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洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 01108)

ANNUAL RESULTS ANNOUNCEMENT FOR 2016

I. IMPORTANT NOTICE

1.1 In order to fully understand the Company's operating results, financial position and future development plans, investors should carefully read the full text of the Annual Report at the website of Shanghai Stock Exchange (SSE) and other websites designated by China Securities Regulatory Commission (CSRC).

1.2 The Board of Directors, the Board of Supervisors, the directors, the supervisors and senior management of the Company confirm that the information contained in the Annual Report is true, accurate and complete without any false and misleading statements or material omissions, and bear joint and several legal responsibilities.

1.3 All directors of the Company attended the Board meeting.

1.4 PKF Daxin Certified Public Accountants LLP has issued an auditor's report with standard unqualified opinions for the Company.

1.5 Company Profile

Stock Abbreviation	Luoyang Glass	**Stock Code**	600876
Stock Listing Exchange	Shanghai Stock Exchange (SSE)		
Stock Abbreviation	Luoyang Glass LTD	**Stock Code**	01108
Stock Listing Exchange	The Stock Exchange of Hong Kong Limited		

Contact Persons and Contact Methods	**Secretary to the Board**	**Representative of Securities Affairs**
Name	Wu Zhixin	Zhao Zhiming
Tel.	86–379–63908588	86–379–63908833
Fax	86–379–63251984	86–379–63251984
E-mail	lywzhx@126.com	lybl600876@163.com

II. BRIEF INTRODUCTION TO MAIN SERVICES OR PRODUCTS DURING THE REPORTING PERIOD

The Company is the place of origin for "Luoyang Float Glass Technology", one of three major float glass manufacturing methods in the world, and has been engaged in the R&D, manufacturing and sales of float glass since its establishment. As the first one realizing commercial production of ultra-thin float glass products, the Company has accumulated leading knowledge system and processing experiences during operation and production of ultra-thin glass for over 10 years. The Company possesses core production techniques and a number of proprietary intellectual property rights and maintains the leading position in the production techniques of ultra-thin and ultra-white-ultra-thin float glass in the industry. By virtue of its product R&D and technical improvement teams and experiences, the Company is currently one of the manufacturers capable of mass production of ultra-thin electronic information display glass series of 0.15mm–2.0mm in China.

In 2015, the Company made a successful strategic transformation from ordinary float glass to optical electronic and information display ultra-thin glass through significant asset restructuring. The main product of the Company is ultra-thin electronic glass substrate. At present, there are three ultra-thin electronic glass production lines with daily melting capacity of 650 tonnes/day and average monthly production capacity of nearly 3 million square meters. The Company ranks among the leading manufacturers of ultra-thin electronic display glass in China in terms of production capacity as well as product varieties and specifications. The Company takes up over 20% share of the domestic ultra-thin glass market, with its product mainly distributed across 18 provinces (or municipalities directly under the central government) including Anhui, Guangdong, Jiangsu, Shanghai, Zhejiang and Hebei.

Float glass production enterprises have the feature of uninterrupted production. In their business model, sales are determined by production and sales of inventory are commonly adopted. Based on sales determined by production, the Company manages to base production on sales to the maximum extent with reference to the historical sales record and market demand forecasts of various kinds of product as well as the actual operation of production lines, thus effectively increasing the utilization rate of production capacity and sales-to-output ratio. The Company adopts two sales models, namely distribution and direct sale, where the direct sale model is adopted for ITO conductive film glass manufacturers; and the model of distribution by professional distributors is mainly adopted for protective shield manufacturers and other manufacturers.

Ultra-thin glass substrate, the product of the Company, is at the upstream of the electronic industry chain and mainly used for TN-LCD, STN-LCD, OLED and other kinds of display screen, as well as the touch module of touch screen and window protection screen. Currently, there are 8 ultra-thin glass production lines in China while the medium-end and high-end market is still dominated by NSG, AGC and the Central Glass (CG). The domestic manufacturers mainly compete in the downstream of the industry chain by virtue of high cost-performance ratios.

As the flat panel display and touch panel industry is continually developing and increasingly mature in China, its products have an obviously competitive advantage over overseas products of the same kind in terms of quality and price. Meanwhile, the scale of output value is continuously expanding while the localization level is becoming higher. However, the supporting for the industrial chain remains weak and 70% of the upstream basic materials still heavily depend on import. As the State hopes to improve localization of materials in the future, encouragement and support will be given through industrial policies in this regard. It is expected that the demand of relevant markets for ultra-thin electronic glass substrate will remain stable.

III. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

	2016	2015	Increase/decrease over the last year *(%)*	2014
Total assets	**1,356,917,020.31**	1,314,035,081.52	3.26	1,772,733,209.67
Operating revenue	**392,095,626.14**	662,156,635.13	-40.79	660,058,269.97
Net profit attributable to shareholders of the Company	**11,516,063.78**	-184,755,120.74	N/A	21,159,211.92
Net assets attributable to shareholders of the Company	**523,269,416.96**	278,344,996.00	87.99	717,077,784.06
Net cash flow from operating activities	**30,552,921.95**	-131,037,564.70	N/A	-40,574,860.63
Closing total share capital	**526,766,875**	515,018,242	2.28	500,018,242
Basic earnings per share *(RMB/share)*	**0.0219**	-0.3587	N/A	0.0411
Diluted earnings per share *(RMB/share)*	**0.0219**	-0.3587	N/A	0.0411
Weighted average return on net assets *(%)*	**2.42**	-29.58	N/A	18.58

IV. MAJOR QUARTERLY FINANCIAL INDICATORS IN 2016

Unit: Yuan Currency: RMB

	Q1 (January-March)	**Q2 (April-June)**	**Q3 (July-September)**	**Q4 (October-December)**
Operating revenue	69,231,357.10	68,008,357.53	71,885,863.16	182,970,048.35
Net profit attributable to shareholders of the Company	437,051.69	-26,182,645.92	-45,299,346.27	82,561,004.28
Net cash flow from operating activities	-59,887,499.84	-15,948,869.08	-17,024,523.96	123,413,814.83

V. INFORMATION OF SHAREHOLDERS

5.1 Number of ordinary shareholders and preferred shareholders whose voting rights are restored and shareholdings of top 10 shareholders

Number of ordinary shareholders at the end of the reporting period	58429, including 58381 holders of A shares and 48 holders of H shares
Total number of ordinary shareholders at the end of one month prior to publishing date of the Annual Report	58432, including 58384 holders of A shares and 48 holders of H shares

Shareholdings of top 10 Shareholders and top 10 holders of circulating shares (or holders of shares not subject to trading moratorium) at the end of the reporting Period

Unit: shares

Shareholdings of top 10 Shareholders

Name of Shareholder (Full Name)	Increase/ decrease during reporting period	Closing shareholding	Proportion *(%)*	Number of Shares subject to trading moratorium	Pledged or Frozen Status	Pledged or Frozen Number	Nature of Shareholder
HKSCC NOMINEES LIMITED	+408,001	248,670,699	47.21%	0	Unknown		Overseas legal person
China Luoyang Float Glass (Group) Company Limited	-69,000,000	105,018,242	19.94%	15,000,000	Pledged	41,000,000	State-owned legal person
Bengbu Design & Research Institute for Glass Industry	+69,000,000	69,000,000	13.10%	0	None		State-owned legal person
Caitong Fund – Ping An Bank – Tianrun Capital Management (Beijing) Co., Ltd.	+1,962,130	1,962,130	0.37%	1,962,130	Unknown		Unknown
Agricultural Bank of China Ltd. – Fullgoal CS State-owned Enterprise Reform Grading Securities Investment Fund	+243,500	1,464,200	0.28%	0	Unknown		Unknown
First Capital Securities Co., Ltd. – Guosen Securities–Gongying Dayan Quantified Private Placement Assembled Asset Management Plan	+1,202,185	1,202,185	0.23%	1,202,185	Unknown		Unknown
Liu Bibo	-361,600	1,000,000	0.19%	0	Unknown		Domestic natural person
Caitong Fund–Industrial and Commercial Bank of China – Qiaogeli Blue Chip Selected No.2 Asset Management Plan	+981,065	981,065	0.19%	981,065	Unknown		Unknown
Pu Lulu	+832,090	832,090	0.16%	0	Unknown		Domestic natural person
Zhang Lixin	-200,000	800,000	0.15%	0	Unknown		Domestic natural person

Shareholdings of top 10 holders of shares not subject to trading moratorium

Name of Shareholder	Number of circulating shares held not subject to trading moratorium	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED	248,670,699	Overseas listed foreign shares	248,670,699
China Luoyang Float Glass (Group) Company Limited	90,018,242	Ordinary shares denominated in RMB	90,018,242
Bengbu Design & Research Institute for Glass Industry	69,000,000	Ordinary shares denominated in RMB	69,000,000
Agricultural Bank of China Ltd. – Fullgoal CS State-owned Enterprise Reform Grading Securities Investment Fund	1,464,200	Ordinary shares denominated in RMB	1,464,200
Liu Bibo	1,000,000	Ordinary shares denominated in RMB	1,000,000
Pu Lulu	832,090	Ordinary shares denominated in RMB	832,090
Zhang Lixin	800,000	Ordinary shares denominated in RMB	800,000
Hong Kong Securities Clearing Company Limited	517,913	Ordinary shares denominated in RMB	517,913
CHUK YEE MEN LIZA	374,000	Overseas listed foreign shares	374,000
Boshi Value Growth Securities Investment Fund	335,500	Ordinary shares denominated in RMB	335,500

Explanation on connected relationship or action acting in concert among the aforesaid shareholders	There are connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies (“上市公司股東持股變動信息披露管理辦法”) issued by the CSRC among the top 10 shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and Bengbu Design & Research Institute for Glass Industry. The Company is not aware of any parties acting in concert or any connected relationship among other holders of circulating shares.
Explanations on preference shareholders with voting rights restored and the number of shares held	None

Notes:

1. Shares held by HKSCC NOMINEES LIMITED are held on behalf of various customers.

2. The ordinary shares dominated in Renminbi held by Hong Kong Securities Clearing Company Limited are held on behalf of overseas investors who held these shares via Northbound Trading in the Shanghai-Hong Kong Stock Connect.

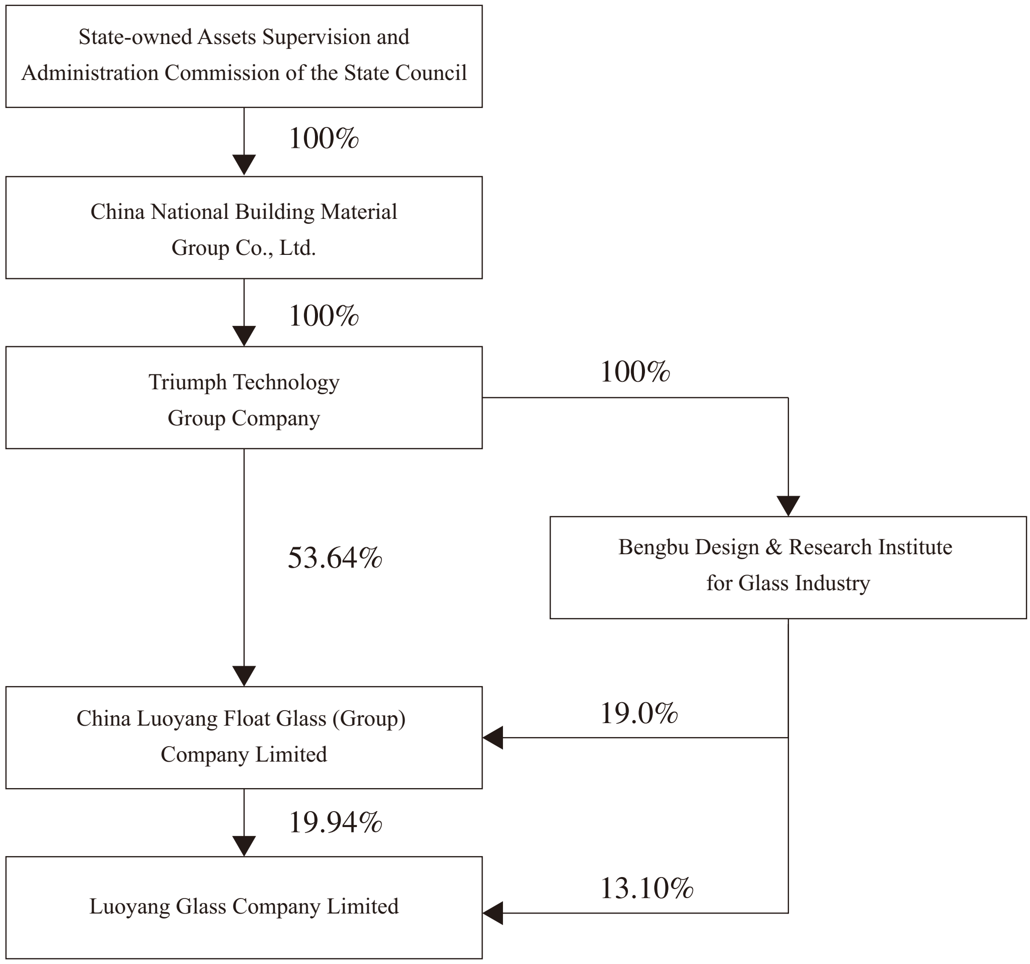
Number of shares held by top 10 holders of shares subject to trading moratorium and trading moratorium

Unit: shares

No.	Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Shares subject to trading moratorium available for listing and trading: Time available for listing and trading	Shares subject to trading moratorium available for listing and trading: Number of additional shares available for listing and trading	Trading moratorium
1	China Luoyang Float Glass (Group) Company Limited	15,000,000	2018–12–29	0	Non-transferable within 36 months from the completion date of the issuance
2	Caitong Fund Management Co., Ltd.	10,546,448	2017–03–22	0	Non-transferable within 12 months from the completion date of the issuance
3	First Capital Securities Co., Ltd.	1,202,185	2017–03–22	0	Non-transferable within 12 months from the completion date of the issuance

Explanation on connected relationship or action acting in concert among the aforesaid shareholders	There are no connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies among the aforesaid shareholders, including China Luoyang Float Glass (Group) Company Limited and other holders of shares subject to trading moratorium. The Company is not aware of any parties acting in concert or any connected relationship among other holders of shares subject to trading moratorium.

5.2 Block Diagram on Equity and Control Relationship among the Company and Controlling Shareholders, and De Facto Controllers



VI. DISCUSSION AND ANALYSIS OF THE OPERATIONS

6.1 Discussion and analysis on the Company's operations during the reporting period

In 2016, the outset year of the Company's strategic transformation, the Company laid emphasis on the management improvement and technology innovation. Positive effects were achieved through controlling costs internally, expanding market externally, improving product quality and conducting asset restructuring.

(I) Adjusting the mode of management and control and promoting management improvement to boost downsized and enhanced management.

1. The Company carried through the business concept of "integration and optimization, profit enhancement and liabilities reduction" and "stabilizing prices, reducing costs, collecting receivables and liquidating inventories", comprehensively carried out delicacy management through proactive implementation of the "eight measures" and promotion of "intensifying energy saving and consumption reduction" and conducted thorough management improvement activities in adherence to benchmarking management, thus promoting the management improvement of the Company.

2. The Company clarified the respective positioning of the headquarters and each of the subsidiaries of the Company through adjustment of the mode of management and control. It modified and consummated the performance management and appraisal mechanism so as to guide the subsidiaries to focus on revenue and profits in the ordinary course of production and operation, thus enabling them to become competent market players.

3. The Company optimized the marketing mode, intensified product marketing and market synergy, and stabilized prices in the market. The sales-to-output ratio of production lines of Longmen Company, Longhai Company and the Bengbu Company under the Company, were 114.10%, 128.56% and 118.81%, respectively, for the year.

4. The Company proactively advanced the work on "streamlining hierarchy and downsizing redundancies" so as to press ahead management integration and optimization. The Company comprehensively sorted through and ameliorated responsibilities of each department as well as the rules and regulations. It also adopted weekly work reporting mechanism highlighting the completion and timeliness of work plan in the business departments so as to improve management efficiency.

(II) Insisting on technology innovation and improving product quality constantly. The Company reinforced technological communications and carried out multi-layered technological cooperation.

1. *Proceeded with technological innovation and new product development to speed up product structure adjustment.*

   The Company increased its R&D efforts and invested approximately RMB21 million in R&D activities in the year, representing an increase of about 49.6% over the same period last year.

   In April 2016, Bengbu Company managed to produce the 0.15mm electronic glass product, which broke the production record anew in the ultra-thin electronic display glass products in China, and achieved the leap forward from "ultra-thin" to "super-thin".

   Longhai Company accomplished the production standard of the "three large sheets" for the 0.4 mm to 1.1 mm products with the width of qualified sheet increasing from 2,921 mm to 3,276.6mm, thus recording a substantial increase in the gross rate of finished products.

2. *Made continuous amelioration to the processing technologies to improve product quality unremittingly.*

   The Company energetically sought for solutions of targeted projects based on demands of customers and effectively solved the key technical problems such as fusion of minute envelopes, the microscopic waviness and glass slicing, resulting in stable year-on-year increase in the rate of qualified products.

3. *Devoted more efforts in technological researches and exchanges and carried out technological cooperations.*

   Upon successive establishment of friendly cooperative relationship with Bengbu Design & Research Institute for Glass Industry, the Glass Engineering Technology Research Center of Henan Province (河南省玻璃工程技術研究中心) and China Triumph International Engineering Co., Ltd., the Company allied with them to apply for national and provincial mega projects of science and technology, designated technological professionals to attend glass technology seminars and conducted cooperation in cutting-edge technologies. As a result, solutions were chased down in succession for certain key production technology issues such as control and improvement of the microscopic waviness of electronic glass, constituent refinement and physicochemical property studies of the extremely ultra-thin glass and development of exhaust interception device at the outlet of the ultra-thin glass.

4. *Fruitful technological achievements.*

   In 2016, the Company was rewarded with one Second Prize of Technology Progress by China National Building Materials, one First Prize of Technology Progress in Bengbu and two First Prizes of Technical Innovation in China National Building Materials. The Company applied for 19 patents for invention and utility models, of which 4 were granted as invention patents. Besides, Bengbu Company was accredited as a "High-tech Enterprise" (高新技術企業) in Anhui Province.

(III) Implementing production safety and promoting energy conservation and emission reduction

1. *Attached everlasting importance to production safety.*

   Based on the principle of "Safety First, Prevention Foremost and Comprehensive Approach", the Company has entered into Contract on Production Safety Obligations with its primary-level units and sub-divided its indicators so as to implement management by objectives. During the year, a total of 68 safety hazards were identified and rectified.

2. *Promoted energy conservation and emission reduction with greater efforts on environmental governance.*

   In 2016, the Company saved energy of 8,437 tons of standard coal, outstripping the planned energy-conservation target for the year.

   The Company took targeted and practical measures to cope with each of the production lines according to their respective operation actuality and exerted strict control over emission of a variety of pollutants so as to meet the requirements of the Emission Standard of Air Pollutants for Electronic Glass Industry (GB29495–2013). Consequently, the Company recorded a year-on-year decrease of 28.6%, 28.9% and 14.34%, respectively as to the emission of the sulfur dioxide, nitric oxide and COD, all being major pollutants.

(IV) Enhancing risk-resistant capability, market competitiveness and profitability so as to proactively cope with competitions and challenges in the market. During the reporting period, aiming to expand its glass business in the new energy sector, the Company carried out a new round of asset restructuring in line with its development strategies.

6.2 Analysis of Principal Businesses

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

Unit: Yuan Currency: RMB

Item	2016	2015	Change (%)
Operating revenue	**392,095,626.14**	662,156,635.13	-40.79
Operating costs	**343,709,563.17**	633,653,570.97	-45.76
Selling expenses	**7,482,306.95**	29,168,969.27	-74.35
Administration expenses	**87,025,947.92**	122,170,107.57	-28.77
Finance expenses	**8,433,936.20**	8,666,023.10	-2.68
Net cash flow from operating activities	**30,552,921.95**	-131,037,564.70	N/A
Net cash flow from investment activities	**-150,917,078.02**	69,739,321.13	-316.40
Net cash flow from financing activities	**190,549,383.10**	65,855,869.80	189.34
R&D expenditures	**21,276,277.57**	14,218,171.78	49.64

6.2.2 Revenue

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

The revenue from business operations of the Company is mainly from sales of physical products (photoelectric glass). During the reporting period, the Company recorded an operating revenue of RMB392,095,600, representing a decrease of 40.79% as compared to that of last year.

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

The decrease in operating revenue during the reporting period as compared to that of last year was mainly due to the exclusion of operating revenue from companies exchanged.

(3) Impact analysis of new products and new services

During the reporting period, the Company successfully developed and produced 0.15mm ultra-thin float electronic glass, further enriched the categories of high added value products of the Company and enhanced the core competitiveness of the Company.

(4) Major sales to customers

The total sales to the top five customers amounted to RMB198,439,000, representing 52.21% of the total annual sales, of which sales to the related party Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. amounted to RMB85,980,900, representing 22.62% of the total annual sales.

Saved as disclosed above, none of the Directors, supervisors nor their associates or any Shareholders (who to the knowledge of the Directors owns 5% or more share capital of the Company) was interested in the foresaid customers.

6.2.3 Costs

(1) Analytical Statement of Costs

Unit: Yuan Currency: RMB

By industry

By industry	Component of cost	2016	Percentage over total cost for the current period (%)	2015	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)	Explanation
New materials	Direct materials	247,219,997.05	73.25	241,293,594.83	69.94	2.46	Change in the category structure
	Direct labour	28,147,641.99	8.34	28,715,732.99	8.32	-1.98	
	Manufacturing expenses	62,134,063.42	18.41	74,985,432.73	21.74	-17.14	
Glass for building materials	Direct materials	–	–	191,414,090.53	82.13	-100	Change of consolidation scope
	Direct labour	–	–	7,409,461.95	3.18	-100	
	Manufacturing expenses	–	–	34,227,138.34	14.69	-100	
Silica sand	Direct materials	–	–	14,378,888.10	77.00	-100	Change of consolidation scope
	Direct labour	–	–	2,400,506.49	12.86	-100	
	Manufacturing expenses	–	–	1,894,051.21	10.14	-100	

By products

By products	Component of cost	2016	Percentage over total cost for the current period (%)	2015	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)	Explanation
Photoelectric glass	Direct materials	247,219,997.05	73.25	241,293,594.83	69.94	2.46	Change in the category structure
	Direct labour	28,147,641.99	8.34	28,715,732.99	8.32	-1.98	
	Manufacturing expenses	62,134,063.42	18.41	74,985,432.73	21.74	-17.14	
Common glass	Direct materials	–	–	191,414,090.53	82.13	-100	Change of consolidation scope
	Direct labour	–	–	7,409,461.95	3.18	-100	
	Manufacturing expenses	–	–	34,227,138.34	14.69	-100	
Silica sand	Direct materials	–	–	14,378,888.10	77.00	-100	Change of consolidation scope
	Direct labour	–	–	2,400,506.49	12.86	-100	
	Manufacturing expenses	–	–	1,894,051.21	10.14	-100	

(2) *Major Suppliers*

The purchase amount of top five suppliers is RMB160,690,300, representing 66.00% of total purchase amount of the year, of which the amount purchased from the related parties was RMB0, representing 0% of total purchase amount of the year.

Saved as disclosed above, none of the Directors, supervisors nor their associates or any Shareholders (who to the knowledge of the Directors owns 5% or more share capital of the Company) was interested in the foresaid suppliers.

6.2.4 Expenses

Unit: Yuan Currency: RMB

Item	2016	2015	Changes %	Reasons of Changes
Selling expenses	**7,482,306.95**	29,168,969.27	-74.35	Mainly due to the exclusion of expenses of the transferred-out companies in the reporting period
Administration expenses	**87,025,947.92**	122,170,107.57	-28.77	Mainly due to the exclusion of expenses of the transferred-out companies in the reporting period
Finance expenses	**8,433,936.20**	8,666,023.10	-2.68	
Income tax expenses	**9,654,432.12**	9,896,015.25	-2.44	

6.2.5 R&D expenditures

(1) R&D expenditures

Unit: Yuan Currency: RMB

Expensed R&D expenditure in current period	21,276,277.57
Capitalized R&D expenditure in current period	–
Total of R&D expenditure	21,276,277.57
Percentage of total R&D expenditure to operating revenue *(%)*	5.43
Number of the Company's R&D staff	73
Percentage of R&D staff number to the Company's total number of employees *(%)*	7.61
Percentage of capitalized R&D expenditure *(%)*	–

6.2.6 Cash flow

(1) The net cash flow from operating activities amounted to RMB30,552,900, representing a decrease in net expenditure of RMB161,590,500 as compared with RMB-131,037,600 for the same period last year, mainly due to the increase in subsidy from the government during the reporting period;

(2) The net cash flow from investing activities amounted to RMB-150,917,100, representing an increase of net outflow of RMB220,656,400 over RMB69,739,300 for the same period last year, mainly due to the payment of differences for asset swap and deposit for the land occupied by new projects in the reporting period;

(3) The net cash flow from financing activities amounted to RMB190,549,400, representing an increase of RMB124,693,500 over RMB65,855,900 for the same period last year, mainly due to the proceeds received from the non-public issuance of shares.

6.2.7 Others

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

During the reporting period, the subsidy received from the government was higher, of which RMB102,455,700 was included in extraordinary profit and loss.

6.3 Analysis of operations by industry, products or regions

6.3.1 Statement of the principal operations by industry and products

Unit: Yuan Currency: RMB

Principal operations by industry

By industry	Operating revenue	Operating costs	Gross profit margin (%)	Increase/ decrease of operating revenue as compared with last year (%)	Increase/ decrease of operating costs as compared with last year (%)	Increase/ decrease of gross profit margin as compared with last year (%)
New materials	380,091,217.36	337,501,702.46	11.21	-8.94	-2.17	Decreased by 6.14 percentage points

Principal operations by products

By products	Operating revenue	Operating costs	Gross profit margin (%)	Increase/ decrease of operating revenue as compared with last year (%)	Increase/ decrease of operating costs as compared with last year (%)	Increase/ decrease of gross profit margin as compared with last year (%)
Photoelectric glass	380,091,217.36	337,501,702.46	11.21	-8.94	-2.17	Decreased by 6.14 percentage points

Explanation of principal operations by industry and products	Segments of common glass and silica sand were no longer presented due to the exclusion of these transferred-out segments in revenues and costs for the reporting period

6.3.2 Principal operations by regions

Unit: Yuan Currency: RMB

Regions	Revenue from principal operations (RMB)	Increase/ decrease of revenue from principal operations as compared with last year (%)
PRC	380,091,217.36	-37.85

Explanation of principal operations by regions	There was no export business during the reporting period

6.4 Analysis of assets and liabilities

6.4.1 Analytical statement of assets and liabilities

Unit: Yuan Currency: RMB

Item	Closing balance of current period	Percentage of closing balance of current period over the total assets	Closing balance of last period	Percentage of closing balance of last period over the total assets	Increase/ decrease of closing balance of current period over closing balance of last period	Explanation
			(%)		*(%)*	*(%)*
Bank balance and cash	157,528,516.53	11.61	102,342,860.91	7.79	53.92	Mainly due to increase in obligations under finance leases
Notes receivable	45,986,571.00	3.39	25,230,005.90	1.92	82.27	Mainly due to increase in receipt of bank acceptance
Accounts receivable	101,891,329.13	7.51	71,678,942.58	5.45	42.15	Mainly due to increase in trade accounts receivable
Prepayments	1,638,352.47	0.12	4,329,899.13	0.33	-62.16	Mainly due to decrease in advance payment for goods
Other receivables	107,581,717.91	7.93	28,928,810.44	2.20	271.88	Mainly due to payment of deposit for the land occupied by new projects and performance compensation receivable from CLFG
Inventory	132,978,500.26	9.80	195,863,112.95	14.91	-32.11	Mainly due to decrease in inventory as a result of more efforts devoted in sales
Other current assets	34,874,034.35	2.57	58,978,537.93	4.49	-40.87	Mainly due to decrease in input tax to be deducted
Construction in progress			9,828,822.54	0.75	-100.00	Mainly due to transfer of denitrification engineering into the fixed assets
Short-term loans	20,000,000.00	1.47	67,930,000.00	5.17	-70.56	Mainly due to repayment of short-term loans upon maturity
Accounts payable	46,373,902.20	3.42	80,295,143.32	6.11	-42.25	Mainly due to repayment of payables to suppliers
Other payables	42,578,922.04	3.14	166,587,026.05	12.68	-74.44	Mainly due to payment of differences for asset swap

Item	Closing balance of current period	Percentage of closing balance of current period over the total assets	Closing balance of last period	Percentage of closing balance of last period over the total assets	Increase/ decrease of closing balance of current period over closing balance of last period	Explanation
			(%)		(%)	(%)
Non-current liabilities due within one year	471,337,062.91	34.74	81,097,651.66	6.17	481.20	Mainly due to reclassification of long-term loans due within one year into the non-current liabilities due within one year
Long-term loans	87,836,374.23	6.47	459,170,134.47	34.94	-80.87	Mainly due to reclassification of long-term loans due within one year into the non-current liabilities due within one year
Deferred income	19,290,781.82	1.42	9,024,861.99	0.69	113.75	Mainly due to increase in additional government subsidies such as revenue-related construction subsidies of technological research projects
Capital reserve	1,473,105,039.50	108.56	1,251,445,315.32	95.24	17.71	Mainly due to additional issuance of new shares at a premium

6.4.2 Explanation for changes in assets measured by fair value and measurement nature of major assets

There is no change in assets measured by fair value and measurement nature of major assets.

6.5 Analysis of core competitiveness

1. Advantages in brand. The Company is the place of origin for one of three major float glass manufacturing methods in the world – "Luoyang Float Glass Technology". The Company has successively won "National Quality Award for Float Glass – Silver Award (國家浮法玻璃質量獎–銀質獎)", "Gold Invention Award (金質發明獎)", "National Consumer Trustworthy Product (全國消費者信得過產品)","Well-known Trademark (馳名商標)", "National Science & Technology Progress Award (first class) (國家科學技術進步一等獎)", etc. "CLFG" (洛玻) brand still internationally and domestically enjoys certain popularity and brand recognition.

2. Strong capacity in respect of product development and continuous innovation. The Company is the first domestic enterprise that carried out research and development and commercial production of ultra-thin float grass products. It possesses core production technology of float glass and a number of proprietary intellectual property rights and holds a leading position in PRC in the production technology of ultra-thin, ultra-thin and ultra-white, and ultra-thick float glass. Meanwhile, it fostered core technology teams in product research and development, processing technology improvement and quality control, etc.

3. Advantages in series and scale of products. The Company has 3 ultra-thin electronic glass production lines, and becomes the largest ultra-thin glass manufacturer in China at present capable of producing 0.15mm-2.0mm series of ultra-thin electronic glass in large scale. In particular, the 150t/d production line of Bengbu Company, equipped with most advanced technical equipment in China, is the only production line capable of producing 0.15mm float electronic display glass in large scale. The Company will fully combine the technical characteristics and different advantages of its 3 production lines, and coordinate and manage products, technologies, marketing channels, funds and personnel in a unified manner, so as to make the best out of its overall advantages in terms of personnel, technology and brand and strengthen its advantage in economies of scale and synergistic effects, thereby continuously enhancing its profitability.

4. 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. In 2016, China National Building Material Group Corporation (中國建築材料集團有限公司) carried out reorganization with China National Materials Group Corporation Ltd. (中國中材集團有限公司). As a result, China National Building Material Group Co., Ltd.* (中國建材集團有限公司) was established through merger, with further enhanced comprehensive strength.

6.6 Analysis of Investment

6.6.1 Overall Analysis of External Equity Investment

During the reporting period, there was no external investment by the Company.

6.6.2 Analysis of major subsidiaries and investee companies

(1) Basic information on major subsidiaries and investee companies

Unit: Yuan Currency: RMB

Company name	Industry	Major products or services	Registered capital	Operating business	Total assets	Net assets	Net profit
CLFG Longmen Glass Company Limited	Building materials and electronic information	Manufacture of float sheet glass	20,000,000	96,361,439.59	183,968,854.31	-509,890,889.98	-66,171,801.95
CLFG Longhai Electronic Glass Co., Ltd.	Electronic information	Manufacture of float sheet glass	60,000,000	98,956,231.01	242,911,889.41	136,490,221.24	-33,496,951.33
Bengbu CNBM Information Display Material Co., Ltd.	Electronic information	Manufacture of float sheet glass	632,764,300	200,398,726.80	907,237,295.89	756,402,735.81	56,857,567.10
Luoyang Luobo Furuida Commerce Co., Ltd.	Trading	Sales of glass and raw materials	500,000	–	25,201.90	-987,663.02	35,083.55

6.7 Continuing Connected Transactions in 2016

In 2016, the transaction amount of the continuing connected transactions of the Group amounted to RMB1,071,190,000, and the annual caps being considered and approved amounted to RMB1,702,500,000 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 2016 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 2016.

6.8 Industry competition pattern and development trend

The Chinese economy has been in a new normal, with a proper growth rate and an optimised structure, in which the growth of traditional industries slows down while the strategic emerging industries will still maintain a higher growth rate.

The outline of the National "Thirteenth Five-year" Plan proposes to "step up breakthroughs in core technologies in terms of a new generation of information communication, new energy, new materials, aerospace, biological medicine, intelligent manufacturing, etc.". The Made in China 2025 puts forward "to vigorously promote the breakthrough development in key fields and place the focus on ten key fields including a new generation of information technology industry, high-end CNC machine tool and robot, aerospace equipment, ocean engineering equipment and high-tech ships, advanced rail transit equipment, energy-saving and new energy automobiles, power equipment, agricultural machinery equipment, new materials, biological medicine and high performance medical devices".

The future market growth mainly derives from the demand increase in downstream markets and the expansion of application fields. In recent years, amid the explosive growth of mobile internet applications, the demands for smartphone, laptop and other consumer electronics maintained growth and the intelligentization in professional application fields including on-board equipment, industrial control, intelligent household appliances and medical treatment continued to intensify in an accelerated manner with stable growth at the annual growth rate of market share exceeding 20%. It is expected that the demand for ultra-thin glass substrate, as a core material for touch screen, will reach 101 million m^2 by 2020.

At present, China has become the largest producer and exporter of ITO conductive glass, TP touch screen glass, cover glass and protective shields. The overall market developments show favourable signs as domestic and international markets have maintained stable with good momentum driven by the expansion, upgrading and growth of relevant consumer markets. It is expected that the ultra-thin glass substrate market will be cautiously optimistic in 2017.

6.9 Future development strategy

Led by innovation, the Company will maintain the lead in respect of Luoyang float glass technology. With the stress laid on consolidating information display glass substrate to enhance competitive edge and market advantage, the Company, centering on new glass, new material and new energy market, aims at becoming a provider of special high-tech glass through expansion of application fields and optimisation of product mix.

6.10 Business plan

In 2017, the Company's main operation targets are to achieve production volume of 26.84 million square meters and realize revenue of RMB500.00 million.

Based on the aforesaid targets, the Company will take the following measures:

Adherence to the operation and management guiding principles of "integration and optimisation, quality improvement and benefit increase, preparation, meticulosity, refinement and solidity, practice foremost, price stabilization, cost reduction, receivables collection, inventory control, adjustment, and profit and efficiency as the first priority".

1. The Company will intensify market value management, and simultaneously implement physical operation and capital operation. By adhering to the operation ideas led by market value and supported by performance, the Company will boost its competitiveness and strength, and increase the investor's confidence. In combination of the Company's strategic positioning and industry development direction, the Company will seek for new leap in respect of transformation and upgrade so as to realize win-win situation for both the Company and the investors.

2. The Company will implement the plan on enhancement and transformation of Longhai production line to build a new generation of production line of ultra-thin glass and improve production technology and core equipment, striving to achieve international advanced product quality.

3. Investment will be made in construction of a production line of ultra-white photothermal materials in Puyang to develop new energy materials, enrich and optimise the Company's product mix, seize the market of strategic emerging industries and foster a new growth driver.

4. While strengthening technical exchange and cooperation and increasing investment in research and development to enhance technological strength, the Company will focus on the development of products with high added value and tape potential demands in the market. In addition, the Company will consolidate its market share and maintain a stable market price.

5. To improve the management and control mode and innovate the internal mechanism, the Company will, based on assets restructuring, explore and establish a management and control mode that tallies with the development requirements of the Company and promote remuneration system reform to link remuneration and welfare with benefits and form a positively related incentive mechanism. It will vigorously carry forward the corporate culture of "innovation, performance, harmony and responsibility" and earnestly practice the code of conduct "reverence, gratefulness, humility and appropriateness" to foster key technical personnel and a staff team with craftsmanship.

6. Further efforts will be made to carry out "increasing, cutting and reducing" in a solid manner, and the Company will align to the benchmark of international peers in the industry to improve product technology, technological equipment, energy efficiency and environmental protection.

7. In addition to fulfillment of the energy conservation and emission reduction targets, the Company will shoulder its due social responsibilities and enhance production safety to ensure no accident in production throughout the year.

8. The Company will strengthen the Party construction in an all-round way to generate positive energy as powerful support for realisation of the goals for the year.

9. Centering on the annual operational targets and based on comprehensive budget management and refined management, the Company will take practically effective risk management measures to restrain risks in the controllable range. Moreover, the Company will further improve the construction of internal control system to improve the executive force of internal control.

6.11 Potential Risks

1. Risks arising from policies and the industry

As the major products of the Company, the ultra-thin optical electronic and information display glasses belong to key basic materials in the upstream of information industry, which are in line with the requirements of the national industrial policies and technical improvement. According to the national industrial policies, China vigorously support the development of panel industry, particularly the key basic materials in the industrial upstream, and advocate the localization of relevant materials so as to improve the core competitiveness of China-made products.

Risks arising from the industry are mainly reflected in the following aspects: the ultra-thin glass substrate is primarily used for consumer electronic products which are upgraded at fast pace, giving rise to the rapidly changing demands for nature and quality of basic materials. In this regard, the upstream manufacturers are required to possess cutting-edge R&D strengthen and technical equipment, keep abreast of the changing market demands, and produce quality products with high added-value, so as to keep stable profitability and high profitability.

2. Risks arising from new engineering projects

New engineering projects are subject to capital input, construction progress and subsequent market operation, product introduction period and other factors. In addition, certain market risks may arise from longer ramp-up period in the initial stage after the projects are put into operation.

Countermeasures: the Company will collect information from different ways to enhance forward-looking forecast and analysis of the market; proactively raise funds to guarantee project construction progress; prepare the project budget appropriately, purchase equipment for the projects in time and promote construction progress of the projects; organize resources to produce marketable new products; enhance training and reserve of the front-line staff and formulate comprehensive and reasonable remuneration system to increase staff's welfare and keep a stable talents team.

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 fully capitalize on its centralized procurement platform and take good advantage of large scale procurement; accurately follow the fluctuations of prices to purchase in due course, 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 mainly from accounts receivable; most clients of the Company have been implemented delivery on cash while a few clients with sound reputation have been entitled the credit extension. 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 is mainly from the loan from bank and others as well as bank deposit. Because there is no significant connection between both of most expenses of the Company and operating cash flows and the changes in market interest rates, bank loans at fixed interest rate will be not sensitive to the changes in the market interest rates.

5. Technological risks

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

6.12 Profit distribution or proposal for conversion of capital reserve

Pursuant to the Chinese accounting standards, the Company's net profits attributable to owners of the parent company in 2016 amounted to RMB11,516,100, plus the year-beginning undistributed profits of RMB-1,539,484,100, the total undistributed profits were RMB-1,527,968,000. Thus, the Company will not distribute profits in 2016, nor convert capital reserve into share capital.

6.13 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.

6.14 Compliance with the Corporate Governance Code

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

6.15 Audit Committee

The Audit (or Auditing) Committee under the Company's Board of Directors have reviewed the Annual Report.

7. MATTERS RELATED TO FINANCIAL REPORT

7.1 Compared with the financial report of the last year, whether the Company's accounting policies, accounting estimates and accounting methods have been changed or not.

In order to reflect the financial conditions and operating results of Bengbu Company more fairly and appropriately, pursuant to the relevant requirements of Accounting Standards for Business Enterprises No. 4 – Fixed Assets, Bengbu Company made adjustments to the depreciation terms of its fixed assets with effect from 1 April 2016 based on the actual usage of such fixed assets, which resulted in a reduction of RMB8,988,076.02 in its accumulated depreciation for the reporting period. For more details, please refer to the Announcement on Changes in Accounting Estimates of a Wholly-owned Subsidiary dated 24 June 2016.

7.2 During the reporting period, whether there is significant accounting error correction in the Company or not.

In order to reflect the principles of Accounting Standards for Business Enterprises No. 20 – Business Mergers more accurately, the Company corrected the accounting errors in relevant accounting treatment of the business merger resulting from the significant asset restructuring in 2015. The accounting treatment for the significant asset restructuring of the Company in 2015 was performed in accordance with the Accounting Standards for Business Enterprises No. 20 – Business Mergers. No gain or loss was recognised for the assets disposed. The difference between the book value of net assets obtained and the book value of the consideration paid was credited to the capital reserve. The effects of such correction of accounting error on the net profit and capital reserve for 2015 are RMB-329,238,114.46 and RMB329,238,114.46, respectively while there is no impact on total assets and net assets. Accordingly, the Company made necessary corrections and adjustments to the 2015 annual report and the first quarterly report 2016 of the Company. For details, please refer to the Announcement on Correction of Accounting Errors published by the Company on 29 August 2016.

7.3 Compared with the financial report of the last year, if the consolidation scope of the financial report is changed, the Company shall make specific explanation.

Not applicable

VIII. FINANCIAL STATEMENTS AND ITS NOTES OF THE COMPANY

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited *Unit: Yuan* *Currency: RMB*

Item	Closing Balance	Opening Balance
Current assets:		
Bank balance and cash	**157,528,516.53**	102,342,860.91
Notes receivable	**45,986,571.00**	25,230,005.90
Accounts receivable	**101,891,329.13**	71,678,942.58
Prepayments	**1,638,352.47**	4,329,899.13
Other receivables	**107,581,717.91**	28,928,810.44
Inventory	**132,978,500.26**	195,863,112.95
Other current assets	**34,874,034.35**	58,978,537.93
Total current assets	**582,479,021.65**	487,352,169.84
Non-current assets:		
Long-term receivables	**55,000,000.00**	51,727,535.57
Fixed assets	**648,972,313.06**	691,522,403.10
Construction in progress	**–**	9,828,822.54
Intangible assets	**62,609,172.40**	64,517,450.10
Long-term deferred expenses	**3,515,290.90**	4,995,326.04
Deferred income tax assets	**4,341,222.30**	4,091,374.33
Total non-current assets	**774,437,998.66**	826,682,911.68
Total assets	**1,356,917,020.31**	1,314,035,081.52

Item	Closing Balance	Opening Balance
Current liabilities:		
Short-term loans	**20,000,000.00**	67,930,000.00
Notes payable	**90,000,000.00**	110,200,000.00
Accounts payable	**46,373,902.20**	80,295,143.32
Payments received in advance	**14,391,654.50**	20,132,927.79
Staff remuneration payables	**25,743,969.95**	26,291,242.89
Taxes payable	**15,381,067.45**	14,961,097.35
Interest payable	**713,868.25**	–
Other payables	**42,578,922.04**	166,587,026.05
Non-current liabilities due within one year	**471,337,062.91**	81,097,651.66
Total current liabilities	**726,520,447.30**	567,495,089.06
Non-current liabilities:		
Long-term loans	**87,836,374.23**	459,170,134.47
Deferred income	**19,290,781.82**	9,024,861.99
Total non-current liabilities	**107,127,156.05**	468,194,996.46
Total liabilities	**833,647,603.35**	1,035,690,085.52
Owners' equity:		
Share capital	**526,766,875.00**	515,018,242.00
Capital reserve	**1,473,105,039.50**	1,251,445,315.32
Surplus reserve	**51,365,509.04**	51,365,509.04
Retained earnings	**-1,527,968,006.58**	-1,539,484,070.36
Equity attributable to owners of the Company	**523,269,416.96**	278,344,996.00
Total owners' equity	**523,269,416.96**	278,344,996.00
Total liabilities and owners' equity	**1,356,917,020.31**	1,314,035,081.52

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited *Unit: Yuan* *Currency: RMB*

Item	Closing Balance	Opening Balance
Current assets:		
Bank balance and cash	**109,837,249.29**	60,422,236.77
Notes receivable	**12,832,190.32**	12,298,525.67
Accounts receivable	**207,658,323.10**	209,998,506.36
Prepayments	**58,700.86**	204,646.95
Other receivables	**82,751,723.72**	92,782,775.21
Other current assets	**52,829.24**	–
Total current assets	**413,191,016.53**	375,706,690.96
Non-current assets:		
Long-term receivables	**55,000,000.00**	51,727,535.57
Long-term equity investments	**748,986,593.99**	748,986,593.99
Fixed assets	**2,878,637.33**	3,274,034.44
Intangible assets	**6,674,333.25**	7,043,817.21
Long-term deferred expenses	**270,000.00**	378,000.00
Total non-current assets	**813,809,564.57**	811,409,981.21
Total assets	**1,227,000,581.10**	1,187,116,672.17
Current liabilities:		
Notes payable	**90,000,000.00**	112,100,000.00
Accounts payable	**15,317,580.28**	52,825,849.20
Payments received in advance	**11,625,410.24**	19,236,279.29
Staff remuneration payables	**8,015,791.49**	8,574,407.48
Taxes payable	**807,117.66**	1,170,093.28
Other payables	**281,486,640.75**	319,420,971.97
Non-current liabilities due within one year	**386,428,324.30**	43,393,347.08
Total current liabilities	**793,680,864.72**	556,720,948.30

Item	Closing Balance	Opening Balance
Non-current liabilities:		
Long-term loans	**946,806.31**	387,331,110.45
Total non-current liabilities	**946,806.31**	387,331,110.45
Total liabilities	**794,627,671.03**	944,052,058.75
Owners' equity:		
Share capital	**526,766,875.00**	515,018,242.00
Capital reserve	**1,253,391,100.15**	1,030,115,828.84
Surplus reserve	**51,365,509.04**	51,365,509.04
Retained earnings	**-1,399,150,574.12**	-1,353,434,966.46
Total owners' equity	**432,372,910.07**	243,064,613.42
Total liabilities and owners' equity	**1,227,000,581.10**	1,187,116,672.17

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Zhang Chong	**Ma Yan**	**Chen Jing**

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited *Unit: Yuan* *Currency: RMB*

Item	Current Period	Last Period
I. Operating revenue	**392,095,626.14**	662,156,635.13
Less: Operating costs	**343,709,563.17**	633,653,570.97
Taxes and surcharges	**5,232,136.49**	4,094,122.28
Selling expenses	**7,482,306.95**	29,168,969.27
Administration expenses	**87,025,947.92**	122,170,107.57
Finance expenses	**8,433,936.20**	8,666,023.10
Impairment loss on assets	**20,467,971.87**	48,797,961.50

Item	Current Period	Last Period
II. Operating profit (loss is represented by "-")	**-80,256,236.46**	-184,394,119.56
Add: Non-operating income	**105,878,607.94**	5,490,124.60
Including: Gain on disposal of non-current assets	**254,968.93**	459,490.08
Less: Non-operating expenses	**4,451,875.58**	6,027,096.65
Including: Loss from disposal of non-current assets	**15,875.60**	14,470.37
III. Total profit (total loss is represented by "-")	**21,170,495.90**	-184,931,091.61
Less: Income tax expenses	**9,654,432.12**	9,896,015.25
IV. Net profit (net loss is represented by "-")	**11,516,063.78**	-194,827,106.86
Including: Net profit attributable to the owners of the Company	**11,516,063.78**	-184,755,120.74
Profit or loss attributable to minority interests	**–**	-10,071,986.12
V. Other comprehensive income net of tax	**–**	–
VI. Total comprehensive income	**11,516,063.78**	-194,827,106.86
Total comprehensive income attributable to owners of the parent company	**11,516,063.78**	-184,755,120.74
Total comprehensive income attributable to minority interests	**–**	-10,071,986.12
VII. Earnings per share		
(I) Basic earnings per share	**0.02**	-0.36
(II) Diluted earnings per share	**–**	–

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Zhang Chong	**Ma Yan**	**Chen Jing**

Income Statement of the Company

Prepared by: Luoyang Glass Company Limited *Unit: Yuan* *Currency: RMB*

Item	Current Period	Last Period
I. Operating revenue	**181,485,316.09**	321,744,003.73
Less: Operating costs	**179,007,684.25**	315,947,775.40
Taxes and surcharges	**81,363.39**	411,069.51
Selling expenses	**795,650.43**	2,693,060.71
Administration expenses	**31,401,951.45**	34,158,163.91
Finance expenses	**121,920.22**	-4,689,479.77
Impairment loss on assets	**93,488,833.51**	30,442,830.93
Add: Gains from changes in fair value	**–**	–
Investment income	**11,066,925.00**	23,235,852.24
II. Operating profit	**-112,345,162.16**	-33,983,564.72
Add: Non-operating income	**70,032,923.41**	863,660.94
Including: Gain on disposal of non-current assets	**95.03**	110,298.94
Less: Non-operating expenses	**3,403,368.91**	568,298.28
Including: Loss from disposal of non-current assets	**4,330.61**	14,470.37
III. Total profit	**-45,715,607.66**	-33,688,202.06
IV. Net profit	**-45,715,607.66**	-33,688,202.06
V. Other comprehensive income net of tax		
VI. Total comprehensive income	**-45,715,607.66**	-33,688,202.06
VII. Earnings per share		
(I) Basic earnings per share	**–**	–
(II) Diluted earnings per share	**–**	–

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Zhang Chong	**Ma Yan**	**Chen Jing**

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited *Unit: Yuan* *Currency: RMB*

Item	Current Period	Last Period
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**136,730,044.67**	290,013,349.20
Other cash received from activities related to operation	**115,177,751.23**	19,647,073.22
Sub-total of cash inflow from operating activities	**251,907,795.90**	309,660,422.42
Cash paid for goods purchased and services rendered	**100,904,584.34**	262,162,002.68
Cash paid to and on behalf of employees	**75,241,190.93**	103,920,662.94
Tax payments	**21,684,812.32**	44,025,043.10
Other cash paid for activities related to operation	**23,524,286.36**	30,590,278.40
Sub-total of cash outflow from operating activities	**221,354,873.95**	440,697,987.12
Net cash flow from operating activities	**30,552,921.95**	-131,037,564.70
II. Cash flow from investment activities:		
Net cash received from disposal of fixed assets, intangible assets and other long term assets	**322,732.92**	6,232.00
Other cash received from activities related to investment	**9,930,000.00**	96,430,259.30
Sub-total of cash inflow from investment activities	**10,252,732.92**	96,436,491.30
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**56,177,058.27**	26,034,865.12
Other cash paid for activities related to investment	**104,992,752.67**	662,305.05
Sub-total of cash outflow from investment activities	**161,169,810.94**	26,697,170.17
Net cash flow from investment activities	**-150,917,078.02**	69,739,321.13

Item	Current Period	Last Period
III. Cash flow from financing activities:		
Cash received from capital contributions	**209,624,984.30**	–
Proceeds from loans	**120,000,000.00**	166,645,153.57
Other cash received from financing-related activities	**340,319,034.02**	571,928,695.56
Sub-total of cash inflow from financing activities	**669,944,018.32**	738,573,849.13
Cash paid for repayment of loans	**141,829,011.07**	91,639,032.28
Cash paid for dividends, profit, or interest payments	**6,927,438.38**	3,952,160.79
Other cash paid for financing-related activities	**330,638,185.77**	577,126,786.26
Sub-total of cash outflow from financing activities	**479,394,635.22**	672,717,979.33
Net cash flow from financing activities	**190,549,383.10**	65,855,869.80
IV. Effects of changes in exchange rate on cash and cash equivalents	**428.59**	7,344.49
V. Net increase in cash and cash equivalents	**70,185,655.62**	4,564,970.72
Add: Opening balance of cash and cash equivalents	**42,342,860.91**	37,777,890.19
VI. Closing balance of cash and cash equivalents	**112,528,516.53**	42,342,860.91

Legal representative:
Zhang Chong

Chief accountant:
Ma Yan

Person in charge of accounting department:
Chen Jing

Cash Flow Statement of the Company

Prepared by: Luoyang Glass Company Limited *Unit: Yuan* *Currency: RMB*

Item	Current Period	Last Period
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**73,259,614.17**	94,103,592.09
Other cash received from activities related to operation	**94,349,331.54**	3,241,789.24
Sub-total of cash inflow from operating activities	**167,608,945.71**	97,345,381.33
Cash paid for goods purchased and services rendered	**24,063,475.66**	6,218,038.59
Cash paid to and on behalf of employees	**25,871,529.56**	34,941,828.98
Tax payments	**798,236.01**	4,802,612.75
Other cash paid for activities related to operation	**15,144,757.50**	20,342,908.81
Sub-total of cash outflow from operating activities	**65,877,998.73**	66,305,389.13
Net cash flow from operating activities	**101,730,946.98**	31,039,992.20
II. Cash flow from investment activities:		
Other cash received from activities related to investment	**9,930,000.00**	96,430,259.30
Sub-total of cash inflow from investment activities	**9,930,000.00**	96,430,259.30
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**55,076,952.45**	213,045.15
Other cash paid for activities related to investment	**104,992,752.67**	–
Sub-total of cash outflow from investment activities	**160,069,705.12**	213,045.15
Net cash flow from investment activities	**-150,139,705.12**	96,217,214.15

Item	Current Period	Last Period
III. Cash flow from financing activities:		
Cash received from capital contributions	**209,624,984.30**	–
Other cash received from activities related to financing	**548,024,419.90**	703,786,445.56
Sub-total of cash inflow from financing activities	**757,649,404.20**	703,786,445.56
Cash paid for repayment of loans	**43,410,524.18**	53,403,478.45
Cash paid for dividends, profit, or interest payment	**40,688.87**	365,410.20
Other cash paid for financing-related activities	**601,374,849.08**	777,052,987.48
Sub-total of cash outflow from financing activities	**644,826,062.13**	830,821,876.13
Net cash flow from financing activities	**112,823,342.07**	-127,035,430.57
IV. Effects of changes in exchange rate on cash and cash equivalents	**428.59**	7,344.49
V. Net increase in cash and cash equivalents	**64,415,012.52**	229,120.27
Add: Opening balance of cash and cash equivalents	**422,236.77**	193,116.50
VI. Closing balance of cash and cash equivalents	**64,837,249.29**	422,236.77

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Zhang Chong	**Ma Yan**	**Chen Jing**

Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited Year ended 31 December 2016

Unit: Yuan Currency: RMB

Current Period

Equity attributable to owners of the Company

Item	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	surplus reserve	Undistributed profit	Sub-total	Minority interest	Total shareholder's equity
I. Balance at the end of last year	515,018,242.00		1,251,445,315.32				51,365,509.04	−1,539,484,070.36	278,344,996.00		278,344,996.00
II. Balance at the beginning of the year	515,018,242.00		1,251,445,315.32				51,365,509.04	−1,539,484,070.36	278,344,996.00		278,344,996.00
III. Increase/decrease in the year (decrease is represented by "-")	11,748,633.00		221,659,724.18					11,516,063.78	244,924,420.96		244,924,420.96
(I) Total comprehensive income								11,516,063.78	11,516,063.78		11,516,063.78
(II) Shareholders' contribution and decrease in capital	11,748,633.00		221,659,724.18						233,408,357.18		233,408,357.18
1. Ordinary shares paid by shareholders	11,748,633.00		197,876,351.30						209,624,984.30		209,624,984.30
2. Others			23,783,372.88						23,783,372.88		23,783,372.88
(III) Profit distribution											
(IV) Internal carry-forward of shareholders' equity											
(V) Special reserve											
(VI) Others											
IV. Balance at the end of the year	526,766,875.00		1,473,105,039.50				51,365,509.04	−1,527,968,006.58	523,269,416.96		523,269,416.96

Last Period

Equity attributable to owners of the Company

Item	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	surplus reserve	Undistributed profit	Sub-total	Minority interest	Total shareholder's equity
I. Balance at the end of last 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
Business combination under common control			662,516,418.00					5,162,347.66	667,678,765.66		667,678,765.66
II. Balance at the beginning of the year	500,018,242.00		1,519,966,824.90			456,157.74	51,365,509.04	−1,354,728,949.62	717,077,784.06	−88,788,534.35	628,289,249.71
III. Increase/decrease in the year (decrease is represented by "-")	15,000,000.00		−268,521,509.58			−456,157.74		−184,755,120.74	−438,732,788.06	88,788,534.35	−349,944,253.71
(I) Total comprehensive income								−184,755,120.74	−184,755,120.74	−10,071,986.12	−194,827,106.86
(II) Shareholders' contribution and decrease in capital	15,000,000.00		−268,521,509.58			−456,157.74			−253,977,667.32	98,860,520.47	−155,117,146.85
1. Ordinary shares paid by shareholders	15,000,000.00		−597,759,624.04						−582,759,624.04		−582,759,624.04
2. Others			329,238,114.46			−456,157.74			328,781,956.72	98,860,520.47	427,642,477.19
(III) Profit distribution											
(IV) Internal carry-forward of shareholders' equity											
(V) Special reserve											
(VI) Others											
IV. Balance at the end of the year	515,018,242.00		1,251,445,315.32				51,365,509.04	−1,539,484,070.36	278,344,996.00		278,344,996.00

Legal representative: **Zhang Chong**

Chief accountant: **Ma Yan**

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

Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited Year ended 31 December 2016

Unit: Yuan Currency: RMB

	Current Period								
Item	Share capital	Other equity instruments	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholder's equity
I. Balance at the end of last year	515,018,242.00		1,030,115,828.84				51,365,509.04	–1,353,434,966.46	243,064,613.42
II. Balance at the beginning of the year	515,018,242.00		1,030,115,828.84				51,365,509.04	–1,353,434,966.46	243,064,613.42
III. Increase/decrease in the year									
(decrease is represented by "-")	11,748,633.00		223,275,271.31					–45,715,607.66	189,308,296.65
(I) Total comprehensive income								–45,715,607.66	–45,715,607.66
(II) Shareholders' contribution and decrease									
in capital	11,748,633.00		221,659,724.18						233,408,357.18
1. Ordinary shares paid by shareholders	11,748,633.00		197,876,351.30						209,624,984.30
2. Others			23,783,372.88						23,783,372.88
(III) Profit distribution									
(IV) Internal carry-forward of									
shareholders' equity									
(V) Special reserve									
(VI) Others			1,615,547.13						1,615,547.13
IV. Balance at the end of the year	526,766,875.00		1,253,391,100.15				51,365,509.04	–1,399,150,574.12	432,372,910.07

	上期								
Item	股本	其他權益工具	資本公積	減 庫存股	其他綜合收益	專項儲備	盈餘公積	未分配利潤	股東權益合計
I. Balance at the end of last year	500,018,242.00		891,129,782.23				51,365,509.04	–1,319,746,764.40	122,766,768.87
II. Balance at the beginning of the year	500,018,242.00		891,129,782.23				51,365,509.04	–1,319,746,764.40	122,766,768.87
III. Increase/decrease in the year									
(decrease is represented by "-")	15,000,000.00		138,986,046.61					–33,688,202.06	120,297,844.55
(I) Total comprehensive income								–33,688,202.06	–33,688,202.06
(II) Shareholders' contribution and decrease									
in capital	15,000,000.00		138,986,046.61						153,986,046.61
1. Ordinary shares paid by shareholders	15,000,000.00		101,787,052.67						116,787,052.67
2. Others			37,198,993.94						37,198,993.94
(III) Profit distribution									
(IV) Internal carry-forward of									
shareholders' equity									
(V) Special reserve									
(VI) Others									
IV. Balance at the end of the year	515,018,242.00		1,030,115,828.84				51,365,509.04	–1,353,434,966.46	243,064,613.42

Legal representative: **Zhang Chong**

Chief accountant: **Ma Yan**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016 (Expressed in RMB)

I. COMPANY PROFILE

Luoyang Glass Company Limited (the "Company") is a company incorporated in the People's Republic of China (the "PRC") as a joint stock limited company. The activities of the Company and its subsidiaries ("the Group") are manufacturing and sale of float sheet glass.

II. IMPORTANT ACCOUNTING POLICIES

1. Basis for preparation of financial statements

The financial statements of the Company have been prepared on a going concern basis in respect of the actual transactions and events in accordance with the Accounting Standards for Business Enterprises, the Application Guideline of the Accounting Standards for Business Enterprises, the Interpretation to the Accounting Standards for Business Enterprises and other regulations issued by the Ministry of Finance, and the following significant accounting policies and estimates.

2. Accounting period

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

3. Measurement currency

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

4. Preparation method of consolidated financial statements

The Company incorporates the subsidiaries over which the Company owns actual control and the entities for special purpose in the scope of the consolidated financial statements.

The Company's consolidated financial statements are prepared pursuant to the requirements of the Accounting Standards for Business Enterprises No.33 –Consolidated Financial Statements and the relevant regulations, and offset all significant internal transactions and deals within the consolidation scope at the time of consolidation. Shareholders' equity of the subsidiaries that are not attributable to the parent company is presented as minority equity in the consolidated financial statements separately.

If the accounting policies or accounting period adopted by the subsidiaries are different from that of the Company, in preparation of the consolidated financial statements, necessary adjustment is made to the financial statements of the subsidiaries according to the Company's accounting policies or accounting period.

As to the subsidiaries acquired through business merger under non-common control, in preparation of the consolidated financial statements, individual financial statements are adjusted based on the fair value of the net identifiable assets on the date of acquisition; as to the subsidiaries acquired through business merger under common control, such business merger is deemed having been accrued at the beginning of the year for merger, and the assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the year for merger.

III. SEGMENT REPORTING

(I) Segment reporting

During the year, the Group's revenue mainly generated from the sale of ultra-thin glass, thus it is regarded as the single reportable segment. The management of the Group reviewed the Group's performance based on such single segment and regularly reviewed its financial information to determine resources allocation thereto and assess its performance.

1. 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 stated as the location at which goods were delivered to customers. The geographical location of fixed assets, construction in progress and lease prepayments under non-current assets is determined as the physical location of the assets; the geographical location of intangible assets and exploration and evaluation assets is determined as the location of relevant operations; the geographical location of interests in associates and other investments is determined as the location of their respective operations.

Item	**Revenue from external customers**		**Non-current assets**	
			31 December	31 December
	2016	2015	**2016**	2015
China	**392,095,626.14**	662,156,635.13	**774,437,998.66**	826,682,911.68
Total	**392,095,626.14**	662,156,635.13	**774,437,998.66**	826,682,911.68

2. Major customers

The Group has a relatively concentrated major customer base in 2016. The transaction amount of its top 5 sales customers exceeds 50% of the Group's revenue.

IV. TURNOVER

Turnover is the invoiced value of the goods sold to the customers after deduction of any trade discounts, VAT and added value; and the analyses of turnover are as follows:

1. Details of operating revenue

Item	**Accrual of current period**	Accrual of last period
Revenue from main operating activities	**380,091,217.36**	611,606,292.33
Revenue from other operating activities	**12,004,408.78**	50,550,342.80
Total operating revenue	**392,095,626.14**	662,156,635.13

2. Revenue from main operating activities by product

Designation of product or labor service	**Accrual of current period**	Accrual of last period
Float glass	**380,091,217.36**	573,382,921.04
Silicon sand		38,223,371.29
Total	**380,091,217.36**	611,606,292.33

V. NON-OPERATING INCOME

Item	Accrual of current period	Accrual of last period
Total gains on disposal of non-current assets	**254,968.93**	459,490.08
Including: gain on disposal of fixed assets	**95.03**	459,490.08
gain on disposal of intangible assets	**254,873.90**	
Government grant	**102,455,677.91**	4,567,408.16
Income from debt restructuring	**3,130,969.27**	88,665.10
Others	**36,991.83**	374,561.26
Total	**105,878,607.94**	5,490,124.60

VI. PRE-TAX PROFITS

Pre-tax profits have (deducted)/included:

1. Financial expenses

Item	Accrual of current period	Accrual of last period
Interest expense	**9,207,506.10**	6,697,222.45
Less: interest income	**3,669,695.12**	5,046,109.90
Exchange losses	**148,153.54**	119,978.04
Less: exchange income	**34,209.89**	246,238.32
Commission expenses (Interests of discounted bills)	**1,091,289.81**	5,952,063.36
Other finance expenses	**1,690,891.76**	1,189,107.47
Total	**8,433,936.20**	8,666,023.10

2. Operating costs

Item	Accrual of current period	Accrual of last period
Principal business costs	**337,501,702.46**	596,718,897.17
– Float glass	**337,501,702.46**	578,045,451.37
– Silicon sand		18,673,445.80
Other business costs	**6,207,860.71**	36,934,673.80
– Raw materials, water and electricity, technological services, etc.	**6,207,860.71**	36,934,673.80
Total of operating costs	**343,709,563.17**	633,653,570.97

3. Tax and surcharges

Item	Accrual of current period	Accrual of last period
Business tax	**5,741.68**	187,976.80
Property tax	**1,382,796.18**	
Land-use tax	**1,710,769.63**	
City maintenance tax	**1,692,633.65**	1,039,059.56
Education surcharges	**275,385.63**	979,727.01
Resource tax		1,883,220.51
Others	**164,809.72**	4,138.40
Total	**5,232,136.49**	4,094,122.28

Note: Pursuant to the "Regulations for the Accounting Treatment of VAT" (Cai Kuai [2016] No. 22) ("增值稅會計處理規定"(財會[2016]22號)), the relevant taxes such as property tax, land use tax, vehicle use tax and stamp duty used for calculation of administrative expenses occurred subsequent to 1 May 2016 were adjusted to be presented as items under the "tax and surcharges".

4. Selling expenses

Item	**Accrual of current period**	Accrual of last period
Staff expense	**5,255,815.70**	8,937,893.09
Depreciation expenses	**237,707.59**	1,287,186.07
Transportation costs	**203,121.71**	11,420,349.45
Loading and unloading expenses	**624,331.64**	746,432.22
Material consumption	**397,595.15**	1,091,331.99
Other selling expenses	**763,735.16**	5,685,776.45
Total	**7,482,306.95**	29,168,969.27

5. Administrative expenses

Item	**Accrual of current period**	Accrual of last period
Staff expense	**37,479,187.08**	41,578,920.35
Depreciation of fixed assets	**2,612,502.24**	17,415,326.30
Amortization of intangible assets	**1,840,418.68**	4,396,166.82
Intermediary engagement fees	**7,864,025.28**	19,774,656.06
Including: audit fee	**1,422,075.47**	2,613,056.61
Research and development fees	**21,276,277.57**	14,218,171.78
Taxes	**2,282,801.22**	8,848,342.78
Other administrative expenses	**13,670,735.85**	15,938,523.48
Total	**87,025,947.92**	122,170,107.57

6. Asset impairment loss

Item	**Accrual of current period**	Accrual of last period
Bad debt loss	**-4,058,434.40**	10,272,406.73
Inventory falling price loss	**22,054,121.69**	37,012,050.88
Impairment loss of fixed assets	**2,472,284.58**	1,513,503.89
Total	**20,467,971.87**	48,797,961.50

7. Non-operating expenses

Item	**Accrual of current period**	Accrual of last period
Total loss on disposal of non-current assets	**15,875.60**	14,470.37
Including: Loss on disposal of fixed assets	**15,875.60**	14,470.37
Losses on scrapping of assets		25,514.21
Indemnities, liquidated damages and penalties	**4,431,441.73**	4,039,106.78
Others	**4,558.25**	1,948,005.29
Total	**4,451,875.58**	6,027,096.65

VII. INCOME TAX EXPENSES

Item	**Accrual of current period**	Accrual of last period
Current income tax expenses based on tax laws and relevant regulations	**9,904,280.09**	9,493,658.32
Deferred income tax expenses	**-249,847.97**	402,356.93
Total	**9,654,432.12**	9,896,015.25

Note: Longhai Company, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise in December 2016 and paid the enterprise income tax at a tax rate of 15% in 2016.

Bengbu Company, a wholly-owned subsidiary of the Company, has been approved as a high-tech enterprise on 21 October 2016 by Anhui Provincial Department of Science and Technology, Anhui Provincial Department of Finance, Anhui Provincial Office, SAT and Anhui Local Taxation Bureau, and has been granted the High-tech Enterprise Certificate (NO. GR201634000360) with a term of 3 years. Bengbu Company paid the enterprise income tax at a tax rate of 15% in 2016.

The Company and other subsidiaries are subject to income tax rate of 25%.

VIII. DIVIDENDS

The Company's Board of Directors did not recommend distributing dividends for the year ended 31 December 2016.

IX. BASIC EARNINGS PER SHARE

The basic earnings per share are calculated by the merging net profits of the holders of ordinary shares in the parent company divided by weighted average of the ordinary shares issued by the parent company:

Item	**Accrual of current period**	Accrual of last period
Net profits attributable to the ordinary shareholders of the Company	**11,516,063.78**	-184,755,120.74
Closing total shares	**526,766,875.00**	515,018,242.00
Basic earnings per share	**0.02**	-0.36

Note: For the year ended 31 December 2016, the Company does not have any potential diluted shares, so no diluted earnings per share are calculated.

X. ACCOUNTS RECEIVABLE AND BILLS RECEIVABLE

1. Accounts receivable

Item	**Carrying amount**	Opening balance
Account receivable	**156,466,612.01**	125,374,455.66
Less: Provision for bad debts	**54,575,282.88**	53,695,513.08
Net amount	**101,891,329.13**	71,678,942.58

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

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

Aging	**Closing balance**	Opening balance
Within 1 year	**98,896,250.79**	69,081,449.10
1–2 years	**1,880,549.56**	2,318,641.24
2–3 years	**1,718,554.05**	605,589.30
3–4 years	**605,589.30**	2,675,362.38
4–5 years	**2,672,254.67**	2,621,120.50
Over 5 years	**50,693,413.64**	48,072,293.14
Total	**156,466,612.01**	125,374,455.66

2. Notes receivable by category

Item	**Closing balance**	Opening balance
Bank acceptance	**45,586,571.00**	25,230,005.90
Trade acceptances	**400,000.00**	
Total	**45,986,571.00**	25,230,005.90

XI. ACCOUNTS PAYABLE AND NOTES PAYABLE

1. Accounts payable by aging

Item	**Closing balance**	Opening balance
Within 1 year (including 1 year)	**17,853,268.60**	17,619,403.52
Over 1 year	**28,520,633.60**	62,675,739.80
Total	**46,373,902.20**	80,295,143.32

2. Notes payable by category

Item	**Closing balance**	Opening balance
Bank acceptance	**90,000,000.00**	110,200,000.00
Total	**90,000,000.00**	110,200,000.00

XII. RESERVES

1. Capital reserve

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Share capital premium	1,179,144,842.05	221,659,724.18		1,400,804,566.23
II. Other capital reserves	72,300,473.27			72,300,473.27
Total	1,251,445,315.32	221,659,724.18		1,473,105,039.50

Notes:

1. Capital reserves increased by RMB197,876,351.30 by issuance of 11,748,633 RMB-denominated ordinary shares to specific investors at a fixed premium price in January 2016.

2. Pursuant to the performance compensation commitment to Bengbu Company issued by CLFG in November 2015, since the performance of Bengbu Company in 2016 has not reached its committed amount, RMB23,783,372.88 of performance committed compensation payable by CLFG to the Company included in the capital reserve.

2. Surplus reserve

Item	Opening balance	Increase in this period	Decrease in 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 at the end of the previous year before adjustment	-1,539,484,070.36	
Total of adjustment of undistributed profit at the beginning of the year (+/-)		
Undistributed profit at the beginning of the year after adjustment	-1,539,484,070.36	
Add: Net profit attributable to owners of parent company during the period	11,516,063.78	–
Less: Allocation to Statutory surplus reserve		
Allocation to discretionary surplus reserve		
Undistributed profit at the end of the period	-1,527,968,006.58	

XIII. MATTERS AFTER BALANCE SHEET DATE

1. Transaction Relating to Issuance of Shares to Acquire Assets and Raise Supporting Funds

On 7 February 2017, the 22nd meeting of the eighth session of the Board considered and approve that, by taking 31 October 2016 as the valuation base date and by means of issuance of shares, the Company proposed to acquire an aggregate of 100% equity interest in CNBM (Hefei) New Energy Company Limited* (中建材(合肥)新能源有限公司) held by CLFG and Hefei High-Tech Construction Investment Group Company* (合肥高新建設投資集團公司), an aggregate of 100% equity interest in CNBM (Tongcheng) New Energy Materials Company Limited* (中國建材桐城新能源材料有限公司) held by Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd (安徽華光光電材料科技集團有限公司), Bengbu Design & Research Institute for Glass Industry (蚌埠玻璃工業設計研究院) and China Triumph International Engineering Co., Ltd. (中國建材國際工程集團有限公司), and an aggregate of 70.99% equity interest in CNBM (Yixing) New Energy Company Limited* (中建材(宜興)新能源有限公司) held by Triumph Technology Group Company* (凱盛科技集團公司), Yixing Environmental Technology Innovation Venture Investment Company Limited* (宜興環保科技創新創業投資有限公司) and GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司), and issued shares to no more than 10 specific investors including Triumph Group to raise supporting funds of up to RMB573,457,000.

2. **Changes in Matters Including Name and Registered Address of Our Subsidiary Furuida**

   On 14 February 2017, the 23rd meeting of the eighth session of the Board considered and approved to rename Furuida as "CNBMG (Puyang) Photoelectric Material Co., Ltd.* (中建材(濮陽)光電材料有限公司) ("Puyang Company") and change its registered address from "No. 18 Tanggong Middle Road, Xigong District, Luoyang" to "Industrial Cluster District of Puyang County, Henan Province" with an aim to satisfy the demand of construction of Puyang ultra-white solar thermal material project. The Company proposes to make an additional capital contribution of RMB239,500,000 to Puyang Company. After the capital increase, the registered capital of Puyang Company increased from RMB500,000 to RMB240,000,000, and the newly added registered capital will be used in the construction of ultra-white solar thermal material project. Puyang Company has completed the business registration of changes on 1 March 2017.

3. **External investment**

   On 14 February 2017, the 23rd meeting of the eighth session of the Board considered and approved the investment and construction of the Ultra-White Solar Thermal Material Project in the industrial cluster district of Puyang County, Henan Province (with Puyang Company as the investment entity) in compliance with the development strategies of the Company. The project newly built an ultra-white solar thermal material production line with a daily melting capacity of 400 tonnes, which could produce 14 million square meters of solar thermal power generation raw materials for glasses production and 2.80 million square meters of high-end auto windshield and dashboard glass materials annually, and an ancillary deep processing production line of solar thermal power generation reflector with an annual production capacity of 6.80 million square meters. The total investment amount of the project was RMB800,300,000.

Luoyang Glass Company Limited
Chairman:
Zhang Chong

30 March 2017

As at the date of this announcement, the Board comprises four executive Directors: Mr. Zhang Chong, Mr. Ni Zhisen, Mr. Wang Guoqiang and Mr. Ma Yan; three non-executive Directors: Mr. Zhang Chengong, Mr. Xie Jun and Mr. Tang Liwei; and four independent non-executive Directors: Mr. Jin Zhanping, Mr. Liu Tianni, Mr. Ye Shuhua and Mr. He Baofeng.

* *For identification purposes only*