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 2014

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 (www.sse.com.cn) 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	Wu Zhixin	Zhao Zhiming	
Telephone	86-379-63908588, 63908637	86-379-63908833	
Facsimile	86-379-63251984	86-379-63251984	
E-mail	lywzhx@126.com	lybl600876@163.com	

2. MAJOR FINANCIAL DATA AND CHANGES IN SHAREHOLDERS

2.1 Major Financial Data

Unit: RMB

	As at the end of 2014	As at the end of 2013	Increase/(decrease) at the end of the year over the end of last year *(%)*	As at the end of 2012
Total assets	**1,057,067,719.83**	1,226,528,319.88	–13.82	1,302,782,333.52
Net assets attributable to shareholders of the listed company	**49,399,018.40**	33,306,058.69	48.32	132,125,006.45
Net cash flow from operating activities	**–40,828,687.97**	10,986,238.59	–471.63	8,734,731.95
Operating income	**612,541,199.49**	375,735,014.43	63.02	553,687,171.35
Net profit attributable to shareholders of the listed company	**16,004,696.49**	–98,980,994.84	N/A	5,093,137.28
Net profit attributable to shareholders of the listed company after deducting extraordinary profit or loss	**–152,872,896.29**	–126,902,481.73	N/A	–62,801,994.21
Weighted average return on net assets *(%)*	**38.74**	–119.78	Increased by 158.52 percentage points	3.93
Basic earnings per share *(RMB/share)*	**0.0320**	–0.1980	N/A	0.0102
Diluted earnings per share *(RMB/share)*	**0.0320**	–0.1980	N/A	0.0102
Basic earnings per share after deducting extraordinary profit or loss *(RMB/share)*	**–0.3057**	–0.2538	N/A	–0.1256
Weighted average return on net assets after deducting extraordinary profit or loss *(%)*	**–370.08**	–153.57	Decreased by 216.51 percentage points	–48.47

2.2 Shareholdings of the top ten shareholders

Total number of shareholders as at the end of the Reporting Period *(shareholder)*	17,681, including 17,624 holders of A shares and 57 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)*	16,715, including 16,658 holders of A shares and 57 holders of H shares

Shareholdings of the top ten shareholders

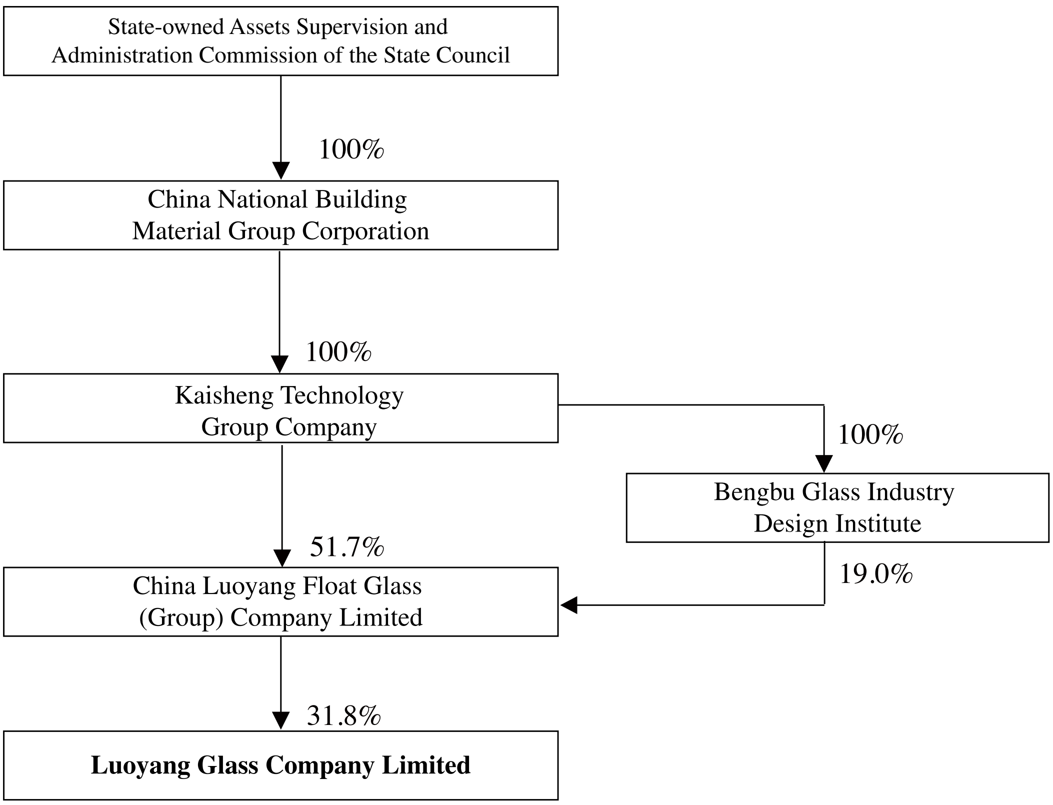
Name of shareholder (full name)	Increase/ decrease during the reporting period	Total number of shares held as at the end of the reporting period	Shareholding percentage (%)	Number of shares subject to trading moratorium held	Pledged or frozen Status of shares	Pledged or frozen Number	Nature of shareholder
HKSCC Nominees Limited	+12,000	247,860,998	49.57	0	Unknown	0	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	–4,944	2,760,000	0.55	0	Unknown	0	Domestic natural person
Mao Jianghui	–11,000	2,092,599	0.42	0	Unknown	0	Domestic natural person
Ji Haibin	–95,338	1,266,454	0.25	0	Unknown	0	Domestic natural person
Liu Yujun	+167,313	1,022,613	0.20	0	Unknown	0	Domestic natural person
Beijing Daiwei Debang Investment Consultation Co., Ltd. (北京代維德邦投資諮詢有限公司)	0	1,021,853	0.20	0	Unknown	0	Domestic non state-owned legal person
Zhang Ruiying	330,000	1,000,000	0.20	0	Unknown	0	Domestic natural person
Penghua Assets — China Everbright Bank— Penghua Assets Longqi Chitu Quantitative Hedge Asset Management Plan (鵬華資產—光大銀行—鵬華資產龍旗赤兔量化對沖資產管理計劃)	+850,100	850,100	0.17	0	Unknown	0	Unknown
Zhang Wenming (張文明)	–280,000	590,000	0.12	0	Unknown	0	Domestic natural person

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

Name of shareholder	Number of tradable shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	247,860,998	Overseas listed foreign shares	247,860,998
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB	159,018,242
Zhang Lixin	2,760,000	Ordinary shares denominated in RMB	2,760,000
Mao Jianghui	2,092,599	Ordinary shares denominated in RMB	2,092,599
Ji Haibin	1,266,454	Ordinary shares denominated in RMB	1,266,454
Liu Yujun	1,022,613	Ordinary shares denominated in RMB	1,022,613
Beijing Daiwei Debang Investment Consultation Co., Ltd. (北京代維德邦投資諮詢有限公司)	1,021,853	Ordinary shares denominated in RMB	1,021,853
Zhang Ruiying	1,000,000	Ordinary shares denominated in RMB	1,000,000
Penghua Assets — China Everbright Bank — Penghua Assets Longqi Chitu Quantitative Hedge Asset Management Plan (鵬華資產—光大銀行—鵬華資產龍旗赤兔量化對沖資產管理計劃)	850,100	Ordinary shares denominated in RMB	850,100
Zhang Wenming (張文明)	590,000	Ordinary shares denominated in RMB	590,000

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.
Explanations on preference shareholders with voting rights restored and number of shares held thereby	Nil

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

During the Reporting Period, the Company was still confronted with numerous adverse factors, including the continuous downturn in the common glass market, contractions between supply and demand in the electronic glass market and the increase in cost generated from the rise in natural gas price, etc. Through measures including scientific renovation, structural adjustment, management optimization, assets disposal, the Company kept the continuous operation of production and operation and basically achieved the annual profit targets.

During the Reporting Period, the Company recorded an operation revenue of RMB612,541,200, representing a year-on-year increase of 63.02%; recorded an operating profit of RMB-63,256,600, representing a year-on-year reduction of loss of 72,270,700; recorded a net profit attributable to the shareholders of the company of RMB16,004,700, representing a year-on-year increase of RMB114,985,700, mainly attributable to the income and government grant obtained from disposal of equity interests of subsidiaries.

The operations during the Reporting Period are as follows:

— Implement innovation to promote the profitability of products.

The Company proactively undertook research and development of new innovative products with high techniques and proprietary intellectual property rights. During the Reporting Period, 0.33mm ultra-thin glass achieved commercial production smoothly. The number of the categories of ultra-thin glass of the Company were increased to twelve, which further consolidated and improved the market competitiveness in the ultra-thin glass region. 1.1mm ultra-white and ultra-thin glass was approved to be a strategic creative production project in the national major new products scheme.

During the Reporting Period, the Company held new products presentation regarding 0.33mm and 0.4mm ultra-thin electronic float glass as well as 0.6mm and 0.7mm ultra-white and ultra-thin glass float glass, at which, the new products of the Company were recognized by the market and customers.

— Implement significant asset restructuring to facilitate the transform and upgrade, with the purpose of enhancing the continuous profitability.

In order to strengthen its competitiveness and continuous profitability, the Company implemented significant asset restructuring in order to achieve the material adjustments of development strategies. On 27 June 2014, the stock of the Company applied for suspension of trading. On 31 December 2014, the Company entered into the Framework Agreement in Relation to the significant asset exchange and the issue of Consideration Shares, as well as the Proposed A Share Placing (the "Framework Agreement") with China Luoyang Float Glass (Group) Company Limited ("CLFG"). According to the Framework Agreement, the Company intended to exchange its equity interests in the subsidiaries which operated ordinary float glass business and other business and the amounts due from the subsidiaries to the Company ("the Disposal") for 100.00% equity interest in Bengbu China Building Information Display Materials Co. Ltd.* (蚌埠中建材信息顯示材料有限公司). The difference between the considerations of the Disposal and the Acquisition will be settled by the issue of Consideration Shares by the Company to CLFG. Meanwhile, in order to promote the integrated efficiency of this transaction, the Company intended to undertake a proposed placing of new A shares to no more than other ten specific investors. The amount of gross funds raised through the Proposed A Shares Placing will not exceed 25% of the transaction amount under the Reorganisation. In 2 and 5 January 2015, the stock of the Company resumed its trading in Hong Kong and Shanghai.

At present, the restructuring work has entered the relevant appraisal and filing process with SASAC. Upon completion of relevant work, the Company will enter into a formal (to be consistent with the Announcement) agreement to supersede the Framework Agreement, and will hold another Board meeting to consider all issues in relation to this transaction, and proposed them to the general meeting for consideration.

If the restructuring is successfully completed, the Company will possess three electronic glass production lines, becoming the largest electronic glass production enterprise, and will basically realize the successful transformation from the traditional construction material region to electronic information display region. This transform will effectively promote the asset quality, financial position and profitability of the Company, and be in favor of the interests of the shareholders of the Company.

— Optimize management and control mode to enhance performance assessment and promote management efficiency. First, the Company reformed the performance assessment model in the ultra-thin glass production lines and relevant production units to enlarge the production of high added value products, like A-class products, and the monthly remuneration weight of provisions for new products, in order to stimulate quality improvement and consumption reduction, product creation and market innovative potential. Second, the Company reinforced benchmark management. Through monthly on-site benchmark meetings and participation in China Building glass platform benchmark meetings, the Company compared and analyzed the differences between the production and operation indicators with the annual targets and progress plans of each subsidiary, to find out reasons and stipulate measures to improve, enhance and promote the management. Third, the Company revised, optimized and integrated more than ten management systems to promote normalization, systematicness and suitability. Meanwhile, we strengthened the supervision, examination and assessment on the implement of systems to enhance management efficiency and reduce management cost.

— Continue the promotion of disposal of idle assets to increase income. During the Reporting Period, the Company acquired long-term equity investment disposal income of RMB93,394,600, and endeavored to obtain land reserve financial grant of RMB60,012,700.

— Proactively promoted the construction of energy conservation and environment protection projects. The Company accomplished the establishment of glass production lines cogeneration projects of Longhao Company and put it into grid-connected operation, which will better achieve the target of realization of energy comprehensive utilization and reduction of production and operation cost. In addition, the Company has all-roundly started the denitration, desulfuration, dedusting environmental protection projects regarding the production lines in operation. Upon completion of production, the projects will reach the national and industrial environmental protection requirements.

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	2014	2013	Change (%)
Operating income	**612,541,199.49**	375,735,014.43	63.02
Operating costs	**576,252,408.19**	322,728,783.02	78.56
Selling expenses	**26,065,248.80**	22,648,035.94	15.09
Administration expenses	**110,155,298.65**	107,131,092.30	2.82
Finance expenses	**6,160,463.44**	9,554,004.27	–35.52
Net cash flow from operating activities	**–40,828,687.97**	10,986,238.59	– 471.63
Net cash flow from investment activities	**94,559,344.33**	–74,851.10	N/A
Net cash flow from financing activities	**–58,609,501.28**	–38,397,140.08	N/A
R&D expenditures	**12,235,056.31**	8,929,713.21	37.02

3.2.2 Revenue

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

The income from business operations of the Company is mainly from sales of physical products (glass and silicon sand). During the Reporting Period, the Company recorded an operating revenue of RMB612,541,200, representing an increase of 63.02% as compared to that of last year.

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

During the Reporting Period, the sales of glass products of the Company recorded a significant growth due to the increase in production. Therefore, the income from glass products increase attributable to the increase in sales.

(3) Impact analysis of new products and new services

During the Reporting Period, the Company successfully researched and developed 0.33mm ultra-thin glass products, accordingly, we achieved continuous and stable production. The successful and stable production of 0.33mm ultra-thin glass products further enriched the categories of high added value products of the Company.

(4) Major sales to customers

The total sales to the top five customers amounted to RMB135,191,553.84, representing 22.07% of the Company's total operating income, among which, the sales to Anhui Province Bengbu Huayi Glass Company Limited*, one of the top five customers, accounted for 3.55% of the Company's total operating income for the year. Anhui Province Bengbu Huayi Glass Company Limited* 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	2014	Percentage over total cost for the current period (%)	2013	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	451,628,467.57	80.91	242,233,937.54	80.33	86.44	Increase in sales
	Direct labour	27,042,582.07	4.84	14,353,487.12	4.76	88.40	
	Manufacturing expenses	79,504,348.11	14.25	44,962,044.26	14.91	76.83	
Silica sand	Direct materials	10,489,190.17	78.92	8,880,160.25	80.11	18.12	Increase in sales
	Direct labour	1,457,039.47	10.96	1,105,999.34	9.98	31.74	
	Manufacturing expenses	1,344,719.63	10.12	1,099,015.31	9.91	22.36	

By products

By products	Component of cost	2014	Percentage over total cost for the current period (%)	2013	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	267,177,481.79	84.23	52,021,080.34	86.07	413.59	Increase in sales
	Direct labour	10,349,347.78	3.26	2,300,199.70	3.80	349.93	
	Manufacturing expenses	39,661,991.32	12.51	6,121,481.15	10.13	547.91	
Ultra-thin glass	Direct materials	184,450,985.78	76.54	190,212,857.20	78.89	–3.03	
	Labour expenses	16,693,234.29	6.93	12,053,287.42	5.00	38.50	Increase in labour expenses due to bonus of the research and development of new products
	Manufacturing expenses	39,842,356.79	16.53	38,840,563.11	16.11	2.58	
Silica sand	Direct materials	10,489,190.17	78.92	8,880,160.25	80.11	18.12	Increase in sales
	Direct labour	1,457,039.47	10.96	1,105,999.34	9.98	31.74	
	Manufacturing expenses	1,344,719.63	10.12	1,099,015.31	9.91	22.36	

(2) Major Suppliers

The procurement amount of the top five suppliers was RMB317,738,226.95, representing 60.54% of the total procurement amount, among which CLFG Yuantong Energy Co., Ltd. is the largest supplier (accounting for 21.39% of the total procurement amount), the Directors and vice chairman of which was Mr. Guo Yimin, the formal 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*

Unit: RMB

Item	**2014**	2013	Changes (%)	Reasons of changes
Selling expenses	**26,065,248.80**	22,648,035.94	15.09	Increase in remunerations and relevant expenses in the period
Administration expenses	**110,155,298.65**	107,131,092.30	2.82	
Financial expenses	**6,160,463.44**	9,554,004.27	-35.52	Decrease in interest expenditure, discount charge, commission charge of trust loans
Income tax expenses	**8,125,432.82**	3,287,385.84	147.17	Increase in profit of Longhai Company, a subsidiary of the Company

3.2.5 R&D expenditures

(1) R&D expenditures

Unit: RMB

Expensed research and development expenditure in the period	12,235,056.31
Capitalized research and development expenditure in the period	
Total research and development expenditure	12,235,056.31
Percentage of total research and development expenditure to net assets *(%)*	N/A
Percentage of total research and development expenditure to operating revenue *(%)*	2.00

(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 RMB-40,828,700, representing an increase in net expenditure of RMB51,814,900 over RMB10,986,200 for the same period last year, mainly due to the increase in material expenses and employee remuneration expenses during the period.

(2) The net cash flow from investing activities amounted to RMB94,559,300, representing an increase of net inflow of RMB94,634,200 over RMB-74,900 for the same period last year, mainly due to that the Company received the land purchase and reserve excess funds and government grant of the previous years during the period.

(3) The net cash flow from financing activities amounted to RMB-58,609,500, representing an increase of net outflow of RMB20,212,400 over RMB-38,397,100 for the same period last year, mainly due to the increase in the borrowings received and borrowings repaid during the period.

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, investment income increased by 4,000.38% to RMB98,842,500 from the same period last year, mainly due to income generated from disposal of equity interest in subsidiaries during the period.

② During the Reporting Period, non-operating income increased by 163.30% to RMB81,654,500 from the same period last year, mainly due to increase in government subsidy received during the period.

(2) Progress of development strategies and operating plan

In order to solve peer competition and promote the continuous profitability, the Company started material asset restructuring to realize the successful transformation from the traditional construction material region to electronic information display region.

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	578,920,975.34	558,175,397.75	3.58	75.18	85.10	Decreased by 5.17 percentage points
Silica sand	23,861,594.36	13,290,949.27	44.30	–0.75	19.90	Decreased by 9.59 percentage points

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	246,722,694.09	317,188,820.89	–28.56	348.63	424.78	Decreased by 18.65 percentage points
Ultra-thin glass	332,198,281.25	240,986,576.86	27.46	20.59	–0.05	Increased by 14.99 percentage points
Silica sand	23,861,594.36	13,290,949.27	44.30	–0.75	19.90	Decreased by 9.59 percentage points

Explanation of principal operations by industry and products	Increase in ultra-thin glass was attributable to the new additional profit drivers created for the Company through research and development of new products during the Reporting Period.

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	602,782,569.70	70.03

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	68,478,221.61	6.48	128,509,961.33	10.48	-46.71	Mainly due to the increase in notes deposits
Bills receivable	400,000.00	0.04	39,799,612.49	3.24	-98.99	Mainly due to the increase in payments of products fee by notes
Prepayment	7,692,326.00	0.73	13,806,820.85	1.13	-44.29	Mainly due to the settlement of prepayments of the bulk raw material fee
Other receivables	37,020,177.60	3.50	81,916,322.40	6.68	-54.81	Mainly due to the receiving of balances of land purchase and reserve fee in the previous years
Other current assets	21,865,034.21	2.07	0	0		Mainly due to the reclassification of the amount of the debtor from the tax payables to this item
Held-for-sale financial assets	4,343,500.00	0.41	7,000,000.00	0.57	-37.95	Mainly due to the disposal of certain equity interest
Long-term receivables	48,649,780.65	4.60	0	0		Mainly due to the disposal of equity interest in the subsidiaries
Short-term borrowings	10,000,000.00	0.95	50,696,833.33	4.13	-80.27	Mainly due to the repayment of borrowings
Bills payables	90,000,000.00	8.51	150,000,000.00	12.23	-40.00	Mainly due to the payment of expired bills
Receivables	57,399,049.54	5.43	41,704,096.40	3.4	37.63	Mainly due to the increase in prepayment for goods
Tax payables	27,800,706.43	2.63	-7,987,198.97	-0.65	448.07	Mainly due to the reclassification of the amount of the debtor in the tax payables from this item to other current asset item
Other payables	80,705,153.66	7.63	126,044,622.62	10.28	–35.97	Mainly due to the roll out of first batch of amount received in the preliminary disposal resulted from the completion of disposal transaction of industrial equity

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 0.33mm ultra-thin float glass, increased the varieties of the Company's ultra-thin glass products to twelve, which further enhanced the variety advantage of ultra-thin glass products of the Company, thus strengthening the competitiveness of the Company's products.

   In March 2015, the thinnest 0.28mm and 0.25mm ultra-thin glass products researched and developed by the Company also realized commercial production, which further enriched the categories of high added-value 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 2014

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
Zhongyuan Bank Holdings Limited (中原銀行股份有限公司)	Monetary and banking services	0.0457
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	12,134,717.53
Amount of external equity investment in the last period	14,791,217.53
Change amount of the amount of external equity investment in the period over the amount of external equity investment in the last period	–2,656,500.00
Change of the amount of external equity investment in the period over the amount of external equity investment in the last period *(%)*	–17.96

(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
Zhongyuan Bank Holdings Limited (中原銀行股份有限公司)	7,000,000	7,039,484	0.0457		4,343,500.00	5,447,976.24		Available-for-sale financial assets	purchase
Total	7,000,000	7,039,484	0.0457		4,343,500.00	5,447,976.24			

Explanation of equity held in unlisted financial enterprises	During the Reporting Period, the Company received a dividend of RMB1,224,570.83 from Sanmenxia Bank and disposed the 3,659,521 shares in Sanmenxia Bank held by it, receiving investment income of RMB4,223,405.41. In December 2014, Sanmenxia Bank Holdings Limited reorganized and set up Zhongyuan Bank Holdings Limited together with the other twelve city commercial banks. Upon completion of the reorganization, the total share capital of Zhongyuan Bank was 15,420,540,741 shares, of which, Longfei Company held 7,039,484 shares, accounting for 0.0457% of the total share capital.

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	225,724,040.09	–370,039,831.39	–40,549,030.86
CLFG Longfei Glass Company Limited	Building materials	Manufacture of float sheet glass	74,080,000	77,728,145.59	–209,052,093.74	–20,372,603.48
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	44,472,712.48	3,772,669.81	–5,123,106.34
CLFG Longhai Electronic Glass Co., Ltd.	Building materials	Manufacture of float sheet glass and electronic glass	60,000,000	221,241,417.93	168,866,064.91	46,242,628.12
CLFG Longhao Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000	334,166,861.32	–264,406,434.54	–138,742,633.25
CLFG Longxiang Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000	67,143,637.08	–48,972,714.58	–13,452,074.10
Dengfeng CLFG Silicon Co., Ltd.	Building materials	Sales of silica sand	13,000,000	10,210,919.06	9,897,104.81	–691,630.82
Dengfeng Hongzhai Silicon Co., Ltd.	Building materials	Sales of silica sand	2,050,000	9,078,709.42	–822,939.29	–1,253,971.29
Luoyang Luobo Furuida Commerce Co., Ltd. (洛陽洛玻福睿達商貿有限公司)	Trading	Sales of glass and raw materials	500,000	20,393,393.21	–1,040,705.89	–1,540,401.56

(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 Industrial Co., Ltd.	Disposal of 100% equity interest	Net investment income incurred amounted to RMB93,394,560.90

3.7 Continuing Connected Transactions in 2014

In 2014, the transaction amount of the continuing connected transactions of the Group amounted to RMB264,930,000, and the annual caps being considered and approved amounted to RMB1,375,120,000 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 2014 implemented corresponding consideration and approval procedures pursuant to relevant requirements under the Listing Rules on the Hong Kong Stock Exchange and the 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 2014.

3.8 Industry competition pattern and development trend

The national government encouraged and supported the development of the ultra-thin electronic glass industry. The "Development Guidance for the Construction Materials Industry for the Twelfth Five-Year Plan" definitely stated that the government will pay attention to develop "solar glass, ultra-thin plat glass and other highly-processed products".

During the recent years, along with the focus of the global panel display industry to the PRC, China has become the largest consumption market of panel display in the world. The consumption of LED TV, 3D TV, smart phones, panel personal computers and other electronic products will drive the development of the industry. Major downstream industries of ultra-thin glass are still in the development period, thereby the overall market demand is expected to keep the increase trend in the future. Liquid crystal display screen glass plate, glass plate used in touch screens and protection screen glass, have great demand on ultra-thin glass. At present, the national ultra-thin glass products account for a relatively small proportion of the market share, the remaining majority part is imported. Accordingly, there is still room to increase in the future.

However, in the meantime, most of the domestic enterprises started to produce ultra-thin glass, with several production lines successively put into operation. Especially since the second half of 2014, in order to fight for market shares, domestic ultra-thin glass producers enlarged the production volume of 1.1mm and 0.7mm glass, which weakened the price monopoly of foreign enterprises and resulted in the downturn of market prices of low and medium end products.

In summary, the market demand for high-end ultra-thin glass will continue the upturn in 2015, while the low and medium ultra-thin glass market will present obvious contraction of oversupply with intensifying competitions.

3.9 Development strategy

Guided by electronic float glass, the Company implemented innovative impetus on the strategic innovative products in the industry. In addition, the Company comprehensively improved and continued to optimize the techniques and equipment regarding the "Luoyang Float Glass Technology". We continuously expanded the new region of application of float glass, in a bid to become the most competitive electronic glass provider.

3.10 Business plan and measures

1. *Business plan for 2015*

Output of float glass:	8,408,900 boxes
Sales:	8,546,200 boxes
Sales revenue:	RMB960,457,800
Cost and expenses as a proportion of the sales revenue:	97.92%

2. *Working policies and measures to be adopted in 2015*

In 2015, the Company will spare no effort in promoting the significant asset restructuring to innovate operation system. Through acceleration of the structural adjustment and promotion of transform and upgrade, we will enhance the core competitiveness to comprehensively elevate the enterprise image, which will lead to the healthy and continuous development of Luoyang Glass. In addition, we will guarantee to complete the annual operation target to create more value for shareholders. The main tasks are as follows:

(1) The Company will continue to advance the various subsequent work regarding the significant asset restructuring of the Company to guarantee the smooth implement of the significant asset restructuring project.

(2) The Company will strengthen the techniques and business process as well as the adaptive matching and standard of organization structure to improve the effectiveness of operation and management. Furthermore, we will optimize the management procedures and innovate management mechanism to promote department simplification and staff elitism. With department simplification, the Company will increase efficiency and reduce cost. With hierarchy reduction, the Company will achieve flat management. With reducing redundant staff, the Company improved the labor productivity.

(3) The Company will continue to implement product innovation. With the multi-element profile of high added-value products and innovative products, the Company could resist the risks caused by market changes. In addition, we will continue to stabilize the yield and quality of 0.33mm and 0.4mm high gross margin products to consolidate and increase the market share. We will enlarge the investment in research and development to continuously develop new products and make it a new profit growth point of the Company. Furthermore, we will perfect, optimize and improve the techniques to further improve the quality of "double-ultra" products and develop new "double-ultra" products to guide the new demand of the market, in a bid to realize the long-term production, stability and profit of "double-ultra" products.

(4) The Company will reinforce marketing innovation and enhance market management to increase the possibility of generating profit in the marketing link. Moreover, the Company will strengthen the marketing publicity and expansion of "double-ultra" products as well as 0.25mm and 0.28mm new products to explore the market potential demand. In 2015, the Company will strive to achieve a sales of 1 million square meters of 0.25mm and 0.28mm new products, a sales of more than 2.3 million square meters of the two products of 0.4mm and 0.33mm, and an annual sales of double-ultra products of more than 1.7 million square meters.

The Company will plan and coordinate the synergy between the products of each ultra-thin glass production line and the market to give full play to the advantages of each production line to complement each other. Therefore, the Company will guarantee and better satisfy the multilevel and multi-aspect demands of the market in the links of breed structure, product quality, regional position and date of delivery, etc. In addition, the Company will improve its right of speech and pricing power in the domestic ultra-thin glass market to increase its overall competition and anti-risk capability and develop the economies of scale.

The Company will focus on the business training of marketing staff to increase the comprehensive quality, increase the marketing techniques and the quality of after-sales service.

(5) The Company will emphasize refined management to consolidate the foundation, improve endogenous power and increase the profitability of principle business. Furthermore, we will enhance the optimization of technical process, reinforce the control of technical cost and reduce the time of invalid work. The Company will increase the raw and auxiliary material utilization efficiency to reduce the production cost. In addition, the Company will promote the utilization of new techniques regarding energy conservation and environment protection to decrease energy consumption and achieve clean production. In respect of storage management, the Company stringently regulates the procedures in relation to storage, discharge and receipt of inventory material, and strictly implements regular examination system to control storage loss. Accordingly, the inventory decreased by 10% on a year-on-year basis. As for the procurement, the Company will strictly control the surrogate products, quality and cost to ensure the stability of the supply channel. In addition, we will enhance the supervision and examination to increase the work efficiency and implementation as well as the management level.

(6) The Company will explore to implement the reform of simulative marketization remuneration system and make use of the incentive and constraint functions of remuneration and assessment to achieve person-post matching. Therefore, everyone will fully display his talents. With preferences to efficiency and benefits, we could establish a fair and transparent distribution mechanism. Furthermore, we will explore to establish the internal simulative marketization talent flow mechanism to enhance position rotation and training to cultivate inter-disciplinary talent in many aspects.

3.11 Potential Risks

1. *Risks arising from policies and the industry*

The Ministry of Industry and Information Technology newly issued the "Specifications and Conditions of the Plate Glass Industry (2014) (平板玻璃行業規範條件(2014年本)》)" to implement the "Guiding Opinions of the State Council on Resolving Serious Production Overcapacity Conflicts (Guo Fa [2013] No. 41) (《國務院關於化解產能嚴重過剩矛盾的指導意見》(國發[2013]41號))". The Industry Specifications further reinforced the standard constraint regarding environmental protection, energy consumption, safety and others, which is favor of promoting the restructuring and integration as well as industrial upgrade of the glass industry. Accordingly, the glass industry will develop in a healthy and orderly manner, and the investment in environmental protection of production enterprises will be increased as well.

The adjustments on the development strategies of the Company are in line with the industrial development direction and upgrade path which are encouraged and supported by the national government. Under the premise of fulfilling the demand on environmental protection by the central government, the Company proactively seeks the measures regarding energy saving and consumption reduction, cost decreasing and benefit increasing.

2. *Risks arising from product price*

The productivity of the ultra-glass market is enlarged continuously, which will affect the selling price and sales volume of products. The fluctuation in prices will result in the great difficulties in realization of overdue inventories, therefore, the Company will confront with risks arising from inventory impairment.

Countermeasures: the Company will accelerate the reactions and closely follow up the mainstream prices in the market. We will also develop new products in a due course and increase our market shares. In addition, the Company will stabilize and broaden the marketing channels to cultivate new clients and large clients.

3. *Risks arising from price of raw materials*

The major raw materials of the Company's products include fuel, sodium carbonate and silica sands, the procurement costs represent a significant percentage of the product cost. Price fluctuation of raw and fuel materials might bring in certain risks in respect of increase in costs.

Countermeasures: the Company will accurately follow the fluctuations of prices to purchase in due course, in order to reduce the purchasing cost. In addition, the Company will expand the supply channel to ensure the stability and efficiency of the supply channel.

4. *Financial Risks*

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 has little effect on the Company.

5. *Technological risks*

All of the core techniques of the Company are self-researched and self-developed, with proprietary intellectual property rights. Of which, the production of ultra-thin and ultra-white glass uses advanced techniques with abundant experience in product research and development. Therefore, the Company does not confront with technical risks regarding the above.

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 2014 was RMB16,004,700, together with the undistributed profit RMB-1,375,896,000 at the beginning of the year, the accumulated undistributed profit amounted to RMB-1,359,891,300. Therefore, the Company will not distribute profit for 2014 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. MATTERS RELATING TO FINANCIAL REPORT

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

The Ministry of Finance revised and issued eight Accounting Standards for Business Enterprises including Accounting Standards for Business Enterprises No.2 — Long-term Equity Investments in 2014. Except for Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments, which was adopted in 2014 and the subsequent years, other standards will be implemented since 1 July 2014 in enterprises which implement the Accounting Standards for Business Enterprises. The Company re-determined relevant accounting policies in accordance with the standards, and restated the comparative financial statements for 2014 with the application of retrospective adjustment method.

Pursuant to the stipulations in the revised Accounting Standards for Business Enterprises including Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments, the Group adjusted the equity interest without control, common control, significant influence and quotations in open and active market, to calculate as available-for-sale financial assets with the cost approach. According to the stipulations in Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements, the Company adjusted the government grant presented in non-current liabilities to deferred income. The influence of the above-mentioned changes in accounting policies on the relevant items in the comparative financial statements are as follows:

	Amount affected in the items of relevant financial statements as at 31 December 2013/for 2013	
Changes in accounting polies and the influences thereof on the Company	Item	Increase +/ decrease – in amount affected
Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements (revised in 2014)	Deferred income	11,447,966.31
	Non-current liabilities due within one year	-1,268,920.56
	Other non-current liabilities	-10,179,045.75
Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments (revised in 2014)	Available-for-sale financial assets	7,000,000.00
	Long-term equity investments	-7,000,000.00

Changes in accounting policies and the influences thereof on the Company	Amount affected in the items of relevant financial statements as at 1 January 2013/for 2012	
	Item	Increase +/decrease – in amount affected
Accounting Standards for Business Enterprises No. 30 — Presentation of Financial Statements (revised in 2014)	Deferred income	14,053,655.20
	Non-current liabilities due within one year	-2,325,557.29
	Other non-current liabilities	-11,728,097.91
Accounting Standards for Business Enterprises No. 2 — Long-term Equity Investments (revised in 2014)	Available-for-sale financial assets	7,000,000.00
	Long-term equity investments	-7,000,000.00

The changes in the accounting policies only have influences on the above-presented items in the financial statements, and do not have any influence on the total assets, total liabilities, net assets as at the end of 2013 and 2012, as well as the net profit for 2013 and 2012.

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

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

On 31 December 2013, the Company entered into the Equity Transfer Contract with Luoyang Tianyuan Property Company Limited* (洛陽天元置業有限公司) and transferred the 100% equity interest of Luoyang Glass Industrial Co., Ltd. to Luoyang Tianyuan Property Company Limited* at a transaction price of RMB122 million. In March 2014, the Company completed the delivery procedures regarding this equity transfer. Therefore, Luoyang Tianyuan Property Company Limited* will not been incorporated into the consolidation scope of the Company in the period.

CONSOLIDATED BALANCE SHEET

Prepared by: Luoyang Glass Company Limited December 31, 2014

Unit: RMB

Item	**December 31, 2014**	December 31, 2013
Current assets:		
Bank balance and cash	**68,478,221.61**	128,509,961.33
Financial assets classified into financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	**400,000.00**	39,799,612.49
Accounts receivable	**23,412,089.50**	29,651,547.60
Prepayments	**7,692,326.00**	13,806,820.85
Interest receivable		
Dividends receivable		
Other receivables	**37,020,177.60**	81,916,322.40
Inventory	**211,781,486.51**	200,349,541.58
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	**21,865,034.21**	
Total current assets	**370,649,335.43**	494,033,806.25

Item	**December 31, 2014**	December 31, 2013
Non-current assets:		
Available-for-sale financial assets	**4,343,500.00**	7,000,000.00
Held-to-maturity investments		
Long-term receivables	**48,649,780.65**	
Long-term equity investments		
Investment properties		
Fixed assets	**568,040,126.38**	644,340,372.61
Construction in progress	**698,734.75**	2,139,957.20
Construction materials	**428,213.56**	506,186.30
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	**54,815,729.68**	73,958,045.12
Development expenses		
Goodwill		
Long-term deferred expenses	**486,000.00**	
Deferred income tax assets	**3,821,811.59**	2,437,064.61
Other non-current assets	**5,134,487.79**	2,112,887.79
Total non-current assets	**686,418,384.40**	732,494,513.63
Total assets	**1,057,067,719.83**	1,226,528,319.88

Item	**December 31, 2014**	December 31, 2013
Current liabilities:		
Short-term loans	**10,000,000.00**	50,696,833.33
Financial assets classified into financial assets at fair value through profit or loss		
Derivative financial assets		
Notes payable	**90,000,000.00**	150,000,000.00
Accounts payable	**266,198,092.81**	282,538,381.85
Payments received in advance	**57,399,049.54**	41,704,096.40
Staff remuneration payables	**48,625,920.94**	59,538,138.48
Taxes payable	**27,800,706.43**	–7,987,198.97
Interest payable		
Dividends payable		
Other payables	**80,705,153.66**	126,044,622.62
Assets classified as held for sale		
Non-current liabilities due within one year	**46,293,636.87**	46,343,566.40
Other current liabilities		
Total current liabilities	**627,022,560.25**	748,878,440.11
Non-current liabilities:		
Long-term loans	**459,535,761.38**	506,104,010.11
Debentures payable		
Long-term payables		
Long-term employee remuneration payable		
Specific payables		
Accrued liabilities		
Deferred income	**9,898,914.15**	11,447,966.31
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**469,434,675.53**	517,551,976.42
Total liabilities	**1,096,457,235.78**	1,266,430,416.53

Item	**December 31, 2014**	December 31, 2013
Owners' equity:		
Share capital	**500,018,242.00**	500,018,242.00
Other equity instruments		
Capital reserve	**857,450,406.90**	857,450,406.90
Less: Treasury stock		
Other comprehensive income		
Special reserve	**456,157.74**	367,894.52
Surplus reserve	**51,365,509.04**	51,365,509.04
Retained earnings	**–1,359,891,297.28**	–1,375,895,993.77
Total equity attributable to the owners of the Company	**49,399,018.40**	33,306,058.69
Minority interests	**–88,788,534.35**	–73,208,155.34
Total owners' equity	**–39,389,515.95**	–39,902,096.65
Total liabilities and owners' equities	**1,057,067,719.83**	1,226,528,319.88

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, 2014

Unit: RMB

Item	**December 31, 2014**	December 31, 2013
Current assets:		
Bank balance and cash	**45,193,116.50**	100,484,846.41
Financial assets classified into financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	**0.00**	37,380,000.00
Accounts receivable	**556,257,598.52**	536,576,422.25
Prepayments	**1,485,067.67**	1,099,223.51
Interest receivable		
Dividends receivable		
Other receivables	**179,069,893.00**	291,258,468.88
Inventory	**0.00**	5,787,785.18
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets		
Total current assets	**782,005,675.69**	972,586,746.23

Item	December 31, 2014	December 31, 2013
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		139,969,000.00
Long-term receivables	**48,649,780.65**	
Long-term equity investments	**52,597,961.54**	92,519,028.76
Investment properties		
Fixed assets	**3,813,540.76**	5,035,983.24
Construction in progress		
Construction materials	**428,213.56**	443,778.51
Disposal of fixed assets		
Biological assets for production		
Fuel assets		
Intangible assets	**6,856,321.12**	7,080,505.96
Development expenses		
Goodwill		
Long-term deferred expenses	**486,000.00**	
Deferred income tax assets		
Other non-current assets		
Total non-current assets	**112,831,817.63**	245,048,296.47
Total assets	**894,837,493.32**	1,217,635,042.70

Item	December 31, 2014	December 31, 2013
Current liabilities:		
Short-term loans	**10,000,000.00**	50,696,833.33
Financial assets classified into financial assets at fair value through profit or loss		
Derivative financial assets		
Notes payable	**90,000,000.00**	150,000,000.00
Accounts payable	**75,935,633.93**	105,199,176.11
Payments received in advance	**50,176,727.50**	39,196,282.16
Staff remuneration payables	**13,822,236.57**	35,821,245.04
Taxes payable	**7,262,758.60**	678,566.99
Interest payable		
Dividends payable		
Other payables	**50,643,969.60**	205,350,299.14
Assets classified as held for sale		
Non-current liabilities due within one year	**43,413,636.87**	43,463,566.40
Other current liabilities		
Total current liabilities	**341,254,963.07**	630,405,969.17
Non-current liabilities:		
Long-term loans	**430,815,761.38**	474,504,010.11
Debentures payable		
Long-term payables		
Long-term employee remuneration payable		
Specific payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**430,815,761.38**	474,504,010.11
Total liabilities	**772,070,724.45**	1,104,909,979.28

Item	December 31, 2014	December 31, 2013
Owners' equity:		
Share capital	**500,018,242.00**	500,018,242.00
Other equity instruments		
Capital reserve	**891,129,782.23**	891,129,782.23
Less: Treasury stock		
Other comprehensive income		
Special reserve		
Surplus reserve	**51,365,509.04**	51,365,509.04
Retained earnings	**–1,319,746,764.40**	–1,329,788,469.85
Total owners' equity	**122,766,768.87**	112,725,063.42
Total liabilities and owners' equities	**894,837,493.32**	1,217,635,042.70

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 2014

Unit: RMB

Item		2014	2013
I.	**Total operating revenue**	**612,541,199.49**	375,735,014.43
	Less: Operating costs	**576,252,408.19**	322,728,783.02
	Business taxes and surcharges	**6,598,685.62**	4,945,624.54
	Selling expenses	**26,065,248.80**	22,648,035.94
	Administration expenses	**110,155,298.65**	107,131,092.30
	Finance expenses	**6,160,463.44**	9,554,004.27
	Impairment loss on assets	**49,408,258.94**	46,665,378.40
	Add: Gains from changes in fair value		
	Investment income	**98,842,537.14**	2,410,572.50
	Including: Gains from investment in associates and joint ventures		
II.	**Operating profit**	**–63,256,627.01**	–135,527,331.54
	Add: Non-operating income	**81,654,516.83**	31,012,446.69
	Including: gain on disposal of non-current assets	**2,294,067.72**	20,099,782.07
	Less: Non-operating expenses	**9,929,613.25**	3,051,871.70
	Including: Loss from disposal of non-current assets	**1,628,535.23**	1,673,324.51
III.	**Total profit**	**8,468,276.57**	–107,566,756.55
	Less: Income tax expenses	**8,125,432.82**	3,287,385.84
IV.	**Net profit**	**342,843.75**	–110,854,142.39
	Including: Net profit attributable to the owners of the Company	**16,004,696.49**	–98,980,994.84
	Minority interests	**–15,661,852.74**	–11,873,147.55

Item	2014	2013
V. Other comprehensive income net of tax		
Net comprehensive income attributable to equity holders of the Company		
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods		
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		
Net other comprehensive income after tax attributable to minority interests		
VI. Total comprehensive income	**342,843.75**	–110,854,142.39
Total comprehensive income attributable to owners of the parent company	**16,004,696.49**	–98,980,994.84
Total comprehensive income attributable to minority interests	**–15,661,852.74**	–11,873,147.55
VII. Earnings per share		
(1) Basic earnings per share *(RMB/share)*	**0.0320**	–0.1980
(2) Diluted earnings per share *(RMB/share)*	**0.0320**	–0.1980

Legal representative:
Ma Liyun

Chief accountant:
Sun Lei

Person in charge of accounting department:
Chen Jing

INCOME STATEMENT OF THE COMPANY

Prepared by: Luoyang Glass Company Limited For 2014

Unit: RMB

Item			2014	2013
I.	**Operating revenue**		**715,403,789.93**	444,758,638.37
	Less:	Operating costs	**702,105,154.31**	415,670,940.26
		Business taxes and surcharges	**2,544,953.25**	883,856.67
		Selling expenses	**2,457,715.83**	2,937,640.86
		Administration expenses	**23,386,907.28**	23,881,432.01
		Finance expenses	**–6,287,017.61**	–343,993.97
		Impairment loss on assets	**321,657,803.07**	1,898,152.14
	Add:	Gains from changes in fair value		
		Investment income	**270,997,339.33**	23,124,763.96
		Including: Gains from investment in associates and joint ventures		
II.	**Operating profit**		**–59,464,386.87**	22,955,374.36
	Add:	Non-operating income	**72,550,822.52**	19,362,784.25
		Including: gain on disposal of non-current assets	**1,889,196.38**	18,649,703.38
	Less:	Non-operating expenses	**3,044,730.20**	2,206,182.54
		Including: Loss from disposal of non-current assets	**298,792.54**	1,630,927.34

Item	2014	2013
III. Total profit	**10,041,705.45**	40,111,976.07
Less: Income tax expenses		
IV. Net profit	**10,041,705.45**	40,111,976.07
V. Net other comprehensive income after tax		
(1) Other comprehensive income that can not be reclassified to profit and loss in subsequent periods		
(2) Other comprehensive income that will be subsequently reclassified to profit and loss		
VI. Total comprehensive income	**10,041,705.45**	40,111,976.07
VII. Earnings per share		
(1) Basic earnings per share *(RMB/share)*	**0.0201**	0.0802
(2) Diluted earnings per share *(RMB/share)*	**0.0201**	0.0802

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 2014

Unit: RMB

Item	2014	2013
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**319,135,078.49**	185,908,945.36
Tax rebates		
Other cash received from activities related to operation	**16,382,969.13**	13,445,194.56
Sub-total of cash inflow from operating activities	**335,518,047.62**	199,354,139.92
Cash paid for goods purchased and services rendered	**202,349,909.55**	80,997,979.90
Cash paid to and on behalf of employees	**104,900,603.91**	54,971,205.12
Tax payments	**44,490,722.23**	30,671,267.60
Other cash paid for activities related to operation	**24,605,499.90**	21,727,448.71
Sub-total of cash outflow from operating activities	**376,346,735.59**	188,367,901.33
Net cash flow from operating activities	**–40,828,687.97**	10,986,238.59

Item		2014	2013
II.	**Cash flow from investment activities:**		
	Cash received from disposal of investment		23,000,000.00
	Cash received from return of investments	**1,224,570.83**	2,410,572.50
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**38,441,655.62**	15,635,926.98
	Net cash received from disposal of subsidiaries and other operating entities	**4,000,000.00**	
	Other cash received from activities related to investment	**60,012,700.00**	5,000,000.00
	Sub-total of cash inflow from investment activities	**103,678,926.45**	46,046,499.48
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**4,119,582.12**	45,778,122.90
	Cash paid for investment		
	Net cash paid for acquisition of subsidiaries and other operating entities		
	Other cash paid for activities related to investment	**5,000,000.00**	343,227.68
	Sub-total of cash outflow from investment activities	**9,119,582.12**	46,121,350.58
	Net cash flow from investment activities	**94,559,344.33**	–74,851.10

Item	**2014**	2013
III. Cash flow from financing activities:		
Cash received from investments		
Including: Proceeds received by subsidiaries from minority shareholders' investment		
Proceeds from loans	**10,000,000.00**	106,039,000.00
Other cash received from financing-related activities	**485,705,546.54**	690,929,578.87
Sub-total of cash inflow from financing activities	**495,705,546.54**	796,968,578.87
Repayment of loans	**46,343,246.66**	121,326,087.29
Cash paid for dividends, profit, or interest payments	**221,001.16**	1,469,631.66
Including: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid for financing-related activities	**507,750,800.00**	712,570,000.00
Sub-total of cash outflow from financing activities	**554,315,047.82**	835,365,718.95
Net cash flow from financing activities	**–58,609,501.28**	–38,397,140.08
IV. Effects of changes in exchange rate on cash and cash equivalents	**430.47**	–3,693.37
V. Net increase in cash and cash equivalents	**–4,878,414.45**	–27,489,445.96
Add: Opening balance of cash and cash equivalents	**28,316,110.10**	55,805,556.06
VI. Closing balance of cash and cash equivalents	**23,437,695.65**	28,316,110.10

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 2014

Unit: RMB

Item		2014	2013
I.	**Cash flows from operating activities:**		
	Cash received from sale of goods or rendering of services	**274,277,887.70**	153,349,599.68
	Tax rebates		
	Other cash received from activities related to operation	**353,892,935.63**	498,996,320.15
	Sub-total of cash inflow from operating activities	**628,170,823.33**	652,345,919.83
	Cash paid for goods purchased and services rendered	**270,328,215.47**	137,093,052.81
	Cash paid to and on behalf of employees	**52,915,520.72**	18,165,945.07
	Tax payments	**6,744,426.47**	1,666,303.01
	Other cash paid for activities related to operation	**26,826,503.99**	131,100,851.68
	Sub-total of cash outflow from operating activities	**356,814,666.65**	288,026,152.57
	Net cash flow from operating activities	**271,356,156.68**	364,319,767.26

Item		**2014**	2013
II.	**Cash flow from investment activities:**		
	Cash received from disposal of investment		
	Cash received from return of investments	**0.00**	2,946,866.81
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**38,441,655.62**	658,937.40
	Net cash received from disposal of subsidiaries and other operating entities	**4,000,000.00**	0.00
	Other cash received from activities related to investment	**60,012,700.00**	5,000,000.00
	Sub-total of cash inflow from investment activities	**102,454,355.62**	8,605,804.21
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**332,570.00**	355,705.78
	Cash paid for investment	**0.00**	7,000,000.00
	Net cash paid for acquisition of subsidiaries and other operating entities		
	Other cash paid for activities related to investment	**5,000,000.00**	343,227.68
	Sub-total of cash outflow from investment activities	**5,332,570.00**	7,698,933.46
	Net cash flow from investment activities	**97,121,785.62**	906,870.75

Item		2014	2013
III.	**Net cash flow from investment activities**		
	Cash received from investments		
	Proceeds from loans	**10,000,000.00**	106,000,000.00
	Other cash received from financing-related activities	**113,000,000.00**	135,934,735.15
	Sub-total of cash inflow from financing activities	**123,000,000.00**	241,934,735.15
	Repayment of loans	**43,463,246.66**	98,446,087.29
	Cash paid for dividends, profit, or interest payments	**221,001.16**	948,520.55
	Other cash paid for financing-related activities	**448,000,000.00**	507,570,000.00
	Sub-total of cash outflow from financing activities	**491,684,247.82**	606,964,607.84
	Net cash flow from financing activities	**–368,684,247.82**	–365,029,872.69
IV.	**Effects of changes in exchange rate on cash and cash equivalents**	**430.47**	–3,693.37
V.	**Net increase in cash and cash equivalents**	**–205,875.05**	193,071.95
	Add: Opening balance of cash and cash equivalents	**398,991.55**	205,919.60
VI.	**Closing balance of cash and cash equivalents**	**193,116.50**	398,991.55

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Prepared by: Luoyang Glass Company Limited — For 2014

Unit: RMB

Item	2014											
	Equity attributable to equity holders of the Company											
	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Sub-total	Minority interest	Total shareholder's equity
I. Balance at the end of last year	**500,018,242.00**		**857,450,406.90**			**367,894.52**	**51,365,509.04**	**-1,375,895,993.77**		**33,306,058.69**	**-73,208,155.34**	**-39,902,096.65**
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**			**367,894.52**	**51,365,509.04**	**-1,375,895,993.77**		**33,306,058.69**	**-73,208,155.34**	**-39,902,096.65**
III. Increase/decrease in the year (decrease is represented by "-")						**88,263.22**		**16,004,696.49**		**16,092,959.71**	**–15,580,379.01**	**512,580.70**
(I) Other comprehensive income								16,004,696.49		16,004,696.49	–15,661,852.74	342,843.75
(II) Owners' contribution and decrease in capital												
1. Owners' capital contribution												
2. Capital input by holders of other equity instruments												
3. Share based payments credited to owners' equity												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserve												
2. Distribution to owners (or shareholders)												
3. Others												
(IV) 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												
(V) Special reserve												
1. Amount withdrawn in the year						88,263.22				88,263.22	81,473.73	169,736.95
2. Amount utilized in the year						131,116.42				131,116.42	121,030.53	252,146.95
(VI) Others						-42,853.20				-42,853.20	-39,556.80	-82,410.00
IV. Balance at the end of the year	**500,018,242.00**		**857,450,406.90**			**456,157.74**	**51,365,509.04**	**–1,359,891,297.28**		**49,399,018.40**	**–88,788,534.35**	**–39,389,515.95**

2013

Item	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Sub-total	Minority interest	Total shareholder's equity
	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												
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) Other comprehensive income								-98,980,994.84		-98,980,994.84	-11,873,147.55	-110,854,142.39
(II) Owners' contribution and decrease in capital												
1. Owners' capital contribution												
2. Capital input by holders of other equity instruments												
3. Share based payments credited to owners' equity												
4. Others												
(III) Profit distribution												
1. Appropriation to surplus reserve												
2. Distribution to owners (or shareholders)												
3. Others												
(IV) 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												
(V) 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
(VI) Others												
IV. Balance at the end of the year	500,018,242.00		857,450,406.90			367,894.52	51,365,509.04	-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**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

Prepared by: Luoyang Glass Company Limited For 2014

Unit: RMB

Item	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder's equity
	2014								
I. Balance at the end of last year	**500,018,242.00**		**891,129,782.23**				**51,365,509.04**	**-1,329,788,469.85**	**112,725,063.42**
Add: Effects of changes in									
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**	**-1,329,788,469.85**	**112,725,063.42**
III. Increase/decrease in the year									
(decrease is represented by "-")								**10,041,705.45**	**10,041,705.45**
(I) Other comprehensive income								**10,041,705.45**	**10,041,705.45**
(II) Owners' contribution and decrease in capital									
1. Owners' capital contribution									
2. Capital input by holders of other equity instruments									
3. Share based payments credited to owners' equity									
4. Others									
(III) Profit distribution									
1. Appropriation to surplus reserve									
2. Distribution to owners (or shareholders)									
3. Others									
(IV) 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									
(V) Special reserve									
1. Amount withdrawn in the year									
2. Amount utilized in the year									
(VI) Others									
IV. Balance at the end of the year	**500,018,242.00**		**891,129,782.23**				**51,365,509.04**	**-1,319,746,764.40**	**122,766,768.87**

Item	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder's equity
					2013				
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									
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) Other comprehensive income								40,111,976.07	40,111,976.07
(II) Owners' contribution and decrease in capital									
1. Owners' capital contribution									
2. Capital input by holders of other equity instruments									
3. Share based payments credited to owners' equity									
4. Others									
(III) Profit distribution									
1. Appropriation to surplus reserve									
2. Distribution to owners (or shareholders)									
3. Others									
(IV) 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									
(V) Special reserve									
1. Amount withdrawn in the year									
2. Amount utilized in the year									
(VI) Others									
IV. Balance at the end 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**

NOTES TO THE FINANCIAL STATEMENTS

From 1 January 2014 to 31 December 2014

(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

1. Basis of preparation: The financial statements of the Company have been prepared on the going concern basis, reflecting the business transactions and affairs actually incurred, in accordance with the Basic Standard and the specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance (hereafter together referred to as the "Accounting Standards for Business Enterprises"). The financial statements have also been prepared based on the following principal accounting policies and accounting estimates.

2. Ongoing basis: On 31 December 2014, the current liabilities of the group reached RMB256,373,224.82, exceeding current assets. Directors of the company have made estimation that with the adjustment of the product structure of the Group, and the upgrading and rebuilding of production lines, the Group was expected to generate positive business activities cash flow. Meanwhile, the actual controller, CNBM, and the controlling shareholder, CHINA LUOYANG FLOAT GLASS GROUP CO., have respectively made undertakings to offer financial aid to the company, which can meet the needs of settlement of debts and committed capital funds of the Group. Directors of the company believe that there is no problem about the Group's ability to continue. Therefore, the Company has prepared the financial statement based on the going concern basis.

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

1. Scope of consolidation financial statements

   The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidation financial statements, including the enterprises under the Company's control, divisible part in the investees and structured entities.

2. To unify the accounting policies, date of balance sheets and accounting periods of the parent company and subsidiaries

   When preparing consolidated financial statements, adjustments are made if the subsidiaries' accounting policies and accounting periods are different from that of the Company, in accordance with the Company's accounting policies and accounting periods.

3. Offset matters in the consolidated financial statements

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

4. Accounting treatment of subsidiaries acquired from business combination

   For subsidiaries acquired under business combination involving enterprises under common control, the assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the financial year in which the combination took place. When preparing the consolidated financial statements, for the subsidiaries acquired from business combination not involving entities under common control, the identifiable net assets of the subsidiaries are adjusted on the basis of their fair values on the date of acquisition.

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 2014:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	583,270,736.75	29,270,462.74		612,541,199.49
2. Income from inter-segment transactions		1,821,928.47	–1,821,928.47	
3. Interest income	6,810,183.12	4,794.20	–1,287,000.00	5,527,977.32
4. Interest expense	427,051.06	1,287,000.00	–1,287,000.00	427,051.06
5. Asset impairment loss	32,069,999.68	2,338,259.26	15,000,000.00	49,408,258.94
6. Depreciation and amortization expenses	73,894,161.37	5,940,473.91		79,834,635.28
7. Total profit ("-" for loss)	30,330,685.86	–6,935,629.48	–14,926,779.81	8,468,276.57
8. Income tax expense	7,992,353.85	133,078.97		8,125,432.82
9. Net profit ("-" for loss)	22,338,332.01	–7,068,708.45	–14,926,779.81	342,843.75
10. Total assets	1,041,686,664.67	54,057,498.95	–38,676,443.79	1,057,067,719.83
11. Total liabilities	1,080,478,155.07	42,440,663.62	–26,461,582.91	1,096,457,235.78

2. 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

3. Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets (excluding financial assets and deferred income tax assets). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the fixed assets, construction in progress and lease prepayments under non-current assets is based on the physical location of the assets; in the case of intangible assets and exploration and evaluation assets, the location of operations; in the case of interests in associates and other investments, the location of their respective operations.

	Revenues from external customers		Non-current assets	
Item	**2014**	2013	**31 December 2014**	31 December 2013
China	**612,541,199.49**	375,735,014.43	**686,418,384.40**	732,494,513.63
Total	**612,541,199.49**	375,735,014.43	**686,418,384.40**	732,494,513.63

4. Major customers

The Group has a diverse customer base. None of the customers, entered into transactions with amounts surpassing 10% of the Group's income.

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	2014	2013
Income from principal operations	**602,782,569.70**	354,506,270.10
Other operating income	**9,758,629.79**	21,228,744.33
Total	**612,541,199.49**	375,735,014.43

(2) Business segments

Name of product or service	2014	2013
Float glass	**578,920,975.34**	330,464,988.13
Silicon sand	**23,861,594.36**	24,041,281.97
Total	**602,782,569.70**	354,506,270.10

V. INCOME OTHER THAN OPERATION

1. Non-operating income presented by item

Item	2014	2013
Total gains on disposal of non-current assets	**2,294,067.72**	20,099,782.07
Including: Gain on disposal of fixed assets	**2,294,067.72**	20,099,782.07
Government grant	**63,601,752.16**	10,105,688.89
Income from debt restructuring	**237,500.00**	677,002.87
Others	**15,521,196.95**	129,972.86
Total	**81,654,516.83**	31,012,446.69

2. Government subsidy included in profit and loss for the period

Item	2014	2013	Asset/income related
Fiscal subsidies for the ultra-thin and ultra-white glass production line	**1,215,000.00**	1,215,000.00	Asset related
Subsidy for land use by the ultra-thin and ultra-white glass production line	**53,920.56**	53,920.56	Asset related
Special subsidy for "research and development of application technology	**280,131.60**	1,836,768.33	Income related
Supporting funds for enterprise development from the industrial cluster of Ruyang County (汝陽縣產業集聚區撥付企業發展扶持資金)		7,000,000.00	Income related
Supporting Funds of Baiping County (白坪鄉扶助資金)	**40,000.00**		Income related
Awards for strategic creative products in national major new products (國家重點新產品計劃戰略性創新產品獎勵)	**2,000,000.00**		Income related
Land income returns (土地收益返還) *(Note)*	**60,012,700.00**		Income related
Total	**63,601,752.16**	10,105,688.89	

Note: Pursuant to the "Notice of Luoyang Municipal Finance Bureau on the Appropriation of Land Transfer Gains to Luoyang Glass Company Limited (《洛陽市財政局關於撥付洛陽玻璃股份有限公司土地收益資金的通知》)" dated 26 December 2014, the Company recognized the fund of RMB60,012,700.00 of appropriated by Luoyang Municipal Finance Bureau as non-operating income.

VI. PROFIT BEFORE INCOME TAX

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

(1) Finance costs

Item	2014	2013
Interest expense	**427,051.06**	1,492,792.01
Less: Interest income	**5,527,977.32**	5,538,806.24
Foreign exchange loss	**59,576.95**	154,505.20
Less: Foreign exchange gain	**348,705.65**	125,260.85
Bill discount interest	**11,270,268.55**	12,466,386.97
Other expenses	**280,249.85**	1,104,387.18
Total	**6,160,463.44**	9,554,004.27

(2) Investment income

Item	2014	2013
Income from disposal of long-term equity investment *(Note 1)*	**93,394,560.90**	
From holding financial assets available for sale *(Note 2)*	**1,224,570.83**	2,410,572.50
From disposal of available-for-sale financial assets *(Note 3)*	**4,223,405.41**	
Total	**98,842,537.14**	2,410,572.50

Note:

1. The investment income generated from disposal of long-term equity investment was acquired through disposal of 100% equity interests of Luoyang Glass Industrial Co., Ltd. during the period.

2. The investment income generated from holding financial assets available for sale was the dividend received by Longfei Company from Sanmenxia Bank Holdings Limited.

3. The investment income generated from disposal of available-for-sale financial assets was the investment income from disposal of certain equity interests in Sanmenxia Bank Holdings Limited held by Longfei Company.

(3) Operating costs

Item	2014	2013
Cost of principal operations	**571,466,347.02**	312,634,643.82
— Float glass	**558,175,397.75**	301,549,468.92
— Silicon sand	**13,290,949.27**	11,085,174.90
Other operating cost	**4,786,061.17**	10,094,139.20
— Raw material, water, electricity, technical services, etc.	**4,786,061.17**	10,094,139.20
Total operating cost	**576,252,408.19**	322,728,783.02

(4) Business tax and surcharges

Item	2014	2013
Business tax	**1,718,865.00**	740,221.83
City maintenance tax	**1,756,920.91**	1,024,024.79
Education surcharges	**1,609,793.01**	991,593.92
Resource tax	**1,512,881.70**	2,189,304.00
Others	**225.00**	480.00
Total	**6,598,685.62**	4,945,624.54

(5) Selling expenses

Item	2014	2013
Staff's salary and welfare	**10,271,762.07**	6,364,921.84
Social insurance premium	**2,173,372.89**	1,701,049.23
Depreciation expenses	**1,606,222.52**	1,452,627.21
Transportation costs	**8,045,348.25**	8,526,521.83
Handling charges	**479,072.31**	1,601,767.05
Material consumption	**1,509,478.15**	1,053,646.35
Other selling expenses	**1,979,992.61**	1,947,502.43
Total	**26,065,248.80**	22,648,035.94

(6) Administrative expenses

Item	2014	2013
Staff's salary and welfare	**29,976,377.58**	26,266,417.49
Labor union and employee education expenses	**955,304.13**	1,036,830.67
Social insurance premium	**10,316,651.41**	11,360,278.29
Housing accumulation fund	**1,440,815.35**	1,583,497.18
Depreciation of fixed assets	**18,698,905.99**	27,176,371.72
Amortization of intangible assets	**6,634,671.88**	2,997,470.75
Intermediary engagement fees	**7,268,825.08**	6,729,466.90
Including: audit fees	**2,468,825.08**	2,369,089.54
Research and development expenditures	**12,235,056.31**	8,929,713.21
Taxes	**6,139,054.37**	6,224,335.25
Water and electricity charges	**710,296.59**	1,768,319.45
Other expenses	**15,779,339.96**	13,058,391.39
Total	**110,155,298.65**	107,131,092.30

(7) Assets impairment losses

Item	2014	2013
1. Bad debt losses	**3,773,320.01**	4,849,309.68
2. Losses from inventory impairments	**35,363,283.38**	41,224,768.72
3. Losses from fixed asset impairments	**8,164,473.10**	591,300.00
4. Impairment losses for construction in progress	**957,502.45**	
5. Impairment losses for intangible assets	**1,149,680.00**	
Total	**49,408,258.94**	46,665,378.40

(8) Non-operating expenses

Item	2014	2013
Total loss on disposal of non-current assets	**1,628,535.23**	1,673,324.51
Incl: Loss on disposal of fixed assets	**1,628,535.23**	1,673,324.51
Amercement outlay	**1,589,792.46**	165,684.11
Donation		7,000.00
Indemnities, liquidated damages and penalties	**6,109,255.13**	577,707.51
Others	**602,030.43**	628,155.57
Total	**9,929,613.25**	3,051,871.70

VII. INCOME TAX EXPENSES

Item	2014	2013
Current income tax based on applicable tax laws and regulations	**9,510,179.80**	5,724,450.45
Adjustment to deferred income tax	**–1,384,746.98**	–2,437,064.61
Total	**8,125,432.82**	3,287,385.84

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 2014. 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 31 December 2014.

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	**2014**	2013
Net profit attributable to ordinary shareholders of the Company	**16,004,696.49**	–98,980,994.84
Total shares at the beginning of period	**500,018,242.00**	500,018,242.00
Basic earnings per share	**0.0320**	–0.1980

No diluted earnings per share is calculated as there are no dilutive potential shares for the two years ended 31 December 2014.

X. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

1. Accounts receivable

Item	**Carrying amount**	Opening balance
Accounts receivable	**75,951,368.06**	80,281,928.91
Less: provision for bad debts	**52,539,278.56**	50,630,381.31
Net amount	**23,412,089.50**	29,651,547.60

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	**19,048,408.58**	25,731,377.61
1-2 years	**2,352,408.18**	2,821,542.85
2-3 years	**2,821,542.85**	3,890,179.97
3-4 years	**3,890,179.97**	1,944,439.71
4-5 years	**1,944,439.71**	1,095,404.38
Over 5 years	**45,894,388.77**	44,798,984.39
Total	**75,951,368.06**	80,281,928.91

2. Bills receivable

Item	Closing balance	Opening balance
Bank acceptance	**400,000.00**	39,799,612.49
Total	**400,000.00**	39,799,612.49

XI. ACCOUNTS PAYABLE AND BILLS PAYABLE

1. Ageing analysis of accounts payable:

Item	Closing balance	Opening balance
Within 1 year (including one year)	**67,875,786.71**	130,718,211.22
1-2 years	**94,591,759.50**	23,075,892.73
2-3 years	**11,562,657.38**	72,735,956.71
Over 3 years	**92,167,889.22**	56,008,321.19
Total	**266,198,092.81**	282,538,381.85

2. Bills payable

Item	Closing balance	Opening balance
Bank acceptance	**90,000,000.00**	150,000,000.00
Total	**90,000,000.00**	150,000,000.00

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. 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**

3. Undistributed profits

Item	Closing balance Amount	Percentage of allocation or distribution
Undistributed profit of the previous year before adjustment	–1,375,895,993.77	
Total of adjustment of undistributed profit at the beginning of the year (+/-)		
Undistributed profit at the beginning of the year after adjustment	–1,375,895,993.77	
Add: net profit attributable to owners of parent company during the period	16,004,696.49	—
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	–1,359,891,297.28	

XIII. POST BALANCE SHEET EVENT

None

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

Luoyang, the PRC
27 March 2015

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; two non-executive Directors: Mr. Zhang Chengong and Mr. Zhang Chong; and four independent non-executive Directors: Mr. Huang Ping, Mr. Dong Jiachun, Mr. Liu Tianni and Mr. Jin Zhanping.

* *For identification purpose only*