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 ANNUAL REPORT OF 2013

1. IMPORTANT NOTICE

1.1 This summary of the annual report is extracted from the full text of the annual report. Investors should read the full text of the annual report published on the websites designated by the CSRC including the website of the Shanghai Stock Exchange for a thorough understanding of its content.

1.2 The financial statements 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 auditors' reports with standard unqualified opinions.

1.3 Company Profile

Stock name	Luoyang Glass	Stock code	600876
Place of listing	Shanghai Stock Exchange		
Stock name	Luoyang Glass	Stock code	01108
Place of listing	The Stock Exchange of Hong Kong Limited		
Contact person and method	Secretary to the Board	Securities Affairs Representative	
Name	He Jiang	Wu Zhixin	
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

Unit: RMB

	As at the end of 2013	As at the end of 2012	Increase/(decrease) at the end of the year over the end of last year *(%)*	As at the end of 2011
Total assets	**1,226,528,319.88**	1,302,782,333.52	–5.85	1,415,785,144.79
Net assets attributable to shareholders of the listed company	**33,306,058.69**	132,125,006.45	–74.79	127,013,633.44
Net cash flow from operating activities	**10,986,238.59**	8,734,731.95	25.78	–61,673,525.63
Operating income	**375,735,014.43**	553,687,171.35	–32.14	920,942,939.77
Net profit attributable to shareholders of the listed company	**–98,980,994.84**	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	**–126,902,481.73**	–62,801,994.21	N/A	–67,761,804.10
Weighted average return on net assets *(%)*	**–119.78**	3.93	Decreased by 123.71 percentage points	10.17
Basic earnings per share *(RMB/share)*	**–0.1980**	0.0102	–2,041.18	0.0247
Diluted earnings per share *(RMB/share)*	**–0.1980**	0.0102	–2,041.18	0.0247
Basic earnings per share after deducting extraordinary profit or loss *(RMB/share)*	**–0.2538**	–0.1256	N/A	–0.1355
Weighted average return on net assets after deducting extraordinary profit or loss *(%)*	**–153.57**	–48.47	Decreased by 105.10 percentage points	–55.88

2.2 Shareholdings of the top ten shareholders

Unit: share

Total number of shareholders as at the end of the Reporting Period *(shareholder)*	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 *(shareholder)*	16,253, including 16,199 holders of A shares and 54 holders of H shares

Shareholdings of the top ten shareholders

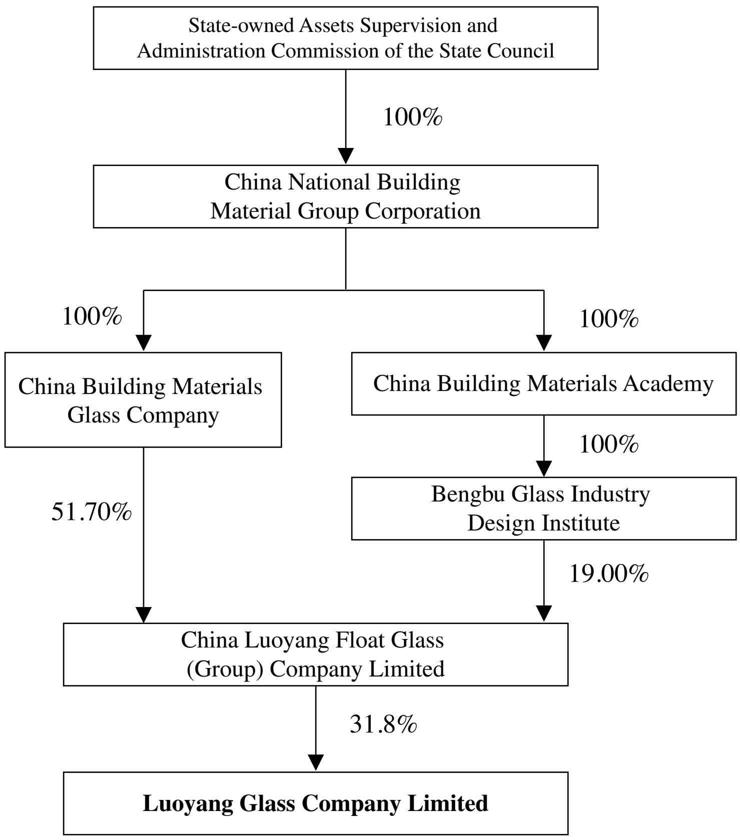
Name of shareholder (full name)	Increase/ decrease during the reporting period	Total number of shares held as at the end of the reporting period	Shareholding percentage (%)	Number of shares subject to trading moratorium held	Number of shares pledged or frozen: Status of shares	Number of shares pledged or frozen: Number	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

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.

2.3 Illustration of shareholding and controlling relationship between the Company and its de facto controller



3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Discussion and analysis 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 analysized 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 respondence 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”.

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.

3.2 Analysis of Principal Businesses

3.2.1 Analytical Statement of Changes in Relevant Items in the Income Statement and Cash Flow Statement

Unit: RMB

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

3.2.2 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 lunched 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.

3.2.3 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	

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
	Labour expenses	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, the Director 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.

3.2.4 Expenses

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

3.2.5 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.

3.2.6 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 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.

3.2.7 Others

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

1) 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) 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) 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) 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) 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) 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.

3.3 Analysis of operations by industry, products or regions

3.3.1 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 industry and products

3.3.2 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.

3.4 Analysis of assets and liabilities

3.4.1 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 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

3.4.2 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.

3.5 Analysis of core competitiveness

1. 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 (弛名商標)", "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.

2. 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.

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 0.33mmultra-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.

3.6 Analysis of Investment

3.6.1 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

(3) Equity held in unlisted financial enterprises

Unit: RMB

Name of investee	Initial amount of investment	Number of shares held *(Share)*	Percentage of equity in the company *(%)*	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 (三門峽銀行股份有限公司)	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

3.6.2 *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

(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. (洛陽洛玻福睿達商貿有限公司)	Newly establish	Net profit incurred amounted to RMB-304.33

3.7 Continuing Connected Transactions in 2013

In 2013, the transaction amount of the continuing connected transactions of the Group amounted to RMB273,067,000, and the annual caps being considered and approved amounted to RMB1,170,850,000 in aggregate. Each continuing connected transaction did not exceed the annual caps as disclosed in the announcement.

All the continuing connected transactions of the Group were indispensable parts of the day-to-day operations of the Group and entered into on normal commercial terms or terms not less favourable than those available to or from independent third parties, and the transaction prices of which were fair and reasonable, and in the interests of the shareholders of the Company as a whole.

All the continuing connected transactions of the Company in 2013 implemented corresponding consideration and approval procedures pursuant to relevant requirements under the Listing Rules on Hong Kong Stock Exchange and Shanghai Stock Exchange, and the aggregate transaction amount did not exceed the approval threshold. The Company's independent auditors have reviewed and issued a special audit report on the continuing connected transactions. The independent directors of the Company also reviewed and confirmed the continuing connected transactions conducted in 2013.

3.8 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.

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.

3.9 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.

3.10 Business plan and measures

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 slaes 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.

(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 mainsteam 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 upmost 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.

3.11 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.

3.12 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.

3.13 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.

3.14 Compliance with the Corporate Governance Code

The Company has complied with the requirements of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange ("Listing Rules").

3.15 Audit Committee

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

4. OPPOINTMENT OF AUDITORS

The Board has considered and approved the re-appointment of PKF DAXIN Certified Public Accountants LLP was reappointed as the auditors of the Company for the year of 2014, which shall be subject to the consideration and approval at the Company's general meeting.

5. MATTERS RELATING TO FINANCIAL REPORT

5.1 Change in the accounting policies or accounting estimates during the reporting period.

In the financial statement, the Group has early adopted the amended "Accounting Standards for Business Enterprises No. 9- Staff Remuneration" (amendment) (《企業會計準則第9號 — 職工薪酬》(修訂)), the amended "Accounting Standards for Business Enterprises No. 30-Presentation of Financial Statement" (amendment) (《企業會計準則第30號 — 財務報表列報》(修訂)), "Accounting Standards for Business Enterprises No. 39-Measurement of Fair Value" (《企業會計準則第39號 — 公允價值計量》), "Accounting Standards for Business Enterprises No. 40 — Joint Venture Arrangement" (《企業會計準則第40號 — 合營安排》) and the amended "Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statement" (amendment) (《企業會計準則第33號 — 合併財務報表》(修訂)) issued by the Ministry of Finance in January and February 2014. The aforementioned issued or amended standards did not create material effect to the Group's financial statement.

During the reporting period, there was no change in the accounting estimates of the Group.

5.2 There was no correction of errors for the previous period during the reporting period.

5.3 Change or not in the scope of consolidation compared with the latest annual report.

Luoyang Luobo Furuida Commercial Co., Ltd. (洛陽洛玻福睿達商貿有限公司) was established on 11 December 2013 as a wholly-owned subsidiary of the Company, therefore it has been consolidated into the the scope of the financial statement for the period..

CONSOLIDATED BALANCE SHEET

Prepared by: **Luoyang Glass Company Limited** December 31, 2013

Unit: RMB

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

Current liabilities:		
Short-term loans	**50,696,833.33**	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	**150,000,000.00**	250,000,000.00
Accounts payable	**282,538,381.85**	206,951,139.66
Payments received in advance	**41,704,096.40**	35,535,060.88
Disposal of repurchased financial assets		
Handling charges and commissions payable		
Staff remuneration payables	**59,538,138.48**	39,331,753.50
Taxes payable	**–7,987,198.97**	–15,217,888.93
Interest payable		
Dividends payable		
Other payables	**126,044,622.62**	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	**47,612,486.96**	48,663,873.14
Other current liabilities		
Total current liabilities	**750,147,360.67**	668,000,370.92

Non-current liabilities:		
Long-term loans	**506,104,010.11**	552,413,447.95
Debentures payable		
Long-term payables		
Specific payables		
Accrued liabilities		
Deferred income tax liabilities		
Other non-current liabilities	**10,179,045.75**	11,728,097.91
Total non-current liabilities	**516,283,055.86**	564,141,545.86
Total liabilities	**1,266,430,416.53**	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 stock		
Special reserve	**367,894.52**	205,847.44
Surplus reserve	**51,365,509.04**	51,365,509.04
General risk provision		
Retained earnings	**–1,375,895,993.77**	–1,276,914,998.93
Currency translation differences		
Total equity attributable to the owners of the Company	**33,306,058.69**	132,125,006.45
Minority interests	**–73,208,155.34**	–61,484,589.71
Total owners' equity	**–39,902,096.65**	70,640,416.74
Total liabilities and owners' equities	**1,226,528,319.88**	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** December 31, 2013

Unit: RMB

Item	December 31, 2013	December 31, 2012
Current assets:		
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	**536,576,422.25**	495,330,532.83
Prepayments	**1,099,223.51**	267,252.70
Interest receivable		
Dividends receivable		
Other receivables	**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		
Total current assets	**972,586,746.23**	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	**92,519,028.76**	64,582,026.93
Investment properties	**0.00**	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		
Total non-current assets	**245,048,296.47**	245,492,146.36
Total assets	**1,217,635,042.70**	1,116,281,811.12

Current liabilities:		
Short-term loans	**50,696,833.33**	
Held-for-trading financial liabilities		
Notes payable	**150,000,000.00**	170,000,000.00
Accounts payable	**105,199,176.11**	115,312,193.59
Payments received in advance	**39,196,282.16**	30,883,052.25
Staff remuneration payables	**35,821,245.04**	24,323,874.04
Taxes payable	**678,566.99**	–476,089.13
Interest payable		
Dividends payable		
Other payables	**205,350,299.14**	142,233,929.22
Non-current liabilities due within one year	**43,463,566.40**	43,458,315.85
Other current liabilities		
Total current liabilities	**630,405,969.17**	525,735,275.82
Non-current liabilities:		
Long-term loans	**474,504,010.11**	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	**474,504,010.11**	517,933,447.95
Total liabilities	**1,104,909,979.28**	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 stock		
Special reserve		
Surplus reserve	**51,365,509.04**	51,365,509.04
General risk provision		
Retained earnings	**–1,329,788,469.85**	–1,369,900,445.92
Total owners' equity	**112,725,063.42**	72,613,087.35
Total liabilities and owners' equities	**1,217,635,042.70**	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** For 2013

Unit: RMB

Item			2013	2012
I.	**Total operating revenue**		**375,735,014.43**	553,687,171.35
	Including:	Operating revenue	**375,735,014.43**	553,687,171.35
		Interest income		
		Premiums earned		
		Handling charges and commission income		
II.	**Total operating costs**		**513,672,918.47**	619,745,953.31
	Including:	Operating costs	**322,728,783.02**	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	**4,945,624.54**	6,316,131.51
		Selling expenses	**22,648,035.94**	25,292,041.70
		Administration expenses	**107,131,092.30**	123,719,187.34
		Finance expenses	**9,554,004.27**	10,593,085.84
		Impairment loss on assets	**46,665,378.40**	13,166,132.11
		Others		

Add: Gains from changes in fair value (losses are represented by "–")		
Investment income (losses are represented by "–")	**2,410,572.50**	1,793,244.01
Including: Gains from investment in associates and joint ventures		
Gains from currency exchange (losses are represented by "–")		
III. Operating profit(loss is represented by "–")	**–135,527,331.54**	–64,265,537.95
Add: Non-operating income	**31,012,446.69**	69,120,545.80
Less: Non-operating expenses	**3,051,871.70**	622,760.79
Including: Loss from disposal of non-current assets	**1,673,324.51**	
IV. Total profit (total loss is represented by "–")	**–107,566,756.55**	4,232,247.06
Less: Income tax expenses	**3,287,385.84**	12,320,312.18
V. Net profit (net loss is represented by "–")	**–110,854,142.39**	–8,088,065.12
Including: Net profit attributable to the owners of the Company	**–98,980,994.84**	5,093,137.28
Minority interests	**–11,873,147.55**	–13,181,202.40
VI. Earnings per share		
(1) Basic earnings per share *(RMB/share)*	**–0.20**	0.01
(2) Diluted earnings per share *(RMB/share)*	**–0.20**	0.01
VII. Other comprehensive income		
VIII. Total comprehensive income	**–110,854,142.39**	–8,088,065.12
Including: Total comprehensive income attributable to owners of the Company	**–98,980,994.84**	5,093,137.28
Total comprehensive income attributable to minority interests	**–11,873,147.55**	–13,181,202.40

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** For 2013

Unit: RMB

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

IV.	**Net profit**	**40,111,976.07**	21,546,243.90
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**	**40,111,976.07**	21,546,243.90

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** For 2013

Unit: RMB

Item		2013	2012
I.	**Cash flows from operating activities:**		
	Cash received from sale of goods or rendering of services	**185,908,945.36**	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, 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	**13,445,194.56**	43,035,454.65
	Sub-total of cash inflow from operating activities	**199,354,139.92**	237,057,973.86
	Cash paid for goods purchased and services rendered	**80,997,979.90**	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 contracts		
Cash paid for interest, handling charges and commissions		
Cash paid for insurance policy dividend		
Cash paid to and on behalf of employees	**54,971,205.12**	64,816,119.31
Tax payments	**30,671,267.60**	53,074,805.51
Other cash paid for activities related to operation	**21,727,448.71**	22,071,752.84
Sub-total of cash outflow from operating activities	**188,367,901.33**	228,323,241.91
Net cash flow from operating activities	**10,986,238.59**	8,734,731.95
II. Cash flow from investment activities:		
Cash received from disposal of investment	**23,000,000.00**	410,000.00
Cash received from return of investments	**2,410,572.50**	1,793,244.01
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**15,635,926.98**	37,638,260.60
Net cash received from disposal of subsidiaries and other operating entities		
Other cash received from activities related to investment	**5,000,000.00**	0.00
Sub-total of cash inflow from investment activities	**46,046,499.48**	39,841,504.61
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**45,778,122.90**	28,037,020.47
Cash paid for investment	**0.00**	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	**343,227.68**	4,730,550.93
Sub-total of cash outflow from investment activities	**46,121,350.58**	32,967,571.40
Net cash flow from investment activities	**–74,851.10**	6,873,933.21

III. Cash flow from financing activities:		
Cash received from investments		
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Proceeds from loans	**106,039,000.00**	78,169,000.00
Cash received from issuing bonds	**0.00**	0.00
Other cash received from financing-related activities	**690,929,578.87**	652,585,976.80
Sub-total of cash inflow from financing activities	**796,968,578.87**	730,754,976.80
Repayment of loans	**121,326,087.29**	91,547,237.87
Cash paid for dividends, profit, or interest payments	**1,469,631.66**	2,180,244.61
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid for financing-related activities	**712,570,000.00**	637,760,000.00
Sub-total of cash outflow from financing activities	**835,365,718.95**	731,487,482.48
Net cash flow from financing activities	**–38,397,140.08**	–732,505.68
IV. Effects of changes in exchange rate on cash and cash equivalents	**–3,693.37**	–285.55
V. Net increase in cash and cash equivalents	**–27,489,445.96**	14,875,873.93
Add: Opening balance of cash and cash equivalents	**55,805,556.06**	40,929,682.13
VI. Closing balance of cash and cash equivalents	**28,316,110.10**	55,805,556.06

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** For 2013

Unit: RMB

Item		2013	2012
I.	**Cash flows from operating activities:**		
	Cash received from sale of goods or rendering 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 services 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

II. Cash flow from investment activities:		
Cash received from disposal of investment	**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

III.	**Net cash flow from investment activities**		
	Cash received from investments		
	Proceeds from loans	**106,000,000.00**	58,169,000.00
	Cash received from issuing bonds		
	Other cash received from financing-related activities	**135,934,735.15**	413,991,838.44
	Sub-total of cash inflow from financing activities	**241,934,735.15**	472,160,838.44
	Repayment of loans	**98,446,087.29**	75,757,237.87
	Cash paid for dividends, profit, or interest payments	**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
IV.	**Effects of changes in exchange rate on cash and cash equivalents**	**–3,693.37**	–285.55
V.	**Net increase in cash and cash equivalents**	**193,071.95**	–123,509.31
	Add: Opening balance of cash and cash equivalents	**205,919.60**	329,428.91
VI.	**Closing balance of cash and cash equivalents**	**398,991.55**	205,919.60

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** For 2013

Unit: RMB

Item	Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	Total shareholder's equity
	2013										
	Equity attributable to equity holders of the Company										
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 OWNERS' EQUITY

Prepared by: **Luoyang Glass Company Limited** For 2013

Unit: RMB

Item	2012 — Equity attributable to equity holders of the Company: Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	Total shareholder's 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/decrease in the year (decrease is represented by "-")		−95,792.54		114,028.27			5,093,137.28		5,111,373.01	−13,180,152.98	−8,068,779.97
(I) Net profit							5,093,137.28		5,093,137.28	−13,181,202.40	−8,088,065.12
(II) Other comprehensive income											
Sub-total of above (I) and (II)							5,093,137.28		5,093,137.28	−13,181,202.40	−8,088,065.12
(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				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
IV. Balance at the end of the year	500,018,242.00	857,450,406.90		205,847.44	51,365,509.04	0.00	−1,276,914,998.93		132,125,006.45	−61,484,589.71	70,640,416.74

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** For 2013

Unit: RMB

Item	2013 Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	General risk provision	Undistributed profit	Total shareholder's 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/decrease in the year (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								
IV. Balance at the ending of the year	500,018,242.00	891,129,782.23			51,365,509.04		−1,329,788,469.85	112,725,063.42

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** For 2013

Unit: RMB

Item	2012 Share capital	Capital reserve	Less: Treasury stock	Special reserve	Surplus reserve	General risk provision	Undistributed profit	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/decrease in the year (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								
IV. Balance at the ending of the year	500,018,242.00	891,129,782.23			51,365,509.04		–1,369,900,445.92	72,613,087.35

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. BASIC INFORMATION

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. MAJOR ACCOUNTING POLICY

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 issued by the Ministry of Finance (MOF) (including the Accounting Standards for Business Enterprises and amendments issued by the MOF in 2014), 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 determined on the basis of control. Control refers to investor's power over the investee. The investor is entitled to variable returns through participating in relevant activities of the investee, and is able to affect the amount of its return through utilizing its power over the investee.

The consolidated financial statements are prepared in accordance with "Accounting Standards for Business Enterprises No.33-Consolidated Financial Statement" (Revised) 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. 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 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

(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	
			31 December	31 December
	2013	2012	**2013**	2012
China	**375,735,014.43**	553,687,171.35	**732,494,513.63**	691,983,408.59
Total	**375,735,014.43**	553,687,171.35	**732,494,513.63**	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 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.

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	**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

(2) Business segments

Name of product or service	**2013**	2012
Float glass	**330,464,988.13**	452,318,592.37
Silicon sand	**24,041,281.97**	29,630,425.81
Total	**354,506,270.10**	481,949,018.18

V. INCOME OTHER THAN OPERATION

Item	**2013**	2012
Total gains on disposal of non-current assets	**20,099,782.07**	4,797,498.51
Including: Gain on disposal of fixed assets	**20,099,782.07**	4,797,498.51
Income from debt restructuring	**677,002.87**	695,482.34
Government grant	**10,105,688.89**	61,845,855.41
Amercement income	**105,448.00**	1,348,810.00
Others	**24,524.86**	432,899.54
Total	**31,012,446.69**	69,120,545.80

Note: Government grant of RMB10,105,688.89 (2012: RMB 61,845,855.41) 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" (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.

VI. PROFIT BEFORE INCOME TAX

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

(1) Finance costs

Item	2013	2012
Interest expense	**1,492,792.01**	2,575,095.00
Less: Interest income	**5,538,806.24**	5,924,397.85
Foreign exchange loss	**154,505.20**	292,723.63
Less: Foreign exchange gain	**125,260.85**	219,354.59
Bill discount interest	**12,466,386.97**	11,526,499.96
Other expenses	**1,104,387.18**	2,342,519.69
Total	**9,554,004.27**	10,593,085.84

(2) Investment income

Item	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

Note: A dividend of RMB2,410,572.50 was received from Sanmenxia Bank (三門峽銀行).

(3) Operating costs

Item	2013	2012
Cost of principal operations	**312,634,643.82**	387,325,726.45
— Float glass	**301,549,468.92**	374,482,655.56
— Silicon sand	**11,085,174.90**	12,843,070.89
Other operating cost	**10,094,139.20**	53,333,648.36
— Raw material, water, electricity, gas, technical services, etc.	**10,094,139.20**	53,333,648.36
Total operating cost	**322,728,783.02**	440,659,374.81

(4) Business tax and surcharges

Item	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 payables	**1,024,024.79**	1,498,495.86
Education surcharges *(Note)*	3% of turnover tax payables	**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 calculation standards of the local education surcharges were 2% of the turnover tax payable.

(5) Selling expenses

Item	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

(6) Administrative expenses

Item	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 expenditures	**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 expenses	**12,751,571.58**	19,358,810.14
Total	**107,131,092.30**	123,719,187.34

(7) Assets impairment losses

Item		**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

(8) Non-operating expenses

Item	**2013**	2012
Total loss on disposal of non-current assets	**1,673,324.51**	
Incl: Loss on disposal of fixed assets	**1,673,324.51**	
Donation	**7,000.00**	50,000.00
Amercement outlay	**165,684.11**	
Indemnities, liquidated damages and penalties	**577,707.51**	259,968.91
Others	**628,155.57**	312,791.88
Total	**3,051,871.70**	622,760.79

VII. INCOME TAX EXPENSES

Item	**2013**	2012
Current income tax based on applicable 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

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, Finance Department of Henan Province, Henan Provincial Office, SAT, and local Taxation Bureau of Henan Province, and awarded "Hightech Enterprise Certificate" with a validity 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 enjoys 15% enterprise income tax in 2013. The applicable enterprise income tax for the Company and other subsidiaries is 25%.

VIII. DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend in respect of the year ended 31st December, 2013.

IX. BASIC EARNINGS PER SHARE

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

Item	**2013**	2012
Net profit attributable to ordinary shareholders of the Company	**–98,980,994.84**	5,093,137.28
Total shares at the beginning of period	**500,018,242.00**	500,018,242.00
Basic earnings per share	**–0.1980**	0.0102

No diluted earnings per share is calculated as there are no dilutive potential shares for the two years ended 31st December, 2013.

X. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

1. Accounts receivable

Item	**Carrying amount**	Opening balance
Accounts receivable	**80,281,928.91**	124,489,471.17
Less: provision for bad debts	**50,630,381.31**	48,033,662.63
Net amount	**29,651,547.60**	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 ageing of accounts receivable based on their recording dates is analyzed below:

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

2. Bills receivable

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

XI. ACCOUNTS PAYABLE AND BILLS PAYABLE

1. Ageing analysis of accounts payable:

	Closing balance		Opening balance	
Item	**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. Bills payable

Item	**Closing balance**	**Opening balance**
Bank acceptance	150,000,000.00	240,000,000.00
Trade acceptance		10,000,000.00
Total	150,000,000.00	250,000,000.00

XII. RESERVE

1. 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 reserve	**70,150,917.49**			70,150,917.49
Total	**857,450,406.90**			857,450,406.90

2. 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

3. Surplus reserve

Item	Opening balance	Increase during this period	Decrease during this 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 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	

XIII. POST BALANCE SHEET EVENT

None

By order of the Board
Luoyang Glass Company Limited
Ma Liyun
Chairman

Luoyang, the PRC
27 March 2014

As at the date of this announcement, the Board comprises four executive Directors: Mr. Ma Liyun, Mr. Ni Zhisen, Ms. Sun Lei and Mr. Xie Jun; three non-executive Directors: Mr. Zhang Chengong, Mr. Guo Yimin and Mr. Zhang Chong; and three independent nonexecutive Directors: Mr. Huang Ping, Mr. Dong Jiachun and Mr. Liu Tianni.

* *For identification purpose only*