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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)

(Stock Code: 01108)

SUMMARY OF 2013 INTERIM REPORT

1 IMPORTANT NOTICE

1.1 This interim report summary is extracted from the interim report. Investors should carefully read the full text of the interim report as published on the websites designated by China Securities Regulatory Commission including the website of the Shanghai Stock Exchange for details.

1.2 Basic information

Stock abbreviation	**Luoyang Glass**	**Luoyang Glass**
Stock code	600876	01108
Place of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
	Secretary to the Board	**Securities affairs representative**
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 City, Henan Province, the PRC	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang City, Henan Province, the PRC
Telephone	86-379-63907655, 63908588	86-379-63908637
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2. MAJOR FINANCIAL DATA AND CHANGES IN SHAREHOLDERS

2.1 Major financial data and indicators

Unit: RMB

	As at 30 June 2013	As at 31 December 2012	Increase/decrease as at 30 June 2013 from the beginning of the year *(%)*
Total assets	1,219,611,855.48	1,302,782,333.52	–6.38
Net assets attributable to shareholders of the Company	84,900,826.30	132,125,006.45	–35.74

	Reporting period	Corresponding period last year	Increase/decrease for this reporting period from the corresponding period last year *(%)*
Net cash flow from operating activities	–5,614,662.34	–17,236,862.15	Not Applicable
Operating income	133,317,678.23	308,206,278.39	–56.74
Net profit attributable to shareholders of the Company	–47,311,964.99	–45,019,202.93	Not Applicable
Net profit attributable to shareholders of the Company after non-recurring items	–49,157,900.66	–46,208,782.23	Not Applicable
Weighted average return on net assets	–43.62	–43.12	Decreased by 0.50 percentage point
Basic earnings per share *(RMB/share)*	–0.0946	–0.0900	Not Applicable
Diluted earnings per share *(RMB/share)*	–0.0946	–0.0900	Not Applicable

2.2 Shareholdings of the top 10 shareholders

Total number of shareholders as at the end of the reporting period	There were 18,441 shareholders of the Company in total, including 18,386 holders of A shares and 55 holders of H shares

Shareholdings of the top 10 shareholders

Full name of shareholder	Increase/ decrease during the reporting period	Total number of shares held as at the end of the reporting period	Shareholding Percentage (%)	Number of shares subject to trading moratorium held	Number of shares pledged or frozen: Status of shares	Number of shares pledged or frozen: Number	Nature of shareholder
HKSCC Nominees Limited	–28,000	247,838,998	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 (毛江慧)	+1,678,500	1,678,500	0.34	0	Unknown		Domestic natural person
Ji Haibin (紀海濱)	+1,421,792	1,421,792	0.28	0	Unknown		Domestic natural person
Dedicated securities account for stock repo trading of Guosen Securities Co., Ltd. (國信證券股份有限公司約定購回式證券交易專用證券賬戶)	+1,302,650	1,302,650	0.26	0	Unknown		Domestic legal person

Full name of shareholder	Increase/ decrease during the reporting period	Total number of shares held as at the end of the reporting period	Shareholding Percentage (%)	Number of shares subject to trading moratorium held	Number of shares pledged or frozen: Status of shares	Number of shares pledged or frozen: Number	Nature of shareholder
Beijing Daiwei Debang Investment Consultation Co., Ltd. (北京代維德邦投資咨詢有限公司)	+1,021,853	1,021,853	0.20	0	Unknown		Domestic legal person
AHCOF Yuye Co., Ltd. (安徽安糧興業有限公司)	+809,392	809,392	0.16	0	Unknown		Domestic legal person
Liu Yujun (劉宇軍)	+679,200	679,200	0.14	0	Unknown		Domestic natural person
Zhang Ruiying (張瑞穎)	0	670,000	0.13	0	Unknown		Domestic natural person

Shareholdings 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	247,838,998	Overseas listed foreign shares	247,838,998
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 (毛江慧)	1,678,500	Ordinary shares denominated in RMB	1,678,500
Ji Haibin (紀海濱)	1,421,792	Ordinary shares denominated in RMB	1,421,792
Dedicated securities account for stock repo trading of Guosen Securities Co., Ltd. (國信證券股份有限公司約定購回式證券交易專用證券賬戶)	1,302,650	Ordinary shares denominated in RMB	1,302,650
Beijing Daiwei Debang Investment Consultation Co., Ltd. (北京代維德邦投資咨詢有限公司)	1,021,853	Ordinary shares denominated in RMB	1,021,853
AHCOF Yuye Co., Ltd. (安徽安糧興業有限公司)	809,392	Ordinary shares denominated in RMB	809,392
Liu Yujun (劉宇軍)	679,200	Ordinary shares denominated in RMB	679,200
Zhang Ruiying (張瑞穎)	670,000	Ordinary shares denominated in RMB	670,000

Explanation on connected relationship or action acting in concert among the aforesaid shareholders:	There are no connected parties or persons 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》) issued by CSRC among the top ten shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other shareholders of circulating shares.

2.3. Changes in controlling shareholder and ultimate controller of the Company

☐Applicable ☑Not Applicable

III. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Discussion and Analysis on Business Operations during the Reporting Period

In the first half of 2013, the Company overcame the continued slump in glass market, the decline in selling prices and sales volumes of its products, the extremely tight working capital position and other unfavorable factors and achieved a further reduction in product costs through launching in-depth management enhancement and special improvement activities to further tap internal potentials, improve product quality and reduce consumption. More efforts were put into improving the quality of ultra-thin glass and enhancing technical innovation abilities. Inventories were reduced through increased marketing efforts with an aim to increase proceeds received from sales. Thanks to its proactive efforts in pushing forward project construction, the 650T/D renovation project of Longhao Company came on stream on 7 June 2013, laying a good foundation for the technical renovation of other discontinued production lines. The effective implementation of the above measures ensured the normal operation of the Company's production activities.

The Company recorded operating revenue of RMB133,317,700 for the reporting period, representing a year-on-year decrease of 56.74%, and operating profit of RMB-51,522,200, representing a year-on-year increase of 7.96% in loss. Net profit attributable to shareholders of the Company amounted to RMB-47,312,000, representing a year-on- year increase of 5.09% in loss. Basic earnings per share attributable to shareholders of the Company were RMB-0.09.

3.2 Analysis of Principal Businesses

3.2.1 Analysis of changes in relevant items in the financial statements of the Company

Unit: RMB

Item	January-June 2013	January-June 2012	Change *(%)*	Reasons
Operating revenue	133,317,678.23	308,206,278.39	–56.74	
Operating costs	110,078,534.75	272,420,641.11	–59.59	
Selling expenses	12,127,616.18	13,256,480.23	–8.52	
Administration expenses	57,430,149.55	57,217,158.58	0.37	
Financial expenses	5,292,810.73	4,835,028.02	9.47	
Net cash flow from operating activities	–5,614,662.34	–17,236,862.15	N/A	
Net cash flow from investment activities	–5,915,833.85	31,677,973.14	–118.67	
Net cash flow from financing activities	–40,720,865.67	–34,166,675.60	N/A	
R&D expenditures	5,551,597.10	4,655,239.49	19.25	

Reasons:

(1) Operating revenue for the period decreased by 56.74% year-on-year to RMB133,317,700, mainly due to the decreases in production capacity and sales volume and selling prices of products;

(2) Operating costs for the period decreased by 59.59% year-on-year to RMB110,078,500, mainly due to the decreases in production capacity and sales volumes in the reporting period;

(3) Selling expenses for the period decreased by 8.52% year-on-year to RMB12,127,600, mainly due to the declines in staff wages and related expenses, labor costs and material consumption as a result of reduced production capacity;

(4) Administrative expenses for the period increased by 0.37% year-on-year to RMB57,430,200, mainly due to the fact that the depreciation expenses of the production lines which stopped production since May 2012 were charged to administrative expenses;

(5) Financial expenses for the period increased by 9.47% year-on-year to RMB5,292,800, mainly due to an increase in discounting charges;

(6) Net cash outflow from operating activities deceased by RMB11,622,200 year-on-year to RMB5,614,700, mainly due to the decrease in taxes paid in the reporting period;

(7) Net cash outflow from investment activities decreased by RMB37,593,800 year-on-year to RMB5,915,800, mainly attributable to the proceeds from disposal of idle production lines received in the same period last year;

(8) Net cash outflow from financing activities increased by RMB6,554,200 year-on-year to RBM40,720,900, mainly due to the increase in bills deposit paid in the reporting period as compared to the same period last year.

3.2.2 Explanations for other substantial changes in the composition of profits or source of profits of the Company

(1) Impairment loss on assets for the period was RMB0, while that for the same period last year was RMB6,651,100, mainly because the selling price of common float glass was below its costs and a provision for impairment loss on inventories(which included common float glass) was made in the same period last year;

(2) Investment income for the period amounted to RMB2,410,600, up 38.89% year-on-year, mainly due to a year-on-year increase in cash dividends from Sanmenxia Commercial Bank (三門峽商業銀行) received by Longfei Company, a subsidiary controlled by the Company;

(3) Non-operating income for the period amounted to RMB2,897,200, up 58.52% year-on-year, mainly due to the increase in amortized deferred income relating to the special fund for "0.45mm E-glass technology research and application projects" of Longhai Company, a subsidiary of the Company;

(4) Non-operating expenses for the period amounted to RMB872,300, up 504.38% year-on-year, mainly attributable to the loss resulting from the disposal of the scrapped fixed assets by the Company in the reporting period;

(5) Income tax for the period amounted to RMB2,813,300, down 55.81% year-on-year, mainly attributable to the decrease in the profit of Longhai Company, a subsidiary of the Company.

3.3 Analysis of Operations by Industry, Product or Region

3.3.1 Principal operations by industry and by product

Principal operations by industry

By industry	Operating revenue	Operating costs	Gross profit margin *(%)*	Year-on-year increase/ decrease in operating revenue *(%)*	Year-on-year increase/ decrease in operating costs *(%)*	Year-on-year increase/ decrease in gross profit margin *(%)*
Float glass	108,446,286.73	98,498,394.04	9.17	–58.75	–58.74	Decreased by 0.02 percentage point
Silica sand	14,741,706.92	6,475,523.50	56.07	–1.88	0.03	Decreased by 0.84 percentage point

Principal operations by product

By product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/ decrease in operating revenue (%)	Year-on-year increase/ decrease in operating costs (%)	Year-on-year increase/ decrease in gross profit margin (%)
Float glass	108,446,286.73	98,498,394.04	9.17	–58.75	–58.74	Decreased by 0.02 percentage point
Including: ultra-thin glass	108,446,286.73	98,498,394.04	9.17	–27.00	–4.05	Decreased by 21.72 percentage points
Silica sand	14,741,706.92	6,475,523.50	56.07	–1.88	0.03	Decreased by 0.84 percentage point

Explanations on principal operations by industry and by product: float glass comprised only ultra-thin glass in the period, while it comprised ultra-thin glass and common glass in the same period last year.

3.3.2 Principal operations by region

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
Domestic	123,187,993.65	–55.67
Overseas	0	0
Total	123,187,993.65	–55.67

3.4 Analysis of core competitiveness

In the reporting period, the Company successfully launched the production of the 0.40mm ultra-thin float glass, which was the thinnest of its kind in China. This has increased the varieties of the Company's ultra-thin glass products to eleven and further enhanced its variety advantage, thus strengthening the competitiveness of the Company's products.

There was no significant change in other aspects of the Company's competitiveness.

3.5 Analysis of investment

3.5.1 Overall analysis of external equity investment

There was no change in the Company's external investment during the reporting period.

Equity interests held in financial enterprises:

Name of investee	Initial amount of investment *(RMB)*	Percentage of shareholding at the beginning of the period *(%)*	Percentage of shareholding at the end of the period *(%)*	Carrying amount at the end of the period *(RMB)*	Profit or loss during the reporting period *(RMB)*	Change in owner's equity during the reporting period *(RMB)*	Accounting subject	Source of shares
Sanmenxia Bank	7,000,000	2.92	2.92	7,000,000	2,410,572.50		Long-term equity investment	Purchase
Total	7,000,000	2.92	2.92	7,000,000	2,410,572.50		Long-term equity investment	Purchase

Explanation of equity interests held in financial enterprises: dividends of RMB2,410,572.50 for the year 2012 were received.

3.5.2 *Entrusted wealth management and derivative investment with non-financial corporations*

(1) Entrusted wealth management

During the reporting period, there was no entrusted wealth management activity.

(2) Entrusted loans

The Company did not have any external entrusted loans, while it provided entrusted loans to its subsidiaries. As at 30 June 2013, the balance of the entrusted loans provided by the Company through banks to its subsidiaries amounted to RMB416,969,000.00.

(3) Other wealth management and derivative investment

During the reporting period, there was no other wealth management and derivative investment activity.

3.5.3 *Use of proceeds from fundraisings*

N/A

3.5.4 *Analysis of major subsidiaries and investee companies*

Company name	Industry	Major products or services	Registered capital *(RMB)*	Total assets *(RMB)*	Net assets *(RMB)*	Net profit *(RMB)*
CLFG Longmen Glass Company Limited	Building materials	Manufacture of float sheet glass	20,000,000.00	263,262,753.98	–283,108,118.10	–25,779,332.60
CLFG Longfei Glass Company Limited	Building materials	Manufacture of float sheet glass	74,080,000.00	88,075,943.91	–177,564,971.33	–7,473,731.60
Yinan Mineral Products Co., Ltd. (沂南華盛礦實業有限公司)	Building materials	Exploration of minerals	28,000,000.00	44,808,767.96	8,419,311.71	927,617.83
CLFG Longhai Electronic Glass Co., Ltd.	Building materials	Manufacture of float sheet glass and electronic glass	60,000,000.00	447,454,013.06	298,569,154.97	8,183,006.8
CLFG Longhao Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000.00	218,185,869.13	–107,005,999.75	–16,076,901.40
CLFG Longxiang Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000.00	85,416,793.32	–28,099,296.12	–6,944,592.60
Dengfeng CLFG Silicon Co., Ltd.	Building materials	Sales of silica sand	13,000,000.00	11,322,860.71	11,270,414.79	–250,476.41
Dengfeng Hongzhai Silicon Co., Ltd.	Building materials	Sales of silica sand	2,050,000.00	8,597,372.33	512,777.49	–266,082.74
Luoyang Luobo Industrial Co., Ltd.	Building materials	Sales of glass and raw materials	5,000,000.00	3,151,117.04	3,190,809.96	–13,182.58

3.5.5 *Projects financed by non-raised capital*

N/A

3.5.6 Others

(1) Bank and other loans

a. Short-term loans: The balance at the beginning of the year amounting to RMB20 million has been repaid in the reporting period and there is no balance as at the end of the reporting period.

b. Long-term loans: The Company's long-term loans are mainly from 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. In 2010, the Company concluded the debt restructuring agreements of interest free and delayed repayment of principal, respectively, with the above financial institutions, under which interests are exempted for the period from 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. The balance of long-term loans as at the end of the reporting period amounted to RMB575,491,138.52, including RMB46,325,249.06 due within one year.

(2) Liquidity and capital resources

As at 30 June 2013, the Group had cash and cash equivalents of RMB3,552,100.42, including US dollar deposits of RMB115,220.27 (as at 31 December 2012: RMB117,201.96), HK dollar deposits of RMB5,704.60 (as at 31 December 2012: RMB5,806.36) and Euro deposits of RMB4.85 (as at 31 December 2012: RMB5.00). The total cash and cash equivalents decreased by RMB52,253,455.64 as compared with RMB55,805,556.06 as at 31 December 2012. Cash inflows of the Group mainly came from sales revenue during the reporting period and financial support from the parent entities, which were mainly used as working capital and for repayment of bank loans and interests.

(3) Pledge of assets

During the reporting period, the net book value of properties and buildings used for pledge amounted to RMB36,981,881.66 (original value: RMB48,183,409.07) and the net book value of land use rights used for pledge amounted to RMB14,797,793.27 (original value: RMB15,604,000.00), which were pledged in favour of Luoyang Branch of China Minsheng Banking Corporation Limited as guarantee for a maximum amount of RMB40 million.

(4) Gearing ratio

Gearing ratio was 1,411% for the period as compared with 2,296% for the same period last year.

(5) Contingent liabilities

At 30 June 2013, the bills that the Group had discounted or endorsed but still unexpired amounted to RMB353,005,908.22.

(6) Risk of exchange rate fluctuations

The Group's assets, liabilities and transactions are denominated in Renminbi. Therefore, fluctuations in foreign exchange rate do not have material impacts on the Group.

3.6 Business Outlook for the Second Half of 2013

3.6.1 Industry competition dynamics

The second half of the year is traditionally the peak period for the sales of glass. Multiple factors such as the looser financing for real estate, shanty town transformation and the boom in China's photovoltaic market would drive up the demand in the glass market and in turn the glass price gradually. Yet it is also notable that the capacity in the glass industry is on the rise, the mismatch between supply and demand is still noticeable. With the increase in natural gas prices, the competition in the glass industry would be increasingly stiff. In sum, both challenges and opportunities exist in the glass market in the second half of this year. Leveraging its advantage in technology and a wide variety of ultra-thin products, the Company will seize opportunities and trigger a healthy cycle for the business.

3.6.2 Proposed Measures for the Second Half of the Year

1. Continuing management improvement and focusing on targeted improvement

   (1) With more rigorous benchmarking, the Company will continue to save costs to improve profitability and reduce debts and will attempt at breakthroughs for some key and difficult projects. Also, the control over costs and expenses would be tightened up. The effective implementation of management improvement efforts would lay a solid foundation for the operations and sustainable development of the Company.

   (2) The company will implement the "two-guideline" document issued by SASAC in earnest, as per requirements of the group company. Following the schemes based on the Company's realities, the Company will motivate all the staff to make serious efforts to improve the Company's core competitiveness and foster its sustainable development.

2. Promoting lean management, improving product quality and reducing production costs

   (1) The Company will improve the utilization efficiency of natural gas and reduce the fuel consumption of unit product by drawing on the experience of natural gas utilization and learning and adopting the advanced technology and methods in the industry.

   (2) Focus would be on the operation of the melting furnaces and equipment of the production lines. The Company will step up regular checking on key production sections and equipment and put in place stricter technical criteria to ensure stable production.

   (3) Longhai Company will make efforts to achieve a breakthrough in the quality of ultra-thin glass and steadily improve its product quality and yield. Feedback from customers would be garnered and analyzed for preparation of stable mass production of 0.4mm glass.

   (4) Longmen Company would better organize the manufacture of ultra-white and ultra-thin glass of 0.7mm, 0.9 mm, 1.0 mm and 2mm to fulfill the pre-set targets.

   (5) Longhao Company would achieve the production goal and reach standards for its 650T/D production line after it was put into operation and strive to manufacture glass of the highest quality.

3. Executing innovative marketing for better sales

(1) The Company will step up marketing and formulate targeted promotion strategies to reduce inventory levels and minimize loss from inventory impairment.

(2) The Company will tap into the ultra-thin glass market and seize market opportunity through various means. The 0.4mm series would be promoted more heavily, with the aim of achieving commercial production and making it a new profit driver for Longhai Company.

(3) Marketing, promotion and follow-up service for the ultra-white and ultra-thin products manufactured by Longmen Company would be strengthened to establish them in the market.

(4) We will target the areas surrounding Luoyang as the main market and aim at the processing market to actively market the products of Longhao Company to achieve good sales.

(5) We will improve communication with the producers in local markets and price coordination to effectively factor in things like natural gas price hikes.

(6) We will improve coordination between production and marketing and be a more nimble player in the market. We will train the sales staff harder to sharpen up their marketing expertise and awareness for customer service.

3.7 Others

3.7.1 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.

3.7.2 Audit Committee

The Audit Committee of the Board of the Company has reviewed the interim report.

3.7.3 Compliance with the Corporate Governance Code

During the reporting period, the Company complied with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

3.7.4 Compliance with the Model Code

Having made specific enquires to all Directors, the Company confirmed all Directors have complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules during the reporting period. In respect of the securities transactions by the Directors, the code of conduct adopted by the Company is no less exacting than the Model Code.

IV. FINANCIAL STATEMENTS

4.1 The financial statement is unaudited.

4.2 The financial statement was prepared under the PRC accounting standards.

4.3 In the reporting period, there was no change in accounting policies, accounting estimates and accounting methods.

4.4 In the reporting period, there were no major accounting error corrections that need retrospective restatements.

4.5 The consolidated scope did not change, compared with the recent annual report.

4.6 The financial statements are set out below:

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited

30 June 2013

Monetary unit: RMB

Item	**30 June 2013**	31 December 2012
Current assets:		
Bank balance and cash	**193,588,397.27**	236,619,040.45
Balances with clearing companies		
Placements with banks and other financial institutions		
Held-for-trading financial assets		
Bills receivable	**5,953,024.86**	9,779,980.14
Accounts receivable	**25,051,316.22**	76,455,808.54
Prepayments	**19,062,065.41**	14,037,265.28
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserves receivable		
Interest receivable		
Dividends receivable		
Other receivables	**62,504,562.51**	61,938,475.53
Financial assets purchased under agreements to resell		
Inventories	**236,614,749.18**	211,968,354.99
Non-current assets due within one year		
Other current assets		
Total current assets	**542,774,115.45**	610,798,924.93

Non-current assets:		
Entrusted loans and advances granted		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	**7,000,000.00**	7,000,000.00
Investment properties	**13,952,786.57**	14,170,232.57
Fixed assets	**504,981,229.84**	539,787,058.69
Construction in progress	**94,986,608.12**	74,565,910.15
Construction materials	**608,683.15**	483,109.38
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	**48,928,928.27**	50,184,175.01
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets	**6,379,504.08**	5,792,922.79
Total non-current assets	**676,837,740.03**	691,983,408.59
Total assets	**1,219,611,855.48**	1,302,782,333.52

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Consolidated Balance Sheet *(Continued)*

Prepared by: Luoyang Glass Company Limited

30 June 2013

Monetary unit: RMB

Item	30 June 2013	31 December 2012
Current liabilities:		
Short-term loans		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		
Bills payable	**270,000,000.00**	250,000,000.00
Accounts payable	**210,374,251.85**	206,951,139.66
Payments received in advance	**39,378,866.00**	35,535,060.88
Disposal of repurchased financial assets		
Handling charges and commissions payable		
Staff remuneration payables	**48,166,603.50**	39,331,753.50
Taxes payable	**–15,517,639.29**	–15,217,888.93
Interest payable		
Dividends payable		
Other payables	**60,997,572.11**	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	**47,594,169.62**	48,663,873.14
Other current liabilities		
Total current liabilities	**660,993,823.79**	668,000,370.92

Non-current liabilities		
Long-term loans	**529,165,889.46**	552,413,447.95
Debentures payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities	**10,953,571.83**	11,728,097.91
Total non-current liabilities	**540,119,461.29**	564,141,545.86
Total liabilities	**1,201,113,285.08**	1,232,141,916.78
Owners' equity:		
Share capital	**500,018,242.00**	500,018,242.00
Capital reserve	**857,450,406.90**	857,450,406.90
Less: Treasury shares		
Special reserve	**293,632.28**	205,847.44
Surplus reserve	**51,365,509.04**	51,365,509.04
General risk provision		
Retained earnings	**–1,324,226,963.92**	–1,276,914,998.93
Currency translation differences		
Total equity attributable to the owners of the Company	**84,900,826.30**	132,125,006.45
Minority interests	**–66,402,255.90**	–61,484,589.71
Total owners' equity	**18,498,570.40**	70,640,416.74
Total liabilities and owners' equities	**1,219,611,855.48**	1,302,782,333.52

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited

30 June 2013

Monetary unit: RMB

Item	30 June 2013	31 December 2012
Current assets:		
Bank balance and cash	**125,498,772.08**	120,425,157.76
Held-for-trading financial assets		
Bills receivable	**10,601,827.68**	3,150,557.58
Accounts receivable	**468,777,819.42**	495,330,532.83
Prepayments	**4,243,285.36**	267,252.70
Interest receivable		
Dividends receivable		
Other receivables	**212,627,265.55**	245,494,831.18
Inventories	**5,787,785.18**	6,121,332.71
Non-current assets due within one year		
Other current assets		
Total current assets	**827,536,755.27**	870,789,664.76

Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments	**139,969,000.00**	134,969,000.00
Long-term receivables		
Long-term equity investments	**64,582,026.93**	64,582,026.93
Investment properties	**13,952,786.57**	14,170,232.57
Fixed assets	**22,241,511.17**	24,045,494.47
Construction in progress		
Construction materials	**420,701.59**	420,701.59
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	**7,192,598.38**	7,304,690.80
Development expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	**248,358,624.64**	245,492,146.36
Total assets	**1,075,895,379.91**	1,116,281,811.12

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Balance Sheet of the Company *(Continued)*
Prepared by: Luoyang Glass Company Limited
30 June 2013
Monetary unit: RMB

Item	30 June 2013	31 December 2012
Current liabilities:		
Short-term loans		
Held-for-trading financial liabilities		
Bills payable	**175,000,000.00**	170,000,000.00
Accounts payable	**107,223,304.32**	115,312,193.59
Payments received in advance	**34,214,185.45**	30,883,052.25
Staff remuneration payables	**28,721,403.70**	24,323,874.04
Taxes payable	**–523,995.54**	–476,089.13
Interest payable		
Dividends payable		
Other payables	**123,928,824.71**	142,233,929.22
Non-current liabilities due within one year	**43,445,249.06**	43,458,315.85
Other current liabilities		
Total current liabilities	**512,008,971.70**	525,735,275.82
Non-current liabilities:		
Long-term loans	**496,125,889.46**	517,933,447.95
Debentures payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**496,125,889.46**	517,933,447.95
Total liabilities	**1,008,134,861.16**	1,043,668,723.77

Owners' equity:		
Share capital	**500,018,242.00**	500,018,242.00
Capital reserve	**891,129,782.23**	891,129,782.23
Less: Treasury shares		
Special reserve		
Surplus reserve	**51,365,509.04**	51,365,509.04
General risk provision		
Retained earnings	**–1,374,753,014.52**	–1,369,900,445.92
Total owners' equity	**67,760,518.75**	72,613,087.35
Total liabilities and owners' equities	**1,075,895,379.91**	1,116,281,811.12

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

Item			January-June 2013	January-June 2012
I.	**Total operating revenue**		**133,317,678.23**	308,206,278.39
	Including:	Operating revenue	**133,317,678.23**	308,206,278.39
		Interest income		
		Premiums earned		
		Handling charges and commission income		
II.	**Total operating costs**		**187,250,455.91**	357,665,770.95
	Including:	Operating costs	**110,078,534.75**	272,420,641.11
		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	**2,321,344.70**	3,285,349.21
		Selling expenses	**12,127,616.18**	13,256,480.23
		Administrative expenses	**57,430,149.55**	57,217,158.58
		Finance expenses	**5,292,810.73**	4,835,028.02
		Impairment loss on assets		6,651,113.80
		Others		

Add: Gains from changes in fair value (losses are represented by "-")		
Investment income (losses are represented by "-")	**2,410,572.50**	1,735,612.20
Including: Gains from investment in associates and joint ventures		
Gains from currency exchange (losses are represented by "-")		
III. Operating profit (loss is represented by "-")	**–51,522,205.18**	–47,723,880.36
Add: Non-operating income	**2,897,208.34**	1,827,621.52
Less: Non-operating expenses	**872,349.99**	144,337.55
Including: Loss from disposal of non-current assets	**327,425.21**	
IV. Total profit (total loss is represented by "-")	**–49,497,346.83**	–46,040,596.39
Less: Income tax expenses	**2,813,316.51**	6,366,523.28
V. Net profit (net loss is represented by "-")	**–52,310,663.34**	–52,407,119.67
Including: Net profit attributable to the owners of the Company	**–47,311,964.99**	–45,019,202.93
Minority interests	**–4,998,698.35**	–7,387,916.74
VI. Earnings per share		
(1) Basic earnings per share *(RMB/share)*	**–0.09**	–0.09
(2) Diluted earnings per share *(RMB/share)*	**–0.09**	–0.09
VII. Other comprehensive income		
VIII. Total comprehensive income	**–52,310,663.34**	–52,407,119.67
Including: Total comprehensive income attributable to owners of the Company	**–47,311,964.99**	–45,019,202.93
Total comprehensive income attributable to minority interests	**–4,998,698.35**	–7,387,916.74

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Income Statement of the Company

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

Item		January-June 2013	January-June 2012
I.	**Operating revenue**	**106,921,897.89**	166,890,289.69
	Less: Operating costs	**104,504,140.88**	162,206,438.46
	Business taxes and surcharges	**676,375.19**	1,442,161.37
	Selling expenses	**957,037.09**	1,429,010.98
	Administrative expenses	**16,048,210.85**	19,024,708.16
	Finance expenses	**438,065.12**	1,023,649.05
	Impairment loss on assets		–70,760.00
	Others		
	Add: Gains from changes in fair value		
	Investment income	**10,884,243.90**	14,390,909.02
	Including: Gains from investment in associates and joint ventures		
	Gains from currency exchange (losses are represented by "-")		
II.	**Operating profit**	**–4,817,687.34**	–3,774,009.31
	Add: Non-operating income	**402,543.95**	548,165.75
	Less: Non-operating expenses	**437,425.21**	
	Including: Loss from disposal of non-current assets	**327,425.21**	

III.	**Total profit**	**–4,852,568.60**	–3,225,843.56
	Less: Income tax expenses		
IV.	**Net profit**	**–4,852,568.60**	–3,225,843.56
V.	**Earnings per share**		
	(1) Basic earnings per share *(RMB/share)*		
	(2) Diluted earnings per share *(RMB/share)*		
VI.	**Other comprehensive income**		
VII.	**Total comprehensive income**	**–4,852,568.60**	–3,225,843.56

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

Item	**January-June 2013**	January-June 2012
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**78,255,170.74**	171,199,783.81
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, handling charges and commissions		
Net increase in loans		
Net increase in income from repurchase business		
Tax rebates		
Other cash received from activities related to operation	**5,267,979.47**	110,319,085.19
Sub-total of cash inflow from operating activities	**83,523,150.21**	281,518,869.00
Cash paid for goods purchased and services rendered	**31,595,239.65**	165,536,526.14
Net increase in loans and advances from customers		
Net increase in deposits with central bank and interbank deposits		

Cash paid for compensation payments under original insurance contracts		
Cash paid for interest, handling charges and commissions		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employees	**29,781,509.67**	35,017,219.10
Tax payments	**17,400,970.06**	27,223,000.25
Other cash paid for activities related to operation	**10,360,093.17**	70,978,985.66
Sub-total of cash outflow from operating activities	**89,137,812.55**	298,755,731.15
Net cash flow from operating activities	**–5,614,662.34**	–17,236,862.15
II. Cash flow from investment activities:		
Cash received from disposal of investment		410,000.00
Cash received from return of investments	**2,410,572.50**	1,804,601.63
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**2,103,211.54**	32,835,000.00
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment		
Sub-total of cash inflow from investment activities	**4,513,784.04**	35,049,601.63
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**10,429,617.89**	3,020,417.53
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		151,210.96
Sub-total of cash outflow from investment activities	**10,429,617.89**	3,371,628.49
Net cash flow from investment activities	**–5,915,833.85**	31,677,973.14

III. Cash flow from financing activities:		
Cash received from investments		
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Proceeds from loans	**50,000,000.00**	184,046,000.00
Cash received from issuing bonds		
Other cash received from financing-related activities	**358,402,106.13**	
Sub-total of cash inflow from financing activities	**408,402,106.13**	184,046,000.00
Repayment of loans	**73,204,731.25**	216,656,073.31
Cash paid for dividends, profit, or interest payments	**918,240.55**	1,556,602.29
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid for financing-related activities	**375,000,000.00**	
Sub-total of cash outflow from financing activities	**449,122,971.80**	218,212,675.60
Net cash flow from financing activities	**–40,720,865.67**	–34,166,675.60
IV. Effects of changes in exchange rate on cash and cash equivalents	**–2,093.78**	479.43
V. Net increase in cash and cash equivalents	**–52,253,455.64**	–19,725,085.18
Add: Opening balance of cash and cash equivalents	**55,805,556.06**	40,929,682.13
VI. Closing balance of cash and cash equivalents	**3,552,100.42**	21,204,596.95

Legal representative:	Chief accountant:	Person in charge of accounting department:
Ma Liyun	**Sun Lei**	**Chen Jing**

Cash Flow Statement of the Company

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

Item	**January-June 2013**	January-June 2012
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**47,245,800.58**	200,065,616.10
Tax rebates		
Other cash received from activities related to operation	**295,855,164.53**	211,784,982.08
Sub-total of cash inflow from operating activities	**343,100,965.11**	411,850,598.18
Cash paid for goods purchased and services rendered	**25,872,230.84**	145,125,627.47
Cash paid to and on behalf of employees	**10,563,747.82**	10,886,149.60
Tax payments	**1,146,504.58**	7,057,894.06
Other cash paid for activities related to operation	**129,350,350.22**	392,984,080.74
Sub-total of cash outflow from operating activities	**166,932,833.46**	556,053,751.87
Net cash flow from operating activities	**176,168,131.65**	–144,203,153.69
II. Cash flow from investment activities:		
Cash received from disposal of investment		120,000,187.27
Cash received from return of investments	**2,946,866.81**	12,905,891.43
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**780,000.00**	32,750,000.00
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment		

Sub-total of cash inflow from investment activities	**3,726,866.81**	165,656,078.70
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		
Cash paid for investment	**5,000,000.00**	
Net cash paid for acquisition of subsidiaries and other operating entities		
Other cash paid for activities related to investment		151,210.96
Sub-total of cash outflow from investment activities	**5,000,000.00**	151,210.96
Net cash flow from investment activities	**–1,273,133.19**	165,504,867.74
III. Cash flow from financing activities:		
Cash received from investments		
Proceeds from loans	**50,000,000.00**	184,046,000.00
Cash received from issuing bonds		
Other cash received from financing-related activities	**97,561,808.49**	
Sub-total of cash inflow from financing activities	**147,561,808.49**	184,046,000.00
Repayment of loans	**51,764,731.25**	202,306,073.31
Cash paid for dividends, profit, or interest payments	**397,129.44**	1,345,512.29
Other cash paid for financing-related activities	**270,000,000.00**	
Sub-total of cash outflow from financing activities	**322,161,860.69**	203,651,585.60
Net cash flow from financing activities	**–174,600,052.20**	–19,605,585.60

IV.	**Effects of changes in exchange rate on cash and cash equivalents**	**–2,093.78**	479.43
V.	**Net increase in cash and cash equivalents**	**292,852.48**	1,696,607.88
	Add: Opening balance of cash and cash equivalents	**205,919.60**	329,428.91
VI.	**Closing balance of cash and cash equivalents**	**498,772.08**	2,026,036.79

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Consolidated Statement of Changes in Owners' Equity

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

	January-June 2013										
	Attributable to owners of the Company										
Item	Share Capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interests	Total owners' equity
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/decreased in the period (decrease is represented by "–")				87,784.84			–47,311,964.99		–47,224,180.15	–4,917,666.19	–52,141,846.34
(I) Net profit							–47,311,964.99		–47,311,964.99	–4,998,698.35	–52,310,663.34
(II) Other comprehensive income											
Sub-total of above (I) and (II)							–47,311,964.99		–47,311,964.99	–4,998,698.35	–52,310,663.34
(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				87,784.84					87,784.84	81,032.16	168,817.00
1. Amount withdrawn in the period				87,784.84					87,784.84	81,032.16	168,817.00
2. Amount utilized in the period											
(VII) Others											
IV. Balance at the end of the period	500,018,242.00	857,450,406.90		293,632.28	51,365,509.04		–1,324,226,963.92		84,900,826.30	–66,402,255.90	18,498,570.40

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Consolidated Statement of Changes in Owners' Equity

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

Item	January-June 2012										
	Attributable to owners of the Company										
	Share Capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interests	Total owners'equity
I. Balance at the end of last year	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											
II. Balance at the beginning of the year	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
III. Increase/decreased in the period (decrease is represented by "–")		–95,792.54		55,769.43			–45,019,202.93		–45,059,226.04	–7,440,644.73	–52,499,870.77
(I) Net profit							–45,019,202.93		–45,019,202.93	–7,387,916.74	–52,407,119.67
(II) Other comprehensive income											
Sub-total of above (I) and (II)							–45,019,202.93		–45,019,202.93	–7,387,916.74	–52,407,119.67
(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		–95,792.54							–95,792.54	–104,207.46	–200,000.00
(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				55,769.43					55,769.43	51,479.47	107,248.90
1. Amount withdrawn in the period				55,859.43					55,859.43	51,479.47	107,338.90
2. Amount utilized in the period				–90.00					–90.00		–90.00
(VII) Others											
IV. Balance at the end of the period	500,018,242.00	857,450,406.90		147,588.60	51,365,509.04		–1,327,027,339.14		81,954,407.40	–55,745,081.46	26,209,325.94

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

Statement of Changes in Owners' Equity of the Company

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

	January-June 2013							
Item	**Share Capital**	**Capital reserve**	**Less: Treasury shares**	**Special reserve**	**Surplus reserve**	**General risk provision**	**Retained earnings**	**Total owners' equity**
I. Balance at the end of last year	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								
II. Balance at the beginning of the year	500,018,242.00	891,129,782.23			51,365,509.04		–1,369,900,445.92	72,613,087.35
III. Increase/decreased in the period (decrease is represented by "–")							–4,852,568.60	–4,852,568.60
(I) Net profit							–4,852,568.60	–4,852,568.60
(II) Other comprehensive income								
Sub-total of above (I) and (II)							–4,852,568.60	–4,852,568.60
(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 period								
2. Amount utilized in the period								
(VII) Others								
IV. Balance at the end of the period	500,018,242.00	891,129,782.23			51,365,509.04		–1,374,753,014.52	67,760,518.75

Legal representative: **Ma Liyun**

Chief accountant: **Sun Lei**

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

Statement of Changes in Owners' Equity of the Company

Prepared by: Luoyang Glass Company Limited

January-June 2013

Monetary unit: RMB

Item	January-June 2012							
	Share Capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Total owners' equity
I. Balance at the end of last year	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								
II. Balance at the beginning of the year	500,018,242.00	891,129,782.23			51,365,509.04		−1,391,446,689.82	51,066,843.45
III. Increase/decreased in the period (decrease is represented by "–")							−3,225,843.56	−3,225,843.56
(I) Net profit							−3,225,843.56	−3,225,843.56
(II) Other comprehensive income								
Sub-total of above (I) and (II)							−3,225,843.56	−3,225,843.56
(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 period								
2. Amount utilized in the period								
(VII)Others								
IV. Balance at the end of the period	500,018,242.00	891,129,782.23			51,365,509.04		−1,394,672,533.38	47,840,999.89

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Ma Liyun	**Sun Lei**	**Chen Jing**

I. BACKGROUND OF THE COMPANY

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 that, together with its subsidiaries (collectively referred to as the "Group"), engaged in the production and sales of float sheet glass.

II. SIGNIFICANT ACCOUNTING POLICIES

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 "Accounting Standards for Business Enterprises-Basic Standard" and 38 Specific Accounting Standards issued by the Ministry of Finance (MOF) of the PRC on 15 February 2006, and application guidance, interpretations and other relevant accounting regulations, and based on the following significant accounting policies and estimates.

2. Accounting year

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

3. Measurement currency

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

4. Preparation method of consolidated financial statements

The scope of consolidated financial statements is controlled subsidiaries and entities of special purposes.

The consolidated financial statements are prepared in accordance with "Accounting Standards for Business Enterprises No.33-Consolidated Financial Statement" 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 should be presented individually as minority interest in Shareholders' equity in consolidated financial statements.

An adjustment of subsidiaries' financial statements in accordance with the accounting policy or accounting period of the Company is needed when preparing consolidated financial statements if the accounting policy or accounting period is different between the Company and its subsidiaries.

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 flow of acquired subsidiaries should be included in consolidated financial statements from the beginning of the year of acquisition.

III. SEGMENT REPORTING

The Group divides it business activities into two segments for the sake of management convenience. 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 sixth months ended 30 June 2013 and as at 30 June 2013:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	114,208,594.43	19,109,083.80		133,317,678.23
2. Income from inter-segment transactions		1,108,529.01	–1,108,529.01	—
3. Interest income	3,040,180.91	3,565.77	–643,500.00	2,400,246.68
4. Interest expense	666,956.55	643,500.00	–643,500.00	666,956.55
5. Asset impairment loss				—
6. Depreciation and amortization expenses	31,633,707.74	964,263.59		32,597,971.33
7. Total profit ("–" for loss)	–49,910,767.22	411,632.91	1,787.48	–49,497,346.83
8. Income tax expense	2,812,742.28	574.23		2,813,316.51
9. Net profit ("–" for loss)	–52,723,509.50	411,058.68	1,787.48	–52,310,663.34
10. Total assets	1,195,227,321.90	55,504,158.99	–31,119,625.41	1,219,611,855.48
11. Total liabilities	1,197,928,690.53	36,531,655.00	–33,347,060.45	1,201,113,285.08
12. Other important non-cash items				
Including: Increase in other non-current assets other than long-term equity investment ("–" for decrease)	–15,146,946.98	1,278.42		–15,145,668.56

(2) Segments information for the first half of 2012 and as at 31 December 2012:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	292,165,075.94	16,041,202.45		308,206,278.39
2. Income from inter-segment transactions		686,776.74	–686,776.74	0.00
3. Interest income	3,603,559.15	21,809.48	–643,500.00	2,981,868.63
4. Interest expense	1,664,845.34	643,500.00	–643,500.00	1,664,845.34
5. Asset impairment loss	6,651,113.80			6,651,113.80
6. Depreciation and amortization expenses	36,207,290.60	934,125.22		37,141,415.82
7. Total profit ("–" for loss)	–45,407,291.32	–447,066.64	–186,238.43	–46,040,596.39
8. Income tax expense	6,366,523.28			6,366,523.28
9. Net profit ("–" for loss)	–51,773,814.60	–447,066.64	–186,238.43	–52,407,119.67
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				
Including: 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.

	Revenues from external customers		**Non-current assets**	
Item	**January - June 2013**	January - June 2012	**30 June 2013**	31 December 2012
China	**133,317,678.23**	308,206,278.39	**676,837,740.03**	691,983,408.59
Total	**133,317,678.23**	308,206,278.39	**676,837,740.03**	691,983,408.59

(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 the first half of 2013, the Group recorded an income of RMB20,151,366.65 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.

IV. TURNOVER

Turnover represents revenue from the invoiced value of goods sold to customers, after deduction of any trade discounts and net of value-added tax and surcharges. Details are as follows:

(1) Details of operating income

Item	January-June 2013	January-June 2012
Income from principal operations	**123,187,993.65**	277,904,467.18
Other operating income	**10,129,684.58**	30,301,811.21
Total	**133,317,678.23**	308,206,278.39

(2) Income from principal operations by product

Name of product or service	January-June 2013	January-June 2012
Float glass	**108,446,286.73**	262,880,246.79
Silicon sand	**14,741,706.92**	15,024,220.39
Total	**123,187,993.65**	277,904,467.18

V. NON-OPERATING INCOME

Item	**January-June 2013**	January-June 2012
Total gains on disposal of non-current assets	**212,806.10**	35,157.26
Including: Gain on disposal of fixed assets	**212,806.10**	35,157.26
Income from debt restructuring	**238,941.43**	96,471.15
Government grant	**2,331,162.81**	1,240,742.89
Amercement income	**75,448.00**	
Others	**38,850.00**	455,250.22
Total	**2,897,208.34**	1,827,621.52

Note: Government grant of RMB2,331,162.81 (2012: RMB1,240,742.89) mainly include:

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" (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) (Fa Gai Ban Chan Ye [2009] No. 2425) 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, RMB607,500.00 was recognized as non-operating income in the period.

2. 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 30 June 2013, Longhai Company had received the accumulated government grant of RMB5,000,000.00. Non-operating income recognized for the reporting period amounted to RMB1,696,702.53.

VI. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after (charging)/crediting :

(1) Financial expenses

Item	January-June 2013	January-June 2012
Interest expense	**666,956.55**	1,664,845.34
Less: interest income	**2,400,246.68**	2,981,868.63
Exchange loss	**27,491.34**	108,749.18
Less: exchange income	**125,260.64**	220,354.40
Other finance expenses	**7,123,870.16**	6,263,656.53
Total	**5,292,810.73**	4,835,028.02

(2) Investment income

Item	January-June 2013	January-June 2012
Long-term equity investment income measured by cost method	**2,410,572.50**	1,735,612.20
Total	**2,410,572.50**	1,735,612.20

Note: Cash dividends of RMB2,410,572.50 were received from the Bank of Sanmenxia （三門峽銀行）in the period.

(3) Operating cost

Item	January-June 2013	January-June 2012
Cost of principal operations		
— Float glass	**98,498,394.04**	238,723,981.91
— Silicon powder	**6,475,523.50**	6,473,683.69
Other operating cost		
— Raw materials, water, electricity, gas and technical service, etc.	**5,104,617.21**	27,222,975.51
Total	**110,078,534.75**	272,420,641.11

(4) Business tax and surcharges

Item	Tax base	January-June 2013	January-June 2012
Business tax	5%	**598,689.18**	1,047,945.34
Resource tax	RMB3/t	**1,012,902.00**	644,033.40
City maintenance tax	5-7% of the taxable turnover tax	**361,350.60**	828,929.33
Education surcharges	3% of the taxable turnover tax	**348,402.92**	764,441.14
Total		**2,321,344.70**	3,285,349.21

(5) Selling expenses

Item	**January-June 2013**	January-June 2012
Staff's salary and welfare	**2,729,801.63**	3,162,880.81
Social insurance premium	**813,115.65**	630,714.70
Depreciation expenses	**683,949.10**	754,747.78
Repair expenses	**174,752.80**	216,823.07
Material consumption	**410,632.12**	856,160.12
Travel expenses	**226,226.60**	278,843.75
Transportation costs	**5,048,672.74**	4,988,898.77
Other selling expenses	**2,040,465.54**	2,367,411.23
Total	**12,127,616.18**	13,256,480.23

(6) Administrative expenses

Item	**January-June 2013**	January-June 2012
Staff's salary and welfare	**12,240,705.61**	13,683,944.94
Social insurance premium	**5,872,196.13**	3,431,431.32
Housing accumulation fund	**847,396.76**	416,054.11
Depreciation of fixed assets	**14,262,873.94**	12,987,162.96
Amortization of intangible assets	**1,472,692.74**	1,257,746.74
Office expenses	**216,411.60**	1,008,150.63
Travel expenses	**1,057,209.13**	1,000,912.65
Water and electricity charges	**986,136.59**	1,936,293.64
Lease fees	**527,569.32**	597,456.65
Intermediary engagement fees	**5,284,200.00**	5,291,625.00
Entertainment expenses	**555,116.40**	680,888.77
Taxes	**3,078,035.17**	3,831,966.68
Research and development expenditures	**5,215,365.49**	4,655,239.49
Other administrative expenses	**5,814,240.67**	6,438,285.00
Total	**57,430,149.55**	57,217,158.58

(7) Assets impairment losses

Item	**January-June 2013**	January-June 2012
1. Bad debt losses		–70,760.00
2. Losses from inventory impairments		6,721,873.80
Total		6,651,113.80

(8) Non-operating expenses

Item	**January-June 2013**	January-June 2012
Total loss on disposal of non-current assets	**327,425.21**	
Including: Loss on disposal of fixed assets	**327,425.21**	
Donation	**6,000.00**	
Amercement outlay		43,297.42
Indemnities, liquidated damages and penalties	**93,369.27**	64,022.71
Others	**445,555.51**	37,017.42
Total	**872,349.99**	144,337.55

VII. INCOME TAX EXPENSES

Item	**January-June 2013**	January-June 2012
Current income tax based on applicable tax laws and regulations	**2,813,316.51**	6,366,523.28
Total	**2,813,316.51**	6,366,523.28

Note: On 8 November 2010, Longhai Glass, the Company's wholly-owned subsidiary, was recognized as high-tech enterprise as verified by Henan Scientific and Technological Department, and awarded "High-tech Enterprise Certificate". Pursuant to Yu Gao Qi [2013] No.12 Document, Longhai Glass passed the reexamination for high-tech enterprise in 2013. 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 Glass enjoys 15% enterprise income tax in 2013. The applicable enterprise income tax rate for the Company and other subsidiaries is 25%.

VIII. DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013.

IX. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by weighted average number of outstanding ordinary shares of the Company:

Item	**January-June 2013**	January-June 2012
Net profit attributable to ordinary shareholders of the Company	**–47,311,964.99**	–45,019,202.93
Total number of shares at the beginning of the period	**500,018,242.00**	500,018,242.00
Basic earnings per share	**–0.0946**	–0.0900

No diluted earnings per share is calculated as there are no dilutive potential shares of the Company for the six months ended 30 June 2013.

X. TRADE AND BILLS RECEIVABLES

1. Trade receivables:

Item	Closing balance	Opening balance
Trade receivables	**73,084,978.85**	124,489,471.17
Less : provision for bad debts	**48,033,662.63**	48,033,662.63
Net trade receivables	**25,051,316.22**	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.

The aging of trade receivable based on their recording dates is analysed below:

Aging	Closing balance	Opening balance
Within 1 year	**21,352,696.09**	65,544,966.86
1-2 years	**3,891,601.28**	11,105,675.83
2-3 years	**1,946,292.71**	1,944,439.71
3-4 years	**173,616.60**	1,095,404.38
4-5 years	**986,327.04**	1,620,483.21
Over 5 years	**44,734,445.13**	43,178,501.18
Total	**73,084,978.85**	124,489,471.17

2. Bills receivables by category

Item	Closing balance	Opening balance
Bank acceptance	**5,953,024.86**	9,759,032.33
Trade acceptance		20,947.81
Total	**5,953,024.86**	9,779,980.14

XI. TRADE AND BILLS PAYABLES

1. Aging of trade payables

Item	Closing balance Amount	Closing balance Percentage (%)	Opening balance Amount	Opening balance Percentage (%)
Within 1 year	**39,796,893.09**	**18.93**	50,725,865.50	24.51
1-2 years	**34,216,219.95**	**16.26**	85,525,983.69	41.33
2-3 years	**80,434,604.20**	**38.23**	25,750,170.60	12.44
Over 3 years	**55,926,534.61**	**26.58**	44,949,119.87	21.72
Total	**210,374,251.85**	**100.00**	206,951,139.66	100.00

2. Bills payables by category

Item	Closing balance	Opening balance
Bank acceptance	**270,000,000.00**	240,000,000.00
Trade acceptance		10,000,000.00
Total	**270,000,000.00**	250,000,000.00

Notes: 1. There were no bills payable to shareholders holding 5% or more of the voting shares of the Company at the end of the period.

2. Bills payable are mainly bank acceptances issued by the Group for purchase of materials, commodities or products with the repayment period ranging from one to six months.

XII. RESERVE

1. Capital reserve

Item	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

2. Special reserves

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Special reserve funds	205,847.44	87,784.84		293,632.28
Total	205,847.44	87,784.84		293,632.28

3. Surplus reserve

Item	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

4. Undistributed profits

Item	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 the Company during the period	–47,311,964.99	––
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	–1,324,226,963.92	

XIII. EVENTS AFTER BALANCE SHEET DATE

Nil

Chairman: **Ma Liyun**
Luoyang Glass Company Limited
28 August 2013