium held | Status of shares | Number of shares pledged or frozen | Nature of shareholder    |
|--|---|---|-----------------------------|---|------------------|------------------------------------|--------------------------|
| HKSCC Nominees Limited   | -18,000                                       | 247,848,998   | 49.57                       | 0   | Unknown          |                                    | Overseas legal person    |
| China Luoyang Float Glass (Group) Company Limited                                  | 0   | 159,018,242   | 31.80                       | 0   | Pledged          | 159,018,242                        | State-owned legal-person |
| Zhang Lixin  | +10,000                                       | 2,764,944   | 0.55                        | 0   | Unknown          |                                    | Domestic natural person  |
| Mao Jianghui   | +2,103,599                                    | 2,103,599   | 0.42                        | 0   | Unknown          |                                    | Domestic natural person  |
| Ji Haibin  | +1,361,792                                    | 1,361,792   | 0.27                        | 0   | Unknown          |                                    | Domestic natural person  |
| Dedicated securities account for stock repo trading of Guosen Securities Co., Ltd. | +1,302,650                                    | 1,302,650   | 0.26                        | 0   | Unknown          |                                    | Other                    |
| Beijing Daiwei Debang Investment Consultation Co., Ltd.                            | +1,021,853                                    | 1,021,853   | 0.20                        | 0   | Unknown          |                                    | Domestic legal person    |
| Zhang Wenming  | +870,000                                      | 870,000   | 0.17                        | 0   | Unknown          |                                    | Domestic natural person  |
| Liu Yujun  | +855,300                                      | 855,300   | 0.17                        | 0   | Unknown          |                                    | Domestic natural person  |
| Zhang Ruiying  | 0   | 670,000   | 0.13                        | 0   | Unknown          |                                    | Domestic natural person  |

# Changes in Shares and Information of Shareholders

## III. Shareholders and De Facto Controller (Continued)

### (II) Shareholdings of the top 10 shareholders (Continued)

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

| Name of shareholder  | Number of shares held not subject to trading moratorium | Type and number of shares          |             |
|--|---|------------------------------------|-------------|
|  |   | Type                               | Number      |
| HKSCC Nominees Limited   | 247,848,998   | Overseas listed foreign shares     | 247,848,998 |
| China Luoyang Float Glass (Group) Company Limited                                  | 159,018,242   | Ordinary shares denominated in RMB | 159,018,242 |
| Zhang Lixin  | 2,764,944   | Ordinary shares denominated in RMB | 2,764,944   |
| Mao Jianghui   | 2,103,599   | Ordinary shares denominated in RMB | 2,103,599   |
| Ji Haibin  | 1,361,792   | Ordinary shares denominated in RMB | 1,361,792   |
| Dedicated securities account for stock repo trading of Guosen Securities Co., Ltd. | 1,302,650   | Ordinary shares denominated in RMB | 1,302,650   |
| Beijing Daiwei Debang Investment Consultation Co., Ltd.                            | 1,021,853   | Ordinary shares denominated in RMB | 1,021,853   |
| Zhang Wenming  | 870,000   | Ordinary shares denominated in RMB | 870,000     |
| Liu Yujun  | 855,300   | Ordinary shares denominated in RMB | 855,300     |
| Zhang Ruiying  | 670,000   | Ordinary shares denominated in RMB | 670,000     |

Connected relationship or parties acting in concert among the aforesaid shareholders

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

# Changes in Shares and Information of Shareholders

## IV. Controlling Shareholder and De Facto Controller

### (I) Controlling shareholder

#### 1. Legal person

|   |  |
|---|--|
| Name  | China Luoyang Float Glass (Group) Company Limited  |
| Person in charge of the company or legal representative | Peng Shou  |
| Date of establishment                                   | 19 April 1993  |
| Organisation code                                       | 16995844-1   |
| Registered capital                                      | RMB1,286,740,000   |
| Principal activities                                    | Manufacture of glass and related raw materials, and complete sets of equipment; deep processing of glass; technical services and consulting services for glass processing; export of self-made products and related technologies by the company or member entities of the company; import and export of the raw and ancillary materials, machinery equipment, instruments and meters, parts and components needed for production and scientific research by the company or member entities of the company as well as related technologies; undertaking business relating to Chinese-foreign joint ventures, joint production and “three forms of OEM and compensation trade” of the company; undertaking overseas engineering projects and domestic engineering projects for international bidding in the building materials industry; export of the required equipment and materials for the above overseas engineering projects; dispatch of contract workers for the above projects, production and technical services. |
| Operating result  | Operating revenue of the company for 2013: RMB463,974,900; total comprehensive income attributable to owners of the company: RMB94,635,900. The company adjusted the strategic development direction, established the new strategy focused on the development of electronic glass, kicked off new projects, completed the resettlement of redundant staff, liquidated historical creditor’s rights (equity rights), and revitalized non-performing assets, which laid a foundation for its sustained and healthy development.  |
| Financial position                                      | As at 31 December 2013, total assets: RMB2,858,603,300; net assets: RMB625,914,400; operating revenue: RMB463,974,900; total comprehensive income attributable to owners of the company: RMB94,635,900   |

# Changes in Shares and Information of Shareholders

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

### (I) Controlling shareholder (Continued)

#### 1. Legal person (Continued)

Cash flow and future development strategy

As at 31 December 2013, net cash flow was RMB135,215,900, of which net cash flow from operating activities was RMB38,022,100.

According to the strategic positioning of CNBM, CLFG will mainly orient at the development of ultra-thin electronic glass, energy-saving glass for building purposes, and solar photovoltaic glass during the 12th Five-Year Plan period and going forward. In its 12th Five-Year Development Plan, CLFG has set out three strategic positionings as a special glass manufacturer with strong market radiation force, a comprehensive service provider with top-rate international float glass technologies, and a constant leader in the Luoyang float technology. Centered on the three strategic positionings, CLFG currently focuses on the development of the energy-saving sector and high-tech sector, makes scientific adjustments to regional distribution, pushes forward industrial consolidation and improves the industrial structure by leveraging this relocation opportunity, thereby laying the foundation for joint restructuring of the glass industry promoted by CNBM.

During the 12th Five-Year Plan period, CLFG, by virtue of its ultra-thin electronic glass technology, will step up efforts in extending the industrial chain of ultra-thin electronic glass, and especially developing the below-0.55mm ultra-thin glass and high-strength ultra-thin glass, develop in the solar photovoltaic glass sector by way of ultra-thin ultra-white glass projects, and expand the production capacity for energy-saving glass for building purposes through consolidation by utilizing the existing foundation of LOW-E glass. Meanwhile, taking the construction of the national key laboratory on new float glass technologies as an opportunity, CLFG will vigorously enhance the Luoyang float glass technology and turn itself into a paragon of independent innovation in the domestic national glass industry.

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

N/A

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

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

# Changes in Shares and Information of Shareholders

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

### (II) De facto controller

#### 1. Legal person

|   |  |
|---|--|
| Name  | China National Building Material Group Corporation   |
| Person in charge of the company or legal representative | Song Zhiping   |
| Date of establishment                                   | 28 September 1981  |
| Organisation code                                       | 100000489  |
| Registered capital                                      | RMB5,529,828,572.84  |
| Principal activities                                    | General business scope: research, development and sales of construction materials and relevant raw materials, production technologies and equipment; design, sales and construction of complete sets of buildings of the new building material system; sales of decorative materials; design and construction of building engineering; warehousing; investment and assets operations relating to building materials and related sectors; technical consulting and information services and exhibition services relating to the above activities; processing and sales of mineral products.   |
| Operating result  | <p>Operating revenue of the company for 2012: RMB217.432 billion; total profit: RMB11.156 billion; net profit: RMB8.623 billion.</p> <p>In 2012, the company fully completed its operational tasks, raised its ranking to 319 among the "Fortune 500" in 2013, and fulfilled leapfrog development and all-round progress. Centered on the target of "maintaining growth", the company practiced the "price, cost and benefit"-oriented business philosophy to stabilize and quote prices, led the healthy development of the industry, strictly controlled various expenses and achieved notable results in cost reduction and efficiency enhancement; steadily advanced joint restructuring and structural adjustment, expanded the commercial ready-mixed concrete business, and cultivated the "three-new" sectors; carried out management enhancement activities and effectively boosted its management capability; pushed forward technology innovation and integration of production with research, made great achievement in technology innovation, thereby firmly supporting the boost of its competitiveness; further expanded overseas markets and promoted the strategy of "internationalizing building materials".</p> |
| Financial position                                      | As at 31 December 2012, total assets: RMB300.617 billion; net assets: RMB54.266 billion;   |

# Changes in Shares and Information of Shareholders

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

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

#### 1. Legal person *(Continued)*

Cash flow and future development strategy

In 2012, the company's net cash flow from operating activities was RMB11,333 million.

The company is committed to becoming a world-leading comprehensive building materials conglomerate with strong and quality products, sustained innovation capability and international competitiveness, and will continuously adhere to the "market-oriented and central government-controlled" growth model, push forward market-driven reforms and management enhancement, strengthen joint restructuring and advance market competition and cooperation with the operational target of "seeking progress amid stabilization", press ahead with innovation of technologies and business model, and transformation and upgrade of the company and the industry, and make greater contributions to the stable and rapid growth of the national economy and the construction of a well-off society.

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

The company held 44.11% equity interest in China National Building Material Company Limited (HK3323), 44.67% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 30.04% equity interest in Anhui Fangxing Science & Technology Co., Ltd. (600552), 52.4% equity interest in Beijing New Building Materials Public Limited Company (000786), and 32.79% equity interest in China Fiberglass Co., Ltd. (600176).

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

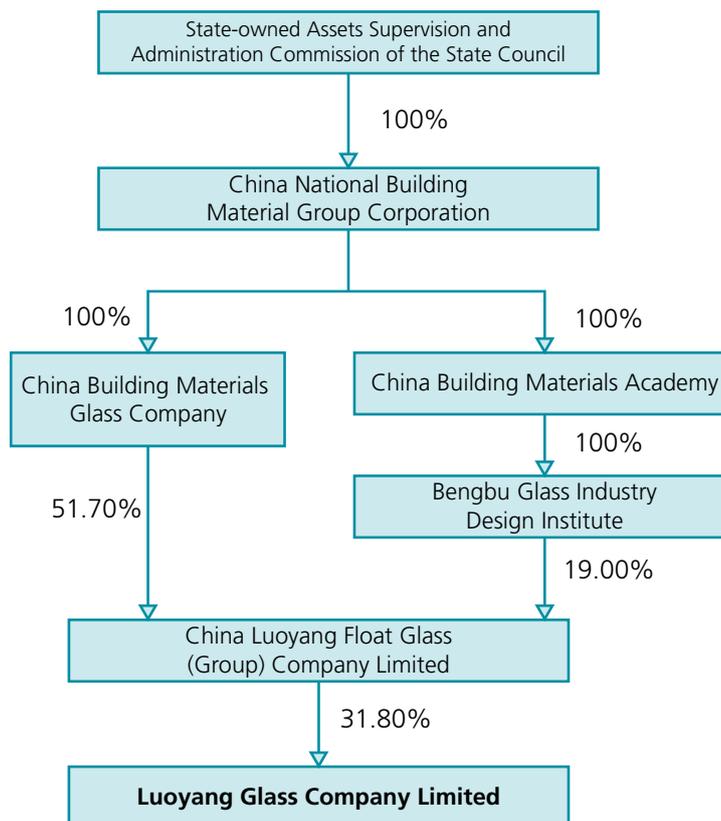
There was no change in the de facto controller of the Company during the reporting period.

# Changes in Shares and Information of Shareholders

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

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

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



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

As at the end of the reporting period, there was no other legal person shareholder with 10% or more shareholdings in the Company.

# Directors, Supervisors, Senior Management and Employees

## I. Changes in Shareholdings and Remuneration

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

Unit: share

| Name           | Position   | Gender | Age | Starting date of term of office   | Expiry date of term of office | Number of Shares held at the beginning of the year | Number of Shares held at the end of the year | Increase/ decrease of shares during the year | Reason for change | Total remuneration (before tax) received from the Company during the reporting period | Total remuneration (before tax) received from shareholder entities during the reporting period |
|----------------|--|--------|-----|---|-------------------------------|--|--|--|-------------------|---|--|
|                |  |        |     |   |                               |  |  |  |                   | (RMB'0'000)<br>(Before tax)   | (RMB'0'000)<br>(Before tax)  |
| Ma Lijun       | Chairman   | Male   | 50  | 6 June 2013 (Director)<br>7 June 2013 (Chairman)  | 8 November 2015               | 0  | 0  | 0  | N/A               | 0   | 50   |
| Zhang Chong    | Non-executive Director,<br>Vice Chairman   | Male   | 51  | 6 June 2013 (Director)<br>7 June 2013 (Vice Chairman)   | 8 November 2015               | 0  | 0  | 0  | N/A               | 2.33  |  |
| Ni Zhisen      | Executive Director,<br>General Manager   | Male   | 42  | 27 May 2009 (General Manager)<br>28 May 2009 (Director)   | 8 November 2015               | 0  | 0  | 0  | N/A               | 32.16   |  |
| Xie Jun        | Executive Director Deputy<br>General Manager   | Male   | 48  | 18 April 2013 (Deputy General<br>Manager) 29 July 2013<br>(Executive Director)                                      | 8 November 2015               | 0  | 0  | 0  | N/A               | 22.80   | 4.85   |
| Sun Lei        | Executive Director,<br>Deputy General<br>Manager, Chief<br>Financial Controller        | Female | 45  | 18 April 2013 (Deputy General<br>Manager), Chief Financial<br>Controller 6 June 2013<br>(Executive Director)        | 8 November 2015               | 0  | 0  | 0  | N/A               | 16.00   | 3.5  |
| Song Jianming  | Former Chairman  | Male   | 57  | 30 June 2008 (Director)<br>27 May 2009 (Chairman)   | 18 April 2013                 | 0  | 0  | 0  | N/A               | 12.75   | 16.75  |
| Song Fei       | Former Executive Director,<br>Chief Financial<br>Controller, Secretary<br>to the Board | Female | 50  | 14 April 2008 (Chief Financial<br>Controller) 2008-06-30<br>(Director) 11 December 2008<br>(Secretary to the Board) | 18 April 2013                 | 0  | 0  | 0  | N/A               | 7.16  |  |
| Zhao Yuanxiang | Former non-executive<br>Director   | Male   | 45  | 25 August 2010  | 18 April 2013                 | 0  | 0  | 0  | N/A               | 0   | 40.67  |
| Zhang Chengong | Non-executive Director   | Male   | 41  | 25 August 2010  | 8 November 2015               | 0  | 0  | 0  | N/A               | 0   | 33   |
| Guo Yimin      | Non-executive Director   | Male   | 49  | 28 September 2009   | 8 November 2015               | 0  | 0  | 0  | N/A               | 0   | 33.14  |
| Huang Ping     | Independent Director   | Male   | 45  | 18 May 2009   | 8 November 2015               | 0  | 0  | 0  | N/A               | 4   |  |
| Dong Jiachun   | Independent Director   | Male   | 57  | 28 September 2009   | 8 November 2015               | 0  | 0  | 0  | N/A               | 4   |  |
| Zeng Shaqin    | Independent Director   | Male   | 69  | 9 November 2012   | 7 March 2014                  | 0  | 0  | 0  | N/A               | 4   |  |
| Liu Tianni     | Independent Director   | Male   | 50  | 9 November 2012   | 8 November 2015               | 0  | 0  | 0  | N/A               | 4   |  |
| Ren Zhenduo    | Chairman of the<br>Supervisory Committee   | Male   | 49  | 10 September 2007 (Supervisor)<br>12 September 2007 (Chairman<br>of the Supervisory Committee)                      | 8 November 2015               | 0  | 0  | 0  | N/A               | 0   | 27.87  |
| He Baofeng     | Former independent<br>Supervisor   | Male   | 41  | 10 September 2007   | 9 September 2013              | 0  | 0  | 0  | N/A               | 1.42  |  |
| Guo Hao        | Independent Supervisor   | Male   | 56  | 18 May 2009   | 8 November 2015               | 0  | 0  | 0  | N/A               | 2   |  |
| Wang Ruiqin    | Supervisor   | Female | 53  | 29 July 2013  | 8 November 2015               | 0  | 0  | 0  | N/A               | 10.65   |  |
| Wang Jian      | Employee Supervisor  | Male   | 38  | 26 May 2010   | 8 November 2015               | 0  | 0  | 0  | N/A               | 15.6  |  |
| Ma Jiankang    | Employee Supervisor  | Male   | 49  | 17 December 2012  | 8 November 2015               | 0  | 0  | 0  | N/A               | 9.78  |  |
| He Jiang       | Secretary to the Board   | Male   | 37  | 20 May 2013   | 8 November 2015               | 0  | 0  | 0  | N/A               | 8.77  |  |
| Ip Pui Sum     | Company Secretary  | Male   | 54  | 6 August 2008   | 8 November 2015               | 0  | 0  | 0  | N/A               | HK\$120,000   |  |

# Directors, Supervisors, Senior Management and Employees

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

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

Notes:

- (1) Save as disclosed above, as at 31 December 2013, 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 2013, 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) Total remuneration above amounted to approximately RMB1,670,500 million. During the Reporting Period, Zhang Chengong, Guo Yimin and Zhao Yuanxiang, being non-executive Directors, and Ren Zhenduo, being a Supervisor, did not receive remuneration from the Company.

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

#### 1. Directors

**Mr. Ma Liyun** is a professor-grade senior engineer with a master's degree. He is currently the Chairman of the Company. Since August 1985, he has worked with Bengbu Institute as head of the glass division, deputy general manager of the engineering company, chief project designer, director of the research and development center, assistant to the president, deputy party secretary and secretary of the discipline inspection commission successively. In April 2013, he was appointed as the general manager and deputy party secretary of CLFG. Currently, he is also the chairman of COE Technology Co., Ltd. (中光電科技有限公司), the general manager of Guangdong Kaisheng Photovoltaic Research Institute Co., Ltd (廣東凱盛光伏研究院有限公司), and a director of Chengdu COE Technology Co., Ltd. (成都中光電科技有限公司).

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

# Directors, Supervisors, Senior Management and Employees

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

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

#### 1. Directors (Continued)

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

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

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

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

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

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

# Directors, Supervisors, Senior Management and Employees

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

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

#### 1. Directors *(Continued)*

**Mr. Dong Jiachun**, is a senior engineer with a master's degree in engineering. Mr. Dong is an Independent Director of the Company. He served in YTO Group Corporation from January 1982 to April 2001. He engaged in industry research in Luoyang Securities Company from May 2001 to April 2003. Mr. Dong has served in Central China Securities Holdings Co. Ltd. since April 2003.

**Mr. Liu Tianni**, is an Independent Director of the Company with a master's degree, is the founder and chairman of the Wonderful Sky Financial Group Holdings Limited, the executive director of Silver Grant International Industries Limited (a company listed in Hong Kong) and the managing director of Sure Spread Limited.

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

**Mr. Song Jianming** is a senior engineer with a bachelor's degree. He is currently the Chairman of the Company. He had successively been the manager of the import and export company, the manager of the sales company, the general manager of Longhai Company and deputy general manager of the Company.

**Ms. Song Fei** is a senior accountant and a senior certified consultant with a postgraduate qualification. She was an Executive Director, financial controller and Secretary to the Board of the Company. She had successively served as head of planning and financial department of CLFG and assistant financial controller of CLFG.

**Mr. Zhao Yuanxiang** is a holder of master's degree and an engineer. She was a Non-executive Director of the Company. Mr. Zhao worked for China United Cement Group Corporation Limited and South Cement Company Limited and served as the vice president of South Cement Company Limited, the vice managing president of Hunan South Cement Group Company Limited and the chairman of Shaofeng South Cement Group Company Limited\* (韶峰南方水泥集團有限公司). From January 2010 to April 2013, Mr. Zhao held the position of the general manager of CLFG.

# Directors, Supervisors, Senior Management and Employees

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

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

#### 2. Supervisors:

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

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

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

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

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

**Mr. He Baofeng**, a PRC certified public accountant and a PRC certified tax agent with an associate degree, once acted as the Supervisor of the Company, the director and vice head of Luoyang Topchina CPA Limited and head of Luoyang Topchina Tax Agent. He is a member of the Expert Panel under Henan Institute of Certified Public Accountants.

#### 3. Senior Management

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

**Mr. Ip Pui Sum**, graduated from the Hong Kong Polytechnic University in 1982 with a MBA degree, is currently the Company Secretary. Mr. Ip is a certified public accountant in Hong Kong, a fellow member of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants, Chartered Institute of Management Accountants, Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

# Directors, Supervisors, Senior Management and Employees

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

### (I) Positions in Shareholder Entities

| Name           | Name of shareholder entity                        | Position held   | Starting date of term of office  | Expiry date of term of office |
|----------------|---|---|--|-------------------------------|
| Ma Liyun       | China Luoyang Float Glass (Group) Company Limited | Director, General Manager, deputy party secretary   | Since April 2013   |                               |
|                | Bengbu Glass Industry Design Institute            | Deputy party secretary, Secretary of disciplinary committee   | Since January 2009   |                               |
| Zhao Yuanxiang | China Luoyang Float Glass (Group) Company Limited | Vice Chairman, General Manager, deputy party secretary  | From May 2010 to April 2013<br>From December 2009 to April 2013<br>From January 2010 to April 2013 |                               |
| Zhang Chengong | China Building Material Glass Company             | Deputy General Manager, secretary of disciplinary committee, deputy party secretary                               | Since March 2011   |                               |
| Ren Zhenduo    | China Luoyang Float Glass (Group) Company Limited | Employee Director, deputy party secretary, secretary of disciplinary committee, chairman of the labor union       | Since August 2009<br>Since May 2009  |                               |
| Guo Yimin      | China Luoyang Float Glass (Group) Company Limited | Standing member of the party committee, Direct or Chief Accountant, and General Manager of the Finance Department | Since July 2010<br>Since April 2013<br>Since January 2010  |                               |
| Song Jianming  | China Luoyang Float Glass (Group) Company Limited | Standing member of the party committee, Senior advisor  | Since May 2009<br>Since April 2013   |                               |
| Ni Zhisen      | China Luoyang Float Glass (Group) Company Limited | Standing member of the party committee  | Since January 2010   |                               |
| Xie Jun        | China Luoyang Float Glass (Group) Company Limited | Standing member of the party committee  | Since April 2006<br>Since May 2009   |                               |
| Sun Lei        | Bengbu Glass Industry Design Institute            | Deputy head of finance department   | Since February 2009  |                               |

Explanation for Positions in Shareholder Entities

# Directors, Supervisors, Senior Management and Employees

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

### (II) Positions in other entities

| Name         | Name of entity  | Position held                                  | Starting date of term of office | Expiry date of term of office |
|--------------|---|--|---------------------------------|-------------------------------|
| Zhang Chong  | Chengdu COE Technology Co., Ltd.  | Executive deputy general manager               | Since June 2013                 |                               |
| Huang Ping   | Luoyang China Certified Public Accountants  | Deputy head                                    | Since March 1997                |                               |
| Dong Jiachun | Investment banking head office of Central China Securities Holdings Co., Ltd.<br>(中原證券股份有限公司投資銀行總部) | Managing director                              | Since April 2005                |                               |
|              | Henan Topfond Pharmaceutical Co., Ltd.<br>(河南天方藥業股份有限公司)  | Independent Director                           | From May 2009 to July 2013      |                               |
|              | Henan Zhongyuan Expressway Company Limited<br>(河南中原高速公路股份有限公司)                                      | Independent Director                           | Since January 2010              |                               |
|              | Zhong Yuan Environmental Protection Co., Ltd. (中原環保股份有限公司)  | Independent Director                           | Since June 2010                 |                               |
| Zeng Shaojin | Zhongjin Gold Corporation Limited   | Independent Director                           | Since May 2010                  |                               |
| Liu Tianni   | Wonderful Sky Financial Group Holdings Limited  | Chairman                                       | Since 1995                      |                               |
|              | Silver Grant International Industries Limited   | Executive Director                             | Since 1994                      |                               |
|              | Sure Spread Limited   | Managing Director                              | Since 2004                      |                               |
|              | Chongqing Iron & Steel Company Limited  | Independent Director                           | Since 2009                      |                               |
|              | Qingling Motors Co. Ltd.  | Independent Director                           | Since 2011                      |                               |
| He Baofeng   | Luoyang Topchina CPA Limited<br>Luoyang Topchina Tax Agent  | Director and deputy head<br>Head               |                                 |                               |
| Guo Hao      | Henan University of Science and Technology  | Deputy dean of Economics and Management School |                                 |                               |

Explanation for positions in other entities

# Directors, Supervisors, Senior Management and Employees

## III. Remuneration of Directors, Supervisors and Senior Management

|   |  |
|---|--|
| Procedure for determining the remuneration of Directors, supervisors and senior management                                  | After considering other listed companies' remuneration level in the same sector and economic growth in the region, the Board and the Supervisory Committee draft the proposal for the remuneration of Directors and Supervisors respectively and submit to the general meeting for consideration. The proposal for the remuneration of senior management shall be determined by the Board. |
| Basis for determination of remuneration of Directors, supervisors and senior management                                     | The actual remuneration shall be distributed with reference to the achievement status of annual operational targets and performance assessment.  |
| Remuneration payable to Directors, supervisors and senior management  | Based on the basic salary standards as set in the remuneration proposal, the HR Department shall distribute in advance 1/12 of such salary on the monthly basis, and effect the payment based on the final performance assessment result.<br><br>The remuneration for external Directors and supervisors shall be paid in one lump sum by the Company.                                     |
| Total remuneration actually received by all Directors, supervisors and senior management at the end of the reporting period | Approximately RMB1,670,500   |

## IV. Highest Paid Individuals

During the reporting period, the five highest paid individuals of the Company included four Directors and Supervisors, and one other individual, i.e. Ren Hongcan. Details of remuneration are as follows: the annual revenue amounted to RMB100,480, the contributions to defined contribution plan amounted to RMB38,579 and the total annual remuneration amounted to RMB139,059.

## V. Changes in Directors, Supervisors and Senior Management during the Reporting Period

| Name           | Position   | Change (optional) | Reasons for change   |
|----------------|--|-------------------|--|
| Ma Liyun       | Executive Director, Chairman   | Appointed         | Resignation of former Chairman                               |
| Zhang Chong    | Non-executive Director, Vice Chairman                                  | Appointed         | By-election for a vacancy for Director                       |
| Sun Lei        | Executive Director, Deputy General Manager, Chief Financial Controller | Appointed         | By-election for a vacancy for Director and senior management |
| Xie Jun        | Executive Director, Deputy General Manager                             | Appointed         | By-election for a vacancy for Director                       |
| Song Jianming  | Executive Director, Chairman   | Resigned          | Resignation  |
| Song Fei       | Executive Director, Chief Financial Controller, Secretary to the Board | Resigned          | Resignation  |
| Zhao Yuanxiang | Non-executive Director   | Resigned          | Resignation  |
| He Baofeng     | Supervisor   | Dismissed         | Expiry of term of office                                     |
| Wang Ruiqin    | Supervisor   | Appointed         | By-election for a vacancy for Supervisor                     |
| He Jiang       | Secretary to the Board   | Appointed         | Resignation of former Secretary to the Board                 |

Subsequent event: Mr. Zeng Shaojin resigned as an independent non-executive Director on 7 March 2014.

# Directors, Supervisors, Senior Management and Employees

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

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

## VII. Employees of the Company and Major Subsidiaries

### (I) Employees

|  |       |
|--|-------|
| Number of in-service employees of the Company  | 303   |
| Number of in-service employees of the major subsidiaries   | 1,649 |
| Total number of in-service employees   | 1,952 |
| The number of retired employees whose expenses are borne by the Company and its major subsidiaries | 2,111 |

### Composition of professions

| Type of profession   | Number of staff in the profession | Percentage in composition of profession (%) |
|----------------------|-----------------------------------|---|
| Production staff     | 1,538                             | 78.79                                       |
| Sales staff          | 44                                | 2.77  |
| Technical staff      | 99                                | 5.07  |
| Finance staff        | 54                                | 2.77  |
| Administrative staff | 217                               | 11.12                                       |
| Total                | 1,952                             | 100   |

### Education level

| Type of education level                | Number of persons | Percentage in composition of education level (%) |
|--|-------------------|--|
| University graduates or above          | 198               | 10.14  |
| College graduates                      | 620               | 31.76  |
| Specialised secondary school graduates | 184               | 9.43   |
| High school graduates                  | 616               | 31.56  |
| Junior high school or below            | 334               | 17.11  |
| Total                                  | 1,952             | 100  |

# Directors, Supervisors, Senior Management and Employees

## VII. Employees of Parent Company and Major Subsidiaries (Continued)

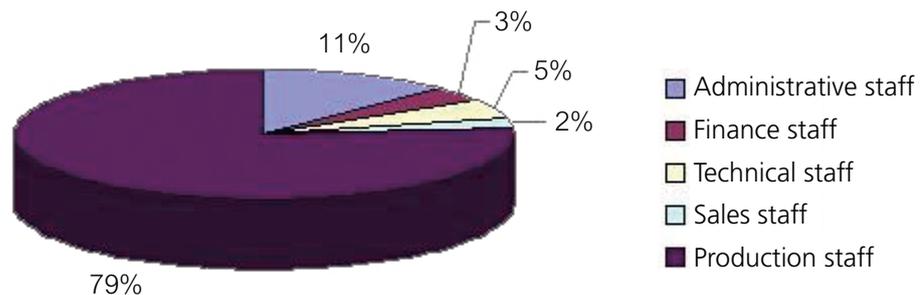
### (II) Remuneration system

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

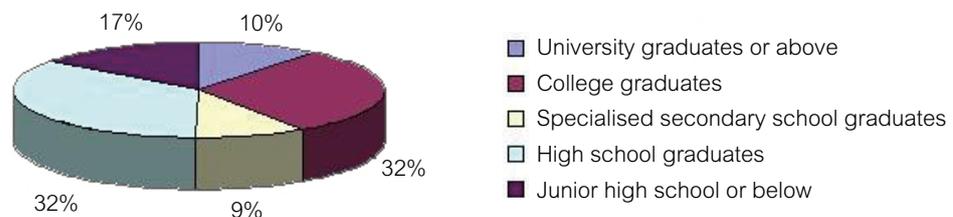
### (III) Training programme

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

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



### (V) Statistical chart on education level



## I. Corporate Governance and Insider Registration and Management

During the reporting period, the Company has been operating in strict compliance with the requirements in the relevant laws and regulations such as the Company Law, the Securities Law, the Standards on Corporate Governance of Listed Companies, the Listing Rules of the stock exchanges in Shanghai and Hong Kong and the regulations of the CSRC, by constantly improving its corporate governance structure, establishing and optimizing internal management and control systems, and further carrying out corporate governance campaigns in a bid to further standardize the operation of the Company and enhance the corporate governance level. During the Reporting Period, the corporate governance structure of the Company was in line with the Company Law and other relevant regulations of the CSRC.

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

The general meeting of the Company is its supreme authority. It exercises voting rights of material matters such as operating principle, capital raising and profit distribution in accordance with laws. It could ensure that all the shareholders are entitled to legal interests and fully exercise their own rights.

The Board of Directors is the decision-making organization of the Company. It is responsible for establishment and supervision of internal control system of the Company. It establishes and improves internal control system and schemes and supervises implementation of internal control. The Board has established five special committees including audit committee, remuneration and review committee, nomination committee, strategic committee and compliance committee and formulated corresponding rules of duties for committees. The Board of Directors of the Company comprises of eleven Directors including four independent Directors.

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

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

### 2. **The Company improved and optimized the following systems during the reporting period:**

(1) **To have 19 systems revised and perfected:** Departmental Responsibilities, Document Encoding Rules, Administrative Measures for Employee Capability Evaluation, Performance Evaluation Measures, Price Control Measures, Production Management System, Description Management Measures, Pallet Management Measures, Provisions on Usage and Demobilization of Pallet, Management System for Wooden Case for Packing, Measures for the Inspection and Assessment of Packaging Quality, Administrative Measures for Verifying the Special Process Capability, Rules for the Implementation of Quality Inspection of Purchased Goods and Materials, Goods and Materials Measurement Management Measures, Methods for Handling Purchased Goods and Materials of Technical Substandard, Methods of Inspection for Bulk Soda Ash Advancing into the Plant, Glass Cullet Administrative Provisions, Methods of Inspection and Usage of Purchased Glass Cullet, Administrative Measures for Work Certificate of Float Glass, and Negotiable Glass Administrative Measures.

(2) **To add one system:** Interim Measures for Performance Evaluation and Ranking of Affiliated Business Unit of LUOYANG GLASS COMPANY LIMITED.

### 3. **Information disclosure and registration management of insiders**

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

# Corporate Governance

## II. Shareholders' General Meetings

| Session of meeting                        | Convening date   | Resolutions   | Results                    | Search index on the websites designated for publication of resolutions   | Disclosure date of resolution publication   |
|---|------------------|---|----------------------------|--|---|
| 2012 annual general meeting               | 6 June 2013      | <ol style="list-style-type: none"> <li>To consider and approve the working report of the board of directors of the Company for the year 2012;</li> <li>To consider and approve the working report of the supervisory committee of the Company for the year 2012;</li> <li>To consider and approve the final accounts report of the Company for the year 2012;</li> <li>To consider and approve the profit distribution plan of the Company for the year 2012;</li> <li>To consider and approve the financial budget report of the Company for the year 2013;</li> <li>To consider and approve the reappointment of PKF Daxin Certified Public Accountants LLP as the auditor of the Company for the year 2013 and authorization to the Board for determining its remunerations according to the audit workload;</li> <li>To consider and approve the appointment of Mr. Ma Liyun to be the executive Director of the seventh Board for a term from 6 June 2013 to 8 November 2015;</li> <li>To consider and approve the appointment of Ms. Sun Lei to be the executive Director of the seventh Board for a term from 6 June 2013 to 8 November 2015; and</li> <li>To consider and approve the appointment of Mr. Zhang Chong to be the non-executive Director of the seventh Board for a term from 6 June 2013 to 8 November 2015. 日止。</li> </ol> | All resolution were passed | No. Lin. 2013-014 on 6 June 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>      | The resolution announcement was published on China Securities Journal, Shanghai Securities News and Securities Daily on 7 June 2013.      |
| 2013 first extraordinary general meeting  | 29 July 2013     | <ol style="list-style-type: none"> <li>To consider and approve the appointment of Mr. Xie Jun to be the executive director of the seventh board of directors of the Company for a term from 29 July 2013 to 8 November 2015.</li> <li>To consider and approve the appointment of Ms. Wang Ruiqin to be the supervisor of the seventh supervisory committee of the Company for a term from 29 July 2013 to 8 November 2015.</li> </ol>   | All resolution were passed | No. Lin. 2013-020 on 29 July 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a>     | The resolution announcement was published on China Securities Journal, Shanghai Securities News and Securities Daily on 30 July 2013.     |
| 2013 second extraordinary general meeting | 30 December 2013 | <ol style="list-style-type: none"> <li>To consider and approve the connected transaction in relation to the adjustment of natural gas supply in 2013 by CLFG Longhao Glass Company Limited* (洛玻集團洛陽龍昊玻璃有限公司) ("Longhao Company") and the relevant contents under the agreement and the implementation thereof;</li> <li>To consider and approve the connected transaction in relation to the natural gas supply in 2014 by Longhao Company and the relevant contents under the agreement and the implementation thereof.</li> </ol>   | All resolution were passed | No. Lin. 2013-034 on 30 December 2013 at <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> | The resolution announcement was published on China Securities Journal, Shanghai Securities News and Securities Daily on 31 December 2013. |

# Corporate Governance

## III. Performance of Duties by Directors

### (I) Attendance of Directors at Board meetings and general meetings

| Name of Director | Independent Director or not | Required attendance for the year (times) | Attendance at Board meetings |                                    |                     |  | Absence | Any failure in attending in person for two consecutive meetings | Attendance at general meetings              |  |
|------------------|-----------------------------|--|------------------------------|------------------------------------|---------------------|--|---------|---|---|--|
|                  |                             |  | Attendance in person         | Attendance by way of communication | Attendance by proxy | Attendance at general meetings (times) |         |   | Attending the annual general meeting or not |  |
| Ma Liyun         | No                          | 8  | 8                            | 4                                  | 0                   | 0                                      | No      | 2   | No  |  |
| Ni Zhisen        | No                          | 16                                       | 16                           | 10                                 | 0                   | 0                                      | No      | 3   | Yes   |  |
| Zhang Chong      | No                          | 8  | 8                            | 4                                  | 0                   | 0                                      | No      | 2   | No  |  |
| Xie Jun          | No                          | 6  | 6                            | 3                                  | 0                   | 0                                      | No      | 3   | Yes   |  |
| Sunlei           | No                          | 8  | 8                            | 4                                  | 0                   | 0                                      | No      | 3   | Yes   |  |
| Zhang Chengong   | No                          | 16                                       | 16                           | 11                                 | 0                   | 0                                      | No      | 3   | Yes   |  |
| Guo Yimin        | No                          | 16                                       | 16                           | 10                                 | 0                   | 0                                      | No      | 3   | Yes   |  |
| Huang Ping       | Yes                         | 16                                       | 16                           | 12                                 | 0                   | 0                                      | No      | 3   | Yes   |  |
| Dong Jiachun     | Yes                         | 16                                       | 16                           | 12                                 | 0                   | 0                                      | No      | 3   | Yes   |  |
| Liu Tianni       | Yes                         | 16                                       | 15                           | 12                                 | 1                   | 0                                      | No      | 3   | Yes   |  |
| Zeng Shaojin     | Yes                         | 16                                       | 15                           | 12                                 | 1                   | 0                                      | No      | 3   | Yes   |  |
| Song Jianming    | No                          | 3  | 3                            | 2                                  | 0                   | 0                                      | No      | 0   | /   |  |
| Song Fei         | No                          | 3  | 3                            | 2                                  | 0                   | 0                                      | No      | 0   | /   |  |
| Zhao Yuanxiang   | No                          | 3  | 3                            | 2                                  | 0                   | 0                                      | No      | 0   | /   |  |

Explanation for failure in attending in person for two consecutive meetings: N/A

Number of Board meetings held in the year 16  
 Including: Number of on-site meetings 4  
 Number of meetings held by way of communication 10  
 Number of meetings held on-site with attendance by way of communication 2

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

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

# Corporate Governance

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

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

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

1. In the process of connected transactions between Longhao Company and the affiliated party of gas supply, since the gas price rises and the quantity demanded increases, the originally estimated transaction amount is far from the actual needs. Then the compliance committee under the board of directors has suggested that the company adjust the estimation of gas supply in 2013 as soon as possible, and reasonably calculate the estimation in 2014, so as to ensure compliance. The audit committee has checked the contents of transactions and the terms of agreements carefully, and offered a rationalization proposal with respect to the terms of agreements and review procedures.
2. During the reporting period, the nomination committee has paid close attention to and reviewed the process of by-electing directors and engaging supervisors and senior executives, and put forward professional opinions to the company in combination with educational background, professional experience, professional competence and professional quality of directors and senior executive candidates.
3. During the disposal of idle assets by the company, the strategy committee, in combination with the attributes of the idle assets, has suggested that the company take effective measures of realization as soon as possible, so as to increase cash flow to meet the production and operation needs.

## V. Risks Discovered by the Supervisory Committee

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

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

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

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

## VII. The Establishment and Implementation of the Assessment Mechanism and Incentive Mechanism for Senior Management during the Reporting Period

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

## VIII. Corporate Governance Report

### (I) Corporate governance practices

During the reporting period, the Company had complied with all the code provisions of the Code on Corporate Governance Practices, the Corporate Governance Code and the Corporate Governance Report.

### (II) Securities transactions by Directors and supervisors

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

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (III) Directors and the Board

#### 1. Directors

- (1) **The current Board is composed of 11 directors, including:** 4 Executive Directors including Mr. Ma Liyun (Chairman), Mr. Ni Zhisen, Mr. Xie Jun and Ms. Sun Lei, 3 Non-executive Directors including Mr. Zhang Chong, Mr. Zhang Chengong and Mr. Guo Yimin, and 4 Independent Non-executive Directors including Mr. Huang Ping, Mr. Dong Jiachun, Mr. Zeng Shaojin and Mr. Liu Tianni.

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

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

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

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

During the reporting period, the Company convened 16 Board meetings and 3 general meetings. Please refer to Part III of this chapter for attendance at Board meetings and general meetings by the Directors in details.

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

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

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

Details about such training are as follows:

All Directors, supervisors and senior management of the Company attended the annual professional training for directors, supervisors and senior management organized by the Listed Companies Association of Henan.

## VIII. Corporate Governance Report (Continued)

### (III) The Board (Continued)

#### 2. The Board

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

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

### (IV) Chairman and Chief Executive Officer

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

Detail for duties of the Board and the management, please refer to Part I in this section.

### (V) Term of office of Non-executive Directors

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

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

### (VI) Special committees under the Board

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

#### 1. Audit Committee

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

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

Working progresses during the reporting period:

The audit committee under the board of directors has convened 9 meetings during the reporting period, mainly engaging in carefully looking over quarterly reports, semi-annual reports and annual reports of the company, supervising and assessing the work of external audit organizations, instructing internal audit work of the company, assessing the validity of internal control of the company, coordinating the communication between the management, internal audit department and related departments and external audit organizations, and checking major connected transactions of the company, etc., to give full play of its function of examination and supervision. The audit committee has developed the Report on the Fulfillment of Responsibilities in 2013, which has been disclosed on the websites of both stock exchanges together with the annual reports of the company.

Meeting attendance by members of the Audit Committee in 2013:

Number of meetings 9

| Name         | Attendance | Attendance by proxy |
|--------------|------------|---------------------|
| Huang Ping   | 9          | 0                   |
| Dong Jiachun | 9          | 0                   |
| Liu Tianni   | 9          | 0                   |

## VIII. Corporate Governance Report (Continued)

### 2. Remuneration and Review Committee

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

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

The Company's Remuneration and Review Committee held 1 special meeting during the reporting period, at which the committee reviewed the payment of remuneration payable by the Company to the Directors and senior management in 2012.

Meeting attendance by members of the Remuneration and Review Committee in 2013:

Number of meetings 1

| <b>Name</b>             | <b>Attendance</b> | <b>Attendance<br/>by proxy</b> |
|-------------------------|-------------------|--------------------------------|
| Dong Jiachun            | 1                 | 0                              |
| Ma Liyun                | 0                 | 0                              |
| Liu Tianni              | 1                 | 0                              |
| Zhao Yuanxiang (former) | 1                 | 0                              |

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

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

#### 3. Nomination Committee

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

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

The Nomination Committee held 2 special meetings during the reporting period at which the committee examined the education background, work experience, professional ability and occupational competence of the candidates for the new session of the Board and senior management, offered professional opinions and provided reference for decision-making by the Board.

Meeting attendance by members of the Nomination Committee in 2013:

Number of meetings 2

| <b>Name</b>           | <b>Attendance</b> | <b>Attendance<br/>by proxy</b> |
|-----------------------|-------------------|--------------------------------|
| Zeng Shaojin          | 2                 | 0                              |
| Ma Liyun              | 1                 | 0                              |
| Huang Ping            | 2                 | 0                              |
| Song Jianmin (former) | 1                 | 0                              |

## VIII. Corporate Governance Report (Continued)

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

#### 4. Strategic Committee

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

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

The Strategic Committee held 2 special meetings during the reporting period. The Committee researched the relevant policies of PRC and local government as well as the situations of Dengfeng Silica Sand when transferring the equity interests in Dengfeng Silica, and recommended to transfer the equity interests in Dengfeng Silica Sand to Longhai Company as soon as possible, so as to be in compliance with the relevant requirements of PRC and meet the developmental needs of Dengfeng Luobo; the Committee also advised the Company to take efficient measures for realizing as soon as possible by combining the characteristics of idle assets when disposing the Company's idle assets, so as to increase cash flows and meet the needs for production and operation.

Meeting attendance by members of the Strategic Committee in 2013:

Number of meetings 3

| <b>Name</b>    | <b>Attendance</b> | <b>Attendance by proxy</b> |
|----------------|-------------------|----------------------------|
| Ma Liyun       | 3                 | 0                          |
| Ni Zhisen      | 3                 | 0                          |
| Zhang Chengong | 3                 | 0                          |
| Zeng Shaojin   | 3                 | 0                          |
| Zhang Chong    | 3                 | 0                          |

# Corporate Governance

## VIII. Corporate Governance Report (Continued)

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

#### 5. Compliance Committee

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

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

The Compliance Committee held 2 special meetings during the reporting period, at which the committee raised proposal on compliance on determination of transaction caps reasonably and performance of consideration procedures when considering the connected transaction in relation to provision of natural gas by Longhao Company, and ensured compliant and legitimate operation of the Company.

Meeting attendance by members of the Compliance Committee in 2013:

Number of meetings 2

| <b>Name</b>        | <b>Attendance</b> | <b>Attendance<br/>by proxy</b> |
|--------------------|-------------------|--------------------------------|
| Liu Tianni         | 2                 | 0                              |
| Guo Yimin          | 2                 | 0                              |
| Lo Wai Keung, Eric | 2                 | 0                              |
| Ip Pui Sum         | 2                 | 0                              |

### (VII) Auditors' remuneration

Please refer to Part VII under the section headed "V. Significant Events" for details about the auditors' remuneration for 2013.

## VIII. Corporate Governance Report (Continued)

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

The 2013 financial report and results announcement of the Company has been reviewed by the Audit Committee. Each of the Directors of the Company agreed on and confirmed their respective and joint responsibility for the preparation of accounts of the financial statements for this year. The Directors are responsible for preparing the financial statements which gave a true and fair picture of the financial position, operating results and cash flow of the Group during the accounting period in accordance with the applicable statutory and regulatory requirements. In preparing the financial statements for the year ended 31 December 2013, the Company implemented, adopted and used the applicable accounting policies.

### (IX) Company Secretary

The Company considered and approved the reappointment of Mr. Ip Pui Sum (from Sum, Arthur & Co. in Hong Kong) as the Company Secretary. Mr. Ip conscientiously performed his duty during the reporting period, offered his opinions to the Board of the Company in respect of governance, ensured smooth information exchange among members of the Board, and complied with the policies and procedures of the Board. During the year ended 31 December 2013, Mr. Ip had accepted no less than 15 hours of professional training to update his skills and knowledge.

The principal contact person in the Company with the Company Secretary is Mr. He Jiang, Secretary to the Board. For her detailed contact information, please refer to part (II) under the section headed "II. Company Profile" in this report.

### (X) Rights of shareholders

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

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

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

### (XI) Investor relations

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

In December of 2013, with the assistance of Henan Listed Company Association, the company has organized the activity of "Convention of Integrity, Walking in the Sun into LONGHUA ENERGY CONSERVATION and LUOYANG GLASS" jointly with LUOYANG LONGHUA HEAT TRANSFER & ENERGY CONSERVATION CO., LTD., with over 70 participants including representatives of institutional investors, individual investors, securities analysts, representatives of listed companies and news and media, etc., in which directors and senior executives of the company have made communication with news and media and investors face to face, further enhancing the understanding and perception of investors and the public on the company.

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

# Internal Control

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

### 1. Responsibility statement of the Board on internal control

The establishment, improvement and effective implementation of internal control is the responsibility of the Company's Board; the Supervisory Committee conducts supervision on the establishment and implementation of internal control by the Board; the executives are responsible for organizing and leading daily operation of internal control of the Company; Audit Committee is responsible for reviewing and supervising effective implementation of internal control of the Company.

The Board of the Company considers that, the Company has established relatively sound legal person governance structure and internal control system is relatively sound and complies with provisions of relevant laws, regulations and requirements of securities regulatory authorities. The implementation and execution of the Company's internal control systems proceed well which plays a good role in management and control in various key aspects of corporate operation and management such as connected transaction, external guarantee, substantial investment and information disclosure and could provide assurance on healthy operation of various businesses and control of operating risks of the Company. The Company's internal control systems are effective. In future operation and development of the Company, the effectiveness of internal control may vary with the changes in internal and external environments and operating conditions of the Company. The Company will constantly modify and improve internal control systems based on changes in actual conditions and enhance efficiency and benefit of internal control.

The Board has assessed relevant internal controls over the financial report in accordance with the requirements of the Basic Standards for Enterprise Internal Control, and considered such assessment was valid as at 31 December 2013 (reference date).

### 2. Development of the internal control system

In 2013, the Company followed the principle of legitimacy, all-roundedness, importance, effectiveness, check and balance, adaptability and cost effectiveness for internal control, incorporated the Basic Standards for Enterprise Internal Control and relevant requirements of the supporting guidelines into the Internal Control Manual of Luoyang Glass in the form of management systems, business process and risk control matrix, thus established an internal control systematic framework starting from risk management, focused on clear definition of duties and responsibilities, backed by the improvement and implementation of system construction, and based on process analysis standards, and continuously improved the Internal Control Manual containing 126 management systems, 23 level-1 business processes, 20 risk matrixes covering 325 risk points, thereby reasonably ensuring the legitimate and compliant operation and management of the enterprise, assets safety, truthfulness and completeness of financial reports and relevant information.

## **I. Responsibility Statement on Internal Control and Development of the Internal Control System** *(Continued)*

### **2. Development of the internal control system** *(Continued)*

The Company strictly exercised the function of the internal control supervision mechanism, and carried out special audits of finance, inventory materials, fixed assets and other internal controls. By inspecting the above control systems and processes, and assessing their existence, soundness, compliance and benefits, the Company urged all the departments to reinforce management, brought into full play the role of internal control systems promoted the Company to achieve the strategic goal, provided guarantee for the continuing and health development of the Company, and enhanced the economic benefit of the enterprise.

For details about the 2013 Internal Control assessment Report of Luoyang Glass Company Limited, please refer to the websites of the SSE (<http://www.sse.com.cn>) and the Stock Exchange (<http://www.hkexnews.hk>).

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

The Company appointed Daxin Certified Public Accountants (Special General Partnership) to audit the effectiveness of internal control over the financial report for the year ended 31 December 2013, which produced an audit report with standard and unqualified opinions. For details of the Audit Report on Internal Control, please refer to the websites of the SSE (<http://www.sse.com.cn>) and the Stock Exchange (<http://www.hkexnews.hk>).

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

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

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

# Auditors' Report

Daxin Shen Zi [2014] No. 2-00161

## To the Shareholders of Luoyang Glass Company Limited:

We have audited the accompanying financial statements of Luoyang Glass Company Limited (hereafter referred to as "the Company"), including the consolidated and the Company's balance sheet as of December 31, 2013, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement and the consolidated and the Company's statement of the changes in equity for 2013, and notes to the financial statements.

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

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

### II. AUDITORS' RESPONSIBILITY

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

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

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

### III. AUDIT OPINION

In our opinion, the Company's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the Company's financial position as of December 31, 2013, and the Company's operating results and cash flows for 2013.

#### PKF DAXIN Certified Public Accountants LLP

Chinese Certified Public Accountant: **Qiao Guanfang**

Chinese Certified Public Accountant: **Wang Haizhou**

Beijing • the PRC  
March 27, 2014

# Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited

December 31, 2013

Unit: RMB

| Item   | Notes | December 31, 2013       | December 31, 2012 |
|--|-------|-------------------------|-------------------|
| <b>Current assets:</b>                                 |       |                         |                   |
| Bank balance and cash                                  | V.1   | <b>128,509,961.33</b>   | 236,619,040.45    |
| Balances with clearing companies                       |       |                         |                   |
| Placements with banks and other financial institutions |       |                         |                   |
| Held-for-trading financial assets                      |       |                         |                   |
| Notes receivable                                       | V.2   | <b>39,799,612.49</b>    | 9,779,980.14      |
| Accounts receivable                                    | V.3   | <b>29,651,547.60</b>    | 76,455,808.54     |
| Prepayments  | V.4   | <b>13,806,820.85</b>    | 14,037,265.28     |
| Premiums receivable                                    |       |                         |                   |
| Reinsurance accounts receivable                        |       |                         |                   |
| Reinsurance contract reserves receivable               |       |                         |                   |
| Interest receivable                                    |       |                         |                   |
| Dividends receivable                                   |       |                         |                   |
| Other receivables                                      | V.5   | <b>81,916,322.40</b>    | 61,938,475.53     |
| Financial assets purchased under resale agreements     |       |                         |                   |
| Inventory  | V.6   | <b>200,349,541.58</b>   | 211,968,354.99    |
| Non-current assets due within one year                 |       |                         |                   |
| Other current assets                                   |       |                         |                   |
| <b>Total current assets</b>                            |       | <b>494,033,806.25</b>   | 610,798,924.93    |
| <b>Non-current assets:</b>                             |       |                         |                   |
| Entrusted loans and advances granted                   |       |                         |                   |
| Available-for-sale financial assets                    |       |                         |                   |
| Held-to-maturity investments                           |       |                         |                   |
| Long-term receivables                                  |       |                         |                   |
| Long-term equity investments                           | V.8   | <b>7,000,000.00</b>     | 7,000,000.00      |
| Investment properties                                  | V.9   | <b>0.00</b>             | 14,170,232.57     |
| Fixed assets   | V.10  | <b>644,340,372.61</b>   | 539,787,058.69    |
| Construction in progress                               | V.11  | <b>2,139,957.20</b>     | 74,565,910.15     |
| Construction materials                                 | V.12  | <b>506,186.30</b>       | 483,109.38        |
| Disposal of fixed assets                               |       |                         |                   |
| Biological assets for production                       |       |                         |                   |
| Fuel assets  |       |                         |                   |
| Intangible assets                                      | V.13  | <b>73,958,045.12</b>    | 50,184,175.01     |
| Development expenses                                   |       |                         |                   |
| Goodwill   |       |                         |                   |
| Long-term deferred expenses                            |       |                         |                   |
| Deferred income tax assets                             | V.14  | <b>2,437,064.61</b>     | 0                 |
| Other non-current assets                               | V.16  | <b>2,112,887.79</b>     | 5,792,922.79      |
| <b>Total non-current assets</b>                        |       | <b>732,494,513.63</b>   | 691,983,408.59    |
| <b>Total assets</b>                                    |       | <b>1,226,528,319.88</b> | 1,302,782,333.52  |

# Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited

December 31, 2013

Unit: RMB

| Item   | Notes | December 31, 2013       | December 31, 2012 |
|--|-------|-------------------------|-------------------|
| <b>Current liabilities:</b>                            |       |                         |                   |
| Short-term loans                                       | V.18  | <b>50,696,833.33</b>    | 20,000,000.00     |
| Loans from central bank                                |       |                         |                   |
| Deposit taking and deposit in inter-bank market        |       |                         |                   |
| Placements from banks and other financial institutions |       |                         |                   |
| Held-for-trading financial liabilities                 |       |                         |                   |
| Notes payable  | V.19  | <b>150,000,000.00</b>   | 250,000,000.00    |
| Accounts payable                                       | V.20  | <b>282,538,381.85</b>   | 206,951,139.66    |
| Payments received in advance                           | V.21  | <b>41,704,096.40</b>    | 35,535,060.88     |
| Disposal of repurchased financial assets               |       |                         |                   |
| Handling charges and commissions payable               |       |                         |                   |
| Staff remuneration payables                            | V.22  | <b>59,538,138.48</b>    | 39,331,753.50     |
| Taxes payable  | V.23  | <b>-7,987,198.97</b>    | -15,217,888.93    |
| Interest payable                                       |       |                         |                   |
| Dividends payable                                      |       |                         |                   |
| Other payables   | V.24  | <b>126,044,622.62</b>   | 82,736,432.67     |
| Reinsurance accounts payable                           |       |                         |                   |
| Reserve for insurance contracts                        |       |                         |                   |
| Customer deposits for trading in securities            |       |                         |                   |
| Customer deposits for underwriting                     |       |                         |                   |
| Non-current liabilities due within one year            | V.25  | <b>47,612,486.96</b>    | 48,663,873.14     |
| Other current liabilities                              |       |                         |                   |
| <b>Total current liabilities</b>                       |       | <b>750,147,360.67</b>   | 668,000,370.92    |
| <b>Non-current liabilities:</b>                        |       |                         |                   |
| Long-term loans  | V.26  | <b>506,104,010.11</b>   | 552,413,447.95    |
| Debentures payable                                     |       |                         |                   |
| Long-term payables                                     |       |                         |                   |
| Specific payables                                      |       |                         |                   |
| Accrued liabilities                                    |       |                         |                   |
| Deferred income tax liabilities                        |       |                         |                   |
| Other non-current liabilities                          | V.27  | <b>10,179,045.75</b>    | 11,728,097.91     |
| <b>Total non-current liabilities</b>                   |       | <b>516,283,055.86</b>   | 564,141,545.86    |
| <b>Total liabilities</b>                               |       | <b>1,266,430,416.53</b> | 1,232,141,916.78  |

# Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited  
December 31, 2013  
Unit: RMB

| Item  | Notes | December 31, 2013        | December 31, 2012 |
|---|-------|--------------------------|-------------------|
| <b>Owners' equity:</b>  |       |                          |                   |
| Share capital   | V.28  | <b>500,018,242.00</b>    | 500,018,242.00    |
| Capital reserve   | V.29  | <b>857,450,406.90</b>    | 857,450,406.90    |
| Less: Treasury stock  |       |                          |                   |
| Special reserve   | V.30  | <b>367,894.52</b>        | 205,847.44        |
| Surplus reserve   | V.31  | <b>51,365,509.04</b>     | 51,365,509.04     |
| General risk provision  |       |                          |                   |
| Retained earnings   | V.32  | <b>-1,375,895,993.77</b> | -1,276,914,998.93 |
| Currency translation differences                                      |       |                          |                   |
| <b>Total equity attributable to the equity holders of the Company</b> |       | <b>33,306,058.69</b>     | 132,125,006.45    |
| <b>Minority interests</b>   |       | <b>-73,208,155.34</b>    | -61,484,589.71    |
| <b>Total owners' equity</b>   |       | <b>-39,902,096.65</b>    | 70,640,416.74     |
| <b>Total liabilities and shareholders' equities</b>                   |       | <b>1,226,528,319.88</b>  | 1,302,782,333.52  |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited

December 31, 2013

Unit: RMB

| Item                                   | Notes | December 31, 2013       | December 31, 2012       |
|--|-------|-------------------------|-------------------------|
| <b>Current assets:</b>                 |       |                         |                         |
| Bank balance and cash                  |       | 100,484,846.41          | 120,425,157.76          |
| Held-for-trading financial assets      |       |                         |                         |
| Notes receivable                       |       | 37,380,000.00           | 3,150,557.58            |
| Accounts receivable                    | XII.1 | 536,576,422.25          | 495,330,532.83          |
| Prepayments                            |       | 1,099,223.51            | 267,252.70              |
| Interest receivable                    |       |                         |                         |
| Dividends receivable                   |       |                         |                         |
| Other receivables                      | XII.2 | 291,258,468.88          | 245,494,831.18          |
| Inventory                              |       | 5,787,785.18            | 6,121,332.71            |
| Non-current assets due within one year |       |                         |                         |
| Other current assets                   |       |                         |                         |
| <b>Total current assets</b>            |       | <b>972,586,746.23</b>   | <b>870,789,664.76</b>   |
| <b>Non-current assets:</b>             |       |                         |                         |
| Available-for-sale financial assets    |       |                         |                         |
| Held-to-maturity investments           |       | 139,969,000.00          | 134,969,000.00          |
| Long-term receivables                  |       |                         |                         |
| Long-term equity investments           | XII.3 | 92,519,028.76           | 64,582,026.93           |
| Investment properties                  |       |                         | 14,170,232.57           |
| Fixed assets                           |       | 5,035,983.24            | 24,045,494.47           |
| Construction in progress               |       |                         |                         |
| Construction materials                 |       | 443,778.51              | 420,701.59              |
| Disposal of fixed assets               |       |                         |                         |
| Biological assets for production       |       |                         |                         |
| Fuel assets                            |       |                         |                         |
| Intangible assets                      |       | 7,080,505.96            | 7,304,690.80            |
| Development expenses                   |       |                         |                         |
| Goodwill                               |       |                         |                         |
| Long-term deferred expenses            |       |                         |                         |
| Deferred income tax assets             |       |                         |                         |
| Other non-current assets               |       |                         |                         |
| <b>Total non-current assets</b>        |       | <b>245,048,296.47</b>   | <b>245,492,146.36</b>   |
| <b>Total assets</b>                    |       | <b>1,217,635,042.70</b> | <b>1,116,281,811.12</b> |

# Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited  
December 31, 2013  
Unit: RMB

| Item  | Notes | December 31, 2013        | December 31, 2012 |
|---|-------|--------------------------|-------------------|
| <b>Current liabilities:</b>                         |       |                          |                   |
| Short-term loans                                    |       | <b>50,696,833.33</b>     |                   |
| Held-for-trading financial liabilities              |       |                          |                   |
| Notes payable                                       |       | <b>150,000,000.00</b>    | 170,000,000.00    |
| Accounts payable                                    |       | <b>105,199,176.11</b>    | 115,312,193.59    |
| Payments received in advance                        |       | <b>39,196,282.16</b>     | 30,883,052.25     |
| Staff remuneration payables                         |       | <b>35,821,245.04</b>     | 24,323,874.04     |
| Taxes payable                                       |       | <b>678,566.99</b>        | -476,089.13       |
| Interest payable                                    |       |                          |                   |
| Dividends payable                                   |       |                          |                   |
| Other payables                                      |       | <b>205,350,299.14</b>    | 142,233,929.22    |
| Non-current liabilities due within one year         |       | <b>43,463,566.40</b>     | 43,458,315.85     |
| Other current liabilities                           |       |                          |                   |
| <b>Total current liabilities</b>                    |       | <b>630,405,969.17</b>    | 525,735,275.82    |
| <b>Non-current liabilities:</b>                     |       |                          |                   |
| Long-term loans                                     |       | <b>474,504,010.11</b>    | 517,933,447.95    |
| Debentures payable                                  |       |                          |                   |
| Long-term payables                                  |       |                          |                   |
| Specific payables                                   |       |                          |                   |
| Accrued liabilities                                 |       |                          |                   |
| Deferred income tax liabilities                     |       |                          |                   |
| Other non-current liabilities                       |       |                          |                   |
| <b>Total non-current liabilities</b>                |       | <b>474,504,010.11</b>    | 517,933,447.95    |
| <b>Total liabilities</b>                            |       | <b>1,104,909,979.28</b>  | 1,043,668,723.77  |
| <b>Owners' equity:</b>                              |       |                          |                   |
| Share capital                                       |       | <b>500,018,242.00</b>    | 500,018,242.00    |
| Capital reserve                                     |       | <b>891,129,782.23</b>    | 891,129,782.23    |
| Less: Treasury stock                                |       |                          |                   |
| Special reserve                                     |       |                          |                   |
| Surplus reserve                                     |       | <b>51,365,509.04</b>     | 51,365,509.04     |
| General risk provision                              |       |                          |                   |
| Retained earnings                                   |       | <b>-1,329,788,469.85</b> | -1,369,900,445.92 |
| <b>Total owners' equity</b>                         |       | <b>112,725,063.42</b>    | 72,613,087.35     |
| <b>Total liabilities and shareholders' equities</b> |       | <b>1,217,635,042.70</b>  | 1,116,281,811.12  |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item  | Notes | 2013                   | 2012           |
|---|-------|------------------------|----------------|
| <b>I. Total operating revenue</b>   |       | <b>375,735,014.43</b>  | 553,687,171.35 |
| Including: Operating revenue  | V.33  | <b>375,735,014.43</b>  | 553,687,171.35 |
| Interest income   |       |                        |                |
| Premiums earned   |       |                        |                |
| Handling charges and commission income                                    |       |                        |                |
| <b>II. Total operating costs</b>  |       | <b>513,672,918.47</b>  | 619,745,953.31 |
| Including: Operating costs  | V.33  | <b>322,728,783.02</b>  | 440,659,374.81 |
| Interest expenses   |       |                        |                |
| Handling charges and commission expenses                                  |       |                        |                |
| Surrender payment   |       |                        |                |
| Net expenditure for compensation payments                                 |       |                        |                |
| Net provision for insurance contracts                                     |       |                        |                |
| Policyholder dividend expenses  |       |                        |                |
| Reinsurance costs   |       |                        |                |
| Business taxes and surcharges   | V.34  | <b>4,945,624.54</b>    | 6,316,131.51   |
| Selling expenses  | V.35  | <b>22,648,035.94</b>   | 25,292,041.70  |
| Administration expenses   | V.36  | <b>107,131,092.30</b>  | 123,719,187.34 |
| Finance expenses  | V.37  | <b>9,554,004.27</b>    | 10,593,085.84  |
| Impairment loss on assets   | V.39  | <b>46,665,378.40</b>   | 13,166,132.11  |
| Others  |       |                        |                |
| Add: Gains from changes in fair value<br>(losses are represented by "--") |       |                        |                |
| Investment income (losses are represented by "--")                        | V.38  | <b>2,410,572.50</b>    | 1,793,244.01   |
| Including: Gains from investment in associates and<br>joint ventures      |       |                        |                |
| Gains from currency exchange<br>(losses are represented by "--")          |       |                        |                |
| <b>III. Operating profit (loss is represented by "--")</b>                |       | <b>-135,527,331.54</b> | -64,265,537.95 |
| Add: Non-operating income   | V.40  | <b>31,012,446.69</b>   | 69,120,545.80  |
| Less: Non-operating expenses  | V.41  | <b>3,051,871.70</b>    | 622,760.79     |
| Including: Net loss from disposal of<br>non-current assets                |       | <b>1,673,324.51</b>    |                |
| <b>IV. Total profit (total loss is represented by "--")</b>               |       | <b>-107,566,756.55</b> | 4,232,247.06   |
| Less: Income tax expenses   | V.42  | <b>3,287,385.84</b>    | 12,320,312.18  |
| <b>V. Net profit (net loss is represented by "--")</b>                    |       | <b>-110,854,142.39</b> | -8,088,065.12  |
| Including: Net profit attributable to<br>the owners of the Company        |       | <b>-98,980,994.84</b>  | 5,093,137.28   |
| Minority interests  |       | <b>-11,873,147.55</b>  | -13,181,202.40 |

# Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited  
For 2013  
Unit: RMB

| Item  | Notes | 2013                   | 2012           |
|---|-------|------------------------|----------------|
| <b>VI. Earnings per share:</b>  |       |                        |                |
| (I) Basic earnings per share (RMB/share)                                    | V.43  | -0.20                  | 0.01           |
| (II) Diluted earnings per share (RMB/share)                                 | V.43  | -0.20                  | 0.01           |
| <b>VII. Other comprehensive income</b>                                      |       |                        |                |
| <b>VIII. Total comprehensive income</b>                                     |       | <b>-110,854,142.39</b> | -8,088,065.12  |
| Including: Total comprehensive income attributable to owners of the Company |       | <b>-98,980,994.84</b>  | 5,093,137.28   |
| Total comprehensive income attributable to minority interests               |       | <b>-11,873,147.55</b>  | -13,181,202.40 |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Income Statement of the Company

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item   | Notes | 2013                  | 2012           |
|--|-------|-----------------------|----------------|
| <b>I. Operating revenue</b>  | XII.4 | <b>444,758,638.37</b> | 331,038,521.15 |
| Less: Operating costs  | XII.4 | <b>415,670,940.26</b> | 318,833,160.06 |
| Business taxes and surcharges  |       | <b>883,856.67</b>     | 2,423,710.49   |
| Selling expenses   |       | <b>2,937,640.86</b>   | 2,554,694.42   |
| Administration expenses  |       | <b>23,881,432.01</b>  | 38,095,315.87  |
| Finance expenses   |       | <b>-343,993.97</b>    | 1,711,466.93   |
| Impairment loss on assets  |       | <b>1,898,152.14</b>   | 37,344,493.92  |
| Others   |       |                       |                |
| Add: Gains from changes in fair value                                |       |                       |                |
| Investment income  | XII.5 | <b>23,124,763.96</b>  | 25,447,363.25  |
| Including: Gains from investment<br>in associates and joint ventures |       |                       |                |
| Gains from currency exchange<br>(losses are represented by "-")      |       |                       |                |
| <b>II. Operating Profit</b>  |       | <b>22,955,374.36</b>  | -44,476,957.29 |
| Add: Non-operating income  |       | <b>19,362,784.25</b>  | 66,300,336.68  |
| Less: Non-operating expenses   |       | <b>2,206,182.54</b>   | 277,135.49     |
| Including: Net loss from disposal of non-current assets              |       | <b>1,630,927.34</b>   |                |
| <b>III. Total profit</b>   |       | <b>40,111,976.07</b>  | 21,546,243.90  |
| Less: Income tax expenses  |       |                       |                |
| <b>IV. Net profit</b>  |       | <b>40,111,976.07</b>  | 21,546,243.90  |
| <b>V. Earnings per share</b>   |       |                       |                |
| (I) Basic earnings per share (RMB/share)                             |       |                       |                |
| (II) Diluted earnings per share (RMB/share)                          |       |                       |                |
| <b>VI. Other comprehensive income</b>                                |       |                       |                |
| <b>VII. Total comprehensive income</b>                               |       | <b>40,111,976.07</b>  | 21,546,243.90  |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited  
For 2013  
Unit: RMB

| Item  | Notes   | 2013                  | 2012           |
|---|---------|-----------------------|----------------|
| <b>I. Cash flows from operating activities:</b>                           |         |                       |                |
| Cash received from sale of goods or rendering of services                 |         | <b>185,908,945.36</b> | 194,022,519.21 |
| Net increase in customer and interbank deposits                           |         |                       |                |
| Net increase in loans from central bank                                   |         |                       |                |
| Net increase in loans from other financial institutions                   |         |                       |                |
| Cash received from premiums under original insurance contract             |         |                       |                |
| Net cash received from reinsurance business                               |         |                       |                |
| Net increase in deposits of policy holders and investment                 |         |                       |                |
| Net increase in disposal of held-for-trading financial assets             |         |                       |                |
| Cash received from interest,<br>handling charges and commissions          |         |                       |                |
| Net increase in loans   |         |                       |                |
| Net increase in income from repurchase business                           |         |                       |                |
| Tax rebates   |         |                       |                |
| Other cash received from activities<br>related to operation               | V.44(1) | <b>13,445,194.56</b>  | 43,035,454.65  |
| Sub-total of cash inflow from<br>operating activities                     |         | <b>199,354,139.92</b> | 237,057,973.86 |
| Cash paid for goods purchased and<br>services rendered                    |         | <b>80,997,979.90</b>  | 88,360,564.25  |
| Net increase in loans and advances from customers                         |         |                       |                |
| Net increase in deposits with central bank and interbank deposits         |         |                       |                |
| Cash paid for compensation payments under original insurance<br>contracts |         |                       |                |
| Cash paid for interest, handling charges and commissions                  |         |                       |                |
| Cash paid for insurance policy dividend                                   |         |                       |                |
| Cash paid to and on behalf of employees                                   |         | <b>54,971,205.12</b>  | 64,816,119.31  |
| Tax payments  |         | <b>30,671,267.60</b>  | 53,074,805.51  |
| Other cash paid for activities related to operation                       | V.44(2) | <b>21,727,448.71</b>  | 22,071,752.84  |
| Sub-total of cash outflow from operating<br>activities                    |         | <b>188,367,901.33</b> | 228,323,241.91 |
| Net cash flow from operating activities                                   |         | <b>10,986,238.59</b>  | 8,734,731.95   |

# Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item  | Notes   | 2013                  | 2012           |
|---|---------|-----------------------|----------------|
| <b>II. Cash flow from investment activities:</b>  |         |                       |                |
| Cash received from disposal of investment   |         |                       | 410,000.00     |
| Cash received from return of investments  |         | <b>23,000,000.00</b>  |                |
| Net cash received from disposal of fixed assets, intangible assets and other long term assets         |         | <b>2,410,572.50</b>   | 1,793,244.01   |
| Net cash received from disposal of subsidiaries and other operating entities                          |         | <b>15,635,926.98</b>  | 37,638,260.60  |
| Other cash received from activities related to investment   | V.44(3) | <b>5,000,000.00</b>   | 0.00           |
| Sub-total of cash inflow from investment activities   |         | <b>46,046,499.48</b>  | 39,841,504.61  |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets |         | <b>45,778,122.90</b>  | 28,037,020.47  |
| Cash paid for investment  |         |                       | 200,000.00     |
| Net increase in pledged loans   |         |                       |                |
| Net cash paid for acquisition of subsidiaries and other operating entities                            |         |                       |                |
| Other cash paid for activities related to investment  | V.44(4) | <b>343,227.68</b>     | 4,730,550.93   |
| Sub-total of cash outflow from investment activities  |         | <b>46,121,350.58</b>  | 32,967,571.40  |
| Net cash flow from investment activities  |         | <b>-74,851.10</b>     | 6,873,933.21   |
| <b>III. Cash flow from financing activities:</b>  |         |                       |                |
| Cash received from investments  |         |                       |                |
| Including: Proceeds received by subsidiaries from minority shareholders' investment                   |         |                       |                |
| Proceeds from loans   |         | <b>106,039,000.00</b> | 78,169,000.00  |
| Cash received from issuing bonds  |         | <b>0.00</b>           | 0.00           |
| Other cash received from financing-related activities   | V.44(5) | <b>690,929,578.87</b> | 652,585,976.80 |
| Sub-total of cash inflow from financing activities  |         | <b>796,968,578.87</b> | 730,754,976.80 |
| Cash paid for repayment of loans  |         | <b>121,326,087.29</b> | 91,547,237.87  |
| Cash paid for dividends, profit, or interest payments   |         | <b>1,469,631.66</b>   | 2,180,244.61   |
| Including: Dividend and profit paid by subsidiaries to minority shareholders                          |         |                       |                |
| Other cash paid for financing-related activities  | V.44(6) | <b>712,570,000.00</b> | 637,760,000.00 |
| Sub-total of cash outflow from financing activities   |         | <b>835,365,718.95</b> | 731,487,482.48 |
| Net cash flow from financing activities   |         | <b>-38,397,140.08</b> | -732,505.68    |
| <b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>                           |         |                       |                |
|   |         | <b>-3,693.37</b>      | -285.55        |
| <b>V. Net increase in cash and cash equivalents</b>   |         |                       |                |
| Add: Opening balance of cash and cash equivalents   |         | <b>55,805,556.06</b>  | 40,929,682.13  |
| <b>VI. Closing balance of cash and cash equivalents</b>   |         |                       |                |
|   |         | <b>28,316,110.10</b>  | 55,805,556.06  |

Legal representative:  
Ma Liyun

Chief accountant:  
Sun Lei

Person in charge of  
accounting department:  
Chen Jing

# Cash Flow Statement of the Company

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item  | Notes | 2013            | 2012            |
|---|-------|-----------------|-----------------|
| <b>I. Cash flow from operating activities:</b>  |       |                 |                 |
| Cash received from sale of goods and provision of services  |       | 153,349,599.68  | 158,252,843.37  |
| Tax rebates   |       |                 |                 |
| Other cash received from activities related to operation  |       | 498,996,320.15  | 92,391,926.48   |
| Sub-total of cash inflow from operating activities  |       | 652,345,919.83  | 250,644,769.85  |
| Cash paid for goods purchased and service rendered  |       | 137,093,052.81  | 179,148,455.27  |
| Cash paid to and on behalf of employees   |       | 18,165,945.07   | 20,752,841.29   |
| Tax payments  |       | 1,666,303.01    | 8,769,448.33    |
| Other cash paid for activities related to operation   |       | 131,100,851.68  | 175,010,249.22  |
| Sub-total of cash outflow from operating activities   |       | 288,026,152.57  | 383,680,994.11  |
| Net cash flow from operating activities   |       | 364,319,767.26  | -133,036,224.26 |
| <b>II. Cash flow from investment activities:</b>  |       |                 |                 |
| Cash received from disposal of investments  |       | 0.00            | 187.27          |
| Cash received from return of investments  |       | 2,946,866.81    | 30,947,837.59   |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets         |       | 658,937.40      | 37,533,260.60   |
| Net cash received from disposal of subsidiaries and other operating entities                          |       |                 |                 |
| Other cash received from activities related to investment   |       | 5,000,000.00    | 135,900,000.00  |
| Sub-total of cash inflow from investment activities   |       | 8,605,804.21    | 204,381,285.46  |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets |       | 355,705.78      | 102,685.80      |
| Cash paid for investment  |       | 7,000,000.00    | 0.00            |
| Net cash paid for acquisition of subsidiaries and other operating entities                            |       |                 |                 |
| Other cash paid for activities related to investment  |       | 343,227.68      | 38,645,156.23   |
| Sub-total of cash outflow from investment activities  |       | 7,698,933.46    | 38,747,842.03   |
| Net cash flow from investment activities  |       | 906,870.75      | 165,633,443.43  |
| <b>III. Cash flow from financing activities:</b>  |       |                 |                 |
| Cash received from investments  |       |                 |                 |
| Proceeds from loans   |       | 106,000,000.00  | 58,169,000.00   |
| Cash received from issuing bonds  |       |                 |                 |
| Other cash received from activities related to financing  |       | 135,934,735.15  | 413,991,838.44  |
| Sub-total of cash inflow from financing activities  |       | 241,934,735.15  | 472,160,838.44  |
| Cash paid for repayment of loans  |       | 98,446,087.29   | 75,757,237.87   |
| Cash paid for dividends, profit, or interest payment  |       | 948,520.55      | 1,924,043.50    |
| Other cash paid for financing-related activities  |       | 507,570,000.00  | 427,200,000.00  |
| Sub-total of cash outflow from financing activities   |       | 606,964,607.84  | 504,881,281.37  |
| Net cash flow from financing activities   |       | -365,029,872.69 | -32,720,442.93  |
| <b>IV. Effects of changes in exchange rate on cash and cash equivalents</b>                           |       |                 |                 |
|   |       | -3,693.37       | -285.55         |
| <b>V. Net increase in cash and cash equivalents</b>   |       |                 |                 |
| Add: Opening balance of cash and cash equivalents   |       | 193,071.95      | -123,509.31     |
|   |       | 205,919.60      | 329,428.91      |
| <b>VI. Closing balance of cash and cash equivalents</b>   |       |                 |                 |
|   |       | 398,991.55      | 205,919.60      |

Legal representative:  
Ma Liyun

Chief accountant:  
Sun Lei

Person in charge of  
accounting department:  
Chen Jing

# Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item  | 2013           |                 |                      |                 |                 |                        |                   |        |                |                   | Total owners' equity |
|---|----------------|-----------------|----------------------|-----------------|-----------------|------------------------|-------------------|--------|----------------|-------------------|----------------------|
|   | Share capital  | Capital reserve | Less: treasury stock | Special reserve | Surplus reserve | General risk provision | Retained earnings | Others | Sub-total      | Minority interest |                      |
| I. Balance at the end of last year                                  | 500,018,242.00 | 857,450,406.90  |                      | 205,847.44      | 51,365,509.04   |                        | -1,276,914,998.93 |        | 132,125,006.45 | -61,484,589.71    | 70,640,416.74        |
| Add: Effects of changes in accounting policies                      |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| Effects of correction of prior year errors                          |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| Others  |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| II. Balance at the beginning of the year                            | 500,018,242.00 | 857,450,406.90  |                      | 205,847.44      | 51,365,509.04   |                        | -1,276,914,998.93 |        | 132,125,006.45 | -61,484,589.71    | 70,640,416.74        |
| III. Increase/decrease in the year (decrease is represented by "-") |                |                 |                      | 162,047.08      |                 |                        | -98,980,994.84    |        | -98,818,947.76 | -11,723,565.63    | -110,542,513.39      |
| (I) Net profit  |                |                 |                      |                 |                 |                        | -98,980,994.84    |        | -98,980,994.84 | -11,873,147.55    | -110,854,142.39      |
| (II) Other comprehensive income                                     |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| Sub-total of above (I) and (II)                                     |                |                 |                      |                 |                 |                        | -98,980,994.84    |        | -98,980,994.84 | -11,873,147.55    | -110,854,142.39      |
| (III) Owners' contribution and decrease in capital                  |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 1. Owners' capital contribution                                     |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 2. Share-based payments credited to owners' equity                  |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 3. Others   |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| (IV) Profit distribution  |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 1. Appropriation to surplus reserve                                 |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 2. Appropriation to general risk provision                          |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 3. Distribution to owners   |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 4. Others   |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| (V) Internal carry-forward of owners' equity                        |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 1. Conversion of capital reserve into capital                       |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 2. Conversion of surplus reserve into capital                       |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 3. Making good of loss with surplus reserve                         |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| 4. Others   |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| (VI) Special reserve  |                |                 |                      | 162,047.08      |                 |                        |                   |        | 162,047.08     | 149,581.92        | 311,629.00           |
| 1. Amount withdrawn in the year                                     |                |                 |                      | 189,739.68      |                 |                        |                   |        | 189,739.68     | 175,144.32        | 364,884.00           |
| 2. Amount utilized in the year                                      |                |                 |                      | -27,692.60      |                 |                        |                   |        | -27,692.60     | -25,562.40        | -53,255.00           |
| (VII) Others  |                |                 |                      |                 |                 |                        |                   |        |                |                   |                      |
| IV. Balance at the end of the year                                  | 500,018,242.00 | 857,450,406.90  |                      | 367,894.52      | 51,365,509.04   | 0.00                   | -1,375,895,993.77 |        | 33,306,058.69  | -73,208,155.34    | -39,902,096.65       |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item   | 2012                                      |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
|--|---|-----------------------|----------------------|-------------------|----------------------|------------------------|--------------------------|--------|-----------------------|-----------------------|----------------------|
|  | Equity attributable to owners the Company |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
|  | Share capital                             | Capital reserve       | Less: treasury stock | Special reserve   | Surplus reserve      | General risk provision | Retained earnings        | Others | Sub-total             | Minority interest     | Total owners' equity |
| <b>I. Balance at the end of last year</b>                                  | 500,018,242.00                            | 857,546,199.44        |                      | 91,819.17         | 51,365,509.04        |                        | -1,282,008,136.21        |        | 127,013,633.44        | -48,304,436.73        | 78,709,196.71        |
| Add: Effects of changes in accounting policies                             |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| Effects of correction of prior year errors                                 |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| Others   |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| <b>II. Balance at the beginning of the year</b>                            | 500,018,242.00                            | 857,546,199.44        |                      | 91,819.17         | 51,365,509.04        |                        | -1,282,008,136.21        |        | 127,013,633.44        | -48,304,436.73        | 78,709,196.71        |
| <b>III. Increase/decrease in the year (decrease is represented by "-")</b> |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| (I) Net profit   |   | -95,792.54            |                      | 114,028.27        |                      |                        | 5,093,137.28             |        | 5,111,373.01          | -13,180,152.98        | -8,068,779.97        |
| (II) Other comprehensive income  |   |                       |                      |                   |                      |                        | 5,093,137.28             |        | 5,093,137.28          | -13,181,202.40        | -8,088,065.12        |
| Sub-total of above (I) and (II)  |   | -95,792.54            |                      | 114,028.27        |                      |                        | 10,186,274.56            |        | 10,204,510.29         | -26,361,355.38        | -16,152,564.89       |
| (III) Owners' contribution and decrease in capital                         |   | -95,792.54            |                      |                   |                      |                        |                          |        | -95,792.54            | -104,207.46           | -200,000.00          |
| 1. Owners' capital contribution  |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 2. Share-based payments credited to owners' equity                         |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 3. Others  |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| (IV) Profit distribution   |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 1. Appropriation to surplus reserve  |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 2. Appropriation to general risk provision                                 |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 3. Distribution to owners  |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 4. Others  |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| (V) Internal carry-forward of owners' equity                               |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 1. Conversion of capital reserve into capital                              |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 2. Conversion of surplus reserve into capital                              |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 3. Making good of loss with surplus reserve                                |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| 4. Others  |   |                       |                      |                   |                      |                        |                          |        |                       |                       |                      |
| (VI) Special reserve   |   |                       |                      | 114,028.27        |                      |                        |                          |        | 114,028.27            | 105,256.88            | 219,285.15           |
| 1. Amount withdrawn in the year  |   |                       |                      | 138,205.68        |                      |                        |                          |        | 138,205.68            | 127,574.47            | 265,780.15           |
| 2. Amount utilized in the year   |   |                       |                      | -24,177.41        |                      |                        |                          |        | -24,177.41            | -22,317.59            | -46,495.00           |
| (VII) Others   |   |                       |                      |                   |                      |                        |                          |        |                       | 0.00                  | 0.00                 |
| <b>IV. Balance at the end of the year</b>                                  | <u>500,018,242.00</u>                     | <u>857,450,406.90</u> |                      | <u>205,847.44</u> | <u>51,365,509.04</u> | <u>0.00</u>            | <u>-1,276,914,998.93</u> |        | <u>132,125,006.45</u> | <u>-61,484,589.71</u> | <u>70,640,416.74</u> |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item  | 2013                  |                       |                      |                 |                      |                        |                          | Total owners' equity  |
|---|-----------------------|-----------------------|----------------------|-----------------|----------------------|------------------------|--------------------------|-----------------------|
|   | Share capital         | Capital reserve       | Less: treasury stock | Special reserve | Surplus reserve      | General risk provision | Retained earnings        |                       |
| <b>I. Balance at the end of last year</b>                                     | 500,018,242.00        | 891,129,782.23        |                      |                 | 51,365,509.04        |                        | -1,369,900,445.92        | 72,613,087.35         |
| Add: Effects of changes in accounting policies                                |                       |                       |                      |                 |                      |                        |                          |                       |
| Effects of correction of prior year errors                                    |                       |                       |                      |                 |                      |                        |                          |                       |
| Others  |                       |                       |                      |                 |                      |                        |                          |                       |
| <b>II. Balance at the beginning of the year</b>                               | 500,018,242.00        | 891,129,782.23        |                      |                 | 51,365,509.04        |                        | -1,369,900,445.92        | 72,613,087.35         |
| <b>III. Increase/decrease in the year</b><br>(decrease is represented by "-") |                       |                       |                      |                 |                      |                        | 40,111,976.07            | 40,111,976.07         |
| (I) Net profit  |                       |                       |                      |                 |                      |                        | 40,111,976.07            | 40,111,976.07         |
| (II) Other comprehensive income   |                       |                       |                      |                 |                      |                        |                          |                       |
| Sub-total of above (I) and (II)   |                       |                       |                      |                 |                      |                        | 40,111,976.07            | 40,111,976.07         |
| (III) Owners' contribution and decrease in capital                            |                       |                       |                      |                 |                      |                        |                          |                       |
| 1. Owners' capital contribution   |                       |                       |                      |                 |                      |                        |                          |                       |
| 2. Share-based payments credited to owners' equity                            |                       |                       |                      |                 |                      |                        |                          |                       |
| 3. Others   |                       |                       |                      |                 |                      |                        |                          |                       |
| (IV) Profit distribution  |                       |                       |                      |                 |                      |                        |                          |                       |
| 1. Appropriation to surplus reserve   |                       |                       |                      |                 |                      |                        |                          |                       |
| 2. Appropriation to general risk provision                                    |                       |                       |                      |                 |                      |                        |                          |                       |
| 3. Distribution to owners   |                       |                       |                      |                 |                      |                        |                          |                       |
| 4. Others   |                       |                       |                      |                 |                      |                        |                          |                       |
| (V) Internal carry-forward of owners' equity                                  |                       |                       |                      |                 |                      |                        |                          |                       |
| 1. Conversion of capital reserve into capital                                 |                       |                       |                      |                 |                      |                        |                          |                       |
| 2. Conversion of surplus reserve into capital                                 |                       |                       |                      |                 |                      |                        |                          |                       |
| 3. Making good of loss with surplus reserve                                   |                       |                       |                      |                 |                      |                        |                          |                       |
| 4. Others   |                       |                       |                      |                 |                      |                        |                          |                       |
| (VI) Special reserve  |                       |                       |                      |                 |                      |                        |                          |                       |
| 1. Amount withdrawn in the year   |                       |                       |                      |                 |                      |                        |                          |                       |
| 2. Amount utilized in the year  |                       |                       |                      |                 |                      |                        |                          |                       |
| (VII) Others  |                       |                       |                      |                 |                      |                        |                          |                       |
| <b>IV. Balance at the end of the year</b>                                     | <b>500,018,242.00</b> | <b>891,129,782.23</b> |                      |                 | <b>51,365,509.04</b> |                        | <b>-1,329,788,469.85</b> | <b>112,725,063.42</b> |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited

For 2013

Unit: RMB

| Item   | 2012                  |                       |                      |                 |                      |                        |                          | Total owners' equity |
|--|-----------------------|-----------------------|----------------------|-----------------|----------------------|------------------------|--------------------------|----------------------|
|  | Share capital         | Capital reserve       | Less: treasury stock | Special reserve | Surplus reserve      | General risk provision | Retained earnings        |                      |
| <b>I. Balance at the end of last year</b>          | 500,018,242.00        | 891,129,782.23        |                      |                 | 51,365,509.04        |                        | -1,391,446,689.82        | 51,066,843.45        |
| Add: Effects of changes in accounting policies     |                       |                       |                      |                 |                      |                        |                          |                      |
| Effects of correction of prior year errors         |                       |                       |                      |                 |                      |                        |                          |                      |
| Others   |                       |                       |                      |                 |                      |                        |                          |                      |
| <b>II. Balance at the beginning of the year</b>    | 500,018,242.00        | 891,129,782.23        |                      |                 | 51,365,509.04        |                        | -1,391,446,689.82        | 51,066,843.45        |
| <b>III. Increase/decrease in the year</b>          |                       |                       |                      |                 |                      |                        |                          |                      |
| (decrease is represented by "-")                   |                       |                       |                      |                 |                      |                        | 21,546,243.90            | 21,546,243.90        |
| (I) Net profit                                     |                       |                       |                      |                 |                      |                        | 21,546,243.90            | 21,546,243.90        |
| (II) Other comprehensive income                    |                       |                       |                      |                 |                      |                        | 0.00                     | 0.00                 |
| Sub-total of above (I) and (II)                    |                       |                       |                      |                 |                      |                        | 21,546,243.90            | 21,546,243.90        |
| (III) Owners' contribution and decrease in capital |                       |                       |                      |                 |                      |                        |                          |                      |
| 1. Owners' capital contribution                    |                       |                       |                      |                 |                      |                        |                          |                      |
| 2. Share-based payments credited to owners' equity |                       |                       |                      |                 |                      |                        |                          |                      |
| 3. Others  |                       |                       |                      |                 |                      |                        |                          |                      |
| (IV) Profit distribution                           |                       |                       |                      |                 |                      |                        |                          |                      |
| 1. Appropriation to surplus reserve                |                       |                       |                      |                 |                      |                        |                          |                      |
| 2. Appropriation to general risk provision         |                       |                       |                      |                 |                      |                        |                          |                      |
| 3. Distribution to owners                          |                       |                       |                      |                 |                      |                        |                          |                      |
| 4. Others  |                       |                       |                      |                 |                      |                        |                          |                      |
| (V) Internal carry-forward of owners' equity       |                       |                       |                      |                 |                      |                        |                          |                      |
| 1. Conversion of capital reserve into capital      |                       |                       |                      |                 |                      |                        |                          |                      |
| 2. Conversion of surplus reserve into capital      |                       |                       |                      |                 |                      |                        |                          |                      |
| 3. Making good of loss with surplus reserve        |                       |                       |                      |                 |                      |                        |                          |                      |
| 4. Others  |                       |                       |                      |                 |                      |                        |                          |                      |
| (VI) Special reserve                               |                       |                       |                      |                 |                      |                        |                          |                      |
| 1. Amount withdrawn in the year                    |                       |                       |                      |                 |                      |                        |                          |                      |
| 2. Amount utilized in the year                     |                       |                       |                      |                 |                      |                        |                          |                      |
| (VII) Others                                       |                       |                       |                      |                 |                      |                        |                          |                      |
| <b>IV. Balance at the end of the year</b>          | <u>500,018,242.00</u> | <u>891,129,782.23</u> |                      |                 | <u>51,365,509.04</u> |                        | <u>-1,369,900,445.92</u> | <u>72,613,087.35</u> |

Legal representative:  
**Ma Liyun**

Chief accountant:  
**Sun Lei**

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

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## I. COMPANY PROFILE

Luoyang Glass Company Limited (the “Company”) is a company incorporated in the People’s Republic of China (the “PRC”) as a joint stock limited company

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

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

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

In June 2006, as approved at the general meeting of the Company and approved by the document (Shang Zi Pi [2006] No. 1232) from the Ministry of Commerce of the PRC, CLFG enabled the shares it held in the Company to be tradable by transfer of 21,000,000 shares of the Company at nil consideration to the holders of tradable A shares in accordance with regulations of “Provisions on Management of Share Reform Proposals of Listed Companies” (《上市公司股權分置改革管理辦法》) issued by China Securities Regulatory Commission (“CSRC”) and “Guidelines on Share Reform Proposals of Listed Companies” (《上市公司股權分置改革業務操作指引》) issued by Shanghai Stock Exchange. Upon the completion of the reform, CLFG reduced its shareholding in the Company to 379,000,000 shares.

According to the judgment (2007) Luo Zhi Zi No. 18-32 issued by the Intermediate People’s Court of Luoyang, Henan Province on 30 November 2006, 199,981,758 A shares of the Company held by CLFG were used to offset the debts of RMB629,942,543 due to the Company. The transfer registration has been processed by China Securities Depository and Clearing Corporation Limited Shanghai Branch on 6 December 2006. Accordingly, CLFG reduced its shareholding in the Company to 179,018,242 shares and the Company’s total share capital was changed to be 500,018,242 shares.

On 3 September 2010, CLFG sold 20,000,000 non-restricted circulating shares of the Company (representing 4% of the total share capital of the Company) via the Block Trading System of the Shanghai Stock Exchange. After the sale of the shares, CLFG still holds 159,018,242 shares of the Company, all being non-restricted circulating shares and representing 31.8% of the total share capital of the Company, and remains the biggest shareholder of the Company.

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

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD

### 1. Basis of preparation of financial statements

The financial statements of the Company have been prepared on a going concern basis in respect of the actual transactions and events in accordance with the requirements of the Accounting Standards for Business Enterprises, including the Accounting Standards for Business enterprises and its amendments issued by the Finance Department in 2014, for details please refer to “II. 26(1)” and application guidance, interpretations and other relevant accounting regulations, and based on the following significant accounting policies and estimates.

On 31 December 2013, the current liabilities of the group reached RMB 256,113,554.42, exceeding current assets. Directors of the company have made estimation that with the adjustment of the product structure of the company, and the upgrading and rebuilding of production line, the group was expected to generate positive business activities cash flow. Meanwhile, the actual controller, CNBM, and the controlling shareholder, CHINA LUOYANG FLOAT GLASS GROUP CO., have respectively made undertakings to offer financial aid to the company, which can meet the needs of settlement of debts and committed capital funds of the group. Directors of the company believe that there is no problem about the group’s ability to continue. Therefore, the company has prepared the financial statement based on continuing operations.

### 2. Declaration on compliance with Accounting Standards for Business Enterprises

The financial statements of the Company were prepared under the requirements of Accounting Standards for Business Enterprises, reflecting the Company’s financial positions for the year ended 31 December 2013, and operating results, cash flows and other relevant information for the year 2013 on a true and complete basis.

### 3. Accounting year

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

### 4. Measurement currency

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

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

#### (1) Business combination under common control

For this kind of business combination, assets and liabilities that are obtained through a business combination shall be measured at their carrying amounts as at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid (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. Any cost directly attributable to the business combination shall be charged to profit or loss for the period in which they are incurred.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 5. The accounting treatment of business combination under common control and not under common control (Continued)

#### (2) Business combination not under common control

For this kind of business combination, the acquisition cost is the fair value of assets paid, liabilities incurred or assumed and equity instruments issued, in exchange for the control of the acquiree. Any cost directly attributable to the business combination shall be charged to profit or loss for the period in which they are incurred. If there are terms and conditions regarding future events that may affect the combination cost set out in relevant combination contract and if these future events are expected to be very likely to occur at the acquisition date and the amount affecting the combination cost can be reliably measured, such amount shall also be included in the combination cost.

The recognizable and identifiable assets, liabilities and contingent liabilities acquired or assumed, through business combination not under common control shall be measured at fair values at the date of business combination. When the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets obtained, the difference shall be recognized as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized in profit or loss for the current period if it remains true after reassessment.

### 6. Preparation method of consolidated financial statements

The scope of consolidated financial statements is determined based on control. Control represents the investor had the right to share investee's realizable returns by participating in its relevant activities, and has the power to influence the amount of return by applying its right over the investee.

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

Adjustments to subsidiaries' financial statements in accordance with the accounting policies or accounting period of the Company are needed when preparing consolidated financial statements if the subsidiaries' accounting policies or accounting period are different from the Company.

For subsidiaries acquired not under common control, when preparing consolidated financial statements, subsidiaries' financial statements should be adjusted on the basis of the fair value of identifiable net assets on the date of acquisition. For subsidiaries acquired under common control, the assets, liabilities, operating results and cash flows of acquired subsidiaries should be included in consolidated financial statements from the beginning of the year of acquisition as if the combination is deemed to have taken place at the beginning of the year.

### 7. 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 of the Company refer to short-term, highly liquid investments held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 8. Translation of foreign currency transactions

Foreign currency transactions of the Company are recorded in the recording currency using the spot exchange rate of the transaction date.

At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate used in initial recognition or on the last balance sheet date shall be recorded into the profit or loss for the current period, except for those arising from borrowings denominated in foreign currencies and used for financing the construction of qualifying assets, which are capitalized as cost of the related assets.

Foreign currency non-monetary items measured at historical cost shall continue to be translated using the spot exchange rate at the date of transaction. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date the fair value is determined. The exchange difference arising therefrom shall be treated as the change in fair value (including the change in exchange rate), and included in profit or loss for the current period or recognised as other comprehensive income and recorded in the capital reserve.

### 9. Financial instruments

#### (1) Classification, recognition and measurement of financial instruments

Financial instruments are classified as financial assets or financial liabilities.

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

Upon initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss (including held-for-trading financial assets and financial assets designed as at fair value through profit or loss) and other financial liabilities.

A financial asset or a financial liability is recognized when the Company becomes a contractual party of a financial instrument.

Financial assets and financial liabilities are initially recognized and measured at fair values. Subsequent measurement is dealt with based on different categories: financial assets at fair value through profit or loss, financial assets available for sale and financial liabilities at fair value through profit or loss are subsequently measured at fair values; financial guarantee contracts and loan commitments with the interest rate lower than the market rate are subsequently measured at the higher of the amount determined in accordance with the Accounting Standards for Business Enterprises No.13-Contingencies, and the residual value of the amount initially recognized less accumulated amortization in accordance with the principles of the Accounting Standards for Business Enterprises No.14 - Income; held-to-maturity investments, loans and receivables and other financial liabilities are subsequently measured at amortised costs.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 9. Financial instruments (Continued)

#### (1) Classification, recognition and measurement of financial instruments (Continued)

Except for financial instruments held for hedging purposes, the gains or losses arising from the changes in fair values in subsequent measurements of the Company's financial assets or financial liabilities are accounted for as follows: (1) The gains or losses resulting from the changes in fair values of the financial assets or financial liabilities which are measured at fair values through profit and loss for the current period are recorded as change in fair value in profit or loss; interest or cash dividends received in the period of holding the assets are recognised as investment income; upon disposal, the differences between the amount actually gained and the value at initial recognition are recognised as investment income, and the gains or losses from changes in fair values are adjusted accordingly. (2) Changes in fair values of available-for-sale financial assets are recorded in capital reserve; interest over the period of holding the assets calculated by using the effective interest method are recorded as investment income; cash dividend from the investment in available-for-sale equity instruments is recognized in investment income when the investee declares the dividends; upon disposal, the differences between the amount actually gained and the carrying value deducting the accumulated fair value changes previously recorded in capital reserve are recognized as investment income.

#### (2) Recognition and measurement of transfer of financial assets

Recognition of transfer of financial assets of the Company: When the Company has transferred nearly all of the risks and rewards related to the ownership of a financial asset to the transferee, or neither transferred of financial assets nor retained nearly all of the risks and rewards related to the ownership of the financial asset but given up the control of the financial asset, the financial asset shall be derecognized.

Measurement of transfer of financial assets of the Company: when the criteria for derecognition of a financial asset are met, such transfer shall be financially measured, where the difference between the carrying value of the transferred financial asset and the sum of the consideration received from the transfer and the accumulated fair value changes previously recorded in capital reserve are recorded in profit or loss for current period.

If the partial transfer of a financial asset satisfies the criteria for derecognition, the entire carrying value of the transferred financial asset shall proportionally allocated between the derecognized portion and the retained portion according to their respective relative fair value, and the difference between the carrying value of the derecognized portion and the sum of the consideration received from the transfer and the the accumulated fair value changes of the derecognized portion previously recorded in capital reverse shall be included in the profit or loss for current period.

#### (3) Derecognition of financial liabilities

Derecognition of financial liabilities of the Company: when all or part of the current obligation to a financial liability has been terminated, the entire or part of such financial liability shall be derecognized.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 9. Financial instruments (Continued)

#### (4) Determination of fair values of financial assets and financial liabilities

Determination of fair values of financial assets and financial liabilities: Where there is an active market for the instruments, the quoted prices in the active market shall be used to determine their fair values; where there is no active market for the financial instruments, valuation techniques would be adopted to determine their fair values.

The valuation techniques include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value of other financial assets of the same essential nature, and the discounted cash flow method. When adopting these valuation techniques, market data is preferred and the use of data specific to the Company and its subsidiaries is minimized.

#### (5) Impairment of financial assets

At the balance sheet date, except for financial assets at fair value through profit or loss, the Company performs impairment assessment for all other financial assets. If there is objective evidence that an asset is impaired, the recoverable amount shall be assessed, and the provision for impairment shall be made based on the results.

For significant financial assets, the Company performs impairment assessment on an individual basis. For insignificant financial assets, the Company performs impairment assessment on individual financial asset or groups of financial assets with similar credit risk. For assets (including significant and insignificant financial asset) that are not individually impaired, they are grouped into financial assets with similar credit risk and re-assessed for impairment. For assets that are individually identified as impaired, they are not included in any group of assets with similar credit risk for the purpose of impairment review.

When held-to-maturity investments, loans and accounts receivables are impaired, the carrying value of the financial assets shall be written down to the present value of estimated future cash flows, the write-down amount is recorded as impairment loss and recored in profit or loss for the current period. When an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease in fair value as recorded in capital reserve are transferred to profit or loss for the current period. The accumulative losses that are transferred out from capital reserve are the balance of the initial cost of the said asset less the amount recovered, amortized amounts, current fair value as well as impairment loss previously recorded in profit or loss for the current period.

The standard of sharp decline of fair value of investment in available-for-sale equity instruments used by the company is as below:

In the event that the fair value of any single available-for-sale financial asset sharply decreases by over 50% of the holding cost, the available-for-sale financial asset shall be deemed to have suffered sharp impairment, depreciation reserves shall be withdrawn, and impairment loss shall be confirmed.

The standard of other-than-temporary decline of fair value of investment in available-for-sale equity instruments used by the company is as below:

In the event that the fair value of any single available-for-sale financial asset sharply decreases, the downtrend is expected to be other-than-temporary, and to last over one year, and no radical change happens during the whole holding period, then the available-for-sale financial asset shall be deemed to have suffered other-than-temporary impairment, depreciation reserves shall be withdrawn, and impairment loss shall be confirmed.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 9. Financial instruments (Continued)

#### (6) Reclassification of financial assets

A held-to-maturity investment not yet matured is reclassified as available-for-sale financial asset if:

- 1) There is no available fund to continue financing the investment and to hold the investment until maturity;
- 2) The management has no intention to hold the investment until maturity;
- 3) There are restrictions of laws or administrative regulations or other reasons that preclude the investments from being held to maturity;
- 4) Other indications that the Company is unable to hold the investment until maturity.

The reclassification of significant undue held-to-maturity investment to held-for-sale financial assets shall be subject to consideration and approval by the board of directors.

### 10. Receivables

Receivables include accounts receivable, long-term receivables and other receivables. If there is objective evidence that receivables have been impaired at the balance sheet date, impairment loss shall be recognized base on the differences between the carrying values and the present value of estimated future cash flows.

#### (1) Receivables individually significant and with provision for bad debts on an individual basis:

|   |   |
|---|---|
| Basis and criteria for determining whether a receivable is individually significant | over RMB5 million   |
| Provision policies of bad debt provision for individually significant receivables   | individual impairment test, and in absence of impairment, use the same aging analysis |

#### (2) Receivables with provision for bad debts on a group basis:

|  |  |
|--|--|
| Basis for group determination                                  |  |
| The group with provision for bad debts based on aging analysis | The group of individual insignificant receivables (grouped based on credit risk characteristics) with higher risk; receivables with the same age have similar credit risk characteristics.   |
| The group without provision for bad debts                      | (1) Various margins and deposits related to the production and operations that are fully recoverable upon maturity;<br>(2) Receivables due from related parties with good financial position;<br>(3) Other balances that have positive evidence indicating they are fully recoverable. |
| Provision methods for bad debts in group                       |  |
| The group with provision for bad debts based on aging analysis | Aging analysis methods   |
| The group without provision for bad debts                      | No provision for bad debts will be made  |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 10. Receivables (Continued)

#### (2) Receivables with provision for bad debts on a group basis: (Continued)

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

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

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

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

### 11. Inventories

#### (1) Classification

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

#### (2) Measurement for delivered inventories

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

#### (3) Determination of net realizable value and provision for impairment

At the balance sheet date, inventory item is recorded at the lower of cost and net realizable value on an individual basis. For items with significant quantity and low values, provision is made based on their categories.

Net realizable values of inventories are determined as follows: 1) net realizable value of finished products is the estimated selling price less estimated selling expenses and relevant tax; 2) for materials held for production, net realizable value equals the cost if the net realizable value of the finished goods produced from the materials exceeds the cost; when the price of raw materials decreases indicating that the net realizable value of the relevant finished goods would be lower than cost, the net realizable value is the estimated selling price less costs to completion, selling expenses and relevant tax; and 3) for held-for-sale materials, net realizable values are their market prices.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 11. Inventories (Continued)

#### (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.

### 12. Long-term equity investments

#### (1) Determination of initial investment cost

- 1) For a long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation not under common control, the initial cost is the consolidation cost at the date of acquisition;
- 2) For a long-term equity investment acquired by cash, the initial investment cost shall be the total purchase price;
- 3) 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;
- 4) For a long-term equity investment contributed by an investor, the initial investment cost shall be the value stipulated in the investment contract or agreement;
- 5) For a long-term equity investment acquired by exchange of non-monetary assets or debt restructuring, the initial investment cost is recognized according to relevant standards and regulations.

#### (2) Subsequent measurement and profit or loss recognition

Long-term equity investments are subsequently measured using equity method or cost method. For long-term investments using equity method, the Company's share of investee's profit or loss is recognized as investment income with a corresponding adjustment to the carrying value of the relevant long-term equity investment. When the investee distributes profit or declares cash dividends, the carrying value of the relevant long term equity investment is reduced by the Company's attributable share of the distribution or cash dividend.

For long-term equity investments using cost method, unless increasing or reducing the investment cost, the carrying value is unchanged. The Company's attributable share of the profit distributions or cash dividends declared by the investee are recognized as investment income.

For a long term equity investment having joint control or significant influence, it is measured using the equity method. All other investments are measured using the cost method.

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From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 12. Long-term equity investments (Continued)

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

- 1) Basis of conclusion for common control: Through contractual or mutual agreements among two or more joint venture partners, the financial and operation policies of the investee must be approved by the decisions of all partners.
- 2) Basis of conclusion for significant influence: Significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights. Even if the holding is below 20%, there is still significant influence if any of the following conditions is met:
  1. There is representative in the board of directors or similar governing body of the investee;
  2. Participation in the investee's policy setting process;
  3. Assign key management to the investee;
  4. The investee relies on the technology or technical information of the investing company; or
  5. Other evidence that could prove the significant influence over the investee.

#### (4) Impairment test and provision of impairment

At the balance sheet date, the Company reviews whether there is impairment indicator for the longterm equity investments. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment loss is not reversed once provided.

The recoverable amount is the higher of net fair value on disposal and the present value of estimated future cash flows. If there is agreed price under arm's length transaction, the net fair value is the agreed price less relevant tax expense. If there is no agreed price under arm's length transaction but an active market for the asset or similar asset, the market value less relevant tax expenses is the net fair value on disposal.

### 13. Investment properties

#### (1) Classification and measurement of investment properties

Investment properties include land use rights and buildings for leasing and land use rights held for resale after appreciation in value.

An investment property is initially measured at cost, and cost method is adopted for subsequent measurement.

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From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 13. Investment properties (Continued)

#### (2) Adoption of the cost pattern accounting policy

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

At the balance sheet date, the Company reviews whether there is impairment indicator for investment property. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

### 14. Fixed assets

#### (1) Recognition of fixed assets

Fixed assets are tangible assets that are held for production, provision of services, leasing or administrative purposes, and have useful life more than one financial year. Fixed asset are recognized when both of the following conditions are met:

- 1) Economic benefits in relation to the fixed assets are very likely to flow into the enterprise;
- 2) The cost of the fixed assets can be measured reliably.

#### (2) Classification and depreciation methods for fixed assets

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

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

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 14. Fixed assets (Continued)

#### (3) Impairment test and impairment provision of fixed assets

At each balance sheet date, the Company reviews whether there is impairment indicator for fixed assets. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of net fair value on disposal and the present value of estimated future cash flows. If there is agreed price under arm's length transaction, the net fair value on disposal is the agreed price less relevant tax expense. If there is no agreed price under arm's length transaction but an active market for the asset or similar asset, the market value less relevant tax expenses is the net fair value on disposal.

#### (4) Recognition and measurement of fixed assets under finance lease

Recognition of fixed assets under finance lease: the nature of this kind of lease is a transfer of all risk and rewards related to the ownership of assets. Recognition should be accounted when one or more conditions satisfied as follows: (i) the lessor transfers the ownership of asset to the lessee by the end of the lease term; (ii) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of lease, that the option will be exercised; (iii) the lease term represents the major part of the economic life of the asset even if the ownership is not transferred; (iv) at the inception of the lease, the present value of the minimum lease payments is almost equivalent to the fair value of the leased asset, and; (v) the leased assets are of such a specialized nature that only the lessee can use them without major modification.

Measurement of fixed assets under finance lease: the initial amount of a fixed asset under finance lease should be recorded as the lower of fair value of the leased asset at the beginning date of lease term and the present value of minimum lease payment.

Subsequent measurement of fixed assets under finance lease should be in accordance with the accounting policies adopted for self-owned fixed assets in respect of provision of depreciation and impairment.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 15. Construction in progress

#### (1) Classification

There are two types of construction in progress for the Company: self-construction and sub-contracting construction.

#### (2) Criteria and time of transfer from construction in progress to fixed assets

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:

- 1) The construction of the fixed assets (including installation) has been completed or substantially completed;
- 2) The fixed asset has been put to trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally;
- 3) Little or no expenditure will be incurred for construction of the fixed asset;
- 4) The fixed asset constructed has achieved or almost achieved the requirement of design or contract.

#### (3) Impairment test and provision of impairment of construction in progress

At each balance sheet date, the Company reviews whether there is impairment indicator for construction in progress. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the construction in progress.

### 16. Borrowing costs

#### (1) Basis for capitalization of borrowing costs

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

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 16. Borrowing costs (Continued)

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

Capitalization period: the period beginning from the commencement of capitalizing borrowing costs to the date of ceasing capitalization, excluding the period of suspension of capitalization.

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.

Calculation of amount to be capitalized: 1) 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; 2) 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 3) 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.

### 17. Intangible assets

#### (1) Measurement of intangible assets

Intangible assets of the Company mainly include land use rights, mining rights, mineral exploration rights and the rights to use trademarks. Intangible assets are initially measured at costs. The actual costs of purchased intangible assets include the considerations and relevant expenses paid. The actual costs of intangible assets contributed by investors are the prices contained in the investment agreements or mutually agreed. If the price contained in the investment agreement or mutually is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditure incurred in brings the asset to its intended use.

Subsequent measurement of the Company's intangible assets: 1) Intangible assets with finite useful lives are amortized on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there are variance with original estimates; specifically, the land use right is amortised based on the average useful life of the land transfer from the first day of land transfer. The intangible assets with limited useful life are averagely amortized according to the shortest of the estimated useful life, contracted beneficial useful life and legally effective useful life. The amortized amount shall be recorded into the cost of relevant assets and profit or loss for the current period in accordance with the benefited object. 2) Intangible assets with indefinite useful lives are not amortized and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

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From 1 January 2013 to 31 December 2013  
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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 17. Intangible assets (Continued)

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

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

#### (2) Estimation of the useful lives of the intangible assets with limited useful lives

The Company estimates the useful life of an intangible asset with finite useful life based the following criteria: 1) the useful life of product produced by the relevant intangible assets and the useful life of similar intangible assets; 2) the present technologies and arts and their future development; 3) the market demand of the products produced from or the services provided by the intangible asset; 4) The anticipated action of present or potential competitors; 5) the maintenance expenditure on the intangible asset to maintain its future economic benefits and the Company's ability to pay the relevant expenditures; 6) the restriction in the period of controlling the intangible asset, imposed by relevant laws and regulation or similar restrictions, like patent term and lease term; and 7) the useful life of other assets which are related to the relevant intangible asset.

#### (3) Determination basis of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life.

The determination basis of intangible assets with infinite useful lives: (1) derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; (2) useful life till could not be estimated after considering the industrial practices or relevant expert opinion.

At each year end date, the useful lives of the intangible assets with indefinite useful lives are reviewed. The assessment is performed by the departments that use the intangible assets, using the down-to-top approach, to determine if there are changes to the indefinite useful lives.

#### (4) Impairment test and provision of impairment of intangible assets

At each balance sheet date, the Company reviews whether there is impairment indicator for intangible assets. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the intangible asset.

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## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 17. Intangible assets (Continued)

#### (5) *Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage*

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

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

### 18. Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but the benefit period is over one year (not including one year). Long-term deferred expenses are amortized over the benefit period. If a long-term deferred expense cannot benefit the future accounting period, the residue value of such project not amortized yet shall be transferred to the profit or loss in the current period.

### 19. Accrued liability

#### (1) *Recognition of accrued 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 accrued liability.

#### (2) *Measurement of accrued liability*

The best estimate of the expenditure from current obligation is initially recorded as accrued liability. When the necessary expenditures falls within a range and the probability of each result in the range are identical, the best estimate is the median of the range; if there are severable items involved, every possible result and relevant probability are taken into account for the best estimation.

At the balance sheet date, the carrying value of provision is reviewed. If there is objective evidence that the carrying value could not reflect the current best estimate, the carrying value is adjusted to the best estimated value.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 20. Share-based payments and equity instruments

1. Share-based payment refers to a transaction in which the Group grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties. Share-based payments consist of equity-settled share-based payments and cash-settled share-based payments.
2. For equity-settled share-based payment transaction in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees; for equity-settled share-based payment transaction in return for services from other parties, it shall be measured at the fair value of services of other parties on the date of provision of such services. If the fair value of services of other parties cannot be measured reliably, it shall be measured at fair value of equity instruments on the date which the services are provided.
3. The fair value of an equity instrument shall be determined in the following ways:
  - (1) if an active market exists, the fair value of the equity instrument is the quoted price in the active market ;
  - (2) If no active market exists, the fair value of the equity instrument shall be determined using valuation techniques. The valuation techniques include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value of other financial assets of the same essential nature, discounted cash flow method and option pricing model.
4. The cash-settled share-based payments are measured at the fair value of liabilities identified on the basis of shares or other equity instruments undertaken by the Company.
5. According to the latest vesting employees to make a best estimate of exercisable equity instruments.

### 21. Revenue

#### (1) Sales of goods

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

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

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 21. Revenue (Continued)

#### (2) Provision of services

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from provision of services shall be recognized using the percentage of completion method. The percentage of completion of the transaction involving the rendering of services is recognized by the Company by reference to the work certified.

At the balance sheet date, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, it shall be dealt with in the following ways: 1) if the cost of services incurred is expected to be compensated, the revenue from the rendering of services is recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of service in profit or loss; 2) if the cost of services incurred is not expected to be compensated, the cost incurred should be included in current profit or loss, and no revenue from the rendering of services may be recognized.

#### (3) Abalienating the right to use an asset

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

### 22. Government grants

#### (1) Types of government grants

Government grants mainly include the government grants related to assets and government grants related to income.

#### (2) Accounting treatment for government grants

Government grants related to an asset shall be recognized as deferred income in profit or loss for the current period on an even basis over the useful life of the asset. Government grants measured at nominal amount shall be recorded directly in profit and loss for the current period. Government grants related to income shall be treated as follows: (1) those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit and loss for the current period when such expenses are recognized; (2) those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 22. Government grants (Continued)

#### (3) *Specific standards for differentiating governmental subsidy relating to asset from that relating to income*

The governmental subsidy that is obtained by the company and is used for acquisition or construction or forming long-term assets in other ways is deemed to relate to asset.

The governmental subsidy other than that relating to asset obtained by the company is deemed to relate to income.

Where there is no express regulation on subsidy object in government documents, the criteria for differentiating governmental subsidy relating to asset from that relating to income is as below: the part of governmental subsidy used for acquisition or construction or forming long-term assets in other ways shall be deemed to relate to asset, and the rest part to income; in the case of impossibility to make differentiation, the governmental subsidy shall be deemed to relate to income as a whole.

#### (4) *The methods for the amortization of deferred income relating to governmental subsidy and the confirmation of amortization deadline*

The governmental subsidy relating to asset obtained by the company is confirmed as deferred income, which will be amortized and transferred into current profits and losses equally in accordance with the expected service life of related asset as of the date when related asset is available for use. The disposal methods of governmental subsidy relating to income obtained by the company are as below: (1) the part used to make up to related charges or losses of the company in the subsequent periods will be confirmed as deferred income, and counted into current profits and losses during the period of confirming related charges; (2) the part used to make up to incurred related charges or losses of the company, will be directly counted into current profits and losses.

#### (5) *Acknowledging time of governmental subsidy*

The governmental subsidy calculated in accordance with the amount receivable will be acknowledged when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received.

Other governmental subsidies other than that counted in accordance with the amount receivable will be acknowledged at the actual time of receiving subsidy funds.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 23. Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are recognized:

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

### 24. Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. All other leases are classified as operating leases.

The Group has no financing lease business.

The Group recognizes the lease payments under an operating lease as expenses over the lease term on a straight-line basis. If incentives such as rent-free period and sharing part of certain expenses are offered by the lessor, the total rental amount (in case of rent-free period offered by the lessor) shall be amortized over the whole lease term including the rent-free period on a straight-line basis or using other reasonable method; or the total rental amount after deducting the expenses assumed by the lessor (in case of sharing part of certain expenses by the lessor) shall be amortized over the whole lease term.

Lease income from operating leases shall be recognized as income over the lease term on a straight-line basis, unless there is more reasonable method available. Under some conditions, the Group may provide incentives such as rent-free period and sharing part of certain expenses. If rent-free period is given, the total rental income shall be recognized over the whole lease term including the rent-free period on the straight-line basis or using other reasonable method; or the total rental income after deducting the expenses assumed by the Group shall be recognized over the whole lease term.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## II. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD (Continued)

### 25. Assets held for sale

#### (1) Basis of recognition for assets held for sale

An asset held for sale is recognized when all of the following conditions are satisfied: the Company has passed resolution in respect of disposal of the asset; the Company has signed irrevocable transfer agreement with transferee; and the transfer of the asset would be completed within one year.

#### (2) Accounting treatment for assets held for sale

Estimated net residual value of an asset held for sale should be adjusted to reflect the amount of fair value less disposal expense, which is limited to the carrying value of the asset when recognized as asset held for sale. If the carrying value is higher than the adjusted estimated net residual value, the difference should be recorded as impairment loss in profit and loss for current period.

Other non-current assets held for sale (including single asset or group of assets which are group of assets for sale in whole lot) are accounted for in accordance with the policy set out in above paragraph.

### 26. Changes in significant accounting policies and accounting estimates

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

In the financial statements, the Group has early adopted "Accounting Standards for Business Enterprises No.9-Staff Remuneration" (Amendments), "Accounting Standards for Business Enterprises No.30-Presentation of Financial Statements" (Amendments), "Accounting Standards for Business Enterprises No.39-Measurement of Fair Value", "Accounting Standards for Business Enterprises No.40-Joint Venture Arrangement" and "Accounting Standards for Business Enterprises No.33-Consolidated Financial Statements" (Amendments) issued by the Finance Department in January and February of 2014. Above issued and revised standards did not result in any significant impact on the financial statement of the Group.

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

There were no changes in the Company's accounting estimates in the reporting period.

### 27. Error correction for the previous years

During the reporting period, the Company did not correct any accounting error.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## III. TAXES

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

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

### (II) Preferential tax treatment and approvals

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

The applicable enterprise income tax for the Company and other subsidiaries is 25%.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

### 1. Particulars of subsidiaries

#### (1) Subsidiaries acquired through set-up or investment

| Name of subsidiaries   | Type of subsidiaries           | Registered address | Principal activities | Registered capital | Scope of business                                     | Investment cost at the end of the year | Net investment of other items | Equity held by the Company (%) | Voting right held by the Company (%) | Consolidated or not | Minority interests | Amount of minority interests for deducting minority losses | Equity attributable to owners of the Company after deducting subsidiary's minority shareholders' share of current loss in excess of minority shareholders' share of the subsidiary's equity at the beginning of the year |
|--|--------------------------------|--------------------|----------------------|--------------------|---|--|-------------------------------|--------------------------------|--------------------------------------|---------------------|--------------------|--|--|
| CLFG Longmen Glass Co. Ltd ("Longmen")                           | Wholly-owned subsidiary        | Yanshi, China      | Processing and sale  | 20,000,000.00      | Manufacture of float sheet glass                      | 64,513,390.18                          | 205,000,000.00                | 100                            | 100                                  | Yes                 |                    |  |  |
| CLFG Longfei Glass Co. Ltd ("Longfei")                           | Controlled subsidiary          | Mianchi, China     | Processing and sale  | 74,080,000.00      | Manufacture of float sheet glass                      | 40,000,000.00                          | 72,000,000.00                 | 63.98                          | 63.98                                | Yes                 | -80,756,887.09     | -11,870,098.33   |  |
| Yinan Mineral Products Ltd ("Yinan")                             | Controlled subsidiary          | Yinan, China       | Mining and sale      | 28,000,000.00      | Exploration of minerals                               | 14,560,000.00                          |                               | 52                             | 52                                   | Yes                 | 4,188,498.83       |  |  |
| CLFG Longhai Electronic Glass Limited ("Longhai")                | Wholly-owned subsidiary        | Yanshi, China      | Processing and sale  | 60,000,000.00      | Manufacture of float sheet glass and electronic glass | 48,941,425.28                          |                               | 100                            | 100                                  | Yes                 |                    |  |  |
| CLFG Longhao Glass Limited ("Longhao")                           | Wholly-owned subsidiary        | Ruyang, China      | Processing and sale  | 50,000,000.00      | Manufacture of float sheet glass                      | 47,300,356.93                          | 139,969,000.00                | 100                            | 100                                  | Yes                 |                    |  |  |
| CLFG Longxiang Glass Co. Ltd ("Longxiang")                       | Indirect controlled subsidiary | Mianchi, China     | Processing and sale  | 50,000,000.00      | Manufacture of float sheet glass                      | 58,016,444.70                          |                               | 100                            | 100                                  | Yes                 |                    |  |  |
| Dengfeng CLFG Silicon Company Limited ("Silicon Company")        | Indirect controlled subsidiary | Dengfeng, China    | Mining and sale      | 13,000,000.00      | Sale of silica sands                                  | 9,005,998.17                           |                               | 67                             | 67                                   | Yes                 | 3,166,785.76       | -370,879.90  |  |
| Dengfeng Hongzhai Silicon Co., Ltd. ("Hongzhai")                 | Indirect controlled subsidiary | Dengfeng, China    | Mining and sale      | 2,050,000.00       | Sale of silica sands                                  | 1,230,000.00                           |                               | 55.12                          | 55.12                                | Yes                 | 193,447.16         | -156,105.31  |  |
| Luoyang Luobo Industrial Co., Ltd. ("Luobo Industrial") (Note 2) | Wholly-owned subsidiary        | Luoyang, China     | Trading              | 10,000,000.00      | Sale of glass and raw material                        | 10,000,000.00                          |                               | 100                            | 100                                  | Yes                 |                    |  |  |
| Luoyang Luobo Furuida Commerce Co., Ltd. ("Furuida") (Note 3)    | Wholly-owned subsidiary        | Luoyang, China     | Trading              | 500,000.00         | Sale of glass and raw material                        | 500,000.00                             |                               | 100                            | 100                                  | Yes                 |                    |  |  |

- Note:
- In July 2013, the Company entered into a Share Transfer Agreement with a wholly-owned subsidiary, Longhai Company, the Company will transfer 67% equity interests directly held by it in the controlling subsidiary, Silicon Company to Longhai Company, upon the completion of the equity interest transference, Silicon Company will become an indirect controlling subsidiary of the Company. But will still be concluded into the consolidated scope.
  - In December 2013, the registered capital of Luobo Industrial Company increased by RMB 5 million, of which RMB 1.5 million was contributed in cash and RMB 3.5 million was contributed in land use right by the Company. Upon the completion if the capital increase, the registered capital of Luobo Industrial Company will be increase from RMB5 million to RMB10 million.
  - Furuida Company was newly established in December 2013 and a wholly-owned subsidiary of the Company.

(2) *There is no subsidiary acquired through a business combination involving entities under common control.*

(3) *There is no subsidiary acquired through a business combination not involving entities under common control.*

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2. Changes in the scope of consolidation

- (1) The scope of consolidation doesn't include any subsidiary that the Company only holds half or less of its voting rights.
- (2) There is no investee that the Company holds more than half of its voting rights but is not included in the scope of consolidation.

### 3. Entities newly incorporated in or excluded from the scope of consolidation in the reporting period

- (1) Subsidiaries newly incorporated in the scope of consolidation in the reporting period

| <b>Name</b>                              | <b>Net assets<br/>at the end of the<br/>reporting period</b> | Net profit for the<br>reporting period |
|--|--|--|
| Luoyang Luobo Furuida Commerce Co., Ltd. | <b>499,695.67</b>  | -304.33                                |

- (2) No subsidiaries, subjects with special aims or operation entities with control arising from entrusted operation or lease were excluded from the scope of consolidation in the reporting period

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 1. Bank balance and cash

#### (1) Category

| Item                  | Closing balance                |               |                       | Opening balance                |               |                       |
|-----------------------|--------------------------------|---------------|-----------------------|--------------------------------|---------------|-----------------------|
|                       | Foreign<br>currency<br>balance | Exchange rate | RMB<br>(equivalent)   | Foreign<br>currency<br>balance | Exchange rate | RMB<br>(equivalent)   |
| Cash:                 | —                              | —             | 75,851.25             | —                              | —             | 122,200.63            |
| Including: Renminbi   | —                              | —             | 75,851.25             | —                              | —             | 122,200.63            |
| Deposits at banks:    | —                              | —             | 28,414,110.08         | —                              | —             | 55,916,839.82         |
| Including: Renminbi   | —                              | —             | 28,294,759.89         | —                              | —             | 55,793,826.50         |
| US Dollars            | 18,651.14                      | 6.0969        | 113,714.38            | 18,646.37                      | 6.2855        | 117,201.96            |
| HK Dollars            | 7,162.01                       | 0.7862        | 5,630.75              | 7,161.29                       | 0.8108        | 5,806.36              |
| Euro Dollars          | 0.60                           | 8.4333        | 5.06                  | 0.60                           | 8.3333        | 5.00                  |
| Other monetary funds: | —                              | —             | 100,020,000.00        | —                              | —             | 180,580,000.00        |
| Including: Renminbi   | —                              | —             | 100,020,000.00        | —                              | —             | 180,580,000.00        |
| <b>Total</b>          | <b>—</b>                       | <b>—</b>      | <b>128,509,961.33</b> | <b>—</b>                       | <b>—</b>      | <b>236,619,040.45</b> |

#### (2) Details of other monetary funds

| Item                         | Closing balance       | Opening balance       |
|------------------------------|-----------------------|-----------------------|
| Security for bank acceptance | 100,000,000.00        | 160,000,000.00        |
| Time deposits                | —                     | 20,560,000.00         |
| Other                        | 20,000.00             | 20,000.00             |
| <b>Total</b>                 | <b>100,020,000.00</b> | <b>180,580,000.00</b> |

Notes:

As at 31 December 2013, monetary funds of RMB173,851.23 was frozen by the court.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 2. Notes receivable

#### (1) Category

| Item             | Closing balance | Opening balance |
|------------------|-----------------|-----------------|
| Bank acceptance  | 39,799,612.49   | 9,759,032.33    |
| Trade acceptance |                 | 20,947.81       |
| Total            | 39,799,612.49   | 9,779,980.14    |

#### (2) Top five largest notes receivable endorsed but not matured as at 31 December 2013

| Issuing company  | Issuing date | Maturity date | Amount        | Remark                |
|--|--------------|---------------|---------------|-----------------------|
| Luoyang Bao Yi Materials Co. Ltd.<br>(洛陽寶義物資有限公司)          | 2013-12-26   | 2014-6-26     | 5,000,000.00  | Bank acceptance bills |
| Foshan Jianxiang Economic & Trade Co.,Ltd<br>(佛山市建享經貿有限公司) | 2013-8-15    | 2014-2-14     | 3,000,000.00  | Bank acceptance bills |
| Shenzhen Tinno Mobile Technology Corp.<br>(天瓏移動技術股份有限公司)   | 2013-8-29    | 2014-1-29     | 1,628,328.84  | Bank acceptance bills |
| Jurong Juncheng Electronics Co., Ltd.                      | 2013-9-11    | 2014-3-11     | 1,438,960.00  | Bank acceptance bills |
| Jining Xinlong Steel Co., Ltd.<br>(濟寧市鑫龍型鋼有限公司)            | 2013-7-12    | 2014-1-12     | 1,000,000.00  | Bank acceptance bills |
| Total  |              |               | 12,067,288.84 |                       |

#### (3) Other explanations

As at the end of the reporting period, the Group's bills endorsed but not yet due amounted to RMB130,937,090.43, bills discounted but not yet due amounted to RMB156,538,960.00, including bank acceptance bills of RMB145,000,000.00 issued by the Company, which had been discounted by the Company's subsidiaries. The expire date of these bills was from 1 January 2014 to 30 June 2014, the Group has derecognised the bills discounted or endorsed but not yet due.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 3. Accounts receivable

| Item                          | Carrying amount      | Opening balance |
|-------------------------------|----------------------|-----------------|
| Account receivable            | <b>80,281,928.91</b> | 124,489,471.17  |
| Less: provision for bad debts | <b>50,630,381.31</b> | 48,033,662.63   |
| Net amount                    | <b>29,651,547.60</b> | 76,455,808.54   |

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

(1) *The aging of accounts receivable based on their recording dates is analysed below:*

| Aging         | Closing balance      | Opening balance |
|---------------|----------------------|-----------------|
| Within 1 year | <b>25,731,377.61</b> | 65,544,966.86   |
| 1-2 years     | <b>2,821,542.85</b>  | 11,105,675.83   |
| 2-3 years     | <b>3,890,179.97</b>  | 1,944,439.71    |
| 3-4 years     | <b>1,944,439.71</b>  | 1,095,404.38    |
| 4-5 years     | <b>1,095,404.38</b>  | 1,620,483.21    |
| Over 5 years  | <b>44,798,984.39</b> | 43,178,501.18   |
| Total         | <b>80,281,928.91</b> | 124,489,471.17  |

(2) *Category*

| Category   | 31 December 2013          |                   |                                   |                   |
|--|---------------------------|-------------------|-----------------------------------|-------------------|
|  | Carrying amount<br>Amount | Percentage<br>(%) | Provision for bad debts<br>Amount | Percentage<br>(%) |
| 1. Account receivables with significant single amount and individual provision for bad debts   |                           |                   |                                   |                   |
| 2. Accounts receivable provided for bad debts in groups  |                           |                   |                                   |                   |
| The group with provision for bad debts based on aging analysis                                 | <b>80,281,928.91</b>      | <b>100.00</b>     | <b>50,630,381.31</b>              | <b>63.07</b>      |
| The group without provision for bad debts  |                           |                   |                                   |                   |
| Group subtotal   | <b>80,281,928.91</b>      | <b>100.00</b>     | <b>50,630,381.31</b>              | <b>63.07</b>      |
| 3. Account receivables with insignificant single amount and individual provision for bad debts |                           |                   |                                   |                   |
| Total  | <b>80,281,928.91</b>      | <b>100.00</b>     | <b>50,630,381.31</b>              | <b>63.07</b>      |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 3. Accounts receivable (Continued)

#### (2) Category (Continued)

| Category   | 31 December 2012          |                   | Provision for bad debts |                   |
|--|---------------------------|-------------------|-------------------------|-------------------|
|  | Carrying amount<br>Amount | Percentage<br>(%) | Amount                  | Percentage<br>(%) |
| 1. Account receivables with significant single amount and individual provision for bad debts   |                           |                   |                         |                   |
| 2. Accounts receivable provided for bad debts in groups  |                           |                   |                         |                   |
| The group with provision for bad debts based on aging analysis                                 | 79,665,682.61             | 63.99             | 48,033,662.63           | 60.29             |
| The group without provision for bad debts  | 44,823,788.56             | 36.01             |                         |                   |
| Group subtotal   | 124,489,471.17            | 100.00            | 48,033,662.63           | 38.58             |
| 3. Account receivables with insignificant single amount and individual provision for bad debts |                           |                   |                         |                   |
| Total  | 124,489,471.17            | 100.00            | 48,033,662.63           | 38.58             |

Note: Accounts receivable with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5 million at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The accounts receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

**In the groups, accounts receivable with provision for bad debts based on the aging analysis are set out as follows**

| Age           | 31 December 2013 |                | Provision for bad debts | 31 December 2012 |                | Provision for bad debts |
|---------------|------------------|----------------|-------------------------|------------------|----------------|-------------------------|
|               | Carrying amount  | Percentage (%) |                         | Carrying amount  | Percentage (%) |                         |
| Within 1 year | 25,731,377.61    | 32.06          |                         | 27,936,674.16    | 35.07          |                         |
| 1-2 years     | 2,821,542.85     | 3.51           | 846,462.84              | 3,890,179.97     | 4.88           | 1,167,054.00            |
| 2-3 years     | 3,890,179.97     | 4.85           | 1,945,089.99            | 1,944,439.71     | 2.44           | 972,219.86              |
| 3-4 years     | 1,944,439.71     | 2.42           | 1,944,439.71            | 1,095,404.38     | 1.38           | 1,095,404.38            |
| 4-5 years     | 1,095,404.38     | 1.36           | 1,095,404.38            | 1,620,483.21     | 2.03           | 1,620,483.21            |
| Over 5 years  | 44,798,984.39    | 55.80          | 44,798,984.39           | 43,178,501.18    | 54.20          | 43,178,501.18           |
| Total         | 80,281,928.91    | 100.00         | 50,630,381.31           | 79,665,682.61    | 100.00         | 48,033,662.63           |

#### (3) Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2013, no accounts receivable was due from a shareholder who holds 5% or more of the voting shares of the Company.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 3. Accounts receivable (Continued)

#### (4) Top five largest accounts receivable

| Company name  | Relationship with the Company     | Amount        | Age           | Percentage (%) |
|---|-----------------------------------|---------------|---------------|----------------|
| 1. Anhui Province Bangbu Huayi Glass Company Limited  | Subsidiary of de facto controller | 14,864,689.27 | Within 1 year | 18.52          |
| 2. Shanghai Shunsheng Glass Sales Cooperation Company | Not related party                 | 4,757,122.32  | 2 to 3 years  | 5.93           |
| 3. Qingdao Rocky Industry Co., Ltd.                   | Not related party                 | 3,167,804.20  | Within 1 year | 3.95           |
| 4. Australia CAMDENLUOYANG GLASS P/L                  | Not related party                 | 2,820,625.92  | Over 5 years  | 3.51           |
| 5. Luobo Qingdao Joint Adventure                      | Not related party                 | 2,796,175.91  | Over 5 years  | 3.48           |
| Total   | —                                 | 28,406,417.62 | —             | 35.39          |

#### (5) Accounts receivable due from related parties

| Company name                                      | Relationship with the Company         | Amount        | Percentage (%) |
|---|---------------------------------------|---------------|----------------|
| Anhui Province Bangbu Huayi Glass Company Limited | Subsidiary of de facto controller     | 14,864,689.27 | 18.52          |
| CLFG Mineral Products Company Limited             | Subsidiary of controlling shareholder | 1,341,989.51  | 1.67           |
| Total   |                                       | 16,206,678.78 | 20.19          |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 4. Prepayments

#### (1) Ageing analysis of prepayments

| Age           | 31 December 2013 |                | 31 December 2012 |                |
|---------------|------------------|----------------|------------------|----------------|
|               | Amount           | Percentage (%) | Amount           | Percentage (%) |
| Within 1 year | 12,444,691.69    | 90.13          | 12,060,620.95    | 85.93          |
| 1-2 years     | 811,523.71       | 5.88           | 561,853.11       | 4.00           |
| 2-3 years     | 451,699.36       | 3.27           | 139,620.79       | 0.99           |
| Over 3 years  | 98,906.09        | 0.72           | 1,275,170.43     | 9.08           |
| Total         | 13,806,820.85    | 100.00         | 14,037,265.28    | 100.00         |

#### (2) Top five largest prepayments as at 31 December 2013

| Company name  | Relationship with the Company  | Amount        | Percentage in total prepayments (%) | Age           | Reason    |
|---|--|---------------|-------------------------------------|---------------|-----------|
| Luoyang Xinao Huayou Gas Company Limited                      | Not related party  | 4,740,172.06  | 34.33                               | Within 1 year | Unsettled |
| CLFG Yuantong Engery Co., Ltd.                                | Director of the Company is concurrently a director of the enterprise | 2,867,695.08  | 20.77                               | Within 1 year | Unsettled |
| Henan Electric Power Corporation Luoyang Power Supply Company | Not related party  | 1,288,158.89  | 9.33                                | Within 1 year | Unsettled |
| Luoyang Longze Coking Co., Ltd.<br>(洛陽龍澤焦化有限公司)               | Not related party  | 1,013,880.87  | 7.34                                | Within 1 year | Unsettled |
| Luoyang Zhongye Heavy Machinery Co., Ltd.<br>(洛陽中冶重工機械有限公司)   | Not related party  | 506,107.82    | 3.67                                | 1- 2 years    | Unsettled |
| Total   |  | 10,416,014.72 | 75.44                               |               |           |

#### (3) Prepayments due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2013, no prepayment was due from a shareholder who holds 5% or more of the voting shares of the Company.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 5. Other receivables

| Item                          | Carrying amount       | 31 December 2012 |
|-------------------------------|-----------------------|------------------|
| Other receivables             | <b>134,929,109.52</b> | 112,698,671.65   |
| Less: provision for bad debts | <b>53,012,787.12</b>  | 50,760,196.12    |
| Net other receivables         | <b>81,916,322.40</b>  | 61,938,475.53    |

#### (1) Aging analysis of other receivables

| Aging         | 31 December 2013      | 31 December 2012 |
|---------------|-----------------------|------------------|
| Within 1 year | <b>66,850,033.83</b>  | 7,098,430.89     |
| 1–2 years     | <b>2,448,606.97</b>   | 53,851,073.93    |
| 2–3 years     | <b>12,915,978.41</b>  | 1,224,143.59     |
| 3–4 years     | <b>974,755.74</b>     | 2,387,080.99     |
| 4–5 years     | <b>2,436,446.03</b>   | 1,097,082.96     |
| Over 5 years  | <b>49,303,288.54</b>  | 47,040,859.29    |
| Total         | <b>134,929,109.52</b> | 112,698,671.65   |

#### (2) Category

| Category   | 31 December 2013      |                |                         |                |
|--|-----------------------|----------------|-------------------------|----------------|
|  | Carrying amount       |                | Provision for bad debts |                |
|  | Amount                | Percentage (%) | Amount                  | Percentage (%) |
| 1. Other receivables with significant single amount and individual provision for bad debts   | 10,808,704.00         | 8.01           | 10,808,704.00           | 100.00         |
| 2. Other receivables provided for bad debts in groups  |                       |                |                         |                |
| The group with provision for bad debts based on aging analysis                               | 61,807,926.63         | 45.81          | 38,132,272.47           | 61.69          |
| The group without provision for bad debts  | 58,240,668.24         | 43.16          |                         |                |
| Group subtotal   | 120,048,594.87        | 88.97          | 38,132,272.47           | 31.76          |
| 3. Other receivables with insignificant single amount and individual provision for bad debts | 4,071,810.65          | 3.02           | 4,071,810.65            | 100.00         |
| Total  | <b>134,929,109.52</b> | <b>100.00</b>  | <b>53,012,787.12</b>    | <b>39.29</b>   |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 5. Other receivables (Continued)

#### (2) Category (Continued)

| Category   | 31 December 2012      |                |                         |                |
|--|-----------------------|----------------|-------------------------|----------------|
|  | Carrying amount       |                | Provision for bad debts |                |
|  | Amount                | Percentage (%) | Amount                  | Percentage (%) |
| 1. Other receivables with significant single amount and individual provision for bad debts   | 10,808,704.00         | 9.59           | 10,808,704.00           | 100.00         |
| 2. Other receivables provided for bad debts in groups  |                       |                |                         |                |
| The group with provision for bad debts based on aging analysis                               | 42,355,885.21         | 37.59          | 35,879,681.47           | 84.71          |
| The group without provision for bad debts  | 55,462,271.79         | 49.21          |                         |                |
| Group subtotal   | 97,818,157.00         | 86.80          | 35,879,681.47           | 36.68          |
| 3. Other receivables with insignificant single amount and individual provision for bad debts | 4,071,810.65          | 3.61           | 4,071,810.65            | 100.00         |
| <b>Total</b>   | <b>112,698,671.65</b> | <b>100.00</b>  | <b>50,760,196.12</b>    | <b>45.04</b>   |

Note: Other receivables with significant single amount and individual provision for bad debts refer to the single amount that amounted to more than RMB5 million at the end of the period and there is objective evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The other receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

#### Provision for bad debts made against other receivables with significant single amount and individually tested for impairment at the end of the period:

| Item  | Carrying amount      | Bad debt             | Percentage of provision |           | Reason   |
|---|----------------------|----------------------|-------------------------|-----------|--|
|   |                      |                      | Bad debt                | provision |  |
| Zhengzhou Xili Sub-branch of China Construction Bank (建行郑州西裏支行) | 10,808,704.00        | 10,808,704.00        | 100.00%                 |           | Provided for bad debts in full as it was unrecoverable |
| <b>Total</b>  | <b>10,808,704.00</b> | <b>10,808,704.00</b> |                         |           |  |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 5. Other receivables (Continued)

#### (2) Category (Continued)

#### In the group, other receivables with the provision based on the aging analysis

| Age           | 31 December 2013 |                |                         | 31 December 2012 |                |                         |
|---------------|------------------|----------------|-------------------------|------------------|----------------|-------------------------|
|               | Carrying amount  | Percentage (%) | Provision for bad debts | Carrying amount  | Percentage (%) | Provision for bad debts |
| Within 1 year | 21,888,682.20    | 35.42          |                         | 4,239,383.03     | 10.01          |                         |
| 1-2 years     | 568,428.01       | 0.92           | 170,528.40              | 2,813,238.94     | 6.64           | 843,971.68              |
| 2-3 years     | 2,778,144.70     | 4.49           | 1,389,072.35            | 559,611.17       | 1.32           | 292,057.72              |
| 3-4 years     | 610,223.32       | 0.99           | 610,223.32              | 1,906,013.63     | 4.50           | 1,906,013.63            |
| 4-5 years     | 1,955,378.67     | 3.16           | 1,955,378.67            | 643,116.20       | 1.52           | 643,116.20              |
| Over 5 years  | 34,007,069.73    | 55.02          | 34,007,069.73           | 32,194,522.24    | 76.01          | 32,194,522.24           |
| Total         | 61,807,926.63    | 100.00         | 38,132,272.47           | 42,355,885.21    | 100.00         | 35,879,681.47           |

#### Other receivables with insignificant single amount but individually provided for bad debts at the end of the period

| Item                             | Carrying amount | Bad debt     | Percentage | Reason   |
|----------------------------------|-----------------|--------------|------------|--|
| Henan Mianchi Fufa Glass Factory | 4,071,810.65    | 4,071,810.65 | 100.00     | Provided for bad debts in full as it was unrecoverable |
| Total                            | 4,071,810.65    | 4,071,810.65 |            |  |

#### (3) Other receivables due from a shareholder who holds 5% or more of the voting shares of the Company

The closing balance of other receivables due from China Luoyang Float Glass (Group) Company Limited, being a shareholder who holds 5% or more of the voting shares of the Company, amounted to RMB43,302,304.83.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 5. Other receivables (Continued)

#### (4) Nature or content of other receivables with relatively significant amount

| Company Name                                      | Amount        | Nature or content of other receivables                                     |
|---|---------------|--|
| China Luoyang Float Glass (Group) Company Limited | 43,302,304.83 | Receivables in respect of land acquisition for reserve and daily operation |
| CLFG Hoisting Machinery Company Limited           | 16,000,000.00 | Receivables from disposal of properties                                    |
| Zhengzhou Xili Branch of China Construction Bank  | 10,808,704.00 | Time deposits, which have been provided for bad debts in full              |
| Total   | 70,111,008.83 |  |

#### (5) Top five largest other receivables

| Company Name   | Relationship with the Company | Amount        | Age           | Percentage (%) |
|--|-------------------------------|---------------|---------------|----------------|
| 1. China Luoyang Float Glass (Group) Company Limited | Controlling shareholder       | 43,302,304.83 | Within 1 year | 32.09          |
| 2. CLFG Hoisting Machinery Company Limited           | Not related party             | 16,000,000.00 | Within 1 year | 11.86          |
| 3. Zhengzhou Xili Branch of China Construction Bank  | Not related party             | 10,808,704.00 | Over 5 years  | 8.01           |
| 4. Government of Zhuge Township                      | Not related party             | 9,856,832.00  | Over 5 years  | 7.31           |
| 5. Luoyang Land Reserves Coordination Centre         | Not related party             | 7,000,000.00  | 2 -3 years    | 5.19           |
| Total  |                               | 86,967,840.83 |               | 64.46          |

#### (6) Other receivables due from related parties

| Company Name  | Relationship with the Company         | Amount        | Percentage (%) |
|---|---------------------------------------|---------------|----------------|
| China Luoyang Float Glass (Group) Company Limited       | Controlling shareholder               | 43,302,304.83 | 32.09          |
| China Triumph International Engineering Company Limited | Subsidiary of de facto controller     | 1,650,000.00  | 1.22           |
| CLFG (Beijing) International Engineering Co., Ltd.      | Subsidiary of controlling shareholder | 82,796.95     | 0.06           |
| Luoyang Luobo Glass Fibre Co., Ltd.                     | Subsidiary of controlling shareholder | 150,738.92    | 0.11           |
| Luoyang Jingxin Ceramic Co. Ltd.                        | Associate                             | 3,000.00      | 0.00           |
| Total   |                                       | 45,188,840.70 | 33.48          |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 6. Inventories

#### (1) Inventory items

| Inventory items       | 31 December 2013      |                      |                       | 31 December 2012      |                      |                       |
|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
|                       | Carrying amount       | Provision            | Net book value        | Carrying amount       | Provision            | Net book value        |
| Raw materials         | 81,469,463.53         | 7,873,597.41         | 73,595,866.12         | 83,812,990.80         | 7,421,584.59         | 76,391,406.21         |
| Work in progress      | 6,446,392.64          |                      | 6,446,392.64          | 5,978,930.07          |                      | 5,978,930.07          |
| Commodity inventories | 154,679,356.95        | 42,254,248.80        | 112,425,108.15        | 124,565,200.32        | 2,810,894.74         | 121,754,305.58        |
| Circulation materials | 7,882,174.67          |                      | 7,882,174.67          | 7,843,713.13          |                      | 7,843,713.13          |
| <b>Total</b>          | <b>250,477,387.79</b> | <b>50,127,846.21</b> | <b>200,349,541.58</b> | <b>222,200,834.32</b> | <b>10,232,479.33</b> | <b>211,968,354.99</b> |

#### (2) Change in provision for diminution in value of inventories

| Inventory items       | Opening balance      | Provision in the period | Decrease in the period |                     | Closing balance      |
|-----------------------|----------------------|-------------------------|------------------------|---------------------|----------------------|
|                       |                      |                         | Reversal               | Write-off           |                      |
| Raw materials         | 7,421,584.59         | 670,858.65              |                        | 218,845.83          | 7,873,597.41         |
| Commodity inventories | 2,810,894.74         | 40,553,910.07           |                        | 1,110,556.01        | 42,254,248.80        |
| <b>Total</b>          | <b>10,232,479.33</b> | <b>41,224,768.72</b>    |                        | <b>1,329,401.84</b> | <b>50,127,846.21</b> |

#### (3) Details of provision for diminution in value of inventories

| Item                  | Reason for provision                     | Reason for reversal | Percentage of reversal in closing balance of the inventory |
|-----------------------|--|---------------------|--|
| Raw materials         | Cost is higher than net realizable value | N/A                 |  |
| Commodity inventories | Cost is higher than net realizable value | N/A                 |  |

#### (4) Other matters subject to explanation

Certain inventories of Longbo Company, a subsidiary of the Company were sealed up by the court due to litigation and thus recorded a carrying amount of RMB1,216,114.94 at the end of the period.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 7. Investments in joint ventures and associates

#### (1) No joint ventures

#### (2) Associates

| Names of investee                     | Company type              | Place of registration | Legal representative | Business nature     | Registered capital | Equity held by the Company (%) | Voting right held by the Company (%) | Total assets at 31 December 2012 | Total liabilities at 31 December 2012 | Total net assets at 31 December 2012 | Total revenue for 2012 | Total Net profit for 2012 |
|---------------------------------------|---------------------------|-----------------------|----------------------|---------------------|--------------------|--------------------------------|--------------------------------------|----------------------------------|---------------------------------------|--------------------------------------|------------------------|---------------------------|
| Luoyang Jingyin Ceramic Co. Ltd.      | Limited liability company | Luoyang City          | Guo Xiaohuan         | Production and sale | 41,945,000.00      | 49.00                          | 49.00                                |                                  |                                       |                                      |                        |                           |
| CLFG Mineral Products Company Limited | Limited liability company | Luoyang City          | Zhao Yanchang (赵彦昌)  | Mining and sale     | 30,960,000.00      | 40.29                          | 40.29                                | 18,927,399.58                    | 42,205,901.39                         | -23,278,501.81                       | 2,883,987.70           | -3,106,602.08             |

### 8. Long-term equity investment

#### (1) Long-term equity investment

| Investees  | Measurement method | Initial Investment | Initial Investment | Increase/decrease | Closing balance | Equity held by the Company (%) | Voting right held by the Company (%) | Reason for difference between shareholding and voting right held by the Company | Impairment provision | Impairment provision for the period | Bonus for the period |
|--|--------------------|--------------------|--------------------|-------------------|-----------------|--------------------------------|--------------------------------------|---|----------------------|-------------------------------------|----------------------|
| CLFG Hoisting Machinery Company Limited                    | Cost method        | 5,000,000.00       | 5,000,000.00       | -5,000,000.00     |                 |                                |                                      |   |                      |                                     |                      |
| CLFG Jingwei Glass Fibre Co., Ltd. (Note)                  | Cost method        | 4,000,000.00       | 4,000,000.00       |                   | 4,000,000.00    | 35.90                          |                                      | No significant effect   | 4,000,000.00         |                                     |                      |
| CLFG Luoyang Jingjiu Glass Products Company Limited (Note) | Cost method        | 1,500,000.00       | 1,500,000.00       |                   | 1,500,000.00    | 31.08                          |                                      | No significant effect   | 1,500,000.00         |                                     |                      |
| CLFG New Lighting Company Limited (Note)                   | Cost method        | 2,291,217.53       | 2,291,217.53       |                   | 2,291,217.53    | 29.45                          |                                      | No significant effect   | 2,291,217.53         |                                     |                      |
| Bank of Sanmenxia Co., Ltd.                                | Cost method        | 7,000,000.00       | 7,000,000.00       |                   | 7,000,000.00    | 2.92                           | 2.92                                 |   |                      |                                     | 2,410,572.50         |
| Subtotal   |                    | 19,791,217.53      | 19,791,217.53      | -5,000,000.00     | 14,791,217.53   |                                |                                      |   | 7,791,217.53         |                                     | 2,410,572.50         |
| Luoyang Jingyin Ceramic Co. Ltd.                           | Equity method      | 20,553,050.00      |                    |                   |                 | 49.00                          | 49.00                                |   |                      |                                     |                      |
| CLFG Mineral Products Company Limited                      | Equity method      | 12,475,313.63      |                    |                   |                 | 40.29                          | 40.29                                |   |                      |                                     |                      |
| Subtotal   |                    | 33,028,363.63      |                    |                   |                 |                                |                                      |   |                      |                                     |                      |
| Total  |                    | 52,819,581.16      | 19,791,217.53      | -5,000,000.00     | 14,791,217.53   |                                |                                      |   | 7,791,217.53         |                                     | 2,410,572.50         |

Note: The above mentioned companies are subsidiaries of CLFG, the largest shareholder of the Company. Although the Company's shareholding percentage in such investees is above 20%, the Directors of the Company considers that the Company has no significant impact on them. As such, the investment in these companies is classified as other equity investment and accounted for using the cost method.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9. Investment properties

Investment properties measured at cost

| Item  | Opening<br>balance | Increase<br>in the period | Decrease<br>in the period | Closing<br>balance |
|---|--------------------|---------------------------|---------------------------|--------------------|
| I. Total of original amount   | 18,265,465.76      |                           | <b>18,265,465.76</b>      |                    |
| Land use rights   | 18,265,465.76      |                           | <b>18,265,465.76</b>      |                    |
| II. Total of accumulated<br>depreciation and<br>accumulated<br>amortization | 4,095,233.19       | <b>434,892.00</b>         | <b>4,530,125.19</b>       |                    |
| Land use rights   | 4,095,233.19       | <b>434,892.00</b>         | <b>4,530,125.19</b>       |                    |
| III. Total of impairment<br>provision for investment<br>properties          |                    |                           |                           |                    |
| Land use rights   |                    |                           |                           |                    |
| IV. Total of carrying amount<br>of investment<br>properties                 | 14,170,232.57      |                           |                           |                    |
| Land use rights   | 14,170,232.57      |                           |                           |                    |

Notes: Details for decrease in investment properties please refer to "V. 13. Intangible Assets. Note 2".

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 10. Fixed assets

#### Details of fixed assets and accumulated depreciation and changes thereof

| Item                                  | Opening balance  | Increase in the period | Decrease in the period | Closing balance         |
|---------------------------------------|------------------|------------------------|------------------------|-------------------------|
| I. Total of original value            | 1,003,246,876.34 | <b>223,199,083.74</b>  | <b>53,560,581.96</b>   | <b>1,172,885,378.12</b> |
| Buildings                             | 373,626,909.57   | <b>20,823,156.56</b>   | <b>21,759,761.19</b>   | <b>372,690,304.94</b>   |
| Machinery                             | 610,058,046.52   | <b>202,324,842.14</b>  | <b>26,017,219.84</b>   | <b>786,365,668.82</b>   |
| Transportation equipment              | 18,401,759.27    |                        | <b>5,783,600.93</b>    | <b>12,618,158.34</b>    |
| Others                                | 1,160,160.98     | <b>51,085.04</b>       |                        | <b>1,211,246.02</b>     |
| II. Total of accumulated depreciation | 448,720,058.96   | <b>99,092,415.55</b>   | <b>32,062,540.28</b>   | <b>515,749,934.23</b>   |
| Buildings                             | 109,759,831.27   | <b>13,908,299.71</b>   | <b>7,019,990.77</b>    | <b>116,648,140.21</b>   |
| Machinery                             | 324,510,515.30   | <b>84,282,405.88</b>   | <b>19,560,125.59</b>   | <b>389,232,795.59</b>   |
| Transportation equipment              | 13,472,953.28    | <b>843,077.55</b>      | <b>5,482,423.92</b>    | <b>8,833,606.91</b>     |
| Others                                | 976,759.11       | <b>58,632.41</b>       |                        | <b>1,035,391.52</b>     |
| III. Total provision for impairment   | 14,739,758.69    | <b>591,300.00</b>      | <b>2,535,987.41</b>    | <b>12,795,071.28</b>    |
| Buildings                             | 1,198,314.17     |                        |                        | <b>1,198,314.17</b>     |
| Machinery                             | 13,503,881.57    | <b>591,300.00</b>      | <b>2,535,987.41</b>    | <b>11,559,194.16</b>    |
| Transportation equipment              | 37,562.95        |                        |                        | <b>37,562.95</b>        |
| Others                                |                  |                        |                        |                         |
| IV. Total book value of fixed assets  | 539,787,058.69   |                        |                        | <b>644,340,372.61</b>   |
| Buildings                             | 262,668,764.13   |                        |                        | <b>254,843,850.56</b>   |
| Machinery                             | 272,043,649.65   |                        |                        | <b>385,573,679.07</b>   |
| Transportation equipment              | 4,891,243.04     |                        |                        | <b>3,746,988.48</b>     |
| Others                                | 183,401.87       |                        |                        | <b>175,854.50</b>       |

#### Notes:

- Depreciation of fixed assets for the year was RMB68,034,965.71.
- The fixed assets transferred from construction-in-progress in the year amounted to RMB166,089,656.55.
- As at 31 December 2013, ownership certificates of the Group's buildings with an aggregate carrying amount of RMB97,774,405.20 were yet to be obtained.
- As at 31 December 2013, the original amount of fixed assets that were made fully depreciated but still in use was RMB61,340,855.54.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 11. Construction in progress

#### (1) Basic details

| Project   | Carrying amount     | Closing balance<br>Provision for<br>impairment | Book value          | Carrying amount      | Opening balance<br>Provision for<br>impairment | Book value           |
|---|---------------------|--|---------------------|----------------------|--|----------------------|
|   |                     |  |                     |                      |  |                      |
| Longhao - Cold repair renovation project of new No.1 production line (formerly known as No.2 production line) |                     |  |                     | 72,263,922.95        |  | 72,263,922.95        |
| Longxiang - Dust removal and desulfurization system of furnace flue gas                                       | 790,000.00          |  | 790,000.00          | 790,000.00           |  | 790,000.00           |
| Longfei - Smelting furnace and second cold repair construction of 300t/d float glass production line          | 710,000.00          |  | 710,000.00          | 710,000.00           |  | 710,000.00           |
| Longfei - Sporadic works  | 483,720.00          |  | 483,720.00          | 483,720.00           |  | 483,720.00           |
| Longhao - Flue gas treatment and residual heat generation project   | 156,237.20          |  | 156,237.20          | 156,237.20           |  | 156,237.20           |
| Hongzhai - Infrastructure platform  |                     |  |                     | 162,030.00           |  | 162,030.00           |
| <b>Total</b>  | <b>2,139,957.20</b> |  | <b>2,139,957.20</b> | <b>74,565,910.15</b> |  | <b>74,565,910.15</b> |

#### (2) Changes in major construction in progress

| Project name  | Budget        | Opening balance      | Increase in the period | Transferred to fixed assets | Decrease in others | Closing balance     | Project investment as a percentage of budget (%) | Construction progress | Accumulated amount of interest capitalized | including:                                   |   |
|---|---------------|----------------------|------------------------|-----------------------------|--------------------|---------------------|--|-----------------------|--|--|---|
|   |               |                      |                        |                             |                    |                     |  |                       |  | Amount of interest capitalized in the period | Rate of interest capitalization in the period |
| Longfei - Smelting furnace and secondary cold repair construction of 300t/d float glass production line |               | 710,000.00           |                        |                             |                    | 710,000.00          |  |                       |  |  | Internal resources                            |
| Longxiang - Dust removal and desulfurization system of furnace flue gas                                 |               | 790,000.00           |                        |                             |                    | 790,000.00          |  |                       |  |  | Internal resources                            |
| Longfei - Sporadic works  |               | 483,720.00           |                        |                             |                    | 483,720.00          |  |                       |  |  | Internal resources                            |
| Longhao - Flue gas treatment and residual heat generation project                                       | 40,000,000.00 | 156,237.20           |                        |                             |                    | 156,237.20          |  |                       |  |  | Internal resources                            |
| Longhao - Cold repair renovation project of No.2 production line  |               | 72,263,922.95        | 93,663,703.60          | 165,927,626.55              |                    |                     |  |                       |  |  | Internal resources                            |
| Hongzhai - Infrastructure platform  |               | 162,030.00           |                        | 162,030.00                  |                    |                     |  |                       |  |  | Internal resources                            |
| <b>Total</b>  |               | <b>74,565,910.15</b> | <b>93,663,703.60</b>   | <b>166,089,656.55</b>       |                    | <b>2,139,957.20</b> |  |                       |  |  |   |

### 12. Construction materials

| Item                          | Opening balance   | Increase in the period | Decrease in the period | Closing balance   |
|-------------------------------|-------------------|------------------------|------------------------|-------------------|
| Special equipment consumables | 483,109.38        | 2,643,338.05           | 2,620,261.13           | 506,186.30        |
| <b>Total</b>                  | <b>483,109.38</b> | <b>2,643,338.05</b>    | <b>2,620,261.13</b>    | <b>506,186.30</b> |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 13. Intangible assets

#### (1) Basic details

| Item                               | Opening balance | Increase in the period | Decrease in the period | Closing balance       |
|------------------------------------|-----------------|------------------------|------------------------|-----------------------|
| I. Total original value            | 69,246,844.88   | <b>30,866,574.05</b>   |                        | <b>100,113,418.93</b> |
| Land use rights                    | 49,546,364.88   | <b>24,270,444.56</b>   |                        | <b>73,816,809.44</b>  |
| Non-patent technology              | 7,400,000.00    |                        |                        | <b>7,400,000.00</b>   |
| Trademark rights                   | 11,000,000.00   |                        |                        | <b>11,000,000.00</b>  |
| Mining rights                      | 1,300,480.00    | <b>6,596,129.49</b>    |                        | <b>7,896,609.49</b>   |
| II. Total accumulated amortization | 19,062,669.87   | <b>7,092,703.94</b>    |                        | <b>26,155,373.81</b>  |
| Land use rights                    | 6,949,982.87    | <b>5,620,699.94</b>    |                        | <b>12,570,682.81</b>  |
| Non-patent technology              | 4,371,000.00    | <b>372,000.00</b>      |                        | <b>4,743,000.00</b>   |
| Trademark rights                   | 7,641,687.00    | <b>1,100,004.00</b>    |                        | <b>8,741,691.00</b>   |
| Mining rights                      | 100,000.00      |                        |                        | <b>100,000.00</b>     |
| III. Total net book value          | 50,184,175.01   |                        |                        | <b>73,958,045.12</b>  |
| Land use rights                    | 42,596,382.01   |                        |                        | <b>61,246,126.63</b>  |
| Non-patent technology              | 3,029,000.00    |                        |                        | <b>2,657,000.00</b>   |
| Trademark rights                   | 3,358,313.00    |                        |                        | <b>2,258,309.00</b>   |
| Mining rights                      | 1,200,480.00    |                        |                        | <b>7,796,609.49</b>   |
| IV. Total impairment provision     |                 |                        |                        |                       |
| Land use rights                    |                 |                        |                        |                       |
| Non-patent technology              |                 |                        |                        |                       |
| Trademark rights                   |                 |                        |                        |                       |
| Mining rights                      |                 |                        |                        |                       |
| V. Total book value                | 50,184,175.01   |                        |                        | <b>73,958,045.12</b>  |
| Land use rights                    | 42,596,382.01   |                        |                        | <b>61,246,126.63</b>  |
| Non-patent technology              | 3,029,000.00    |                        |                        | <b>2,657,000.00</b>   |
| Trademark rights                   | 3,358,313.00    |                        |                        | <b>2,258,309.00</b>   |
| Mining rights                      | 1,200,480.00    |                        |                        | <b>7,796,609.49</b>   |

#### Notes:

- Amortization charged into profit and loss for the period amounted to RMB2,997,470.75.
- In December 2013, the Company made capital contribution to Luoyang Glass Industrial Company (洛玻實業公司), a subsidiary of the Company by the land use right of original investment properties with a carrying amount of RMB18,265,465.76 and has obtained the land use right certificate.
- Among the Group's intangible assets as at 31 December 2013, the land use right certificate for a piece of land located in the developmental zone of Luoyang with a cost of RMB9,415,764.88 was in the process of application.
- Land use rights among the Group's intangible assets were all for lands located in the PRC with a remaining use period ranging from 30-47 years.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 13. Intangible assets (Continued)

#### (2) Expenditures of development projects

| Item   | Opening balance | Increase in the period | Decrease in the period<br>Included in<br>the current<br>profit or loss | Recognised<br>as intangible<br>assets | Closing balance |
|--|-----------------|------------------------|--|---------------------------------------|-----------------|
| Research and application of 0.45mm electronic glass  |                 | 2,677,095.10           | 2,677,095.10   |                                       |                 |
| Improvement of minor defects of electronic glass   |                 | 9,540.00               | 9,540.00   |                                       |                 |
| Optimization of and research on the physical and chemical properties of components of 0.55-0.7mm glass |                 | 2,419,808.32           | 2,419,808.32   |                                       |                 |
| Improvement of control over microcosmic waviness of electronic glass                                   |                 | 1,980,050.16           | 1,980,050.16   |                                       |                 |
| Research and application of the melting and molding production atmosphere of electronic glass          |                 | 381,640.30             | 381,640.30   |                                       |                 |
| Research and application of 0.40mm electric glass for touch screen, sensor and capacitive screen       |                 | 2,518,832.28           | 2,518,832.28   |                                       |                 |
| Total  |                 | 9,986,966.16           | 9,986,966.16   |                                       |                 |

### 14. Deferred tax assets and deferred tax liabilities

#### (1) Deferred tax assets and liabilities recognized

| Item                               | Closing balance | Opening balance |
|------------------------------------|-----------------|-----------------|
| <b>Deferred tax assets:</b>        |                 |                 |
| Provision for impairment of assets | 2,437,064.61    |                 |
| Total                              | 2,437,064.61    |                 |

#### (2) Details of deferred tax assets not recognized

| Item                             | Closing balance | Opening balance |
|----------------------------------|-----------------|-----------------|
| Deductible temporary differences | 159,053,657.49  | 137,500,765.74  |
| Deductible losses                | 361,503,631.67  | 461,926,648.40  |
| Total                            | 520,557,289.16  | 599,427,414.14  |

Note: Such deferred tax assets were not recognized as it was uncertain whether there would be enough taxable future profit.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 14. Deferred tax assets and deferred tax liabilities (Continued)

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

| Year  | Closing balance       | Opening balance | Remarks |
|-------|-----------------------|-----------------|---------|
| 2014  | <b>37,954,309.84</b>  | 44,098,029.72   |         |
| 2015  | <b>91,980,612.61</b>  | 39,411,090.12   |         |
| 2016  | <b>87,467,501.58</b>  | 138,403,522.41  |         |
| 2017  | <b>89,515,684.10</b>  | 156,314,922.07  |         |
| 2018  | <b>54,585,523.54</b>  | 83,699,084.09   |         |
| Total | <b>361,503,631.67</b> | 461,926,648.41  |         |

#### (4) Details of taxable temporary differences and deductible temporary differences

| Item                               | Temporary differences |
|------------------------------------|-----------------------|
| Provision for impairment of assets | 16,247,097.40         |
| Total                              | 16,247,097.40         |

### 15. Details of provision for impairment of assets

| Item   | Opening        | Provision in the period | Decrease in the period |                     | Closing balance |
|--|----------------|-------------------------|------------------------|---------------------|-----------------|
|  |                |                         | Reversal               | Written-off         |                 |
| I. Provision for bad debts                                   | 98,793,858.75  | <b>4,849,309.68</b>     |                        |                     | 103,643,168.43  |
| II. Provision for diminution in value of inventories         | 10,232,479.33  | <b>41,224,768.72</b>    |                        | <b>1,329,401.84</b> | 50,127,846.21   |
| III. Provision for impairment of long-term equity investment | 12,791,217.53  |                         |                        | <b>5,000,000.00</b> | 7,791,217.53    |
| IV. Provision for impairment of fixed assets                 | 14,739,758.69  | <b>591,300.00</b>       |                        | <b>2,535,987.41</b> | 12,795,071.28   |
| V. Provision for impairment of construction materials        | 943,451.44     |                         |                        |                     | 943,451.44      |
| Total  | 137,500,765.74 | <b>46,665,378.40</b>    |                        | <b>8,865,389.25</b> | 175,300,754.89  |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 16. Other non-current assets

| Item   | Closing balance     | Opening balance     |
|--|---------------------|---------------------|
| Survey and exploration right of quartzite used for glass in Xiaohongzhai Mine Zone of Dengfeng City (Note 1) | 2,005,927.79        | 1,021,050.00        |
| Survey and exploration right of quartzite in Milashan Mine Zone of Dengfeng City (Note 2)                    | 106,960.00          | 106,960.00          |
| Prepayment for exploitation of temporary land by Hongzhai Silicon  |                     | 4,664,912.79        |
| <b>Total</b>   | <b>2,112,887.79</b> | <b>5,792,922.79</b> |

Notes:

- Hongzhai Company, a subsidiary of the Company possesses the exploration right of Xiaohongzhai mine zone and has obtained the Permit For Survey and Exploration of Quartzite used for Glass in Xiaohongzhai Mine Zone of Dengfeng City (license No. T41120080503008194).
- Dengfeng CLFG Silicon Company Limited, a subsidiary of the Company, has the survey and exploration right of the quartzite resources along Milashan and obtained the Permit For Survey and Exploration Right of Quartzite in Milashan Mine Zone of Dengfeng City (license No. T41520100403040105).

### 17. Assets under restricted ownership

| Items   | Closing balance       | Reason for restriction on ownership or use right            |
|---|-----------------------|---|
| I. Assets for guarantee                                 |                       |   |
| Monetary funds - other monetary funds                   | 100,000,000.00        | Security for notes payable                                  |
| II. Assets under restricted ownership for other reasons |                       |   |
| Monetary funds - Deposits at banks:                     | 173,851.23            | Frozen due to lawsuit                                       |
| Monetary funds - other monetary funds                   | 20,000.00             | Deposit for geological environment of Kaijun Quartzite Mine |
| Inventory   | 1,216,114.94          | Frozen due to lawsuit                                       |
| <b>Total</b>  | <b>101,409,966.17</b> |   |

### 18. Short-term loans

#### Category

| Items        | Closing balance      | Opening balance      |
|--------------|----------------------|----------------------|
| Pledged loan | 19,696,833.33        | 20,000,000.00        |
| Credit loan  | 31,000,000.00        |                      |
| <b>Total</b> | <b>50,696,833.33</b> | <b>20,000,000.00</b> |

- Notes:
- Pledge loan balance at the end of the period represented the loans from Bengbu Branch of China Everbright Bank pledged by letter of credit with maturity date on 21 April 2014.
  - Credit loan represents the bank loans granted to the Company as entrusted by CLFG.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 19. Notes payable

| Items                 | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Bank acceptance       | 150,000,000.00  | 240,000,000.00  |
| Commercial acceptance |                 | 10,000,000.00   |
| Total                 | 150,000,000.00  | 250,000,000.00  |

Notes:

- There were no notes payable to shareholders holding 5% or more of the voting rights of the Company at the end of the period.
- Notes payable are mainly bank acceptances issued by the Group for purchase of materials, commodities or products with the repayment term of 1-6 months.

### 20. Accounts payable

#### (1) Ageing analysis:

| Item          | Closing balance |                | Opening balance |                |
|---------------|-----------------|----------------|-----------------|----------------|
|               | Amount          | Percentage (%) | Amount          | Percentage (%) |
| Within 1 year | 130,718,211.22  | 46.27          | 50,725,865.50   | 24.51          |
| 1-2 years     | 23,075,892.73   | 8.17           | 85,525,983.69   | 41.33          |
| 2-3 years     | 72,735,956.71   | 25.74          | 25,750,170.60   | 12.44          |
| Over 3 years  | 56,008,321.19   | 19.82          | 44,949,119.87   | 21.72          |
| Total         | 282,538,381.85  | 100.00         | 206,951,139.66  | 100.00         |

#### (2) Accounts payable to the shareholder who holds 5% or more of the voting rights of the Company during the Reporting Period

In the closing balance, there was no accounts payable to the shareholder who holds 5% or more of the voting rights of the Company.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 20. Accounts payable (Continued)

#### (3) Accounts payable with significant amount and the age of over 1 year

| Name   | Relationship with the Company | Closing balance | Age          | Reason for unsettlement |
|--|-------------------------------|-----------------|--------------|-------------------------|
| Zhengzhou Yifan Metallurgy Industrial Co., Ltd.                  | Not related party             | 9,109,091.22    | 2–3 years    | Unsettled               |
| Ningan City Huayuan Trade Co., Ltd.                              | Not related party             | 8,618,142.89    | 2–3 years    | Unsettled               |
| Gongyi City Xiaoyi Sub-district Office Xiaonan village Committee | Not related party             | 7,531,665.02    | Over 3 years | Unsettled               |
| Qinghai Gaosheng Trading Co., Ltd. (青海高盛貿易有限公司)                  | Not related party             | 6,707,997.83    | 2–3 years    | Unsettled               |
| Luoyang Zhongzhan Industrial Co., Ltd.                           | Not related party             | 6,485,696.41    | Over 2 years | Unsettled               |
| Anlu City Mingfa Industry & Trade Co., Ltd.                      | Not related party             | 6,185,066.60    | Over 3 years | Unsettled               |
| Luoyang City Sanyuan Packing Company Limited                     | Not related party             | 6,087,381.18    | Over 3 years | Unsettled               |
| Shandong Haitian Biochemical Industry Co., Ltd.                  | Not related party             | 4,985,519.48    | 2–3 years    | Unsettled               |
| Ruyang Yufeng Mining Co., Ltd. (汝陽裕豐礦業有限公司)                      | Not related party             | 3,957,795.61    | 1–2 years    | Unsettled               |
| Zhongchu Development Co., Ltd. Luoyang Branch Company            | Not related party             | 2,914,627.29    | 2–3 years    | Unsettled               |
| Sanmenxia Bomao Industrial Co., Ltd.                             | Not related party             | 3,375,662.52    | 2–3 years    | Unsettled               |
| Gongyi Yuxiang Plastic Packaging Co., Ltd.                       | Not related party             | 3,230,909.00    | 2–3 years    | Unsettled               |
| Total  |                               | 69,189,555.05   |              |                         |

### 21. Payments received in advance

#### (1) Ageing analysis

| Item          | Closing balance |                | Opening balance |                |
|---------------|-----------------|----------------|-----------------|----------------|
|               | Amount          | Percentage (%) | Amount          | Percentage (%) |
| Within 1 year | 27,006,606.15   | 64.76          | 29,275,376.69   | 82.39          |
| 1–2 years     | 8,728,596.23    | 20.93          | 597,508.01      | 1.68           |
| 2–3 years     | 437,649.18      | 1.05           | 736,142.52      | 2.07           |
| Over 3 years  | 5,531,244.84    | 13.26          | 4,926,033.66    | 13.86          |
| Total         | 41,704,096.40   | 100.00         | 35,535,060.88   | 100.00         |

#### (2) Advances from the shareholder or related party who holds 5% or more of the voting rights of the Company

There were no advances from the shareholder or related party who holds 5% or more of the voting rights of the Company in the closing balance of payments received in advance.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 22. Staff remuneration payables

| Items  | Opening balance      | Increase in the period      | Decrease in the period      | Closing balance             |
|--|----------------------|-----------------------------|-----------------------------|-----------------------------|
| I. Salary, bonus, allowance and subsidy  | 4,148,224.94         | <b>53,656,008.76</b>        | <b>50,623,769.86</b>        | <b>7,180,463.84</b>         |
| II. Staff's welfare  |                      | <b>3,754,775.31</b>         | <b>3,754,775.31</b>         |                             |
| III. Social insurance premium including: Medicare  | 19,640,465.97        | <b>21,746,082.49</b>        | <b>9,113,603.52</b>         | <b>32,272,944.94</b>        |
| Basic endowment insurance  | 2,323,734.85         | <b>4,493,615.64</b>         | <b>3,678,098.52</b>         | <b>3,139,251.97</b>         |
| Annuity  |                      |                             |                             |                             |
| Unemployment insurance   | 16,256,590.34        | <b>14,888,048.07</b>        | <b>4,049,935.10</b>         | <b>27,094,703.31</b>        |
| Labor injury insurance   | 554,316.77           | <b>1,371,000.65</b>         | <b>564,528.29</b>           | <b>1,360,789.13</b>         |
| Birth insurance  | 335,259.59           | <b>567,146.14</b>           | <b>460,791.91</b>           | <b>441,613.82</b>           |
| IV. Housing accumulation fund  | 170,564.42           | <b>426,271.99</b>           | <b>360,249.70</b>           | <b>236,586.71</b>           |
| V. Labor union expenses and employee education expenses  | 6,202,223.81         | <b>4,637,423.30</b>         | <b>836,283.33</b>           | <b>10,003,363.78</b>        |
| VI. Non-monetary welfares  |                      |                             |                             |                             |
| VII. Compensation for dismissal and early retirement including: 1. Compensation for cancellation of labor relation |                      |                             |                             |                             |
| 2. Budgeted expenses for early retirees  |                      |                             |                             |                             |
| VIII. Others including: Cash-settled share-based payment   |                      | <b>33,776.00</b>            | <b>33,776.00</b>            |                             |
| Total  | <u>39,331,753.50</u> | <u><b>85,162,415.95</b></u> | <u><b>64,956,030.97</b></u> | <u><b>59,538,138.48</b></u> |

### 23. Tax payable

| Items                 | Closing balance             | Opening balance       |
|-----------------------|-----------------------------|-----------------------|
| Value-added tax       | <b>-13,796,106.60</b>       | -19,923,370.50        |
| Business tax          | <b>133,287.60</b>           | 233,660.10            |
| City maintenance tax  | <b>423,234.09</b>           | 191,645.58            |
| Enterprise income tax | <b>-126,281.53</b>          | -13,625.67            |
| Individual income tax | <b>63,273.06</b>            | 16,648.27             |
| Property tax          | <b>2,508,817.57</b>         | 1,990,983.08          |
| Land-use tax          | <b>2,126,216.96</b>         | 1,825,323.32          |
| Resource tax          | <b>191,288.10</b>           | 184,680.90            |
| Education surcharges  | <b>271,606.39</b>           | 170,792.73            |
| Other tax             | <b>217,465.39</b>           | 105,373.26            |
| Total                 | <u><b>-7,987,198.97</b></u> | <u>-15,217,888.93</u> |

Note: For calculation standards and tax rates of main taxes, please refer to "III. Taxation".

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 24. Other payables

#### (1) Ageing analysis

| Item          | Closing balance |                | Opening balance |                |
|---------------|-----------------|----------------|-----------------|----------------|
|               | Amount          | Percentage (%) | Amount          | Percentage (%) |
| Within 1 year | 94,537,296.10   | 75.00          | 54,439,465.64   | 65.80          |
| 1-2 years     | 5,698,431.35    | 4.52           | 5,704,568.62    | 6.89           |
| 2-3 years     | 4,689,035.65    | 3.72           | 3,683,518.65    | 4.45           |
| Over 3 years  | 21,119,859.52   | 16.76          | 18,908,879.76   | 22.86          |
| Total         | 126,044,622.62  | 100.00         | 82,736,432.67   | 100.00         |

#### (2) Other payables to the shareholder or related party who holds 5% or more of the voting rights of the Company

In the closing balance, other payables to China Luoyang Float Glass (Group) Company Limited, being a shareholder who holds 5% or more of the voting rights of the Company, were RMB2,000.00.

#### (3) Other payables with significant amount and the age of more than one year

| Name  | Relationship with the Company | Closing balance | Age          | Reason for unsettlement |
|---|-------------------------------|-----------------|--------------|-------------------------|
| Henan Yinji Real Estate Development Co., Ltd.   | Not related party             | 3,000,000.00    | Over 3 years | Unsettled               |
| Henan Province Zhengzhou City Hualong Refractory Materials Co., Ltd. (河南省鄭州市華龍耐火材料有限公司) | Not related party             | 1,686,463.68    | 2-3 years    | Unsettled               |
| Baoding City Qingyuan County Lihuaqiao Copper Oxide Factory                             | Not related party             | 1,589,000.00    | Over 3 years | Unsettled               |
| Yan Jun (閩軍)  | Not related party             | 1,288,300.00    | Over 3 years | Unsettled               |
| Luoyang Ruyi Coal Transport and Sales Company Limited                                   | Not related party             | 1,166,585.97    | 1-2 years    | Unsettled               |
| Total   |                               | 8,730,349.65    |              |                         |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 24. Other payables (Continued)

#### (4) Details of other payables with significant amount

| Names   | Amount        | Nature  |
|---|---------------|---|
| Luoyang Tianyuan Property Company Limited* (洛陽天元置業有限公司)         | 63,000,000.00 | Amounts from disposal of equity interests in a subsidiary |
| Accrued bulletin fees   | 10,605,631.26 | Fees for Wonderful Sky and Li & Partner                   |
| Henan Yinji Real Estate Development Co., Ltd.                   | 3,000,000.00  | Project expenses  |
| Luoyang Hairun Power Project Management Ltd                     | 3,000,000.00  | Biding deposit  |
| Luoyang Heluo Cultural Property Company Limited* (洛陽河洛文化置業有限公司) | 2,000,000.00  | Biding deposit  |
| Baoding City Qingyuan County Lihuqiao Copper Oxide Factory      | 1,686,463.68  | Deposit   |
| Baoding City Qingyuan County Lihuqiao Copper Oxide Factory      | 1,589,000.00  | Project expenses  |
| Total   | 84,881,094.94 | —   |

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

#### (1) Categories

| Items   | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Long-term loans due within one year               | 46,343,566.40   | 46,338,315.85   |
| Other non-current liabilities due within one year | 1,268,920.56    | 2,325,557.29    |
| Total   | 47,612,486.96   | 48,663,873.14   |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 25. Non-current liabilities due within one year (Continued)

#### (2) Long-term loans due within one year

##### a. Long-term loans due within one year

| Items         | Closing balance      | Opening balance |
|---------------|----------------------|-----------------|
| Guaranty loan | <b>46,343,566.40</b> | 46,338,315.85   |
| <b>Total</b>  | <b>46,343,566.40</b> | 46,338,315.85   |

##### b. Top five long-term loans due within one year

| Creditor   | Beginning date of loan | Termination date of loan | Currency | Interest rate (%) | Closing balance            |                      |
|--|------------------------|--------------------------|----------|-------------------|----------------------------|----------------------|
|  |                        |                          |          |                   | Amount of foreign currency | RMB (equivalent)     |
| Bank of China - Luoyang Xigong Sub-branch              | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 12,024,000.00        |
| Bank of Communication - Luoyang Branch                 | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 10,332,000.00        |
| China Construction Bank - Luoyang Branch               | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 8,035,200.00         |
| Bank of Luoyang - Kaidong Sub-branch                   | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 5,040,000.00         |
| Industrial & Commercial Bank of China - Luoyang Branch | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 3,996,000.00         |
| <b>Total</b>   | —                      | —                        |          | —                 | —                          | <b>39,427,200.00</b> |

#### (3) Other non-current liabilities due within one year as at 31 December 2013

| Items   | Closing balance     | Opening balance |
|---|---------------------|-----------------|
| Longhai: government grant for "0.45mm E-glass technology research and application projects" |                     | 1,056,636.73    |
| Longmen: fiscal subsidy for ultra-thin and ultra-white glass production line                | <b>1,215,000.00</b> | 1,215,000.00    |
| Longmen: land-use subsidy for ultra-thin and ultrawhite glass production line project       | <b>53,920.56</b>    | 53,920.56       |
| <b>Total</b>  | <b>1,268,920.56</b> | 2,325,557.29    |

Notes:

- For details of other non-current liabilities due within one year of Longmen, please refer to "V. 27. Other Non-current Liabilities Note 1 and 2".

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 26. Long-term loans

#### (1) Categories

| Items         | Closing balance | Opening balance |
|---------------|-----------------|-----------------|
| Guaranty loan | 506,104,010.11  | 552,413,447.95  |
| Total         | 506,104,010.11  | 552,413,447.95  |

#### (2) Top five long-term loans

| Creditor   | Beginning date of loan | Termination date of loan | Currency | Interest rate (%) | Closing balance            |                  |
|--|------------------------|--------------------------|----------|-------------------|----------------------------|------------------|
|  |                        |                          |          |                   | Amount of foreign currency | RMB (equivalent) |
| Bank of China - Luoyang Xigong Sub-branch              | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 131,930,000.00   |
| Bank of Communication - Luoyang Branch                 | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 113,365,000.00   |
| China Construction Bank - Luoyang Branch               | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 88,164,000.00    |
| Bank of Luoyang - Kaidong Sub-branch                   | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 86,900,000.00    |
| Industrial & Commercial Bank of China - Luoyang Branch | 2010.2.1               | 2017.1.31                | RMB      | 0                 |                            | 43,845,000.00    |
| Total  | —                      | —                        |          | —                 | —                          | 464,204,000.00   |

Note: In 2010, the Company concluded the debt restructuring agreements of interest free and delayed repayment of principal, respectively, with certain financial institutions, i.e. Bank of Communication - Luoyang Branch, Bank of China - Luoyang Xigong Sub-branch, China Construction Bank - Luoyang Branch, Bank of Luoyang - Kaidong Sub-branch and Industrial & Commercial Bank of China - Luoyang Branch, under which interests are exempted from the period of 1 February 2010 to 31 January 2017 and repayment of principal can be delayed after the first two years. The principals will be paid in the following five years according to the agreed proportion.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 27. Other non-current liabilities

#### (1) Categories

| Items   | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Longmen: fiscal subsidy for ultra-thin and ultra-white glass production line (Note 1)               | 5,062,500.00    | 6,277,500.00    |
| Longmen: land-use subsidy for ultra-thin and ultrawhite glass production line project (Note 2)      | 2,412,944.94    | 2,466,865.50    |
| Longhai: government grant for "0.45mm E-glass technology research and application projects (Note 3) | 2,703,600.81    | 2,983,732.41    |
| Total   | 10,179,045.75   | 11,728,097.91   |

#### (2) Details of items subsidized by the government

| Items  | Opening Balance | Amount of new subsidies for the period | Amount recognized in Non-operating profits for the period | Other movements | Closing balance | Asset/income related |
|--|-----------------|--|---|-----------------|-----------------|----------------------|
| Fiscal subsidy for ultra-thin and ultra-white glass production line          | 7,492,500.00    |  | 1,215,000.00  |                 | 6,277,500.00    | Assets related       |
| land-use subsidy for ultra-thin and ultrawhite glass production line project | 2,520,786.06    |  | 53,920.56   |                 | 2,466,865.50    | Assets related       |
| 0.45mm E-glass technology research and application projects                  | 4,040,369.14    | 500,000.00                             | 1,836,768.33  |                 | 2,703,600.81    | Income related       |
|  | 14,053,655.20   | 500,000.00                             | 3,105,688.89  |                 | 11,447,966.31   |                      |

- Note: 1. According to "the Reply on 2009 Additional Investment Projects Funded by the Central Government's Budget in respect of Revitalization of Key Industries and Technical Upgrading" (Fa Gai Ban Chan Ye No.[2009]2425) issued by the general office of National Development and Reform Commission and Ministry of Industry and Information Technology of China, Longmen, a subsidiary of the Company, received fiscal subsidies of RMB9,720,000 for its ultrathin and ultra-white E-glass production line project.
2. According to the Notice on the Meeting Minutes of Issues about Longmen Lands from the office of Luoyang Municipal Party Committee, a government grant of RMB2,579,200 was awarded to Longmen, a subsidiary of the Company for the project "ultra-thin and ultra-white E-glass production line project".
3. According to the "Contract of Independent Innovation Fund Projects" entered into between Longhai Company, a member of the Group, and the Finance Department, the Development and Reform Committee and the Science and Technology Department of Henan Province in July 2011, a government grant of RMB5,000,000.00 was awarded to Longhai for the "0.45mm E-glass technology research and application projects". As at 31 December 2013, Longhai Company had received the accumulated government grant of RMB5,000,000.00.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 28. Share capital

| Item   | Opening balance | New shares | Bonus shares | Changes in this year (+,-)            |        | Sub-total | Closing balance |
|--|-----------------|------------|--------------|---------------------------------------|--------|-----------|-----------------|
|  |                 |            |              | Capital reserve transferred to shares | Others |           |                 |
| I. Shares subject to selling restrictions                                |                 |            |              |                                       |        |           |                 |
| State-owned legal person shares  |                 |            |              |                                       |        |           |                 |
| II. Shares not subject to selling restrictions                           | 500,018,242.00  |            |              |                                       |        |           | 500,018,242.00  |
| RMB ordinary shares  | 250,018,242.00  |            |              |                                       |        |           | 250,018,242.00  |
| Including: China Luoyang Float Glass Group Co., Ltd.                     | 159,018,242.00  |            |              |                                       |        |           | 159,018,242.00  |
| Domestic listed RMB ordinary shares-A Shares held by public shareholders | 91,000,000.00   |            |              |                                       |        |           | 91,000,000.00   |
| Overseas listed foreign shares   | 250,000,000.00  |            |              |                                       |        |           | 250,000,000.00  |
| Total shares   | 500,018,242.00  |            |              |                                       |        |           | 500,018,242.00  |

Note: On 21 September 2010, CLFG and China National Building Material Group Corporation ("CNBM") signed the Supplementary Agreement of the Share Pledge Contract. According to the Share Pledge Contract and its Supplementary Agreement, CLFG agreed to pledge its 159,018,242 domestic shares of the Company to CNBM as security of the entrusted loans and guarantees that CNBM provided to CLFG and the Company

### 29. Capital reserve

| Items                  | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|------------------------|-----------------|------------------------|------------------------|-----------------|
| Capital premium        | 787,299,489.41  |                        |                        | 787,299,489.41  |
| Other capital reserves | 70,150,917.49   |                        |                        | 70,150,917.49   |
| Total                  | 857,450,406.90  |                        |                        | 857,450,406.90  |

### 30. Special reserves

| Items                 | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|-----------------------|-----------------|------------------------|------------------------|-----------------|
| Special reserve funds | 205,847.44      | 189,739.68             | 27,692.60              | 367,894.52      |
| Total                 | 205,847.44      | 189,739.68             | 27,692.60              | 367,894.52      |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 31. Surplus reserve

| Items                     | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|---------------------------|-----------------|------------------------|------------------------|-----------------|
| Statutory surplus reserve | 51,365,509.04   |                        |                        | 51,365,509.04   |
| Total                     | 51,365,509.04   |                        |                        | 51,365,509.04   |

### 32. Undistributed profits

| Items  | Closing balance   |  |
|--|-------------------|--|
|  | Amount            | Percentage of allocation or distribution |
| Undistributed profit at the end of the previous year before adjustment         | -1,276,914,998.93 |  |
| Total of adjustment of undistributed profit at the beginning of the year (+/-) |                   |  |
| Undistributed profit at the beginning of the year after adjustment             | -1,276,914,998.93 |  |
| Add: net profit attributable to owners of parent company during the period     | -98,980,994.84    | —  |
| Less: Allocation to Statutory surplus reserve                                  |                   |  |
| Allocation to discretionary surplus reserve                                    |                   |  |
| Allocation to general risk provisions  |                   |  |
| Dividend of ordinary shares payable  |                   |  |
| Dividend of ordinary shares transferred into the share capital                 |                   |  |
| Undistributed profit at the end of the period                                  | -1,375,895,993.77 |  |

### 33. Operating income and operating cost

#### (1) Details of operating income

| Items                            | 2013           | 2012           |
|----------------------------------|----------------|----------------|
| Income from principal operations | 354,506,270.10 | 481,949,018.18 |
| Other operating income           | 21,228,744.33  | 71,738,153.17  |
| Total                            | 375,735,014.43 | 553,687,171.35 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 33. Operating income and operating cost (Continued)

#### (2) Details of operating costs

| Items                        | 2013                  | 2012           |
|------------------------------|-----------------------|----------------|
| Cost of principal operations | <b>312,634,643.82</b> | 387,325,726.45 |
| Other operating cost         | <b>10,094,139.20</b>  | 53,333,648.36  |
| Total                        | <b>322,728,783.02</b> | 440,659,374.81 |

#### (3) Principal business by industry

| Name of industry | 2013                             |                              | 2012                             |                              |
|------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|                  | Income from principal operations | Cost of principal operations | Income from principal operations | Cost of principal operations |
| Float glass      | <b>330,464,988.13</b>            | <b>301,549,468.92</b>        | 452,318,592.37                   | 374,482,655.56               |
| Silicon sand     | <b>24,041,281.97</b>             | <b>11,085,174.90</b>         | 29,630,425.81                    | 12,843,070.89                |
| Total            | <b>354,506,270.10</b>            | <b>312,634,643.82</b>        | 481,949,018.18                   | 387,325,726.45               |

#### (4) Principal business by product

| Name of product or labor service | 2013                             |                              | 2012                             |                              |
|----------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|                                  | Income from principal operations | Cost of principal operations | Income from principal operations | Cost of principal operations |
| Float glass                      | <b>330,464,988.13</b>            | <b>301,549,468.92</b>        | 452,318,592.37                   | 374,482,655.56               |
| Silicon sand                     | <b>24,041,281.97</b>             | <b>11,085,174.90</b>         | 29,630,425.81                    | 12,843,070.89                |
| Total                            | <b>354,506,270.10</b>            | <b>312,634,643.82</b>        | 481,949,018.18                   | 387,325,726.45               |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 33. Operating income and operating cost (Continued)

#### (5) Geographical segments

| Region   | 2013                             |                              | 2012                             |                              |
|----------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|          | Income from principal operations | Cost of principal operations | Income from principal operations | Cost of principal operations |
| Domestic | 354,506,270.10                   | 312,634,643.82               | 481,949,018.18                   | 387,325,726.45               |
| Total    | 354,506,270.10                   | 312,634,643.82               | 481,949,018.18                   | 387,325,726.45               |

#### (6) Other operating income and other operating cost

| Items   | 2013                   |                      | 2012                   |                      |
|---|------------------------|----------------------|------------------------|----------------------|
|   | Other operating income | Other operating cost | Other operating income | Other operating cost |
| Raw material, water, electricity, gas, technical services, etc. | 21,228,744.33          | 10,094,139.20        | 71,738,153.17          | 53,333,648.36        |
| Total   | 21,228,744.33          | 10,094,139.20        | 71,738,153.17          | 53,333,648.36        |

#### (7) Operating income from the top five largest customers

| Name of customer                                   | Operating income | Percentage (%) |
|--|------------------|----------------|
| Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. | 45,776,452.87    | 12.18          |
| Shenzhen Huangchao Glass Limited                   | 20,805,870.96    | 5.54           |
| Wuhu Changxin Technology Co., Ltd                  | 16,264,555.13    | 4.33           |
| Zhengzhou New Central Glass Products Co., Ltd.     | 15,372,188.39    | 4.09           |
| Shenzhen Wanhuiyuan Technology Co., Ltd.           | 15,215,926.49    | 4.05           |
| Total  | 113,434,993.84   | 30.19          |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 34. Business tax and surcharges

| Items                       | Tax base                     | 2013         | 2012         |
|-----------------------------|------------------------------|--------------|--------------|
| Business tax                | 5%                           | 740,221.83   | 1,825,423.82 |
| Resource tax                | RMB3/t                       | 2,189,304.00 | 1,594,680.90 |
| City maintenance tax        | 5-7% of turnover tax payable | 1,024,024.79 | 1,498,495.86 |
| Education surcharges (Note) | 3% of turnover tax payable   | 991,593.92   | 1,396,970.93 |
| Others                      |                              | 480.00       | 560.00       |
| Total                       |                              | 4,945,624.54 | 6,316,131.51 |

Note: Education surcharges include local education surcharges, the tax base for which is 2% of turnover tax payable.

### 35. Selling expenses

| Items                       | 2013          | 2012          |
|-----------------------------|---------------|---------------|
| Staff's salary and welfare  | 6,364,921.84  | 5,784,335.56  |
| Employee education expenses | 56,490.60     | 53,254.71     |
| Labour union expenses       | 74,998.71     | 71,006.41     |
| Social insurance premium    | 1,701,049.23  | 1,553,565.90  |
| Depreciation expenses       | 1,452,627.21  | 1,503,757.60  |
| Transportation costs        | 8,526,521.83  | 9,983,916.32  |
| Handling charges            | 1,601,767.05  | 2,811,871.94  |
| Material consumption        | 1,053,646.35  | 1,148,083.26  |
| Other selling expenses      | 1,816,013.12  | 2,382,250.00  |
| Total                       | 22,648,035.94 | 25,292,041.70 |

### 36. Administrative expenses

| Items                                       | 2013           | 2012           |
|---|----------------|----------------|
| Staff's salary and welfare                  | 26,266,417.49  | 30,018,771.14  |
| Labor union expenses                        | 697,628.72     | 624,772.23     |
| Employee education expenses                 | 339,201.95     | 486,770.24     |
| Social insurance premium                    | 11,360,278.29  | 9,604,359.15   |
| Housing accumulation fund                   | 1,583,497.18   | 1,305,382.96   |
| Depreciation of fixed assets                | 27,176,371.72  | 28,589,845.27  |
| Amortization of intangible assets           | 2,997,470.75   | 2,512,993.48   |
| Staff resettlement expenses                 |                | 407,925.00     |
| Intermediary engagement fees                | 6,729,466.90   | 8,502,125.00   |
| Including: Audit fees                       | 2,369,089.54   | 3,247,125.00   |
| Research and development fees               | 8,929,713.21   | 9,015,336.27   |
| Taxes                                       | 6,224,335.25   | 7,025,109.68   |
| Water and electricity charges               | 1,768,319.45   | 3,185,386.78   |
| Consulting fees (including consultant fees) | 306,819.81     | 3,081,600.00   |
| Other administrative expenses               | 12,751,571.58  | 19,358,810.14  |
| Total                                       | 107,131,092.30 | 123,719,187.34 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 37. Financial expenses

| Items                           | 2013          | 2012          |
|---------------------------------|---------------|---------------|
| Interest expense                | 1,492,792.01  | 2,575,095.00  |
| Less: interest income           | 5,538,806.24  | 5,924,397.85  |
| Exchange loss                   | 154,505.20    | 292,723.63    |
| Less: exchange income           | 125,260.85    | 219,354.59    |
| Interests of discounted charges | 12,466,386.97 | 11,526,499.96 |
| Other finance expenses          | 1,104,387.18  | 2,342,519.69  |
| Total                           | 9,554,004.27  | 10,593,085.84 |

### 38. Investment income

#### (1) Details of investment income

| Items  | 2013         | 2012         |
|--|--------------|--------------|
| Long-term equity investment income measured by cost method | 2,410,572.50 | 1,735,612.20 |
| Income from disposal of long-term equity investment        |              | 57,631.81    |
| Total  | 2,410,572.50 | 1,793,244.01 |

#### (2) Long-term equity investment income measured by cost method

| Investee                    | 2013         | 2012         | Remarks       |
|-----------------------------|--------------|--------------|---------------|
| Bank of Sanmenxia Co., Ltd. | 2,410,572.50 | 1,735,612.20 | Cash dividend |
| Total                       | 2,410,572.50 | 1,735,612.20 |               |

### 39. Assets impairment losses

| Items                                  | 2013          | 2012          |
|--|---------------|---------------|
| 1. Bad debt losses                     | 4,849,309.68  | 3,209,011.76  |
| 2. Losses from inventory impairments   | 41,224,768.72 | 4,172,890.76  |
| 3. Losses from fixed asset impairments | 591,300.00    | 5,784,229.59  |
| Total                                  | 46,665,378.40 | 13,166,132.11 |

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From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 40. Non-operating income

#### (1) Details of non-operating income

| Item   | 2013          |   | 2012          |   |
|--|---------------|---|---------------|---|
|  | Amount        | Amount recognized as non-recurring gain or loss | Amount        | Amount recognized as non-recurring gain or loss |
| Total gain on disposal of non-current assets | 20,099,782.07 | 20,099,782.07                                   | 4,797,498.51  | 4,797,498.51                                    |
| Including: Gain on disposal of fixed assets  | 20,099,782.07 | 20,099,782.07                                   | 4,797,498.51  | 4,797,498.51                                    |
| Income from debt restructuring               | 677,002.87    | 677,002.87                                      | 695,482.34    | 695,482.34                                      |
| Government grant                             | 10,105,688.89 | 10,105,688.89                                   | 61,845,855.41 | 61,845,855.41                                   |
| Amercement income                            | 105,448.00    | 105,448.00                                      | 1,348,810.00  | 1,348,810.00                                    |
| Other  | 24,524.86     | 24,524.86                                       | 432,899.54    | 432,899.54                                      |
| Total  | 31,012,446.69 | 31,012,446.69                                   | 69,120,545.80 | 69,120,545.80                                   |

#### (2) Details of government subsidies

| Item   | 2013          | 2012          | Asset/income related |
|--|---------------|---------------|----------------------|
| Staff resettlement   |               | 407,925.00    | Income related       |
| Fiscal subsidies for the ultra-thin and ultra-white glass production line (Note 1)                                     | 1,215,000.00  | 1,215,000.00  | Asset related        |
| Subsidy for land use by the ultra-thin and ultra-white glass production line (Note 2)                                  | 53,920.56     | 53,920.56     | Asset related        |
| Special subsidy for "research and development of application technology (Note 3)                                       | 1,836,768.33  | 457,885.85    | Income related       |
| Compensation for relocation of production line   |               | 59,709,624.00 | Income related       |
| Reward from the Intellectual Property Office   |               | 1,500.00      | Income related       |
| Supporting funds for enterprise development from the industrial cluster of Ruyang County (汝陽縣產業集聚區撥付企業發展扶持資金) (Note 4) | 7,000,000.00  |               | Income related       |
| Total  | 10,105,688.89 | 61,845,855.41 |                      |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 40. Non-operating income (Continued)

#### (2) Details of government subsidies (Continued)

- Note:
1. According to “the Reply on 2009 Additional Investment Projects Funded by the Central Government’s Budget in respect of Revitalization of Key Industries and Technical Upgrading” (Fa Gai Ban Chan Ye [2009] No. 2425) (關於重點產業振興和技術改造2009年新增中央預算內投資項目的覆函) (發改辦產業[2009]2425號) issued by the General Office of the National Development and Reform Commission and the General Office of the Ministry of Industry and Information Technology, Longmen Company, a subsidiary of the Company, received fiscal subsidies of RMB9,720,000.00 for its ultra thin and ultra-white E-glass production line project. Among the amount, RMB1,215,000.00 was recognized as non-operating income in the period.
  2. According to “the Notice on the Meeting Minutes of Issues about Longmen Lands” (Luo Ban Wen [2009] No. 121) (《關於龍玻公司土地問題的會議紀要的通知》) from the office of Luoyang Municipal Party Committee, a government grant of RMB2,579,200 was awarded to Longmen Company, a subsidiary of the Company for the project “ultra-thin and ultra-white E-glass production line project”. Among the amount, RMB53,920.56 was recognized as non-operating income in the period.
  3. According to the “Contract of Independent Innovation Fund Projects” entered into between Longhai Company, a member of the Group, and the Finance Department, the Development and Reform Committee and the Science and Technology Department of Henan Province in July 2011, a government grant of RMB5,000,000.00 was awarded to Longhai for the “0.45mm E-glass technology research and application projects”. A total of RMB1,836,768,768.33 out of the special fund was used by Longhai Company to cover the R&D expenses that had been incurred during the period.
  4. In September 2013, the Industry Cluster Zone in Ruyang County issued a document, pursuant to which, a government grant of RMB7 million was appropriated to Longhao Company, a subsidiary of the Company, in the name of supporting enterprise development. As at 31 December 2013, Longhao Company has received development supporting fund of RMB4 million.

#### (3) Government subsidies recognized by amount receivables as at the end of the Reporting Period:

| Name of subsidy unit                    | Name of project subsidized by the government | Balance as at the end of the period | Aging as at the end of the period | Anticipated time, amount and basis received    |
|---|--|-------------------------------------|-----------------------------------|--|
| The industrial cluster of Ruyang County | Supporting the development of enterprise     | 3,000,000.00                        | Within 6 months                   | Actually received RMB3 million by January 2014 |
| Total                                   |  | <u>3,000,000.00</u>                 |                                   |  |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 41. Non-operating expenses

| Item   | 2013         |   | 2012       |   |
|--|--------------|---|------------|---|
|  | Amount       | Amount recognized<br>as non-recurring<br>gain or loss | Amount     | Amount recognized<br>as non-recurring<br>gain or loss |
| Total loss on disposal of non-current assets     | 1,673,324.51 | 1,673,324.51  |            |   |
| Including: Loss on disposal of fixed assets      | 1,673,324.51 | 1,673,324.51  |            |   |
| Donation   | 7,000.00     | 7,000.00  | 50,000.00  | 50,000.00   |
| Losses on scrapping of assets                    | 165,684.11   | 165,684.11  |            |   |
| Indemnities, liquidated damages<br>and penalties | 577,707.51   | 577,707.51  | 259,968.91 | 259,968.91  |
| Others   | 628,155.57   | 628,155.57  | 312,791.88 | 312,791.88  |
| Total  | 3,051,871.70 | 3,051,871.70  | 622,760.79 | 622,760.79  |

### 42. Income Tax Expenses

| Item   | 2013          | 2012          |
|--|---------------|---------------|
| Current income tax based on applicable<br>tax laws and regulations | 5,724,450.45  | 12,320,312.18 |
| Adjustment to deferred income tax                                  | -2,437,064.61 |               |
| Total  | 3,287,385.84  | 12,320,312.18 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 43. Calculation of basic earnings per share and diluted earnings per share

| Item   | Code | 2013                   | 2012           |
|--|------|------------------------|----------------|
| Net profit attributable to ordinary shareholders of the Company (I)  | P0   | <b>-98,980,994.84</b>  | 5,093,137.28   |
| Net profit attributable to ordinary shareholders after non-recurring items (II)                                | P0   | <b>-126,902,481.73</b> | -62,801,944.21 |
| Total shares at the beginning of period  | S0   | <b>500,018,242.00</b>  | 500,018,242.00 |
| Additional shares resulting from reserve capitalization or allocation of dividends during the reporting period | S1   |                        |                |
| Additional shares resulting from new issue or debt to equity during the reporting period                       | Si   |                        |                |
| Reduction in shares outstanding due to share repurchase during the reporting period                            | Sj   |                        |                |
| Reduced shares during the reporting period   | Sk   |                        |                |
| Number of months in the reporting period   | M0   | <b>12</b>              | 12             |
| Accumulated months from the following month of increasing shares to the end of reporting period                | Mi   |                        |                |
| Accumulated months from the following month of decreasing shares to the end of reporting period                | Mj   |                        |                |
| Weighted average number of ordinary shares outstanding   | S    |                        |                |
| Basic earnings per share (I)   |      | <b>-0.1980</b>         | 0.0102         |
| Basic earnings per share (II)  |      | <b>-0.2538</b>         | -0.1256        |
| Adjusted net profit attributable to ordinary shareholders during the period (I)                                | P1   | <b>-98,980,994.84</b>  | 5,093,137.28   |
| Adjusted net profit attributable to ordinary shareholders after non-recurring items (II)                       | P1   | <b>-126,902,481.73</b> | -62,801,944.21 |
| Weighted average number of ordinary shares arising from warrants, share options and convertible bonds          |      |                        |                |
| Weighted average number of diluted ordinary shares outstanding   |      |                        |                |
| Diluted earnings per share (I)   |      | <b>-0.1980</b>         | 0.0102         |
| Diluted earnings per share (II)  |      | <b>-0.2538</b>         | -0.1256        |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 43. Calculation of basic earnings per share and diluted earnings per share (Continued)

#### (1) Basic earnings per share

Basic earnings per share=  $P0 \div S$

$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$

Where P0 is the net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses; S is the weighted average of outstanding ordinary shares; S0 is total of the shares at the beginning of year; S1 is the number of additional shares resulting from reserve capitalization or allocation of dividends during the reporting period; Si is the number of additional shares resulting from new issue or debt to equity during the reporting period; Sj is the number of reduced shares resulting from share repurchase during the reporting period; Sk is the number of reduced shares during the reporting period; M0 is the number of months during the reporting period; Mi is accumulated months from the following month of increasing shares to the ending of reporting period; Mj is accumulated months from the following month of decreasing shares to the ending of reporting period.

#### (2) Diluted earnings per share

Diluted earnings per share =  $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{weighted average number of additional ordinary shares arising from warrants, share options and convertible bonds})$

Where P1 is the net profit attributable to common shareholders of the Company or net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses, including the effect of the dilution of potential ordinary shares and P1 shall be adjusted in accordance with the Accounting Standards for Business Enterprises and relevant regulations. The Company in the calculation of diluted earnings per share shall take into account the effect of all diluted potential ordinary shares on the net profit attributable to ordinary shareholders or the net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses as well as the weighted average number of shares according to their degree of dilution impact in descending order, until the diluted earning per share reach the minimum.

### 44. Notes to items of cash flow statement

#### (1) Cash received relating to other operating activities:

| Items                  | 2013          | 2012          |
|------------------------|---------------|---------------|
| Government subsidy     | 4,500,000.00  | 21,768,549.00 |
| CLFG                   |               | 5,479,000.00  |
| Interest income        | 4,035,862.55  | 4,993,029.77  |
| Other current accounts | 4,909,332.01  | 10,794,875.88 |
| Total                  | 13,445,194.56 | 43,035,454.65 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 44. Notes to items of cash flow statement (Continued)

#### (2) Other cash paid relating to operating activities

| Items   | 2013          | 2012          |
|---|---------------|---------------|
| Consultation and audit, assessment, legal fees, bulletin fees | 1,680,316.53  | 5,496,676.03  |
| Travel expense  | 1,990,399.13  | 1,483,971.59  |
| Other current accounts and expenses                           | 18,056,733.05 | 15,091,105.22 |
| Total   | 21,727,448.71 | 22,071,752.84 |

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

| Item                          | 2013         | 2012 |
|-------------------------------|--------------|------|
| Security received for bidding | 5,000,000.00 |      |
| Total                         | 5,000,000.00 |      |

#### (4) Cash paid relating to other investing activities

| Items   | 2013       | 2012         |
|---|------------|--------------|
| Commission for entrusted loan   | 343,227.68 | 476,156.23   |
| Consideration payable for the acquisition of minority interests in Longxiang previous years |            | 4,254,394.70 |
| Total   | 343,227.68 | 4,730,550.93 |

#### (5) Other cash received from financing-related activities

| Items                                  | 2013           | 2012           |
|--|----------------|----------------|
| Bill discount                          | 432,799,578.87 | 515,585,976.80 |
| Bill deposit                           | 60,000,000.00  | 33,000,000.00  |
| China Building Materials Glass Company | 177,570,000.00 | 104,000,000.00 |
| Time deposit                           | 20,560,000.00  |                |
| Total                                  | 690,929,578.87 | 652,585,976.80 |

#### (6) Other cash paid for financing-related activities

| Items                                  | 2013           | 2012           |
|--|----------------|----------------|
| Repayment of matured bill              | 530,000,000.00 | 533,000,000.00 |
| China Building Materials Glass Company | 182,570,000.00 | 84,200,000.00  |
| Pledge of time deposit                 |                | 20,560,000.00  |
| Total                                  | 712,570,000.00 | 637,760,000.00 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

### 45. Supplementary information of cash flow statement

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

| Items   | 2013            | 2012           |
|---|-----------------|----------------|
| <b>1. Net profit adjusted to cash flow of operating activities</b>  |                 |                |
| Net profit  | -110,854,142.39 | -8,088,065.12  |
| Add: Provision for assets impairment  | 46,665,378.40   | 13,166,132.11  |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets | 68,034,965.71   | 68,395,095.03  |
| Amortization of intangible assets   | 2,997,470.75    | 2,947,885.48   |
| Amortization of long-term deferred expenses   |                 |                |
| Losses from disposal of fixed assets, intangible assets and other long-term assets ("—" for gains)          | -18,473,817.42  | -4,789,635.97  |
| Losses on scrapping of fixed assets ("—" for gains)   |                 |                |
| Loss from fair value change ("—" for gains)   |                 |                |
| Finance expenses ("—" for gains)  | 14,199,292.03   | 2,612,870.00   |
| Investment losses ("—" for gains)   | -2,410,572.50   | -1,793,244.01  |
| Decrease in deferred income tax assets ("—" for increase)   | -2,437,064.61   |                |
| Increase in deferred income tax liabilities ("—" for decrease)  |                 |                |
| Decrease in inventories ("—" for increase)  | -28,572,924.64  | 17,909,638.34  |
| Decrease in operating receivables ("—" for increase)  | 15,783,497.06   | -25,240,978.23 |
| Increase in operating payables ("—" for decrease)   | 26,054,156.20   | -56,384,965.68 |
| Others  |                 |                |
| Net cash flow from operating activities   | 10,986,238.59   | 8,734,731.95   |
| <b>2. Significant investing and financing activities that do not involve cash receipts and payment</b>      |                 |                |
| Conversion of debt into capital   |                 |                |
| Convertible bond due within one year  |                 |                |
| Fixed assets acquired under finance leases  |                 |                |
| <b>3. Net changes in cash and cash equivalents:</b>   |                 |                |
| Closing balance of cash   | 28,316,110.10   | 55,805,556.06  |
| Less: Opening balance of cash   | 55,805,556.06   | 40,929,682.13  |
| Add: Closing balance of cash equivalents  |                 |                |
| Less: Opening balance of cash equivalents   |                 |                |
| Net increase in cash and cash equivalents   | -27,489,445.96  | 14,875,873.93  |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

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

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

#### (2) Information about acquisition or disposal of subsidiaries or other operating entities:

| Items  | 2013 | 2012         |
|--|------|--------------|
| <b>I. Information about acquisition of subsidiaries or other operating enterprises</b>             |      |              |
| 1. Consideration for acquiring subsidiaries and other operating enterprises                        |      |              |
| 2. Cash and cash equivalents paid for acquiring subsidiaries and other operating enterprises       |      |              |
| Less: Cash and cash equivalents held by subsidiaries and other operating enterprises               |      |              |
| 3. Net cash paid for the acquisition   |      |              |
| 4. Net assets obtained from acquisition of subsidiaries  |      |              |
| Current Assets   |      |              |
| Non-current Assets   |      |              |
| Current liabilities  |      |              |
| Non-current liabilities  |      |              |
| <b>II. Information about disposal of subsidiaries or other operating enterprises</b>               |      |              |
| 1. Price of disposal   |      |              |
| 2. Cash and cash equivalents received from disposal of subsidiaries or other operating enterprises |      | 187.27       |
| Less: Cash and cash equivalents held by subsidiaries or other operating enterprises                |      | 187.27       |
| 3. Net cash received from disposal of subsidiaries and other operating enterprises                 |      |              |
| 4. Disposal of net assets of subsidiaries  |      | 8,539,761.92 |
| Current Assets   |      | 8,300,187.27 |
| Non-current Assets   |      | 243,618.87   |
| Current liabilities  |      | 4,044.22     |
| Non-current liabilities  |      |              |

#### (3) Cash and cash equivalents

| Items  | 2013                 | 2012          |
|--|----------------------|---------------|
| <b>1. Cash</b>   | <b>28,316,110.10</b> | 55,805,556.06 |
| Including: Cash on hand                                | <b>75,851.25</b>     | 122,200.63    |
| Bank deposit available for payment at any time         | <b>28,240,258.85</b> | 55,683,355.43 |
| Other monetary funds available for payment at any time |                      |               |
| <b>2. Cash equivalents</b>                             |                      |               |
| Including: Bond investment due in three months         |                      |               |
| <b>3. Cash and cash equivalents at the end of year</b> | <b>28,316,110.10</b> | 55,805,556.06 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VI. ACCOUNTS OF ASSETS SECURITIZATION BUSINESS

None

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### 1. Parent company

| Name of enterprise  | Relationship with the Company              | Types of legal entity  | Registered address | Legal representative | Principal activities   | Registered capital | Equity interest in the Company | Voting share in the Company | Ultimate controller or not | Code of entity |
|---|--|------------------------|--------------------|----------------------|--|--------------------|--------------------------------|-----------------------------|----------------------------|----------------|
| China Luoyang Float Glass (Group) Company Limited ("CLFG")  | Parent company and the largest shareholder | State-owned enterprise | Luoyang China      | Peng Shou            | Production of glass, related raw materials and complete sets of equipment  | 1,286,740,000.00   | 31.80%                         | 31.80%                      | No                         | 16995844-1     |
| China Building Materials Glass Company ("CBM Glass")        | Actual controller                          | State-owned enterprise | Beijing China      | Peng Shou            | Processing and sales of glass and relevant materials, non-metallic minerals and relevant products                    | 288,752,000.00     |                                |                             | No                         | 10192351-7     |
| China Building Materials Group Company of Limited ("CNBMG") | Ultimate controller                        | State-owned enterprise | Beijing China      | Song Zhiping         | Production of construction material and raw materials; the development, wholesale and retail of technology equipment | 5,069,681,300.00   |                                |                             | Yes                        | 10000048-9     |

### 2. Subsidiaries

| Name of subsidiaries  | Type of subsidiaries             | Type of entity            | Registered address | Legal representative | Principal activities   | Registered capital | Equity interest held by the Company (%) | Voting right held by the Company (%) | Code of entity |
|---|----------------------------------|---------------------------|--------------------|----------------------|------------------------|--------------------|---|--------------------------------------|----------------|
| CLFG Longmen Glass Co. Ltd ("Longmen")                      | Wholly-owned subsidiary          | Limited liability company | Yanshi China       | Song Jianming        | Processing and selling | 20,000,000.00      | 100                                     | 100                                  | 706542258      |
| CLFG Longfei Glass Co. Ltd ("Longfei")                      | Controlled subsidiary            | Limited liability company | Mianchi China      | Song Jianming        | Processing and selling | 74,080,000.00      | 63.98                                   | 63.98                                | 721838225      |
| Yinan Huacheng Mineral Enterprise Company Limited ("Yinan") | Controlled subsidiary            | Limited liability company | Yinan China        | Ni Zhisen            | Mining and selling     | 28,000,000.00      | 52                                      | 52                                   | 614023573      |
| CLFG Longhai Electronic Glass Limited ("Longhai")           | Wholly-owned subsidiary          | Limited liability company | Yanshi China       | Song Jianming        | Processing and selling | 60,000,000.00      | 100                                     | 100                                  | 776503385      |
| CLFG Longhao Glass Limited ("Longhao")                      | Wholly-owned subsidiary          | Limited liability company | Ruyang China       | Ni Zhisen            | Processing and selling | 50,000,000.00      | 100                                     | 100                                  | 776516215      |
| CLFG Longxiang Glass Co. Ltd ("Longxiang")                  | Indirectly controlled subsidiary | Limited liability company | Mianchi China      | Song Jianming        | Processing and selling | 50,000,000.00      | 100                                     | 100                                  | 174849944      |
| Dengfeng CLFG Silicon Company Limited ("Silicon Company")   | Controlled subsidiary            | Limited liability company | Dengfeng China     | Ni Zhisen            | Mining and selling     | 13,000,000.00      | 67                                      | 67                                   | 66886639X      |
| Dengfeng Hongzhai Silicon Co. Ltd. ("Hongzhai")             | Indirectly controlled subsidiary | Limited liability company | Dengfeng China     | Zhang Yuandong       | Mining and selling     | 2,050,000.00       | 55.12                                   | 55.12                                | 69995888-7     |
| Luoyang Glass Industrial Co., LTD ("Industrial Company")    | Wholly-owned subsidiary          | Limited liability company | Luoyang China      | Ni Zhisen            | Trading                | 10,000,000.00      | 100                                     | 100                                  | 68177597-8     |
| Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司)    | Wholly-owned subsidiary          | Limited liability company | Luoyang China      | Ni Zhisen            | Trading                | 500,000.00         | 100                                     | 100                                  | 08685759-X     |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 3. Associates

| Name of entity                        | Relationship | Code of entity |
|---------------------------------------|--------------|----------------|
| Luoyang Jingxin Ceramic Co. Ltd.      | Associate    | 61483173-0     |
| CLFG Mineral Products Company Limited | Associate    | 71562129-X     |

Note: For details of associates, please refer to "V. 7. Investment to joint venture and associates"

### 4. Other related parties

| Name of entity   | Relationship with the Company                           | Code of entity |
|--|---|----------------|
| Luoyang Longxin Glass Company Limited.                       | Subsidiary of the largest shareholder CLFG              | 75389012-4     |
| CLFG (Beijing) International Engineering Co., Ltd.           | Subsidiary of the largest shareholder CLFG              | 67236379-5     |
| CLFG Luoyang Jingrun Coating Glass Co., Ltd.                 | Subsidiary of the largest shareholder CLFG              | 61480816-X     |
| Luoyang New Jingrun Engineering Glass Co., Ltd.              | Subsidiary of the largest shareholder CLFG              | 67006782-9     |
| CLFG Luoyang Glass Engineering Design and Research Co., Ltd. | Subsidiary of the largest shareholder CLFG              | 74577378-8     |
| Luoyang Jiaye Commerce and Trade Co., Ltd.                   | Subsidiary of the largest shareholder CLFG              | 71672508-2     |
| CLFG Warehousing & Logistics Company Limited                 | Subsidiary of the largest shareholder CLFG              | 6672781-X      |
| Luoyang Luobo Glass Fibre Co., Ltd.                          | Subsidiary of the largest shareholder CLFG              | 68315539-3     |
| CLFG Yuantong Engery Co., Ltd.                               | Director of the enterprise is a Director of the Company | 57247960-0     |
| China Triumph International Engineering Company Limited      | Under common control of CNBMG                           | 10201628-1     |
| Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.           | Under common control of CNBMG                           | 61035990-X     |
| Henan Zhonglian Glass Co., Ltd.                              | Under common control of CNBMG                           | 78806805-0     |
| Bengbu Glass Industry Design Institute                       | Under common control of CNBMG                           | 48522242-8     |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions

#### (1) Purchase and sales of goods and provision and receiving of services

| Name of entity                                     | Type of related party transaction | Content of related party transaction | Amount        | 2013<br>Percentage in the same type of transactions (%) | Pricing method decision-making procedure |
|--|-----------------------------------|--------------------------------------|---------------|---|--|
| Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. | Selling goods                     | Float glass                          | 45,776,452.87 | 12.91   | Market price                             |
| Henan Zhonglian Glass Co., Ltd.                    | Providing labor service           | Technological service                | 110,000.00    | 0.33  | Market price                             |
| China Luoyang Float Glass (Group) Company Limited  | Selling goods                     | Use of water and electricity         | 523,692.70    | 1.55  | Market price                             |
| Bengbu Glass Industry Design Institute             | Selling goods                     | Broken glass                         | 461,910.26    | 1.37  | Market price                             |
| CLFG Yuantong Engery Co., Ltd.                     | Purchase of goods                 | Natural gas                          | 46,531,629.57 | 6.75  | Market price                             |
| Total  |                                   |                                      | 93,403,685.40 |   |  |

| Name of entity   | Type of related party transaction | Content of related party transaction | Amount         | 2012<br>Percentage in the same type of transactions | Pricing method decision-making procedure |
|--|-----------------------------------|--------------------------------------|----------------|---|--|
| Luoyang Longxin Glass Company Limited                        | Purchase of goods                 | Float glass                          | 83,936,500.48  | 21.67   | Market price                             |
| Luoyang Longxin Glass Company Limited                        | Purchase of goods                 | Materials for turnover use           | 579,487.18     | 1.09  | Market price                             |
| CLFG Luoyang Glass Engineering Design and Research Co., Ltd. | Receiving of labor service        | Counselling and technical services   | 395,000.00     | 0.74  | Market price                             |
| China Luoyang Float Glass (Group) Company Limited            | Receiving of labor service        | Ancillary and social services        | 2,450,000.00   | 1.98  | State price, Market price                |
| Luoyang Longxin Glass Company Limited                        | Selling goods                     | Raw and auxiliary materials          | 24,364,592.85  | 33.96   | Market price                             |
| Luoyang Longxin Glass Company Limited                        | Providing labor service           | Technological service                | 1,383,138.40   | 1.91  | Market price                             |
| Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.           | Selling goods                     | Float glass                          | 88,558,518.18  | 18.38   | Market price                             |
| Luoyang Luobo Glass Fibre Co., Ltd.                          | Selling goods                     | Use of water and electricity         | 3,337,128.52   | 6.26  | Market price                             |
| Luoyang New Jingrun Engineering Glass Co., Ltd.              | Providing labor service           | Forklift leasing                     | 15,000.00      | 0.02  | Market price                             |
| CLFG Jinghua Industry Company                                | Selling goods                     | Use of water and electricity         | 163,786.88     | 0.23  | Market price                             |
| CLFG Mineral Products Company Limited                        | Selling goods                     | Raw materials                        | 61,137.98      | 0.08  | Market price                             |
| China Luoyang Float Glass (Group) Company Limited            | Selling goods                     | Use of water and electricity         | 937,765.69     | 1.31  | Market price                             |
| Total  |                                   |                                      | 206,182,056.16 |   |  |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions (Continued)

#### (2) Lease of related party

| Lesser                      | Lessee  | Lease assets                 | Amount involved | Beginning date of lease | Terminal date of lease | Income from lease | Pricing policy | Effect to the Company |
|-----------------------------|---|------------------------------|-----------------|-------------------------|------------------------|-------------------|----------------|-----------------------|
| CLFG Long Hao Glass Limited | China Luoyang Float Glass (Group) Company Limited | Land use rights of 183.30 Mu |                 | 1 January 2013          | 31 January 2013        | 680,000.00        | Cost plus      | Relatively small      |

#### (3) Related party guarantees

| Guarantor  | The guaranteed                          | Guarantee amount | Start date of guarantee | End date of guarantee | Guarantee fulfilled or not |
|--|---|------------------|-------------------------|-----------------------|----------------------------|
| China National Building Material Group Corporation | CLFG Long Hao Glass Limited             | 17,600,000.00    | 26 September 2013       | 31 January 2014       | No                         |
| China National Building Material Group Corporation | CLFG Longhai Electronic Glass Co., Ltd. | 17,600,000.00    | 26 September 2013       | 31 January 2014       | No                         |
| China National Building Material Group Corporation | Luoyang Glass Company Limited           | 50,000,000.00    | 13 June 2013            | 13 June 2014          | No                         |
| China National Building Material Group Corporation | Luoyang Glass Company Limited           | 328,600,000.00   | 1 February 2010         | 31 January 2017       | No                         |
| China National Building Material Group Corporation | Luoyang Glass Company Limited           | 143,500,000.00   | 31 January 2012         | 20 January 2015       | No                         |
| China National Building Material Group Corporation | Luoyang Glass Company Limited           | 37,787,200.00    | 6 June 2013             | 6 June 2014           | No                         |
| China National Building Material Group Corporation | Luoyang Glass Company Limited           | 11,973,800.00    | 29 October 2013         | 29 October 2014       | No                         |
| China National Building Material Group Corporation | Luoyang Glass Company Limited           | 61,600,000.00    | 26 September 2013       | 31 January 2017       | No                         |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 5. Related party transactions (Continued)

#### (4) Fixed asset purchase and transfer of related parties

| Related parties                     | Content of related party transaction  | Type of related party transaction | Pricing principle of related party transaction | 2013       |  |
|-------------------------------------|---------------------------------------|-----------------------------------|--|------------|--|
|                                     |                                       |                                   |  | Amount     | Percentage of total transactions to the same type of transaction (%) |
| Luoyang Luobo Glass Fibre Co., Ltd. | Transfer of high-power switch cabinet | Disposal of assets                | Market price                                   | 500,000.00 | 1.40   |
| CLFG Yuantong Engery Co., Ltd.      | Natural gas pipe network              | Purchase of assets                | Market price                                   | 500,000.00 | 0.30   |

#### (5) Entrusted loans of related party

- i. As at 31 December 2013, the Company provided entrusted loans of RMB416,969,000.00 to its subsidiaries through bank.
- ii. In 2013, bank loans granted to the Company as entrusted by CLFG totaled RMB106,000,000.00 and the interest paid by the Company during the period was RMB755,476.11. As at 31 December 2013, loan balance of the Company with CLFG was RMB31,000,000.00.

#### (6) Financial assistance of related parties

As at 31 December 2013, the Company and CBM Glass entered into the Entrusted Settlement Agreement, pursuant to which CBM Glass on behalf of the Company paid RMB177,570,000.00 to suppliers of the Company. As at 31 December 2013, the Company has repaid the aforesaid amounts.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Remuneration of Key Management Personnel

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

The remuneration of each Director and supervisor for 2013 is as follows:

| Name                           | Fees              | Bonuses | Salaries,<br>allowance<br>and benefits<br>allowance in<br>kind | Contributions<br>to defined<br>contribution<br>plan | Total               |
|--------------------------------|-------------------|---------|--|---|---------------------|
| <b>Executive directors</b>     |                   |         |  |   |                     |
| Ni Zhisen                      |                   |         | 261,412.00   | 60,218.00   | 321,630.00          |
| Xie Jun (Note 1)               |                   |         | 173,608.00   | 54,361.00   | 227,969.00          |
| Sun Lei (Note 1)               |                   |         | 102,836.00   | 57,128.00   | 159,964.00          |
| Song Jianming (Note 2)         |                   |         | 106,808.00   | 20,738.96   | 127,546.96          |
| Song Fei (Note 2)              |                   |         | 53,332.00  | 18,269.00   | 71,601.00           |
| <b>Non-executive directors</b> |                   |         |  |   |                     |
| Zhang Chong                    | 23,333.00         |         |  |   | 23,333.00           |
| <b>Independent director</b>    |                   |         |  |   |                     |
| Huang Ping                     | 40,000.00         |         |  |   | 40,000.00           |
| Dong Jiachun                   | 40,000.00         |         |  |   | 40,000.00           |
| Zeng Shaojin                   | 40,000.00         |         |  |   | 40,000.00           |
| Liu Tianni                     | 40,000.00         |         |  |   | 40,000.00           |
| <b>Supervisor</b>              |                   |         |  |   |                     |
| Guo Hao                        | 20,000.00         |         |  |   | 20,000.00           |
| Wang Ruiqin                    | 8,333.00          |         | 69,000.00  | 37,538.00   | 114,871.00          |
| He Baofeng                     | 14,167.00         |         |  |   | 14,167.00           |
| <b>Employee supervisors</b>    |                   |         |  |   |                     |
| Wang Jian                      | 10,000.00         |         | 108,320.00   | 47,731.80   | 166,051.80          |
| Ma Jiankang                    | 10,000.00         |         | 63,948.00  | 33,842.94   | 107,790.94          |
| Total                          | <u>245,833.00</u> |         | <u>939,264.00</u>  | <u>329,827.70</u>                                   | <u>1,514,924.70</u> |

Note: 1. Appointed in May 2013

2. Resigned in May 2013

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Remuneration of Key Management Personnel (Continued)

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

The remuneration of each Director and supervisor for 2012 is as follows:

| Name                           | Fees       | Bonuses | Salaries,<br>allowance<br>and benefits<br>allowance in<br>kind | Contributions<br>to defined<br>contribution<br>plan | Total        |
|--------------------------------|------------|---------|--|---|--------------|
| <b>Executive directors</b>     |            |         |  |   |              |
| Song Jianming                  |            |         | 320,412.00   | 50,104.32   | 370,516.32   |
| Ni Zhisen                      |            |         | 260,412.00   | 49,661.22   | 310,073.22   |
| Song Fei                       |            |         | 160,404.00   | 48,920.10   | 209,324.10   |
| Cheng Zonghui                  |            |         | 13,333.00  | 3,750.43  | 17,083.43    |
| <b>Non-executive directors</b> |            |         |  |   |              |
| Guo Yimin                      | 40,000.00  |         |  |   | 40,000.00    |
| Zhao Yuanxiang                 | 40,000.00  |         |  |   | 40,000.00    |
| Zhang Chengong                 | 40,000.00  |         |  |   | 40,000.00    |
| <b>Independent directors</b>   |            |         |  |   |              |
| Guo Aimin                      | 35,000.00  |         |  |   | 35,000.00    |
| Zhang Zhanying                 | 35,000.00  |         |  |   | 35,000.00    |
| Huang Ping                     | 40,000.00  |         |  |   | 40,000.00    |
| Dong Jiachun                   | 40,000.00  |         |  |   | 40,000.00    |
| Zeng Shaojin                   | 6,667.00   |         |  |   | 6,667.00     |
| Liu Tianni                     | 6,667.00   |         |  |   | 6,667.00     |
| <b>Supervisors</b>             |            |         |  |   |              |
| Ren Zhenduo                    | 20,000.00  |         |  |   | 20,000.00    |
| Guo Hao                        | 20,000.00  |         |  |   | 20,000.00    |
| He Baofeng                     | 20,000.00  |         |  |   | 20,000.00    |
| <b>Employee supervisors</b>    |            |         |  |   |              |
| Wang Jian                      | 10,000.00  |         | 118,477.74   | 33,148.08   | 161,625.82   |
| Ma Jiankang                    | 417.00     |         | 81,000.00  | 32,111.95   | 113,528.95   |
| Total                          | 353,751.00 |         | 954,038.74   | 217,696.10  | 1,525,485.84 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 6. Remuneration of Key Management Personnel (Continued)

#### (2) Five Individuals with Highest Emoluments

Of the 5 individuals with the highest emoluments of the Group in 2013, 3 (2012: 3 directors) are directors and 1 is supervisor, whose emoluments have been listed in the above table. The total amount of emoluments paid to the other 1 (2012:2) individual is listed as follows:

| Items  | 2013              | 2012       |
|--|-------------------|------------|
| Salaries, allowance, benefits allowance in kind    | <b>100,480.00</b> | 294,399.79 |
| Contributions to defined/planned contribution plan | <b>38,579.00</b>  | 58,083.57  |
| Total  | <b>139,059.00</b> | 352,483.36 |

Salary range for one (2012: two) top highest remuneration

| Item               | 2013 (Person) | 2012 (Person) |
|--------------------|---------------|---------------|
| HK\$0-1,000,000.00 | <b>1</b>      | <b>2</b>      |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

### 7. Receivables and payables of related party

| Item                         | Related parties  | Closing balance      | Opening balance |
|------------------------------|--|----------------------|-----------------|
| Accounts receivable          | Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.           | <b>14,864,689.27</b> |                 |
| Accounts receivable          | Luoyang Longxin Glass Company Limited                        |                      | 44,823,788.56   |
| Accounts receivable          | Luoyang New Jingrun Engineering Glass Co., Ltd.              |                      | 15,000.00       |
| Accounts receivable          | CLFG Mineral Products Company Limited                        | <b>1,341,989.51</b>  | 1,341,989.51    |
| Prepayments                  | CLFG Yuantong Engery Co., Ltd.                               | <b>2,867,695.08</b>  |                 |
| Other receivables            | China Luoyang Float Glass (Group) Company Limited            | <b>43,302,304.83</b> | 761,186.78      |
| Other receivables            | China Triumph International Engineering Company Limited      | <b>1,650,000.00</b>  | 1,650,000.00    |
| Other receivables            | Luoyang Longxin Glass Company Limited                        |                      | 454,787.91      |
| Other receivables            | CLFG (Beijing) International Engineering Co., Ltd.           | <b>82,796.95</b>     | 82,796.95       |
| Other receivables            | Luoyang Jingxin Ceramic Co., Ltd.                            | <b>3,000.00</b>      | 3,000.00        |
| Other receivables            | Luoyang Luobo Glass Fibre Co., Ltd.                          | <b>150,738.92</b>    |                 |
| Accounts payable             | Luoyang Longxin Glass Company Limited                        | <b>1,006,176.27</b>  | 1,017,004.53    |
| Accounts payable             | CLFG (Beijing) International Engineering Co., Ltd.           | <b>77,000.00</b>     | 77,000.00       |
| Accounts payable             | Luoyang Luobo Glass Fibre Co., Ltd.                          | <b>3,450.00</b>      | 3,450.00        |
| Accounts payable             | Bengbu Glass Industry Design Institute                       | <b>94,339.62</b>     |                 |
| Accounts payable             | China Triumph International Engineering Company Limited      | <b>76,848,717.95</b> |                 |
| Payments received in advance | Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.           | <b>347,185.00</b>    | 1,007,741.34    |
| Payments received in advance | CLFG Luoyang Jingrun Coating Glass Co., Ltd.                 | <b>7,752.72</b>      | 7,752.72        |
| Payments received in advance | Luoyang New Jingrun Engineering Glass Co., Ltd.              | <b>712.26</b>        | 712.26          |
| Other payables               | CBM Glass  |                      | 29,000,000.00   |
| Other payables               | China Luoyang Float Glass (Group) Company Limited            | <b>2,000.00</b>      | 2,000.00        |
| Other payables               | CLFG Warehousing & Logistics Company Limited                 |                      | 1,081,110.20    |
| Other payables               | Luoyang Luobo Glass Fibre Co., Ltd.                          |                      | 349,261.08      |
| Other payables               | Luoyang Longxin Glass Company Limited                        | <b>98,176.40</b>     | 98,176.40       |
| Other payables               | Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.           | <b>7,500.00</b>      | 32,000.00       |
| Other payables               | Luoyang Jiaye Commerce and Trade Co., Ltd.                   | <b>6,300.00</b>      | 6,300.00        |
| Other payables               | Henan Zhonglian Glass Co., Ltd.                              |                      | 20,000.00       |
| Other payables               | CLFG Luoyang Glass Engineering Design and Research Co., Ltd. |                      | 45,000.00       |
| Other payables               | Bengbu Glass Industry Design Institute                       | <b>2,906.91</b>      |                 |

## VIII. CONTINGENCIES

None

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## IX. CAPITAL COMMITMENTS

At 31 December 2013, capital commitments of the Company are summarized as follows:

| Item                                | 31 December 2013  | 31 December 2012 |
|-------------------------------------|-------------------|------------------|
| Contracted for but not provided for |                   |                  |
| — Purchase of assets                |                   | 100,591,800.00   |
| — Construction project              |                   | 287,280.00       |
| — Upgrading accounting system       | <b>287,280.00</b> |                  |
| Total                               | <b>287,280.00</b> | 100,879,080.00   |

## X. EVENTS AFTER BALANCE SHEET DATE

None

## XI. SEGMENT REPORTING

For management purposes, the Group is organized into two operating divisions. The management of the Group regularly reviews the financial information of these segments to decide resources allocation and assess their performance.

The two business segments are as follows:

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

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

### (1) Segments information for the year ended 31 December 2013:

| Item  | Float glass      | Silicon sand  | Elimination    | Total            |
|---|------------------|---------------|----------------|------------------|
| 1. Income from transactions with third parties  | 340,537,751.30   | 35,197,263.13 |                | 375,735,014.43   |
| 2. Income from inter-segment transactions   |                  | 1,909,785.81  | -1,909,785.81  | -                |
| 3. Interest income  | 6,816,798.37     | 9,007.87      | -1,287,000.00  | 5,538,806.24     |
| 4. Interest expense   | 1,360,433.03     | 1,419,358.98  | -1,287,000.00  | 1,492,792.01     |
| 5. Asset impairment loss  | 46,504,215.46    | 161,162.94    |                | 46,665,378.40    |
| 6. Depreciation and amortization expenses   | 69,167,644.02    | 1,920,749.33  |                | 71,088,393.35    |
| 7. Total profit ("—" for loss)  | -108,028,927.79  | -24,100.13    | 486,271.37     | -107,566,756.55  |
| 8. Income tax expense   | 3,123,035.49     | 164,350.35    |                | 3,287,385.84     |
| 9. Net profit ("—" for loss)  | -111,151,963.28  | -188,450.48   | 486,271.37     | -110,854,142.39  |
| 10. Total assets  | 1,201,202,109.80 | 54,563,948.40 | -29,237,738.32 | 1,226,528,319.88 |
| 11. Total liabilities   | 1,262,331,932.21 | 36,048,141.57 | -31,949,657.25 | 1,266,430,416.53 |
| 12. Other important non-cash items<br>Including: Increase in other non-current assets other than long-term equity investment ("—" for decrease) | 39,126,132.06    | 1,384,972.98  |                | 40,511,105.04    |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XI. OTHER SIGNIFICANT EVENTS (Continued)

### 1. Segment reporting (Continued)

#### (2) Segments information for the year ended 31 December 2012:

| Item   | Float glass      | Silicon sand  | Elimination    | Total            |
|--|------------------|---------------|----------------|------------------|
| 1. Income from transactions with third parties   | 518,687,991.61   | 34,999,179.74 |                | 553,687,171.35   |
| 2. Income from inter-segment transactions  |                  | 1,664,677.75  | -1,664,677.75  |                  |
| 3. Interest income   | 7,168,211.37     | 43,186.48     | -1,287,000.00  | 5,924,397.85     |
| 4. Interest expense  | 2,575,095.00     | 1,287,000.00  | -1,287,000.00  | 2,575,095.00     |
| 5. Asset impairment loss   | 13,086,832.57    | 79,299.54     |                | 13,166,132.11    |
| 6. Depreciation and amortization expenses  | 69,471,501.57    | 1,871,478.94  |                | 71,342,980.51    |
| 7. Total profit ("-" for loss)   | 5,206,553.33     | -362,488.26   | -611,818.01    | 4,232,247.06     |
| 8. Income tax expense  | 12,319,775.51    | 536.67        |                | 12,320,312.18    |
| 9. Net profit ("-" for loss)   | -7,113,222.18    | -363,024.93   | -611,818.01    | -8,088,065.12    |
| 10. Total assets   | 1,277,759,405.20 | 53,209,764.41 | -28,186,836.09 | 1,302,782,333.52 |
| 11. Total liabilities  | 1,227,737,264.33 | 34,817,136.10 | -30,412,483.65 | 1,232,141,916.78 |
| 12. Other important non-cash items   |                  |               |                |                  |
| Incl: Increase in other non-current assets other than long-term equity investment ("-" for decrease) | -59,594,748.37   | 3,678,885.05  |                | -55,915,863.32   |

#### (3) Geographic information

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

| Item  | Revenues from external customers |                       | Non-current assets    |                       |
|-------|----------------------------------|-----------------------|-----------------------|-----------------------|
|       | 2013                             | 2012                  | 31 December 2013      | 31 December 2012      |
| China | <u>375,735,014.43</u>            | <u>553,687,171.35</u> | <u>732,494,513.63</u> | <u>691,983,408.59</u> |
| Total | <u>375,735,014.43</u>            | <u>553,687,171.35</u> | <u>732,494,513.63</u> | <u>691,983,408.59</u> |

#### (4) Major customers

The Group has a diverse customer base. Only one customer, which is an associated company of China National Building Material Group Corporation, entered into transactions with amounts surpassing 10% of the Group's income. In 2013, the Group recorded an income of RMB45,776,452.87 for selling float sheet glass to this customer, and such transactions took place within the region in China where our float sheet glass segment operates.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 1. Financial risks

The business of the group involves various financial risks: market risk (inclusive of foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The overall risk management procedure of the group focus on unpredictable factors in financial market, and aims to seek methods to minimize potential negative effects that will affect the financial performance of the group. Such kinds of risks still are limited by following financial management policies and practice of the group.

#### 1.1 Market risk

##### 1.1.1 Foreign exchange risk

###### (1) Expected transactions, recognized assets and liabilities

The exchange risk of the group mainly comes from the account receivable, bank deposit and loan out of the range of recording currency. The main currencies that incur risks include U.S. dollar, Euro and HKD.

There have been very little foreign exchange transactions in 2013 by the group. Therefore, the management of the company anticipates there is no commercial transaction in the future that will incur major foreign exchange risks.

###### (2) Confronted exchange risk

Material exchange risks of confirmed assets and liabilities counted in U.S. dollar, Euro and HKD as of 31 December 2013 have been listed in detail as below, by converting into RMB in accordance with spot rate on the balance sheet date as follows:

| Item                          | US Dollars        | Closing balance     |                 |                     | US Dollars        | Opening balance     |                 |                     |
|-------------------------------|-------------------|---------------------|-----------------|---------------------|-------------------|---------------------|-----------------|---------------------|
|                               |                   | Euros               | HK Dollars      | Total               |                   | Euros               | HK Dollars      | Total               |
| <b>Financial assets:</b>      |                   |                     |                 |                     |                   |                     |                 |                     |
| Deposits at banks             | 113,714.38        | 5.06                | 5,630.75        | 119,350.19          | 117,201.96        | 5.00                | 5,806.36        | 123,013.32          |
| Total                         | <u>113,714.38</u> | <u>5.06</u>         | <u>5,630.75</u> | <u>119,350.19</u>   | <u>117,201.96</u> | <u>5.00</u>         | <u>5,806.36</u> | <u>123,013.32</u>   |
| <b>Financial liabilities:</b> |                   |                     |                 |                     |                   |                     |                 |                     |
| Non-current liabilities due   |                   |                     |                 |                     |                   |                     |                 |                     |
| within one year               |                   | 436,366.40          |                 | 436,366.40          |                   | 431,115.85          |                 | 431,115.85          |
| Long-term loans               |                   | 2,400,010.11        |                 | 2,400,010.11        |                   | 2,802,247.95        |                 | 2,802,247.95        |
| Total                         |                   | <u>2,836,376.51</u> |                 | <u>2,836,376.51</u> |                   | <u>3,233,363.80</u> |                 | <u>3,233,363.80</u> |

The group has been paying close attention to the effect of fluctuation in exchange rate on the foreign exchange risk of the group. The group has not taken any measures to avoid foreign exchange risk at present.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Financial risks (Continued)

#### 1.1 Market risk (Continued)

##### 1.1.1 Foreign exchange risk (Continued)

##### (3) Sensitivity analysis

Assuming that other risk variables other than exchange rate, the group showed the situations where the appreciation of RMB by 10% caused by exchange rate movement of U.S. dollar, Euro and HKD will lead to increase or decrease of stockholders' equity and net profit on 31 December as below, by converting into RMB in accordance with spot rate on the balance sheet date.

| Item       | Closing balance      |            | Opening balance      |            |
|------------|----------------------|------------|----------------------|------------|
|            | Shareholders' equity | Net profit | Shareholders' equity | Net profit |
| US Dollars | -11,371.41           | -11,371.41 | -11,720.18           | -11,720.18 |
| Euros      | 283,637.15           | 283,637.15 | 323,335.88           | 323,335.88 |
| HK Dollars | -563.08              | -563.08    | -580.64              | -580.64    |

On 31 December, under the premise that other variables remain unchanged, the fluctuation of exchange rate of RMB against U.S. dollar, Euro and HKD causing depreciation by 10% to RMB would result in that changes in stockholders' equity and profits and losses would be equal but opposite to the amount as shown above.

The above sensitivity analysis have been made by making remeasurement of financial instruments that the group holds and face foreign exchange risk on the balance sheet date in accordance with the changed exchange rate under the hypothesis that the exchange rate changes on the balance sheet date. The analysis of last year had been made based on the same hypothesis and methods.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Financial risks (Continued)

#### 1.1 Market risk (Continued)

##### 1.1.2 Interest rate risk

The interest rate risk of the group mainly comes from bank and otherwise loan and bank deposit. Since most expenses and operating cash flow of the group is not hugely relevant to the changes in market interest rates, fixed interest bank loan will not have sensitive reaction with the changes in market interest rates. The group had never hedged potentially floating rate with any financial instrument before. Interest rate overview of interest bearing financial assets and interest bearing financial liabilities as of the settlement date will be stated in detail as below:

| Item  | 2013               |                | 2012               |                |
|---|--------------------|----------------|--------------------|----------------|
|   | Effective interest | Balance        | Effective interest | Balance        |
| Financial instruments bearing fixed interest rate |                    |                |                    |                |
| — Financial liabilities                           |                    |                |                    |                |
| — Short-term loans                                | 5.04%–5.40%        | 50,696,833.33  | 5.60%              | 20,000,000.00  |
| — Non-current liabilities due within one year     | 0.00%–2.50%        | 46,343,566.40  | 0.00%–2.50%        | 46,338,315.85  |
| — Long-term loans                                 | 0.00%–2.50%        | 506,104,010.11 | 0.00%–2.50%        | 552,413,447.95 |

##### 1.1.3 Price risk

The group will not be affected due to price fluctuation of securities and commodities. The Company will be affected due to other price fluctuation in terms of investment in subsidiary companies and affiliated companies. Because of plenty of variables relating to the development of subsidiary companies and affiliated companies in the future, no reliable sensitivity analysis on price risk of such investment has been made yet.

#### 1.2 Credit risk

##### 1.2.1 Account receivable

The credit risk of the Group mainly comes from the account receivable. The Group has made credit rating about all clients who request credit amount exceeding a certain amount. Such account receivable generally will become due for payment within 30 days from the date of billing. The debtor must pay off all unpaid balance before getting granted with other credits.

The credit risk that the Group faces will be mainly affected by individual characteristics of clients. The industry that its clients engage in and bad debt risk of the state will slightly affect credit risk. Therefore, the concentration of material credit risk is mainly due to the large account receivable of the Group payable by individual client. As of the balance sheet date, the account receivable of the Group payable by the top five clients has accounted for 18.52% (38.69% in 2012) of the total amount of account receivable of the Group (without deducting bad debt reserve).

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### 1. Financial risks (Continued)

#### 1.2 Credit risk (Continued)

##### 1.2.2 Bank deposits

The group reduces deposit risk by depositing in banking institutions with high credit ratings. Due to the high credit ratings of these banks, the nonoccurrence of the risk of dishonor could be anticipated by the management.

#### 1.3 Liquidity risk

Within this group, each subsidiary is responsible for its own cash flow forecast. Based on the summary of the cash flow forecast of each subsidiary, the company's finance department should keep continuous monitoring of the short-term and long-term funding needs at the group level in order to ensure that it maintains cash and cash equivalents of normal operations. Meanwhile, it should have access to the controlling shareholder and actual controller commitment to provide financial assistance to meet short-term and long-term funding needs. The management of the Group is responsible to monitor the usage of borrowings and ensures compliance with loan agreements.

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

| Item                          | Within 1 year  | 1-2 years     | 2-5 years      | Over 5 years | Total            |
|-------------------------------|----------------|---------------|----------------|--------------|------------------|
| Monetary funds                | 128,509,961.33 |               |                |              | 128,509,961.33   |
| Bills receivable              | 39,799,612.49  |               |                |              | 39,799,612.49    |
| Accounts receivable           | 80,281,928.91  |               |                |              | 80,281,928.91    |
| Other receivables             | 134,929,109.52 |               |                |              | 134,929,109.52   |
| Total financial assets        | 383,520,612.25 |               |                |              | 383,520,612.25   |
| Short-term loans              | 50,696,833.33  |               |                |              | 50,696,833.33    |
| Bills payable                 | 150,000,000.00 |               |                |              | 150,000,000.00   |
| Accounts payable              | 282,538,381.85 |               |                |              | 282,538,381.85   |
| Other payables                | 126,044,622.62 |               |                |              | 126,044,622.62   |
| Other non-current liabilities |                |               |                |              |                  |
| due within one year           | 46,343,566.40  |               |                |              | 46,343,566.40    |
| Long-term loans               |                | 46,343,566.40 | 459,105,899.21 | 654,544.50   | 506,104,010.11   |
| Total financial liabilities   | 655,623,404.20 | 46,343,566.40 | 459,105,899.21 | 654,544.50   | 1,161,727,414.31 |

### 2. Fair value

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

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

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

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

As at 31 December, 2013, the Group didn't have any financial instruments that are accounted for by fair value measurements. For the year ended 31 December 2013, there were not any significant transfers between level one and level two financial instruments.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XIII. PENSION BENEFITS

The Group participated in defined contribution retirement plans, organized by the local government in accordance with the relevant provisions of China, for its employees. Under the plan, the Group is required to pay retirement contributions uniformly with staff salaries, bonuses and certain allowances by application rate. Each employee shall get after their retirement pension equal to the salary of the retirement date on a fixed ratio. In addition to the above annual contributions, the Group has no other material obligation for the payment of retirement benefits.

## XIV. OTHER SIGNIFICANT EVENTS

### 1. Equity transfer

The Company entrusted Henan Bolida Auction Co., Ltd. ("HBAC") to perform an auction on 100% equity of LUOYANG LUOBO INDUSTRIAL CO., LTD ("LLIC") held by the Company. On 31 December 2013, HBAC auctioned the equity to be sold by the Company. The hammer price was RMB 122 million and the vendee was LUOYANG TIANYUAN REAL-ESTATE ("LTR"). On 31 December 2013, the Company signed into effect the terms of the attached Equity Transfer Contract with LTR and transferred the aforesaid equity to LTR at a transaction price of RMB 122 million. On the same day, the Company received the first equity transfer with a value of RMB 63 million from LTR. This Equity Transfer Contract was subject to deliberation and approval of the stockholders' meeting of the company before entering into force. Therefore, the Company did not confirm the gains and losses of the aforesaid equity transfer in 2013. On 21 February 2014, the shareholders' meeting decided to approve the Company to sell 100% equity of LLI.

### 2. About discontinued production line

As at 31 December 2013, three glass production lines of the Company were shut down. The first production line is 400t/d float glass production line owned by Longxiang Company. Since the running period of the furnace was longer than their design life, this production line was shut down for cold repair on 15 June 2011 according to the operating conditions of the furnace. The second production line is 300t/d float glass production line owned by Longfei Company. Due to the adjustment of the Company's product structure, this production line was shut down on 21 July 2011. The third production line is 400t/d float glass production line owned by Longhao Company. Since the running period of the furnace was longer than their design life, this production line was shut down for cold repair on 5 May 2012 according to the operating conditions of the furnace. On 12 December 2013, the Company convened a Manager Team Conference, discussing the special subject about the issue of closing production lines. After studying this issue, the Company set about preparing technical transformation plan of discontinued production line. According to the overall situation of the common glass market, the Company should grasp opportunities to initiate the upgrading work of the production lines. Meanwhile, the Company hired a professional appraisal agency — Henan APV China Appraisal Co., Ltd. — to evaluate the discontinued production line. Taking 31 December 2013 as the benchmark date, this company confirmed after evaluation that the recoverable amount of the discontinued product line assets group on the valuation date would provide reference for whether there was an impairment in the discontinued product line assets group. According to the evaluation report issued by Henan APV China Appraisal Co., Ltd., the recoverable amount of the discontinued production line on valuation date was more than book value. Therefore, in current period the Company did not prepare for the impairment for the discontinued production line.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XIV. OTHER SIGNIFICANT EVENTS (Continued)

### 3. Litigation matters pending as at 31 December 2013

(1) ***Luoyang Zhuoyuan Trading Co., Ltd. (hereinafter referred to as “Zhuoyuan Company”) prosecuted the Company for payment dispute case***

In May 2007, Zhuoyuan Company negotiated with the Company that they would provide the Company with coal. On 8 October 2008, Zhuoyuan Company filed a suit to the court against the Company for payment in default of RMB809,478.40, demanding the payment of those amounts due together with interest losses by the Company. On 9 June 2009, a judgment of payment of RMB809,478.4 including interests was made through the first instance judgment by Luoyang Xigong People’s Court. On 16 September 2009, according to the judgment of Jiangyin People’s Court, Jiangsu Chenzhou Company took the creditor’s right of Zhuoyuan Company, and the Company and Jiangsu Chenzhou Company reached an agreement on installment payment of the debt. As at 31 December 2013, the remaining amount of RMB79,478.40 is still in process of performance.

(2) ***Shandong Linyi Hengrun Chemical Co., Ltd. (hereinafter referred to as “Hengrun Company”) prosecuted the Company for heavy oil payment dispute case***

From 2007 to 2008, Hengrun Company carried out many trade transactions with the Company. On 8 May 2008, the Company had outstanding payment in arrears of RMB7,480,341.29. Then Hengrun Company appealed to court for the reason that the Company failed to pay for the goods in time. On 31 May 2009, the final judgment judged by Province High Court that the Company should pay a total amount of purchasing price of RMB7,480,341.29 and interests within ten days after judgment occurs. After the award took effective, Hengrun Company applied for enforcement. As at 31 December 2013, the remaining amount of RMB532,341.29 is still in the process of performance.

(3) ***The arrears case of Boai Hongda Chemical Co., Ltd.***

In 2009, Boai Hongda Chemical Co., Ltd. provided fuels to the Company. In October 2010, Boai Hongda Co., Ltd. filed a lawsuit at the People’s Court of Xigong District of Luoyang City and demanded for the payment of RMB688,045.96. Through mediation of the court, both parties reached a settlement and the Company could pay in installments. As at 31 December 2013, the remaining amount of RMB228,045.96 is still in the process of performance.

(4) ***The debt case of Henan Jinshan Chemical Company Limited (“Jinshan Chemical”) vs the Company***

Henan Jinshan Chemical Company Limited and Henan Jindadi Chemical Company Limited (“Jindadi Chemical”) had business transaction with the Company. As at 20 September 2011, the Company owed Jinshan Chemical RMB2,677,444.34 and Jindadi Chemical RMB3,429,451.05. In August 2011, Jindadi Chemical transferred the creditor’s rights to Jinshan Chemical. In August 2011, Jinshan Chemical filed a suit at the Intermediate People’s Court of Luoyan, demanding the Company to pay RMB7,570,951.66 in default and the interests accrued thereon. On 16 January 2012, the Intermediate People’s Court of Luoyan gave a judgment that the Company shall pay RMB6,106,895.39 in default. As at 31 December 2013, the remaining amount of RMB4,555,755.99 is still in the process of performance.

(5) ***Linzhou Jianzong Construction and Engineering Co., Ltd. (林州建總建築工程有限公司) (“Linzhou Company”) applied for arbitration regarding default on payment on the part of CLFG Longmen Glass Co. Ltd. (“Longmen Company”)***

Linzhou Company entered into projects construction contracts with Longmen Company on 3 August 2009, 25 August 2010, 8 November 2010 and 18 November 2010 regarding construction of projects of Longmen Company such as reinforcement of furnace foundation, coal gas seam equipment groundwork, fire pond and pump house. The cost of these projects, as determined by the two parties, were RMB7,117,410.27, among which RMB4,261,298.33 was paid and RMB2,856,111.94 was outstanding. For this reason, Linzhou Company applied to Luoyang Arbitration Commission for arbitration. On 30 May 2012, Luoyang Arbitration Commission decided that Longmen Company should pay RMB2,856,111.94 for the projects along with RMB119,814.52 accrued interests. As at 31 December 2013, the remaining amount of RMB2,058,959.64 is still in the process of performance.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XIV. OTHER SIGNIFICANT EVENTS (Continued)

### 3. Litigation matters pending as at 31 December 2013 (Continued)

(6) **Zhongchu Development Co., Ltd. Luoyang Branch Company sued Luoyang Glass Company Limited (the “Company”) for default on payment**

Both parties entered into a contract in respect of sale and purchase of petroleum coke powder. As at 27 April 2011, the Company defaulted on the goods payment of RMB6,283,397.32. Later, the Company made part of the payment and the balance was left unpaid. On 1 September 2012, Zhongchu Development Co., Ltd. Luoyang Branch Company filed a suit against the Company to the Intermediate People’s Court of Luoyang, requiring the Company to pay arrears and interests. On 4 January 2013, a judgment of payment of RMB5,783,397.52 and interests was made by the Intermediate People’s Court of Luoyang with the paper of civil judgment Luo Min Yi Chu Zi (2012) No. 33. The judgment has taken effect. As at 31 December 2013, the remaining amount of RMB2,914,627.29 is still in the process of performance.

(7) **Ruyang Yufeng Mining Co., Ltd. (“Yufeng Company”) sued CLFG & CLFG Longhao Glass Co., Ltd. (“Longhao Company”)**

The Company signed a sales contract with Yufeng Company which is required to provide silica sand to Longhao Company. During the business transaction process, the Company owed Yufeng Company RMB 4,657,795.6 unsettled debt. Yufeng Company appealed to People’s Court of Ruyang County, Henan Province demanding the Company to pay the debt and interest. On 10 April 2013, People’s Court of Ruyang County issued the civil judgment (2013) Ru-Min-Chu-Zi No. 5 ordering the Company to pay Yufeng Company RMB 4,657,795.6 payment for goods and interest. As at 31 December 2013, there was still RMB 3,957,795.61 unpaid debt.

(8) **Luoyang Tianhui Energy Engineering Co., Ltd. (“Tianhui Company”) sued CLFG**

Tianhui Company commenced to provide lump coals to the Company since December 2010 and the Company has paid partial payment for goods. As at August 2011, the Company still had RMB 1,365,322.4 unpaid debt. On 3 April 2013, Tianhui Company appealed to People’s Court of Xigong District, Luoyang City demanding the Company to pay debt and interest. On 4 July 2013, two parties reached a settlement demanding the Company to pay the funds by installments. As at 31 December 2013, there was still RMB 865,322.40 unpaid debt.

(9) **Jiangsu Teho Metal Industry Co., Ltd. sued CLFG Longfei Glass Co., Ltd.**

Two parties have had “copper oxide” business transaction for many times. Longfei Company has paid partial payment for goods, but there was still RMB 1,996,350.96 unpaid debt. On 16 April 2013, Jiangsu Teho Metal Industry Co., Ltd. appealed to Intermediate People’s Court of Sanmenxia City, Henan Province, demanding Longfei Company to make payment for goods and interest. As at 31 December 2013, there was still RMB 1,996,350.96 unpaid debt.

(10) **Jiangsu Teho Metal Industry Co., Ltd. sued CLFG**

Two parties have had “copper oxide” business transaction for many times. The Company has paid partial payment for goods, but there was still RMB 566,900 unpaid debt. On 16 April 2013, Jiangsu Teho Metal Industry Co., Ltd. appealed to People’s Court of Xigong District, Luoyang City demanding the Company to pay payment for goods and interest. As at 31 December 2013, there was still RMB 566,900 unpaid debt.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XIV. OTHER SIGNIFICANT EVENTS (Continued)

### 3. Litigation matters pending as at 31 December 2013 (Continued)

(11) **ZHENZHOU YUANDONG REFRACTORY CO., LTD. (“Yuandong Company”) sued CLFG Longfei Glass Co., Ltd.**

Yuandong Company signed a sales contract for selling zircon corundum bricks with Longfei Company. After Yuandong Company fulfilling its delivery obligations, Longfei Company paid partial payment for goods, but there was still RMB 317,003 unpaid debt. On 22 April 2013, Yuandong Company appealed to People’s Court of Xinmi City, Henan Province, demanding Longfei Company to pay its debt and interest. This case is still pending.

(12) **Ning’an Huayuan Trading Co., Ltd. sued CLFG**

During the period of 2009 to 2010, Huayuan Company signed multiple copies of Sales Contract with the Company reaching an agreement that Huayuan Company should provide pulverized coal to the Company. The Company still has partial unpaid payment for goods. On 11 April 2012, Huayuan Company received two assignment of debt from Yima Huayi Trading Co., Ltd. On 30 May 2012, Huayuan Company appealed to Luoyang Intermediate People’s Court demanding the Company to pay RMB 9,904,231.3 for goods and interest. The Company lodged an appeal after losing the lawsuit. On 10 December 2013, Henan High People’s Court made a final judgment ordering the Company to pay RMB 9,754,231.3 debt and interest. As at 31 December 2013, there was still RMB 8,618,142.89 unpaid debt.

(13) **Xingye Glass Raw Materials in Koudian County, Yanshi City (“Xingye Company”) sued CLFG**

Xingye Company provided raw silica sand to the Company and the Company has partial unpaid payment for goods. In September 2013, Xingye Company appealed to People Court of Xigong District demanding the Company to pay RMB 2,074,298.01 for goods and interest. On 23 December 2013, People’s Court of Xigong District entered a judgment ordering the Company to pay RMB 2,074,298.01 million for goods and interest. Xingye Company applied for compulsory execution.

(14) **Luoyang Sanyuan Packing Co., Ltd. applying for arbitrating Longhao Company**

On 1 April 2006 and 1 April 2007, Sanyuan Company signed a Contract of Hired Work on Wooden Case. Sanyuan Company manufactured wooden cases for glass packing required by Longhao Company. Longhao Company has partial unpaid payment for goods. On July 2013, Sanyuan Company applied for arbitration as agreed in the contract. On 23 December 2013, Luoyang Arbitration Commission gave a ruling claiming Longhao Company to pay RMB 6,087,381.18 for goods and interests thereof. Sanyuan Company applied for compulsory execution.

(15) **Sales contract dispute case between Jiaozuo Fangming Chemical Dyes Co., Ltd and CLFG**

Fangming Company provided coals to the Company. The Company still has partial unpaid payment for goods. On October 2012, Fangming Company appealed to People’s Court of Xigong District. Hosted by the court, two parties reached an agreement demanding the Company to pay Fangming Company by installments. On March 2013, Fangming Company filed an appeal to the court for compulsory execution thereof. As at 31 December 2013, there was still RMB 1,288,434.45 unpaid debt.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

### 1. Accounts receivable

| <u>Item</u>                   | <u>Carrying amount</u>       | <u>Opening balance</u>       |
|-------------------------------|------------------------------|------------------------------|
| Account receivable            | 584,678,596.28               | 541,783,808.20               |
| Less: provision for bad debts | <u>48,102,174.03</u>         | <u>46,453,275.37</u>         |
| Net amount                    | <u><u>536,576,422.25</u></u> | <u><u>495,330,532.83</u></u> |

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

(1) *The aging of accounts receivable based on their recording dates is analysed below:*

| <u>Aging</u>  | <u>Closing balance</u>              | <u>Opening balance</u>       |
|---------------|-------------------------------------|------------------------------|
| Within 1 year | <b>101,448,989.57</b>               | 135,866,967.09               |
| 1-2 years     | <b>84,528,261.46</b>                | 359,725,306.23               |
| 2-3 years     | <b>352,509,810.37</b>               | 1,734,780.03                 |
| 3-4 years     | <b>1,734,780.03</b>                 | 1,095,404.38                 |
| 4-5 years     | <b>1,095,404.38</b>                 | 786,599.65                   |
| Over 5 years  | <u><b>43,361,350.47</b></u>         | <u>42,574,750.82</u>         |
| Total         | <u><u><b>584,678,596.28</b></u></u> | <u><u>541,783,808.20</u></u> |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

#### (2) Category

| Category   | 31 December 2013          |             |                              |             |
|--|---------------------------|-------------|------------------------------|-------------|
|  | Carrying amount<br>Amount | Rate<br>(%) | Bad debt provision<br>Amount | Rate<br>(%) |
| 1. Account receivables with significant single amount and individual provision for bad debts   |                           |             |                              |             |
| 2. Accounts receivable provided for bad debts in groups  |                           |             |                              |             |
| The group with provision for bad debts based on aging analysis                                 | 67,971,157.98             | 11.63       | 48,102,174.03                | 70.77       |
| The group without provision for bad debts  | 516,707,438.30            | 88.37       |                              |             |
| Group subtotal   | 584,678,596.28            | 100.00      | 48,102,174.03                | 8.23        |
| 3. Account receivables with insignificant single amount and individual provision for bad debts |                           |             |                              |             |
| Total  | 584,678,596.28            | 100.00      | 48,102,174.03                | 8.23        |

| Category   | 31 December 2012          |             |                              |             |
|--|---------------------------|-------------|------------------------------|-------------|
|  | Carrying amount<br>Amount | Rate<br>(%) | Bad debt provision<br>Amount | Rate<br>(%) |
| 1. Account receivables with significant single amount and individual provision for bad debts   |                           |             |                              |             |
| 2. Accounts receivable provided for bad debts in groups  |                           |             |                              |             |
| The group with provision for bad debts based on aging analysis                                 | 63,781,566.16             | 11.77       | 46,453,275.37                | 72.83       |
| The group without provision for bad debts  | 478,002,242.04            | 88.23       |                              |             |
| Group subtotal   | 541,783,808.20            | 100.00      | 46,453,275.37                | 8.57        |
| 3. Account receivables with insignificant single amount and individual provision for bad debts |                           |             |                              |             |
| Total  | 541,783,808.20            | 100.00      | 46,453,275.37                | 8.57        |

Note: Accounts receivable with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5% of the net assets at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The accounts receivable provided for in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

#### (2) Category (Continued)

In the group, accounts receivable with the provision based on the aging analysis

| Ages          | 31 December 2013 |          |                    | 31 December 2012 |          |                    |
|---------------|------------------|----------|--------------------|------------------|----------|--------------------|
|               | Carrying amount  | Rate (%) | Bad debt provision | Carrying amount  | Rate (%) | Bad debt provision |
| Within 1 year | 17,920,004.75    | 26.37    |                    | 13,826,262.99    | 21.68    |                    |
| 1-2 years     | 95,850.06        | 0.14     | 28,755.00          | 3,763,768.29     | 5.90     | 1,129,130.50       |
| 2-3 years     | 3,763,768.29     | 5.54     | 1,881,884.15       | 1,734,780.03     | 2.72     | 867,390.02         |
| 3-4 years     | 1,734,780.03     | 2.55     | 1,734,780.03       | 1,095,404.38     | 1.72     | 1,095,404.38       |
| 4-5 years     | 1,095,404.38     | 1.61     | 1,095,404.38       | 786,599.65       | 1.23     | 786,599.65         |
| Over 5 years  | 43,361,350.47    | 63.79    | 43,361,350.47      | 42,574,750.82    | 66.75    | 42,574,750.82      |
| Total         | 67,971,157.98    | 100.00   | 48,102,174.03      | 63,781,566.16    | 100.00   | 46,453,275.37      |

#### In the group, accounts receivable without bad debt provision

| Name                           | Amount         | Age            | Reason  |
|--------------------------------|----------------|----------------|---|
| CLFG Longfei Glass Co. Ltd.    | 141,355,666.58 | Within 3 years | A subsidiary of the Company, basically determined to be recoverable |
| CLFG Longhao Glass Limited     | 160,582,035.08 | Within 3 years | A subsidiary of the Company, basically determined to be recoverable |
| CLFG Longmen Glass Co. Ltd.    | 122,425,478.30 | Within 3 years | A subsidiary of the Company, basically determined to be recoverable |
| CLFG Longxiang Glass Co., Ltd. | 92,344,258.34  | Within 3 years | A subsidiary of the Company, basically determined to be recoverable |
| Total                          | 516,707,438.30 |                |   |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 1. Accounts receivable (Continued)

#### (3) Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2013, no accounts receivable is due from a shareholder who holds 5% or more of the voting shares of the Company.

#### (4) Top five largest accounts receivable as at 31 December 2013

| Name   | Relationship with the Company | Amount         | Age            | Percentage in total accounts receivable (%) |
|--|-------------------------------|----------------|----------------|---|
| CLFG Long Fei Glass Co. Ltd.                       | Subsidiary                    | 141,355,666.58 | Within 3 years | 24.18                                       |
| CLFG Long Hao Glass Limited                        | Subsidiary                    | 160,582,035.08 | Within 3 years | 27.47                                       |
| CLFG Longmen Glass Co. Ltd.                        | Subsidiary                    | 122,425,478.30 | Within 3 years | 20.94                                       |
| CLFG Longxiang Glass Co., Ltd.                     | Subsidiary                    | 92,344,258.34  | Within 3 years | 15.79                                       |
| Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. | Under common control of CNBMG | 14,864,689.27  | Within 1 year  | 2.54  |
| Total  | —                             | 531,572,127.57 | —              | 90.92                                       |

#### (5) Accounts receivable from related party

| Name   | Relationship with the Company                        | Amount         | Percentage in total accounts receivable (%) |
|--|--|----------------|---|
| CLFG Long Fei Glass Co. Ltd.                       | Subsidiary   | 141,355,666.58 | 24.18                                       |
| CLFG Long Hao Glass Limited                        | Subsidiary   | 160,582,035.08 | 27.47                                       |
| CLFG Longmen Glass Co. Ltd.                        | Subsidiary   | 122,425,478.30 | 20.94                                       |
| CLFG Longxiang Glass Co., Ltd.                     | Subsidiary   | 92,344,258.34  | 15.79                                       |
| Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. | Under common control of CNBMG                        | 14,864,689.27  | 2.54  |
| CLFG Mineral Products Company Limited              | Under common control of the largest shareholder CLFG | 1,341,989.51   | 0.23  |
| Total  | —  | 532,914,117.08 | 91.15                                       |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables

| <u>Item</u>                   | <u>Carrying amount</u> | <u>Opening balance</u> |
|-------------------------------|------------------------|------------------------|
| Other receivables             | <b>336,592,656.77</b>  | 290,579,765.59         |
| Less: provision for bad debts | <b>45,334,187.89</b>   | 45,084,934.41          |
| Net amount                    | <b>291,258,468.88</b>  | 245,494,831.18         |

(1) *The aging of other receivable based on their recording dates is analysed below:*

| <u>Aging</u>  | <u>Closing balance</u> | <u>Opening balance</u> |
|---------------|------------------------|------------------------|
| Within 1 year | <b>89,683,820.77</b>   | 116,235,090.55         |
| 1-2 years     | <b>67,093,756.24</b>   | 88,412,135.08          |
| 2-3 years     | <b>95,410,535.08</b>   | 23,947,340.81          |
| 3-4 years     | <b>23,927,466.04</b>   | 5,011,997.80           |
| 4-5 years     | <b>4,967,777.84</b>    | 245,305.73             |
| Over 5 years  | <b>55,509,300.80</b>   | 56,727,895.62          |
| Total         | <b>336,592,656.77</b>  | 290,579,765.59         |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (2) Category

| Category   | 31 December 2013          |               |                              |              |
|--|---------------------------|---------------|------------------------------|--------------|
|  | Carrying amount<br>Amount | Rate<br>(%)   | Bad debt provision<br>Amount | Rate<br>(%)  |
| 1. Other receivables with significant single amount and individual provision for bad debts   | 37,915,461.05             | 11.26         | 25,808,704.00                | 68.07        |
| 2. Other receivables provided for bad debts in groups  |                           |               |                              |              |
| The group with provision for bad debts based on aging analysis                               | 37,186,534.55             | 11.05         | 19,525,483.89                | 52.51        |
| The group without provision for bad debts  | 261,490,661.17            | 77.69         |                              |              |
| Group subtotal   | 298,677,195.72            | 88.74         | 19,525,483.89                | 6.54         |
| 3. Other receivables with insignificant single amount and individual provision for bad debts |                           |               |                              |              |
| Total  | <u>336,592,656.77</u>     | <u>100.00</u> | <u>45,334,187.89</u>         | <u>13.47</u> |

| Category   | 31 December 2012          |               |                              |              |
|--|---------------------------|---------------|------------------------------|--------------|
|  | Carrying amount<br>Amount | Rate<br>(%)   | Bad debt provision<br>Amount | Rate<br>(%)  |
| 1. Other receivables with significant single amount and individual provision for bad debts   | 39,376,741.05             | 13.55         | 25,808,704.00                | 65.54        |
| 2. Other receivables provided for bad debts in groups  |                           |               |                              |              |
| The group with provision for bad debts based on aging analysis                               | 21,078,720.72             | 7.26          | 19,276,230.41                | 91.45        |
| The group without provision for bad debts  | 230,124,303.82            | 79.19         |                              |              |
| Group subtotal   | 251,203,024.54            | 86.45         | 19,276,230.41                | 7.67         |
| 3. Other receivables with insignificant single amount and individual provision for bad debts |                           |               |                              |              |
| Total  | <u>290,579,765.59</u>     | <u>100.00</u> | <u>45,084,934.41</u>         | <u>15.52</u> |

Note: Other receivables with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5% of the net assets at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The other receivables provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (2) Category (Continued)

**Bad debt provision for other receivables with significant single amount at the end of the period for which impairment test is performed individually**

| Contents of other receivables                      | Carrying amount      | Amount of bad debt   | Rate    | Reason  |
|--|----------------------|----------------------|---------|---|
| Zhengzhou Xili Branch of China Construction Bank   | 10,808,704.00        | 10,808,704.00        | 100.00% | Provision for bad debts due to failure to collect |
| Yinan Huacheng Minerals Enterprise Company Limited | 27,106,757.05        | 15,000,000.00        | 55.34%  | Provision for bad debts due to failure to collect |
| Total  | <u>37,915,461.05</u> | <u>25,808,704.00</u> | —       | —   |

**In the group, other receivables with the provision based on the aging analysis**

| Ages          | 31 December 2013     |               |                      | 31 December 2012     |               |                      |
|---------------|----------------------|---------------|----------------------|----------------------|---------------|----------------------|
|               | Carrying amount      | Rate %        | Bad debt provision   | Carrying amount      | Rate %        | Bad debt provision   |
| Within 1 year | 17,359,853.76        | 46.69         |                      | 1,563,671.99         | 7.42          |                      |
| 1-2 years     | 314,887.57           | 0.85          | 94,466.27            | 161,551.20           | 0.77          | 48,465.36            |
| 2-3 years     | 161,551.20           | 0.43          | 80,775.60            | 251,464.96           | 1.19          | 125,732.48           |
| 3-4 years     | 251,464.96           | 0.68          | 251,464.96           | 1,151,505.62         | 5.46          | 1,151,505.62         |
| 4-5 years     | 1,150,870.66         | 3.09          | 1,150,870.66         | 23,838.97            | 0.11          | 23,838.97            |
| Over 5 years  | 17,947,906.40        | 48.26         | 17,947,906.40        | 17,926,687.98        | 85.05         | 17,926,687.98        |
| Total         | <u>37,186,534.55</u> | <u>100.00</u> | <u>19,525,483.89</u> | <u>21,078,720.72</u> | <u>100.00</u> | <u>19,276,230.41</u> |

#### (3) Other receivables due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2013, RMB42,622,304.83 is due from China Luoyang Float Glass (Group) Company Limited, a shareholder who holds 5% or more of the voting shares of the Company.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (4) Nature or content of other receivables of relatively significant amount as at 31 December 2012

| Name   | Amount                | Nature or content of other receivables  |
|--|-----------------------|---|
| CLFG Longmen Glass Co., Ltd.                       | 188,580,381.10        | Ordinary transaction amounts  |
| China Luoyang Float Glass (Group)                  | 42,622,304.83         | Collection of payment received in respect of land acquisition for reserve and other transaction amounts |
| Yinan Huacheng Minerals Enterprise Company Limited | 27,106,757.05         | Ordinary transaction amounts  |
| Luoyang Hoisting Machinery Company Limited         | 16,000,000.00         | Gain on disposal of property  |
| CLFG Long Hao Glass Co., Ltd.                      | 11,889,183.93         | Interest for entrusted loan   |
| Zhengzhou Xili Branch of China Construction Bank   | 10,808,704.00         | Time deposit, provided for bad debts in full  |
| Luoyang Land Reserves Center                       | 7,000,000.00          | Payment received in respect of land acquisition for reserve   |
| Total  | <u>304,007,330.91</u> | —   |

#### (5) Top five largest other receivables

| Name   | Relationship with the Company | Amount                | Age            | Percentage (%) |
|--|-------------------------------|-----------------------|----------------|----------------|
| CLFG Longmen Glass Co., Ltd.                       | Subsidiary                    | 188,580,381.10        | Within 5 years | 56.03          |
| China Luoyang Float Glass (Group)                  | Controlling Shareholder       | 42,622,304.83         | Within 2 years | 12.66          |
| Yinan Huacheng Minerals Enterprise Company Limited | Subsidiary                    | 27,106,757.05         | Over 2 years   | 8.05           |
| Luoyang Hoisting Machinery Company Limited         | Not related party             | 16,000,000.00         | Within 1 year  | 4.75           |
| CLFG Long Hao Glass Co., Ltd                       | Subsidiary                    | <u>11,889,183.93</u>  | Within 1 year  | <u>3.53</u>    |
| Total  | —                             | <u>286,198,626.91</u> | —              | <u>85.02</u>   |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 2. Other receivables (Continued)

#### (6) Other receivables from related parties

| Name  | Relationship with the Company                        | Amount         | Percentage (%) |
|---|--|----------------|----------------|
| CLFG Longmen Glass Co., Ltd.                                  | Subsidiary   | 188,580,381.10 | 56.03          |
| China Luoyang Float Glass (Group) Company Limited             | Controlling shareholder                              | 42,622,304.83  | 12.66          |
| Yinan Huacheng Mineral Enterprise Company Limited             | Subsidiary   | 27,106,757.05  | 8.05           |
| CLFG Longhao Glass Limited                                    | Subsidiary   | 11,889,183.93  | 3.53           |
| CLFG Longfei Glass Co., Ltd.                                  | Subsidiary   | 2,920,500.00   | 0.87           |
| Luoyang Luobo Furuida Commerce Co., Ltd.<br>(洛陽洛玻福睿達商貿有限公司)   | Subsidiary   | 2,545,389.54   | 0.76           |
| China Triumph International Engineering Group Company Limited | Under common control of CNBMG                        | 1,650,000.00   | 0.49           |
| Luoyang Glass Industrial Co., Ltd.                            | Subsidiary   | 1,550,349.07   | 0.46           |
| Luoyang Luobo Glass Fibre Co., Ltd.                           | Under common control of the largest shareholder CLFG | 150,738.92     | 0.04           |
| CLFG (Beijing) International Engineering Co., Ltd.            | Under common control of the largest shareholder CLFG | 60,000.00      | 0.02           |
| Luoyang Jingxin Ceramic Co. Ltd.                              | Under common control of the largest shareholder CLFG | 3,000.00       | 0.00           |
| Total   | —  | 279,078,604.44 | 82.91          |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 3. Long-term equity investment

#### Details of long-term equity investment

| Name of investee   | Accounting method | Investment cost | Opening balance | Changes       | Closing balance | Shareholding in the investee (%) | Voting right percentage in the investee (%) | Reason for difference of voting right and shareholding in the investee | Impairment provision | Cash dividends for the period |
|--|-------------------|-----------------|-----------------|---------------|-----------------|----------------------------------|---|--|----------------------|-------------------------------|
|  |                   |                 |                 |               |                 |                                  |   |  |                      |                               |
| CLFG Longmen Glass Co. Ltd.                                | Cost method       | 64,513,389.18   | 64,513,390.18   |               | 64,513,390.18   | 100                              | 100   |  | 64,513,390.18        |                               |
| CLFG Longfei Glass Co. Ltd.                                | Cost method       | 40,000,000.00   | 40,000,000.00   |               | 40,000,000.00   | 63.98                            | 63.98                                       |  | 40,000,000.00        |                               |
| CLFG Longhai Electronic Glass Co., Ltd.                    | Cost method       | 48,941,425.28   | 48,941,425.28   |               | 48,941,425.28   | 100                              | 100   |  |                      |                               |
| Dengfeng CLFG Silicon Company Limited                      | Cost method       | 9,005,998.17    | 9,005,998.17    | -9,005,998.17 | 0.00            |                                  |   |  |                      |                               |
| CLFG Longhao Glass Limited                                 | Cost method       | 47,300,356.93   | 47,300,356.93   |               | 47,300,356.93   | 100                              | 100   |  | 47,300,356.93        |                               |
| Luoyang Glass Industrial Co., Ltd.                         | Cost method       | 5,000,000.00    | 5,000,000.00    | 36,443,000.00 | 41,443,000.00   | 100                              | 100   |  | 1,521,932.78         |                               |
| Yinan Huacheng Minerals Enterprise Company Limited         | Cost method       | 14,560,000.00   | 14,560,000.00   |               | 14,560,000.00   | 52                               | 52  |  | 11,403,463.74        |                               |
| Luoyang Luobo Furuida Commerce Co., Ltd.<br>(洛陽洛玻福達商貿有限公司) | Cost method       | 500,000.00      |                 | 500,000.00    | 500,000.00      | 100                              | 100   |  |                      |                               |
| Subtotal   |                   | 229,821,169.56  | 229,321,170.56  | 27,937,001.83 | 257,258,172.39  |                                  |   |  | 164,739,143.63       |                               |
| CLFG Hoisting Machinery Company Limited                    | Cost method       | 5,000,000.00    | 5,000,000.00    | -5,000,000.00 |                 |                                  |   |  |                      |                               |
| CLFG Jingwei Glass fibre Co., Ltd. (Note)                  | Cost method       | 4,000,000.00    | 4,000,000.00    |               | 4,000,000.00    | 35.9                             |   | No significant effect  | 4,000,000.00         |                               |
| CLFG Luoyang Jingjiu Glass Products Company limited (Note) | Cost method       | 1,500,000.00    | 1,500,000.00    |               | 1,500,000.00    | 31.08                            |   | No significant effect  | 1,500,000.00         |                               |
| CLFG New Lighting Company limited (Note)                   | Cost method       | 2,291,217.53    | 2,291,217.53    |               | 2,291,217.53    | 29.45                            |   | No significant effect  | 2,291,217.53         |                               |
| Subtotal   |                   | 12,791,217.53   | 12,791,217.53   | -5,000,000.00 | 7,791,217.53    |                                  |   |  | 7,791,217.53         |                               |
| Luoyang Jingxin Ceramic Co. Ltd.                           | Equity method     | 20,553,050.00   |                 |               |                 | 49                               | 49  |  |                      |                               |
| CLFG Mineral Products Company Limited                      | Equity method     | 12,475,313.63   |                 |               |                 | 40.29                            | 40.29                                       |  |                      |                               |
| Subtotal   |                   | 33,028,363.63   |                 |               |                 |                                  |   |  | —                    |                               |
| Total  |                   | 275,640,750.72  | 242,112,388.09  | 22,937,001.83 | 265,049,389.92  |                                  |   |  | 172,530,361.16       |                               |

Note: The above mentioned companies are subsidiaries of CLFG, the largest shareholder of the Company, and the Company's shareholding percentage in such investees is above 20%, but the Directors believe that the Company has no significant impact on them, so investment in them is classified as other equity investment and accounted for using the cost method.

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
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## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 4. Operating income and operating cost

#### (1) Details of operating income

| Items                            | 2013           | 2012           |
|----------------------------------|----------------|----------------|
| Income from principal operations | 345,693,370.79 | 255,373,960.83 |
| Other operating income           | 99,065,267.58  | 75,664,560.32  |
| Total                            | 444,758,638.37 | 331,038,521.15 |

#### (2) Details of operating costs

| Items                        | 2013           | 2012           |
|------------------------------|----------------|----------------|
| Cost of principal operations | 342,401,872.96 | 253,036,491.73 |
| Other operating cost         | 73,269,067.30  | 65,796,668.33  |
| Total                        | 415,670,940.26 | 318,833,160.06 |

#### (3) Principal business by industry

| Name of Industry | 2013                             |                              | 2012                             |                              |
|------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|                  | Income from principal operations | Cost of principal operations | Income from principal operations | Cost of principal operations |
| Float glass      | 345,693,370.79                   | 342,401,872.96               | 255,373,960.83                   | 253,036,491.73               |
| Total            | 345,693,370.79                   | 342,401,872.96               | 255,373,960.83                   | 253,036,491.73               |

#### (4) Principal business by product

| Name of product or service | 2013                             |                              | 2012                             |                              |
|----------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|                            | Income from principal operations | Cost of principal operations | Income from principal operations | Cost of principal operations |
| Float glass                | 345,693,370.79                   | 342,401,872.96               | 255,373,960.83                   | 253,036,491.73               |
| Total                      | 345,693,370.79                   | 342,401,872.96               | 255,373,960.83                   | 253,036,491.73               |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 4. Operating income and operating cost (Continued)

#### (5) Principal business by region

| Region | 2013                             |                              | 2012                             |                              |
|--------|----------------------------------|------------------------------|----------------------------------|------------------------------|
|        | Income from principal operations | Cost of principal operations | Income from principal operations | Cost of principal operations |
| China  | 345,693,370.79                   | 342,401,872.96               | 255,373,960.83                   | 253,036,491.73               |
| Total  | <u>345,693,370.79</u>            | <u>342,401,872.96</u>        | <u>255,373,960.83</u>            | <u>253,036,491.73</u>        |

#### (6) Other operating income and other operating cost

| Items  | 2013                   |                      | 2012                   |                      |
|--|------------------------|----------------------|------------------------|----------------------|
|  | Other operating income | Other operating cost | Other operating income | Other operating cost |
| Raw materials, water, electricity, gas and technical service, etc. | 99,065,267.58          | 73,269,067.30        | 75,664,560.32          | 65,796,668.33        |
| Total  | <u>99,065,267.58</u>   | <u>73,269,067.30</u> | <u>75,664,560.32</u>   | <u>65,796,668.33</u> |

#### (7) Operating income from the top five largest customers

| Customer   | Operating income      | Percentage (%) |
|--|-----------------------|----------------|
| Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. | 46,690,531.12         | 10.50          |
| Shenzhen Huangchao Glass Limited                   | 19,029,077.94         | 4.28           |
| Wuhu Changxin Technology Co., Ltd.                 | 16,264,555.13         | 3.66           |
| Zhengzhou New Central Glass Products Co., Ltd.     | 15,372,188.39         | 3.46           |
| Shenzhen Wanhuiyuan Technology Co., Ltd            | 14,536,779.80         | 3.27           |
| Total  | <u>111,893,132.38</u> | <u>25.17</u>   |

### 5. Investment income

#### Details of investment income

| Item   | 2013                 | 2012                 |
|--|----------------------|----------------------|
| Income from disposal of long-term equity investment  | -295,998.17          | -75.55               |
| Investment income from investments held for maturity | 23,420,762.13        | 25,447,438.80        |
| Total  | <u>23,124,763.96</u> | <u>25,447,363.25</u> |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XV. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

### 6. Supplementary information of cash flow statement

| Items   | 2013                  | 2012            |
|---|-----------------------|-----------------|
| <b>1. Net profit adjusted to cash flow of operating activities</b>  |                       |                 |
| Net profit  | <b>40,111,976.07</b>  | 21,546,243.90   |
| Add: Provision for assets impairment  | <b>1,898,152.14</b>   | 37,344,493.92   |
| Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets | <b>1,788,408.02</b>   | 5,904,722.89    |
| Amortization of intangible assets   | <b>659,076.84</b>     | 659,076.84      |
| Amortization of long-term deferred expenses   |                       |                 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets ("—" for gains)          | <b>-17,018,776.04</b> | -4,423,741.44   |
| Losses on scrapping of fixed assets ("—" for gains)   |                       |                 |
| Loss from fair value change ("—" for gains)   |                       |                 |
| Finance expenses ("—" for gains)  | <b>2,839,957.75</b>   | 2,027,368.89    |
| Investment losses ("—" for gains)   | <b>-23,124,763.96</b> | -25,447,363.25  |
| Decrease in deferred income tax assets ("—" for increase)   |                       |                 |
| Increase in deferred income tax liabilities ("—" for decrease)  |                       |                 |
| Decrease in inventories ("—" for increase)  | <b>333,547.53</b>     | 3,575,538.04    |
| Decrease in operating receivables ("—" for increase)  | <b>320,576,579.44</b> | -81,472,842.64  |
| Increase in operating payables ("—" for decrease)   | <b>36,255,609.47</b>  | -92,749,721.41  |
| Others  |                       |                 |
| Net cash flow from operating activities   | <b>364,319,767.26</b> | -133,036,224.26 |
| <b>2. Significant investing and financing activities that do not involve cash receipts and payment</b>      |                       |                 |
| Conversion of debt into capital   |                       |                 |
| Convertible bond due within one year  |                       |                 |
| Fixed assets financed by finance leases   |                       |                 |
| <b>3. Net changes in cash and cash equivalents:</b>   |                       |                 |
| Closing balance of cash   | <b>398,991.55</b>     | 205,919.60      |
| Less: Opening balance of cash   | <b>205,919.60</b>     | 329,428.91      |
| Add: Closing balance of cash equivalents  |                       |                 |
| Less: Opening balance of cash equivalents   |                       |                 |
| Net increase in cash and cash equivalents   | <b>193,071.95</b>     | -123,509.31     |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XVI. SUPPLEMENTARY INFORMATION

### 1. Details of extraordinary profit and loss in 2013

(1) According to “Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1-Non-recurring Items (2008)” Notice of CSRC [2008] No. 43《公開發行證券的公司信息披露解釋性公告第1號—非經常性損益(2008)》[證監會公告(2008)43號], issued by CSRC, non-recurring profit and loss are as follows:

| Items   | Amount        | Note |
|---|---------------|------|
| 1. Profit or loss on disposal of non-current assets, including the portion offset for assets impairment provision made  | 18,426,457.56 | V.40 |
| 2. Tax refund, deduction and exemption as a result of ultra vires or without formal approval or of a incidental nature  |               |      |
| 3. Government grant recognized in current profit or loss, except for those acquired in the ordinary course of business or granted continuously in certain standard quota according to relevant national laws and regulations  | 10,105,688.89 | V.40 |
| 4. Included in the profit or loss against the non-financial enterprises funds occupation fee collected  |               |      |
| 5. Profits and losses arising from business combination when the combination cost is less than the recognized fair value of net assets of the combined company  |               |      |
| 6. Profit or loss of non-monetary asset exchange  |               |      |
| 7. Profit or loss from entrusting others to invest or managing the assets   |               |      |
| 8. Provision of impairment of all assets due to force majeure such as suffering from natural disaster   |               |      |
| 9. Profit or loss of debt restructuring   | 677,002.87    | V.40 |
| 10. Enterprise restructured expenses such as employee resettlement compensation and integration expense, etc  |               |      |
| 11. Profit or loss from transactions with obvious unfair transaction price  |               |      |
| 12. Subsidiaries' Year-to-Date net profit/loss arising from business combination of entities controlled by a same company   |               |      |
| 13. Profits or losses arising from other accrued liabilities which are not related to company's main business   |               |      |
| 14. Profits or losses on change in fair value from financial assets and financial liabilities held for trading, as well as investment income from disposal of financial assets and financial liabilities held for trading and financial assets available for sales except for effective hedging related with normal businesses of the Company |               |      |
| 15. Reserves of impairment provision for account receivables individually tested for impairment   |               |      |
| 16. Profits or losses from outside entrusted loans  |               |      |
| 17. Profits or losses from change in fair value of investment real estate adopting the fair value mode to do the follow-up measurement  |               |      |
| 18. The influence of the one-off adjustment of current period profits or losses on the profits or losses in current period in accordance with the laws and rules of tax and accounting  |               |      |
| 19. Fee and commission incomes arising from trusted customer asset management business  |               |      |
| 20. Other non-operating income and expenses except as listed above  | -1,248,574.33 |      |
| 21. Other profits or losses items within the definition of extraordinary profit or loss   |               |      |
| 22. Effect of minority interest   | 140,277.65    |      |
| 23. Effect of income taxation   | -179,365.75   |      |
| Total   | 27,921,486.89 |      |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### 2. Return on net assets and earnings per share

#### (1) 2013

| Profit for the year   | 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                                    | -119.78                                   | -0.1980                  | -0.1980                    |
| Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary item | -153.57                                   | -0.2538                  | -0.2538                    |

#### (2) 2012

| Profit for the year   | Weighted average return on net assets (%) | Earnings per share       |                            |
|---|---|--------------------------|----------------------------|
|   |   | Basic earnings per share | Diluted earnings per share |
| Net profit attributable to holders of ordinary shares of the Company                                    | 3.93                                      | 0.0102                   | 0.0102                     |
| Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary item | -48.47                                    | -0.1256                  | -0.1256                    |

### 3. Unusual conditions in respect of major financial statement items and explanation on the reasons

Analysis on financial statement items with a change of 30% or more or which accounted for 5% or more of the Company's total assets as at the balance sheet date or 10% or more of the total profit for the reporting period:

#### (1) Balance sheet

| Item                     | Closing balance | Opening balance | Change amounts  | Change (%) | Remarks |
|--------------------------|-----------------|-----------------|-----------------|------------|---------|
| Monetary funds           | 128,509,961.33  | 236,619,040.45  | -108,109,079.12 | -45.69     | Note 1  |
| Accounts receivable      | 29,651,547.60   | 76,455,808.54   | -46,804,260.94  | -61.22     | Note 2  |
| Other receivables        | 81,916,322.40   | 61,938,475.53   | 19,977,846.87   | 32.25      | Note 3  |
| Construction in progress | 2,139,957.20    | 74,565,910.15   | -72,425,952.95  | -97.13     | Note 4  |
| Intangible assets        | 73,958,045.12   | 50,184,175.01   | 23,773,870.11   | 47.37      | Note 5  |
| Bills payable            | 150,000,000.00  | 250,000,000.00  | -100,000,000.00 | -40.00     | Note 6  |
| Accounts payable         | 282,538,381.85  | 206,951,139.66  | 75,587,242.19   | 36.52      | Note 7  |
| Other payables           | 126,044,622.62  | 82,736,432.67   | 43,308,189.95   | 52.34      | Note 8  |

#### (2) Income statement

| Item                      | 2013           | 2012           | Change amounts  | Change % | Remarks |
|---------------------------|----------------|----------------|-----------------|----------|---------|
| Operating income          | 375,735,014.43 | 553,687,171.35 | -177,952,156.92 | -32.14   | Note 9  |
| Impairment loss on assets | 46,665,378.40  | 13,166,132.11  | 33,499,246.29   | 254.43   | Note 10 |
| Non-operating income      | 31,012,446.69  | 69,120,545.80  | -38,108,099.11  | -55.13   | Note 11 |

# Notes to the Financial Statements

From 1 January 2013 to 31 December 2013  
(The amount is expressed in RMB unless otherwise specified)

## XVI. SUPPLEMENTARY INFORMATION (Continued)

### 3. Unusual conditions in respect of major financial statement items and explanation on the reasons (Continued)

- Note:
1. Decrease in closing balance of monetary funds was mainly due to the repayment of loans and bills on due in the period.
  2. Decrease in closing balance of accounts receivable was mainly due to the collection of receivables in the period.
  3. Increase in closing balance of other receivables was Mainly due to the outstanding remaining receivables resulted from disposal of idle fixed assets.
  4. Decrease in closing balance of construction in progress was mainly due to construction in progress transferred into fixed assets upon the completion.
  5. Increase in closing balance of intangible assets was mainly due to the investment real estate transferred into intangible assets in the period.
  6. Decrease in closing balance of bills payable was mainly due to the acceptance of bills on due in the period.
  7. Increase in closing balance of accounts payable was mainly due to the increase in construction expenses resulting from the production line renovation in a subsidiary, Longhao Company in the period.
  8. Increase in closing balance of other payables was mainly due to the receiving of the fist tranche of payment in accordance with the agreement in the contract of the proposed disposal of the equity interest of the Industry Company, a subsidiaryof the Company, during the period.
  9. Decrease in operating income during the period was mainly due to the decline in sales volume and selling price of products.
  10. Increase in impairment loss on assets during the period was mainly due to the increase in impairment provision made for assets with indicator of impairment.
  11. Decrease in non-operating income during the period was mainly due to decrease in government subsidy received.

## XVII. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors of the Company on 27 March 2014.

**Luoyang Glass Company Limited**  
27 March 2014

# Documents Available For Inspection

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1. Original copies of the financial statements signed and sealed by the Chairman, the Chief Financial Controller and the Head of Financial Department.
2. Original copy of the auditors' report stamped by PKF DAXIN Certified Public Accountants LLP and signed by PRC certified public accountants together with the financial statements prepared under the PRC Accounting Standards.
3. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed in the newspapers designated by the CSRC during the reporting period.

**Ma Liyun**  
**Luoyang Glass Company Limited**  
27 March 2014