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)

LUOYANG GLASS COMPANY LIMITED ANNUAL RESULTS ANNOUNCEMENT FOR 2017

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

During the reporting period, the Company was principally engaged in the production and sale of ultra-thin optical electronic and information display substrate glasses and has three ultra-thin glass production lines (one of which is being upgraded). The Company ranks among the leading manufacturers of ultra-thin glass in China in terms of production capacity as well as product varieties and specifications. Its products are 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.

The products of the Company are mainly used in the downstream of the flat panel display industry and touch panel industry, including TN-LCD, STN-LCD, OLED and other kinds of displays, as well as ITO glass substrates for touch screens and cover glass for touch screen devices. During the reporting period, the products of the Company take up approximately 15%–20% share of the domestic market.

III. SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: Yuan Currency: RMB

	2017	2016	**Increase/ decrease over the last year** *(%)*	2015
Total assets	**1,373,132,245.83**	1,356,917,020.31	1.20	1,314,035,081.52
Operating revenue	**367,047,136.12**	392,095,626.14	-6.39	662,156,635.13
Net profit attributable to shareholders of the Company	**20,568,060.51**	11,516,063.78	78.60	-184,755,120.74
Net assets attributable to shareholders of the Company	**559,139,146.36**	523,269,416.96	6.85	278,344,996.00
Net cash flow from operating activities	**50,453,331.32**	30,552,921.95	65.13	-131,037,564.70
Closing total share capital	**526,766,875**	526,766,875		515,018,242
Basic earnings per share *(RMB/share)*	**0.0390**	0.0219	78.08	-0.3587
Diluted earnings per share *(RMB/share)*	**0.0390**	0.0219	78.08	-0.3587
Weighted average return on net assets *(%)*	**3.85**	2.42	Increased by 1.43 percentage points	-29.58

IV. MAJOR QUARTERLY FINANCIAL INDICATORS IN 2017

Unit: Yuan Currency: RMB

	Q1 (January–March)	Q2 (April–June)	Q3 (July–September)	Q4 (October–December)
Operating revenue	76,356,597.31	78,612,679.73	106,469,086.57	105,608,772.51
Net profit attributable to shareholders of the Company	1,158,297.48	19,661.54	-608,779.97	19,998,881.46
Net cash flow from operating activities	-29,306,072.80	-46,530,296.12	47,609,488.44	78,680,211.80

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	57,229,including57183 holders of A shares and 46 holders of H shares
Total number of ordinary shareholders at the end of one month prior to publishing date of the Annual Report	56,329, including 56283 holders of A shares and 46 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				Pledged or Frozen		
Name of Shareholder (Full Name)	Increase/ decrease during reporting period	Closing shareholding	Proportion (%)	Number of Shares subject to trading moratorium	Status	Number	Nature of Shareholder
HKSCC NOMINEES LIMITED	10,000	248,680,699	47.21	0	Unknown	0	Overseas legal person
China Luoyang Float Glass (Group) Company Limited	0	105,018,242	19.94	15,000,000	Pledged	41,000,000	State-owned legal person
CNBMG Bengbu Design & Research Institute for Glass Industry Co., Ltd.	0	69,000,000	13.10	0	Unknown	0	State-owned legal person
Beijing Taiji Huaqing Information System Co., Ltd.	2,400,000	2,400,000	0.46	0	Unknown	0	Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited	82,377	600,290	0.11	0	Unknown	0	Overseas legal person
Beijing Taiji Huaqing Peicheng Software Technology Co., Ltd.	430,000	430,000	0.08	0	Unknown	0	Domestic non-state-owned legal person
CHUK YEE MEN LIZA U/D	0	374,000	0.07	0	Unknown	0	Overseas legal person
Hou Liyuan	353,500	353,500	0.07	0	Unknown	0	Domestic natural person
Jin Ruiming	315,394	315,394	0.06	0	Unknown	0	Domestic natural person
Liu Bibo	-700,000	300,000	0.06	0	Unknown	0	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	248,680,699	Overseas listed foreign shares	248,680,699
China Luoyang Float Glass (Group) Company Limited	90,018,242	Ordinary shares denominated in RMB	90,018,242
CNBMG Bengbu Design & Research Institute for Glass Industry Co., Ltd	69,000,000	Ordinary shares denominated in RMB	69,000,000
Beijing Taiji Huaqing Information System Co., Ltd.	2,400,000	Ordinary shares denominated in RMB	2,400,000
Hong Kong Securities Clearing Company Limited	600,290	Ordinary shares denominated in RMB	600,290
Beijing Taiji Huaqing Peicheng Software Technology Co., Ltd.	430,000	Ordinary shares denominated in RMB	430,000
CHUK YEE MEN LIZA U/D	374,000	Overseas listed foreign shares	374,000
Hou Liyuan	353,500	Ordinary shares denominated in RMB	353,500
Jin Ruiming	315,394	Ordinary shares denominated in RMB	315,394
Liu Bibo	300,000	Ordinary shares denominated in RMB	300,000
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 CNBMG Bengbu Design & Research Institute for Glass Industry Co., Ltd. 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.

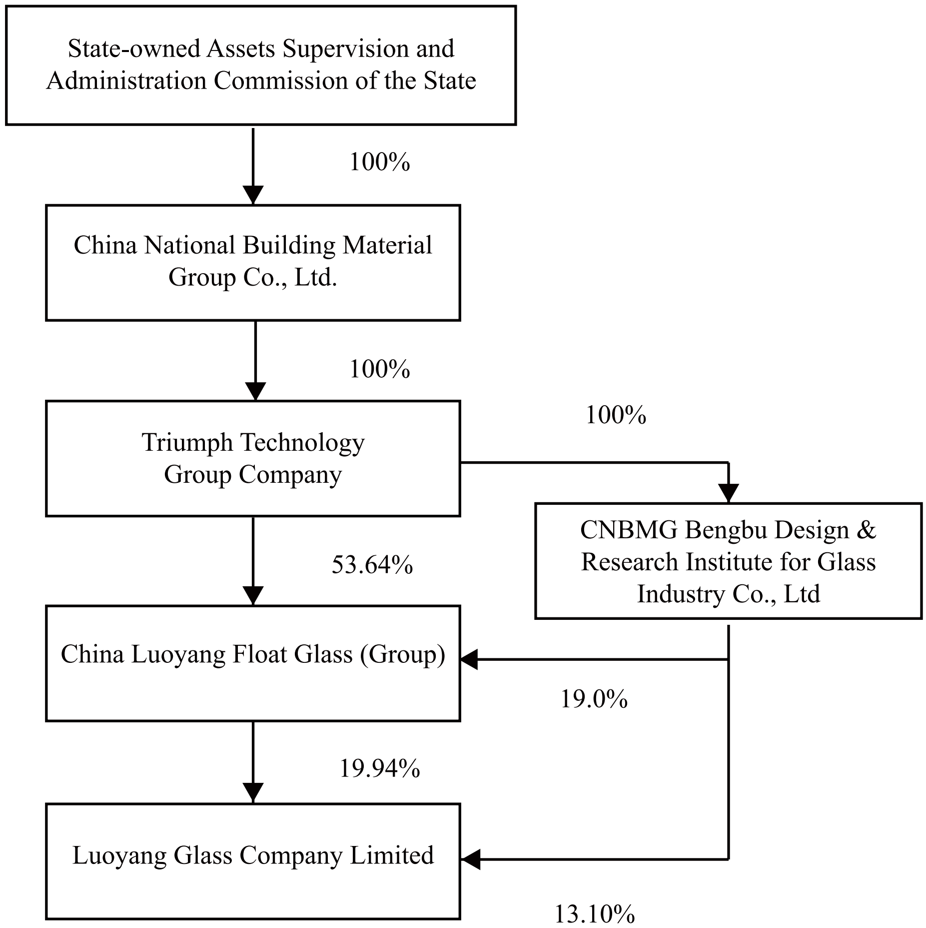
2. The ordinary shares dominated in Renminbi held by Hong Kong Securities Clearing Company Limited are held on behalf of overseas investors who held these shares via Northbound Trading in the Shanghai-Hong Kong Stock Connect.

5.2 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	10,546,448	Non-transferable within 12 months from the completion date of the issuance
3	First Capital Securities Co., Ltd.	1,202,185	2017-03-22	1,202,185	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.				

5.3 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

During the reporting period, the Company implemented the spirit of the 19th National Congress of the CPC, adhered to the management principles of "integration and optimization, quality improvement and benefit increase" and the business culture of "profit and efficiency as the first priority" and insisted on operation policies of "price stabilization, quantity assurance, cost reduction, receivables collection, inventory control, adjustment". On this basis, the Company implemented its development strategy in an all-round way so as to achieve the goals and tasks of the year.

1. Actively promote the major asset restructuring and expand and strengthen the new glass business.

In 2017, the Company has made substantial progress in assets acquisition by issuance of shares and supporting funds raising. It has obtained approvals from the State-owned Assets Supervision and Administration Commission of the State Council, the Shanghai Stock Exchange and Hong Kong Stock Exchange, the CSRC and the SFC, and the approvals from the Board of Directors and the general meeting of Luoyang Glass, ensuring the steady advancement of the restructuring work.

On 15 March 2018, the assets acquisition by issuance of shares and supporting funds raising (connected transaction) by the Company were approved by the CSRC.

Through this restructuring, the Company increased photovoltaic glass business on the basis of its existing optical electronic and information display glasses business. The successful implementation of the restructuring broadened the scope of application of the Company's new glass products, diversified product categories and downstream markets, and reduced dependence on a single downstream market. With the expansion of the size of and the improvement of the quality of the assets of the Company, it is expected to further enhance the stability and sustainability of future business development, and enhance profitability and overall competitiveness.

2. ***Steadily promote technological upgrading projects and new product projects, and strive to drive high-quality development.***

(1) The Company proactively coped with competitions in the ultra-thin glass market, improves weak links, and carried out production line transformation and technological upgrading project.

During the reporting period, the Company implemented the technological transformation and upgrading of the ultra-thin electronic glass production line of Longhai Company that was discontinued in the second half of 2016, and invested to rebuild a new generation of information display ultra-thin glass substrate production line, and optimized and improved production technology and core equipment. According to the design plan, the main line's technology and equipment and automatic control of the new-generation production line will reach the advanced level of the industry. The melting capacity of the melting furnace will be 180t/d, and the annual production capacity will be about 15.5 million square meters. At present, the project is progressing in an orderly manner.

(2) Consolidate and enhance the ability of continuous innovation and expand new energy materials business.

The ultra-white solar thermal materials are the basic materials of condenser, the core basic component used for solar thermal power generation. At present, domestic glass manufacturers haven't engaged in this field. According to the development strategy of the Company, and based on the pre-project market research, technological R&D, and the unique location advantage of the project site as well as energy supply advantage, the Company started the construction of the Ultra-White Solar Thermal Material Project in the industrial cluster district of Puyang County, Henan Province in May 2017. The project is to build a 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 it will build an ancillary deep processing production line of solar thermal power generation reflector with an annual production capacity of 6.80 million square meters during later phase.

The Company also plans to construct a photoelectric material R&D center and its ancillary facilities in the industrial cluster district of Puyang County, Henan Province. The completion and operation of the R&D center will create a good research environment for attracting high-level talents and fostering key technical personnel and will also effectively enhance the scientific research level and innovation capabilities of the Company in new materials and strengthen the core competitiveness of the Company.

3. Manage factories internally, and expand market externally to achieve stable growth during the production and operation courses.

(1) The Company increased the production of, and intensified the marketing and market synergy of marketable and high value-added products, and steadily raised the product selling price. During the reporting period, the selling prices of various products such as 0.33mm, 0.4mm, 0.7mm and 1.1mm products have been improved to varying degrees. The sales-to-output ratio of Longmen Company reached over 110%, which is the highest level in record.

(2) It has achieved remarkable results in new product R&D, and quality improvement through technological innovation. In the two production lines of the Company, the customer use rate of Longmen Company's 1.1mm product increased by approximately 20% year-on-year, and the gross rate of finished products of Bengbu Company's 0.33mm product increased by 5%. 0.25mm aluminum glass product has been successfully developed and has been continuously and stably produced.

(3) The efforts in "improving efficiency, cutting expenditures and reducing costs" has achieved substantial results. The Company reduced procurement costs and capital costs through centralized purchasing of bulk raw material and centralized use of funds, and optimized processing technologies and upgraded equipment to save raw material consumption and improve energy efficiency. The Company also adhered to benchmarking management, strictly controlled various costs and expenditures, and revitalized stock assets. Various measures such as repairing old facilities and reusing wastes were carried out, saving a total of about RMB20,000,000.

4. Major progress has been made in scientific research projects with remarkable scientific and technological achievements.

During the reporting period, Bengbu Company undertook a total of 4 R&D projects, including the provincial-level major special project, namely Research on the Production Technology and Key Technology in the Industrialization of 0.15mm Ultra-Thin Float Electronic Glass (0.15mm及薄浮法電子玻璃工藝及產業化關鍵技術研究), the project of Research on the Production Technology of Industrialization of 0.2mm High Strength Electronic Glass (高強0.2mm電子玻璃工業化生產技術研究) and the project of Research on the Production Technology of 3D Wear-Resistant Glass Substrate (耐磨3D玻璃基板生產技術研究). The latter two projects were established as major projects of independent innovation in Bengbu City.

During the reporting period, the Company applied for a total of 12 patents, including 4 invention patents and 8 utility model patents. It has also obtained 9 authorized patents and the Building Material Innovative Technology Award of China (中國建材技術革新獎). In 2017, the technology center of Bengbu Company was rated as a city-level enterprise technology center of Bengbu City. In addition, the Company has participated in revising the national standard GB/T 20314-2006 Float Glass for Liquid Crystal Displays (《液晶顯示器用薄浮法玻璃》), which will be formally implemented from 1 August 2018.

The information-based and digitized management project of the smart factory achieved staged results. The constructed digital workshop of the united float workshop of Bengbu Company was recognized as the provincial digital workshop in Anhui Province.

5. ***Enhance production safety to ensure no accident in production throughout the year and achieve remarkable results in energy conservation and emission reduction.***

In 2017, the comprehensive energy consumption per RMB10,000 of total output value was 1.73 tons of standard coal, which was 19.9% lower than the same period of last year. The major pollutant emission indexes, waste gas, waste water, SO2, NOx, particulate matter, and COD were reduced by 32%, 49.5%, 2%, 66.0%, 42.4% and 58.9% year-on-year respectively.

6. ***Optimize personnel allocation of the Company and reform the remuneration system, both yielding good results.***

In line with the goal of "highly capable personnel, efficient operation, harmonious company, and development promotion", the Company completed the resettlement of 199 redundant personnel. At the same time, the reform of the remuneration system will be implemented to achieve the initial goal of matching corresponding personnel and salary to relevant posts, and deciding remuneration based on performance. The salary level of employees has been greatly improved, which has further mobilized the enthusiasm of the staff.

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	2017	2016	Change (%)
Operating revenue	**367,047,136.12**	392,095,626.14	-6.39
Operating costs	**256,499,345.38**	343,709,563.17	-25.37
Selling expenses	**6,851,477.86**	7,482,306.95	-8.43
Administration expenses	**98,426,434.95**	87,025,947.92	13.10
Finance expenses	**29,554,391.47**	8,433,936.20	250.42
Net cash flow from Operating activities	**50,453,331.32**	30,552,921.95	65.13
Net cash flow from Investment activities	**61,987,355.67**	-150,917,078.02	141.07
Net cash flow from Financing activities	**-50,413,260.74**	190,549,383.10	-126.46
R&D expenditures	**17,793,597.50**	21,276,277.57	-16.37
Taxes and surcharges	**6,956,503.80**	5,232,136.49	32.96
Gains on disposal of assets (loss is represented by "-")	**6,063,804.98**	239,093.33	2,436.17
Other income	**39,751,226.80**	0.00	100
Non-operating income	**40,561,205.33**	105,623,639.01	-61.60

Reasons for change in finance expenses: an increase in interest-bearing liabilities in the reporting period.

Reasons for change in net cash flow from operating activities: the decrease in cash outflows from operating activities in the reporting period.

Reasons for change in net cash flow from investment activities: On the one hand, the subsidy received for project investment in the reporting period; on the other hand, the payment of differences for asset swap over the same period last year.

Reasons for change in net cash flow from financing activities: on the one hand, the proceeds received from the non-public issuance of shares over the same period last year, on the other hand, the decrease of financing for the period.

Reasons for change in taxes and surcharges: mainly due to the adjustment of the accounting items under the Provisions Concerning the Accounting Treatments of Value-Added Tax (Cai Kuai [2016] No.22) promulgated by the Ministry of Finance of the PRC.

Reasons for change in gains on disposal of assets: the increase in net income due to disposal of old equipment by the subsidiaries in the reporting period.

Reasons for change in other income: The government grants related to daily activities during the reporting period were presented in the "other income" item and were still presented in the "non-operating income" item during the same period last year according to the amended Accounting Standards for Business Enterprises No. 16 – Government Grants published by the Ministry of Finance of the PRC.

Reasons for change in non-operating income: The government grants related to daily activities during the reporting period were presented in the "other income" item and were still presented in the "non-operating income" item during the same period last year according to the amended Accounting Standards for Business Enterprises No. 16 – Government Grants published by the Ministry of Finance of the PRC.

6.2.2 Revenue

(1) Analysis of the reasons for changes in revenue

During the reporting period, the Company recorded an operating revenue of RMB367,047,100, representing a decrease of 6.39% as compared to that of last year, mainly due to the sales volume of Longhai Company (a subsidiary of the Company) decreased year-on-year for stopped production for technical transformation.

(2) Major sales to customers

The total sales to the top five customers amounted to RMB202,855,700, representing 55.27% of the total annual sales, of which sales to the related party amounted to RMB15,257,100, representing 4.16% of the total annual sales.

6.2.3 Costs

(1) Analytical Statement of Costs

Unit: Yuan Currency: RMB

By industry

By industry	Component of cost	2017	Percentage over total cost for the current period (%)	2016	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	**173,582,042.22**	**69.39**	247,219,997.05	73.25	-29.79	year-on-year decrease
	Direct labour	**21,812,641.44**	**8.72**	28,147,641.99	8.34	-22.51	year-on-year decrease
	Manufacturing expenses	**54,765,238.79**	**21.89**	62,134,063.42	18.41	-11.86	year-on-year decrease

By products

By products	Component of cost	2017	Percentage over total cost for the current period (%)	2016	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	**173,582,042.22**	**69.39**	247,219,997.05	73.25	-29.79	year-on-year decrease
	Direct labour	**21,812,641.44**	**8.72**	28,147,641.99	8.34	-22.51	year-on-year decrease
	Manufacturing expenses	**54,765,238.79**	**21.89**	62,134,063.42	18.41	-11.86	year-on-year decrease

(2) Major Suppliers

The purchase amount of top five suppliers is RMB132,785,400, representing 76.63% of total purchase amount of the year, of which the amount purchased from the related parties was RMB19,539,600, representing11.28% of total purchase amount of the year.

6.2.4 *Expenses*

Unit: Yuan Currency: RMB

Item	**2017**	2016	**Changes**	**Reasons of Changes**
Selling expenses	**6,851,477.86**	7,482,306.95	-8.43	
Administration expenses	**98,426,434.95**	87,025,947.92	13.10	
Finance expenses	**29,554,391.47**	8,433,936.20	250.42	the increase in interest-bearing liabilities in the reporting period
Income tax expenses	**13,098,505.13**	9,654,432.12	35.67	the year-on-year increase of the profit of subsidiaries in the reporting period.

6.2.5 *R&D expenditures*

(1) R&D expenditures

Unit: Yuan Currency: RMB

Expensed R&D expenditure in current period	17,793,597.50
Capitalized R&D expenditure in current period	–
Total of R&D expenditure	17,793,597.50
Percentage of total R&D expenditure to operating revenue *(%)*	4.85
Number of the Company's R&D staff	63
Percentage of R&D staff number to the Company's total number of employees *(%)*	9.13
Percentage of capitalized R&D expenditure *(%)*	–

6.2.6 Cash flow

(1) The net cash flow from operating activities amounted to RMB50,453,300, representing a decrease in net inflow of RMB19,900,400 as compared with RMB30,552,900 for the same period last year, mainly due to the decrease of cash outflow from operating activities during the reporting period.

(2) The net cash flow from investing activities amounted to RMB61,987,400, representing an increase of net inflow of RMB212,904,400 over RMB-150,917,100 for the same period last year, on the one hand, the subsidy received for project investment in the reporting period; on the other hand, the payment of differences for asset swap over the same period last year.

(3) The net cash flow from financing activities amounted to RMB-50,413,300, representing an decrease of net inflow of RMB240,962,600 over RMB190,549,400 for the same period last year, mainly due to, on the one hand, the proceeds received from the non-public issuance of shares over the same period last year, on the other hand, the decrease of financing for the period.

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 RMB78,201,300 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 yea *(%)*
New materials	348,115,904.29	250,159,922.45	28.14	-8.41	-25.88	increased by 16.93 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	348,115,904.29	250,159,922.45	28.14	-8.41	-25.88	increased by 16.93 percentage points

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	348,115,904.29	-8.41
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
Notes receivable	**86,642,392.18**	**6.31**	45,986,571.00	3.39	88.41	mainly due to the increase in payment in form of notes
Prepayments	**742,542.55**	**0.05**	1,638,352.47	0.12	-54.68	mainly due to the decrease in advances to suppliers

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
Inventory	**87,935,528.43**	**6.40**	132,978,500.26	9.80	-33.87	mainly due to the decrease inventories
Other current assets	**10,632,360.95**	**0.77**	34,874,034.35	2.57	-69.51	mainly due to the decrease in input tax to be deducted
Intangible assets	**117,435,554.98**	**8.55**	62,609,172.40	4.61	87.57	mainly due to the increase of land use right
Long-term deferred expenses	**4,920,152.57**	**0.36**	3,515,290.90	0.26	39.96	mainly due to the increase in handling charges for finance and service fees
Deferred income tax assets	**2,071,257.08**	**0.15**	4,341,222.30	0.32	-52.29	mainly due to the reversal of deferred income tax assets
Other non-current assets	**6,652,062.63**	**0.48**		0.00	100.00	mainly due to the prepayment for Desulfurization, Denitrification and Heat Recovery Boiler Project
Short-term loans	**366,009,000.00**	**26.66**	20,000,000.00	1.47	1,730.05	mainly due to additional working capital borrowings
Notes payable	**0.00**	**0.00**	90,000,000.00	6.63	-100.00	mainly due to the reimbursement of bill financing due

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**
Staff remuneration payables	**14,451,972.62**	**1.05**	25,743,969.95	1.90	-43.86	mainly due to the increase in actual payment of staff salary
Interest payable	**2,214,172.42**	**0.16**	713,868.25	0.05	210.17	mainly due to the increase in provision for loan interests
Non-current liabilities due within one year	**87,076,248.22**	**6.34**	471,337,062.91	34.74	-81.53	mainly due to the repayment of long-term borrowings due
Long-term loans	**130,781,745.65**	**9.52**	87,836,374.23	6.47	48.89	mainly due to the increase in borrowings from finance leasing
Deferred income	**108,193,683.26**	**7.88**	19,290,781.82	1.42	460.86	mainly due to the increase in government grants related to assets

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. During the reporting period, a number of scientific and technological achievements were achieved, with a total of 12 patent applications.

3. Advantages in series and scale of products. The Company has 3 ultra-thin glass production lines and ranks among the leading ultra-thin glass manufacturer in China,being capable of producing 0.15mm–2.0mm series of ultra-thin 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 ultra-thin glass substrate 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.China National Building Materials Group supports the establishment of Luoyang Glass as a capital operation and industry integration platform specializing in ultra-thin glass substrate business and new energy glass business.

6.6 Analysis of Investment

6.6.1 Overall Analysis of External Equity Investment

The company proposed to acquire 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy by by means of issuance of shares. As of the date of this report, the matter has been approved by the China Securities Regulatory Commission.

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	Total assets	Net assets	Net profit
CLFG Longmen Glass Company Limited	New materials	photoelectric glass	20,000,000	148,032,166.38	-547,025,836.06	-37,134,946.08
CLFG Longhai Electronic Glass Co., Ltd.	New materials	photoelectric glass	100,000,000	213,944,003.78	166,093,810.83	-10,396,410.41
Bengbu CNBMG Information Display Material Co., Ltd.	New materials	photoelectric glass	632,764,300	1,066,867,264.66	824,350,103.80	67,947,367.99
CNBMG (Puyang) Photoelectric Material Co., Ltd.	New materials	photoelectric glass	240,000,000	180,507,862.40	79,640,165.66	627,828.68

Notes: As at 1 March 2017, Luoyang Luobo Furuida Commerce Co., Ltd. was renamed CNBMG (Puyang) Photoelectric Material Co., Ltd.

6.7 Continuing Connected Transactions in 2017

In 2017, the transaction amount of the continuing connected transactions of the Group amounted to RMB1,333,810,000, and the annual caps being considered and approved amounted to RMB1,712,500,000 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 2017 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 2017.

6.8 Industry competition pattern and development trend

2018 is the first year for the full implementation of the spirit of the 19th CPC National Congress and is also a crucial year for the completion of building of a moderately prosperous society in all respects and the implementation of the 13th Five-Year Plan. The report of the 19th CPC National Congress explicitly pointed out that China's economy has been transitioning from a phase of rapid growth to a stage of high-quality development, and that this is a pivotal stage for transforming our growth model, improving our economic structure, and fostering new drivers of growth. The strategic goal of China's economic development is to develop a modernized economy, raise total factor productivity and steadily strengthen the innovation capacity and competitiveness of economy based on efforts for better quality, higher efficiency, and more robust drivers of economic growth through reform. In the new historical period, opportunities coexist with challenges.

The market demand for information display ultra-thin glass mainly derives from the demand increase in downstream markets and the expansion of application fields. The mobile Internet application penetrates into all aspects of consumption in daily life more quickly, 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. It is expected that the demand for ultra-thin glass substrate, as a core material for touch screen, will reach 101 million square meters by 2020. 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 favorable signs as domestic and international markets have maintained stable growth driven by the expansion, upgrading and growth of relevant consumer markets.

In recent years, China has introduced a series of industrial policies to promote the healthy development of the photovoltaic industry, which promotes the growth of China's domestic photovoltaic application market and the extensive application of photovoltaic energy. From 2013 to 2016, the annual growth rate of new PV installed capacity was 54.80%. According to Guidelines of the National Energy Administration on the Implementation of the 13th Five-Year Development Plan for Renewable Energy (《國家能源局關於可再生能源發展「十三五」規劃實施的指導意見》) (Guo Neng Fa Xin Neng [2017] No. 31), the additional construction scale of photovoltaic power generation for 2017 to 2020 is 86.50GW. Photovoltaic glass is one of the important components of the photovoltaic industry, and its development is closely related to the development of the photovoltaic industry. At present, China is the world's largest producer of photovoltaic glass. According to statistics, 93% of photovoltaic modules in the world use photovoltaic glass produced in China in 2015. With the diversified application and scale development of photovoltaic power generation technology, solar energy will gradually transition from complementary energy in some regions to alternative energy for the whole country. Driven by domestic and international demand for photovoltaic power generation, photovoltaic glass will have a larger market as it is an indispensable key material for photovoltaic module packaging.

At the same time, new production capacity is also increasing, so the market competition must be fiercer. 2018 will be a year of competitions in the quality of manufacturers.

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 optimization of product mix.

6.10 Business plan

In 2018, by adopting a quality-oriented approach, the Company will continue to conduct business operations based on a high starting point, and focusing on pursuing high standards, high level, and high efficiency. In the courses of production and operation, the Company will conduct assets restructuring, and put the projects into production and make those projects reach design capacity and meet production standards, which can drive the growth of the Company. Taking strengthening the internal control and management as the focus of efforts, the Company will continue to reduce cost and improve efficiency. We will take pride in hard work, face the market with a high sense of mission and a strong sense of responsibility, and wholeheartedly provide customers with high-standard and strictly-required products and services, so as to create reliable brands, powerful strengths, strong innovation ability and creativity.

In 2017, the Company's main operation targets are to strive to achieve production volume of 89.62 million square meters, to realize operating revenue of RMB1,741,190,000 and fully complete major development projects of the Company.

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

1. Continue to do a good job in production and operation and fully complete the goals and tasks of production and operation.

(1) The Company will create marketing synergy to produce synergy effects. Adhere to the operation guiding principle of "Price-Cost-Profit", the Company will stabilize the price and increase the quantity of products, and sale products with current quality level. It will make efforts to consolidate traditional markets, expand deeper into market segments, and secure major customers and big contracts. It will also pay attention to product prices, stabilize its existing market share, and help to maintain market stability.

(2) The Company will continue to make technological innovation, do a good job in production and management, and promote the steady improvement of product quality and output.

(3) The Company will implement fine management and control cost. Emphasis should be placed on key indicators such as revenue and profit to create an atmosphere in which every employee pays attention to the operation and development of the Company. The Company will effectively reduce costs and fees, increase profitability, strictly control the risk of accounts receivable, reduce inventory and capital occupation.

(4) The Company will continue to intensify efforts in "improving efficiency, cutting expenditures and reducing costs", which is a long-term activity that has no finishing line and requires full participation of the staff. The Company will proactively implement the "eight measures", insist on benchmarking management, strictly control costs and reduce various types of consumption. We will innovate process technology, strengthen lean management to improve the quality and output of products, realize cost reduction and efficiency improvement, increase revenue and reduce expenditures. In 2018, we expect to realize the goal of"improving efficiency, cutting expenditures and reducing costs" to increase our revenue by more than 20% year-on-year.

(5) Focusing on project construction and production and operation activities, the Company will raise funds to meet the capital requirements for project construction and daily production and operation activities.

2. Promote major special projects in a solid manner and create reliable brands and hard strengths of the Company.

(1) The Company should make asset delivery and other relevant works conduct smoothly followed the major assets restructuring, and start to raise supporting funds in due course.

(2) The Company will actively push forward the construction of the cold repair technology upgrading project and the Ultra-White Solar Thermal Materials Project in Puyang of Longhai Company. According to the project network schedule, we will make reasonable arrangements and conduct scientific construction to ensure safety, good quality and high efficiency. After the upgrading project of Longhai Company is completed and put into production, we will fully meet the requirements on high-end ITO glass from downstream market, to become a leading manufacture in the industry and truly achieve the desired results. We will make the Ultra-White Solar Thermal Materials Project in Puyang into a quality project, which will enable our company to become a benchmarking enterprise in the region. We will ensure that the project will be put into production on schedule and start to produce photothermal glass in 2018.

(3) The Company will plan to conduct the upgrading project of Longmen Company. The melting furnace of Longmen Company is about to expire. We will plan to carry out the upgrading of the production line as soon as possible, conduct pre-project investigation and feasibility studies, go through the various procedures for project approval, and start construction as soon as possible.

3. Deepen internal mechanism reform, strengthen internal control and management and prevent various risks

(1) The Company will establish a new type of management and control mode that meets the Company's future requirements to achieve efficient operations. Combining the reorganization of the Company and the addition of new companies and business segments after the completion of the project construction, the internal control will be further optimized to ensure the efficient operation of the Company. At the same time, upon the completion of the reorganization, we must integrate and optimize the business, personnel, and corporate culture of newly joined companies to create synergy effects and become united as one.

(2) The Company will deepen the reform of internal mechanisms. Giving priority to efficiency, we will reform the mechanism to make it show a positive correlation between the interests of management, employees, and corporate profits. We will improve the performance evaluation system of the Company, so that management personnel and employees can share the growing corporate value and benefits. We will research the professional manager system and stock appreciation right incentive in due course, and in accordance with the market-based principles, foster energetic professional managers with strong political position and good management capability, explore enterprise annuity system to encourage employees develop with the Company.

(3) The Company will strengthen internal control and management and prevent various risks. All departments of the Company must follow the requirements of the Internal Control Manual (《內控手冊》) to ensure the legal compliance of the Company's operations and asset security. We will strengthen the self-evaluation of the effectiveness of the Company's internal control structure and procedures. We will also strengthen risk management and control, fully implement the risk management system to effectively control various risk points and ensure the safe and efficient operation of the Company.

(4) The Company will strengthen production safety, energy saving and emission reduction. We must always make unremitting efforts to ensure safe production and no accidents, and realize the goal of energy conservation and emission reduction. Production and business units must put production safety first, strictly implement the safety responsibility system, and conduct standard operations in strict compliance with the requirements of the operational

procedures to prevent the occurrence of major safety accidents, so as to ensure production safety, equipment in good condition, personal safety, and property security. We will strictly follow the requirements of the Notice on Soliciting the Opinions on Revising the Work Plan for the Prevention and Control of Atmospheric Pollution in Henan Province in 2018 (Exposure Draft) (《關於徵求河南省2018年大氣污染防治攻堅戰工作方案(徵求意見稿)修改意見的通知》) to upgrade existing environmental protection facilities to meet the "ultra-low emission" standard.

4. *Strengthen cultural construction and team building*

We will carry out extensive learning activity throughout the Company to remind the staff to stay true to their original selves, to enable them to know the mission of the Company, learn to shoulder responsibility and improve skills. We will actively implement the management training plan and the reserve talent training plan to make every effort to build a team of cadres who have the overall awareness, sense of innovation, pioneering spirit, the courage to undertake responsibility, and the willingness to work hard, and who have the comprehensive ability and qualities of wanting to work hard, being able to serve and achieving success, daring to take responsibility, and doing good in their posts, and to train a group of competent leaders, a number of managers with strong will, and a group of first-line employees with the craftsmanship. We will strengthen the cultivation of reserve talents, select and emphatically train a group of young talents in the whole Company who will have a promising future after training and are loyal to the Company, establish a system of trainee foremen and trainee directors (managers), and accelerate the growth of reserve talents.

The Company will establish professional talent pools to handle the Company's various urgent production technology problems and provide talent support. The Company will also establish a growth mechanism for technical talents, operational talents, and management talents, set up professional positions of chief engineers, chief technicians, and senior managers to give full play to the role of various talents.

6.11 Potential Risks

1. Risks arising from policies and the industry

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 maintain stable profitability and high profit level.

Countermeasures: The Company has a core technical team and has strong technical strength in product R&D, process technology improvement, and quality control. The Company will further increase the research and development of new products, continue to innovate and improve to strive to become the industry leader.

2. 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 so as to reduce purchasing costs. In addition, the Company will expand supply channels to ensure the stability and efficiency of its supply channels.

3. 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 proactively raise funds to guarantee project construction progress, doing project construction management to ensure project quality; 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

4. *Financial Risks*

Credit risk: The Company's credit risk arises mainly from accounts receivable; most clients of the Company have been implemented delivery on cash while a few clients with sound reputation have been granted credit extension. As such, the Company faces low credit risks.

Liquidity risk: The Company has sufficient cash and cash equivalents to basically meet its operational needs. In addition, it has obtained financial assistance commitment from its controlling shareholder that can satisfy its long- and short-term capital demand.

Interest rate risk: The Company's interest rate risk arises mainly from bank and other loans as well as bank deposit. As there is no significant connection between the vast majority of Company's expenses 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 Proposal for Profit Distribution or Conversion of Capital Reserves into Share Capital

The Parent Company recorded a net profit of RMB2,883,500 for 2017, which is audited by PKF Daxin Certified Public Accountants LLP, and together with the undistributed profit of RMB-1,399,150,600 at the beginning of the previous year, the accumulated undistributed profit of the Parent Company at the end of 2017 was RMB-1,396,267,100.

As provided in the relevant provisions of Articles of Association that the profit after tax should first be used to cover the deficit, the Company will not distribute profits nor convert capital reserve into share capital in 2017.

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

6.15 Audit Committee

The audit committee of the Board of the Company has reviewed this annual report.

VII. 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 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 – Non-Current Assets and Disposal Groups Held for Sale and Termination of Business Operation, which took effect on 28 May 2017. Non-current assets and disposal groups held for sale and termination of business operation existing on the date of the implementation shall be handled with prospective application method.

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 16 – Government Grants, and the revised standards will be implemented since 12 June 2017. The government grant existing on 1 January 2017 shall be handled with prospective application method; and the new government grant from 1 January 2017 to the date of the implementation shall also be adjusted according to the revised standard.

In 2017, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises (《財政部關於修訂印發一般企業財務報表格式的通知》) (Cai Kuai〔2017〕No. 30). Enterprises that apply the Accounting Standards for Business Enterprises shall prepare the financial statements for 2017 and the future periods in accordance with the Accounting Standards for Business Enterprises and the requirements of the Notice.

The main impacts of the Company's implementation of the above two standards and the Notice (Cai Kuai [2017] No. 30) are as follows:

Unit: RMB

Changes in accounting policies and causes	Affected items of financial statement	The amount of affected items of financial statement during the current period	Restated amount of the previous period	The amount of non-operating income reported in the previous period	The amount of on-operating expenses reported in the previous period
1. Government grants related to the daily operations of the Company are included in other income	Other income	39,751,226.80	–	21,647,581.14	–
2. Adjustment to the presentation of gains and losses from asset disposal	Gains from asset disposal	6,063,804.98	239,093.33	254,968.93	15,875.60

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

None

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.

None

VIII. NOTES TO THE FINANCIAL STATEMENTS

Consolidated Balance Sheet
31 December 2017

Prepared by: Luoyang Glass Company Limited*

Unit: Yuan Currency: RMB

Item	Closing Balance	Operating Balance
Current Assets：		
Cash and cash equivalents	**175,955,511.45**	157,528,516.53
Bills receivables	**86,642,392.18**	45,986,571.00
Accounts receivables	**105,313,043.46**	101,891,329.13
Prepayments	**742,542.55**	1,638,352.47
Other receivables	**78,228,794.75**	107,581,717.91
Inventories	**87,935,528.43**	132,978,500.26
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	**10,632,360.95**	34,874,034.35
Total current assets	**545,450,173.77**	582,479,021.65
Non-current assets:		
Held-to-maturity investment		
Long-term receivables	**55,000,000.00**	55,000,000.00
Long-term equity investment		
Fixed assets	**561,330,800.42**	648,972,313.06
Construction in progress	**80,258,263.80**	
Engineering materials	**13,980.58**	
Disposal of fixed assets		
Intangible assets	**117,435,554.98**	62,609,172.40
Development expenditures		
Long-term deferred expenses	**4,920,152.57**	3,515,290.90
Deferred income tax assets	**2,071,257.08**	4,341,222.30
Other non-current assets	**6,652,062.63**	
Total non-current assets	**827,682,072.06**	774,437,998.66
Total assets	**1,373,132,245.83**	1,356,917,020.31

Item	Closing Balance	Operating Balance
Current liabilities：		
Short-term borrowings	**366,009,000.00**	20,000,000.00
Bills payables		90,000,000.00
Accounts payables	**39,537,119.64**	46,373,902.20
Receipts in advance	**10,817,124.88**	14,391,654.50
Employee compensation payable	**14,451,972.62**	25,743,969.95
Taxes payable	**11,764,954.55**	15,381,067.45
Interest payable	**2,214,172.42**	713,868.25
Dividend payable		
Other payables	**43,147,078.23**	42,578,922.04
Non-current liabilities due within one year	**87,076,248.22**	471,337,062.91
Other current liabilities		
Total current liabilities	**575,017,670.56**	726,520,447.30
Non-current liabilities：		
Long-term borrowings	**130,781,745.65**	87,836,374.23
Accrued liability		
Deferred income	**108,193,683.26**	19,290,781.82
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**238,975,428.91**	107,127,156.05
Total Liabilities	**813,993,099.47**	833,647,603.35

Item	Closing Balance	Operating Balance
Owners' equity		
Share capital	**526,766,875.00**	526,766,875.00
Capital reserve	**1,488,406,708.39**	1,473,105,039.50
Surplus reserve	**51,365,509.04**	51,365,509.04
Undistributed profit	**-1,507,399,946.07**	-1,527,968,006.58
Total owners' equity attributable to owners of the Company	**559,139,146.36**	523,269,416.96
Minority interests		
Total owners' equity	**559,139,146.36**	523,269,416.96
Total liabilities and owners' equity	**1,373,132,245.83**	1,356,917,020.31

Legal representative:
Zhang Chong

Person in charge of accounting:
Ma Yan

Person in charge of accounting department:
Chen Jing

Balance Sheet of the Company

31 December, 2017

Prepared by: Luoyang Glass Company Limited*

Unit: Yuan Currency: RMB

Item	Closing Balance	Opening Balance
Current Assets:		
Cash and cash equivalents	**52,744,789.07**	109,837,249.29
Bills receivables	**7,469,611.05**	12,832,190.32
Accounts receivables	**204,327,727.83**	207,658,323.10
Prepayments	**30,238.87**	58,700.86
Other receivables	**31,131,296.66**	82,751,723.72
Inventories		
Assets classified as held for sale		
Non-current assets due within one year		
Other current assets	**489,663.39**	52,829.24
Total current assets	**296,193,326.87**	413,191,016.53
Non-current assets:		
Held-to-maturity investment		
Long-term receivables	**55,000,000.00**	55,000,000.00
Long-term equity investment	**868,986,593.99**	748,986,593.99
Investment properties		
Fixed assets	**2,508,762.95**	2,878,637.33
Construction in progress		
Intangible assets	**63,612,709.86**	6,674,333.25
Long-term deferred expenses	**162,000.00**	270,000.00
Deferred income tax assets		
Other non-current assets		
Total non-current assets	**990,270,066.80**	813,809,564.57
Total assets	**1,286,463,393.67**	1,227,000,581.10

Item	Closing Balance	Opening Balance
Current liabilities:		
Short-term borrowings	**347,509,000.00**	
Bills payable		90,000,000.00
Accounts payable	**5,062,801.26**	15,317,580.28
Receipts in advance	**7,813,062.37**	11,625,410.24
Employee compensation payable	**8,089,982.67**	8,015,791.49
Taxes payable	**566,122.59**	807,117.66
Interest payable	**472,432.69**	
Dividend payable		
Other payables	**465,380,879.74**	281,486,640.75
Liabilities classified as held for sale		
Non-current liabilities due within one year	**404,406.94**	386,428,324.30
Other current liabilities		
Total current liabilities	**835,298,688.26**	793,680,864.72
Non-current liabilities:		
Long-term borrowings	**606,605.65**	946,806.31
Other non-current liabilities		
Total non-current liabilities	**606,605.65**	946,806.31
Total Liabilities	**835,905,293.91**	794,627,671.03
Owners' equity:		
Share capital	**526,766,875.00**	526,766,875.00
Capital reserve	**1,268,692,769.04**	1,253,391,100.15
Surplus reserve	**51,365,509.04**	51,365,509.04
Undistributed profit	**-1,396,267,053.32**	-1,399,150,574.12
Total owners' equity	**450,558,099.76**	432,372,910.07
Total liabilities and owners' equity	**1,286,463,393.67**	1,227,000,581.10

Legal representative: **Zhang Chong**

Person in charge of accounting: **Ma Yan**

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

Consolidated Income Statement

January–December 2017

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
I. Total operating revenue	**367,047,136.12**	392,095,626.14
Including: Operating revenue	**367,047,136.12**	392,095,626.14
II. Total operating costs	**419,356,209.01**	472,351,862.60
Including: Operating costs	**256,499,345.38**	343,709,563.17
Taxes and surcharges	**6,956,503.80**	5,232,136.49
Selling expenses	**6,851,477.86**	7,482,306.95
Administration expenses	**98,426,434.95**	87,025,947.92
Finance expenses	**29,554,391.47**	8,433,936.20
Impairment loss on assets	**21,068,055.55**	20,467,971.87
Gain on disposal of assets (loss is represented by "-")	**6,063,804.98**	239,093.33
Other income	**39,751,226.80**	
III. Operating profit (loss is represented by "-")	**-6,494,041.11**	-80,017,143.13
Add: Non-operating income	**40,561,205.33**	105,623,639.01
Less: Non-operating expenses	**400,598.58**	4,435,999.98
IV. Total profit (total loss is represented by "-")	**33,666,565.64**	21,170,495.90
Less: Income tax expenses	**13,098,505.13**	9,654,432.12
V. Net profit (net loss is represented by "-")	**20,568,060.51**	11,516,063.78
(I) Classified on a going concern basis		
1. Net profit from continued operation (Net loss is represented by "-")	**20,568,060.51**	11,516,063.78
2. Net profit from discontinued operation (Net loss is represented by "-")		
(II) Classified by ownership		
1. Profit or loss attributable to minority interests		
2. Net profit attributable to the shareholders of the Parent Company	**20,568,060.51**	11,516,063.78

Item	Amount for current period	Amount for previous period
VI. Other comprehensive income net of tax		
VII. Total comprehensive income	**20,568,060.51**	11,516,063.78
Total comprehensive income attributable to owners of the parent company	**20,568,060.51**	11,516,063.78
Total comprehensive income attributable to minority interests		
VIII. Earnings per share		
(I) Basic earnings per share *(RMB/share)*	**0.04**	0.02
(II) Diluted earnings per share *(RMB/share)*	**0.04**	0.02

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

Income Statement of the Company

January–December 2017

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for previous period
I. Operating revenue	**176,945,128.22**	181,485,316.09
Less: Operating costs	**174,063,052.65**	179,007,684.25
Taxes and surcharges	**1,120,916.64**	81,363.39
Selling expenses	**534,770.21**	795,650.43
Administration expenses	**20,920,881.42**	31,401,951.45
Finance expenses	**26,328,207.69**	121,920.22
Impairment loss on assets	**600,521.22**	93,488,833.51
Investment income (loss is represented by "-")	**11,085,247.18**	11,066,925.00
Gain on disposal of assets (loss is represented by "-")		-4,235.58
Other income		
II. Operating profit (loss is represented by "-")	**-35,537,974.43**	-112,349,397.74
Add: Non-operating income	**38,622,001.35**	70,032,828.38
Less: Non-operating expenses	**200,506.12**	3,399,038.30
III. Total profit (total loss is represented by "-")	**2,883,520.80**	-45,715,607.66
Less: Income tax expenses		
IV. Net profit (loss is represented by "-")	**2,883,520.80**	-45,715,607.66
(I) Net profit from continued operation (Net loss is represented by "-")	**2,883,520.80**	-45,715,607.66
(II) Net profit from discontinued operation (Net loss is represented by "-")		
V. Other comprehensive income net of tax		
VI. Total comprehensive income	**2,883,520.80**	-45,715,607.66
VII. Earnings per share		
(I) Basic earnings per share (RMB/share)	**–**	**–**
(II) Diluted earnings per share(RMB/share)	**–**	**–**

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

Consolidated Cash Flow Statement

January–December 2017

Unit: Yuan Currency: RMB

Item	**Amount for current period**	Amount for previous period
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**180,851,556.08**	136,730,044.67
Tax refunds received		
Other cash received from activities related to operation	**71,981,153.19**	115,177,751.23
Sub-total of cash inflow from operating activities	**252,832,709.27**	251,907,795.90
Cash paid for purchase of goods and rendering of services	**65,795,658.53**	100,904,584.34
Cash paid to and on behalf of employees	**92,293,809.21**	75,241,190.93
Tax payments	**27,030,576.69**	21,684,812.32
Other cash paid for activities related to operation	**17,259,333.52**	23,524,286.36
Sub-total of cash outflow from operating activities	**202,379,377.95**	221,354,873.95
Net cash flow from operating activities	**50,453,331.32**	30,552,921.95
II. Cash flow from investment activities:		
Cash from recovery of investment		
Cash received from return of investment		
Net cash received from disposal of fixed assets, intangible assets and other long term assets	**2,348,600.00**	322,732.92
Net cash received from disposal of subsidiaries and other operating units		
Other cash received from activities related to investment	**100,000,000.00**	9,930,000.00
Sub-total of cash inflow from investment activities	**102,348,600.00**	10,252,732.92
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**40,361,244.33**	56,177,058.27
Cash paid for investment		
Net cash paid for acquisition of subsidiaries and other operating entities		
Other cash paid for activities related to investment		104,992,752.67
Sub-total of cash outflow from investment activities	**40,361,244.33**	161,169,810.94
Net cash flow from investment activities	**61,987,355.67**	-150,917,078.02

Item	**Amount for current period**	Amount for previous period
III. Cash flow from financing activities:		
Cash received from capital contributions		209,624,984.30
Proceeds from loans	**173,300,000.00**	120,000,000.00
Other cash received from financing-related activities	**372,779,589.38**	340,319,034.02
Sub-total of cash inflow from financing activities	**546,079,589.38**	669,944,018.32
Cash paid for repayment of loans	**153,584,862.41**	141,829,011.07
Cash payment for distribution of dividends and profits or repayment of interest	**22,198,364.85**	6,927,438.38
Other cash paid for financing-related activities	**420,709,622.86**	330,638,185.77
Sub-total of cash outflow from financing activities	**596,492,850.12**	479,394,635.22
Net cash flow from financing activities	**-50,413,260.74**	190,549,383.10
IV. Effects of changes in exchange rate on cash and cash equivalents	**-431.33**	428.59
V. Net increase in cash and cash equivalents	**62,026,994.92**	70,185,655.62
Add: Opening balance of cash and cash equivalents	**112,528,516.53**	42,342,860.91
VI. Closing balance of cash and cash equivalents	**174,555,511.45**	112,528,516.53

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

Cash Flow Statement of the Company

January–December 2017

Unit: Yuan Currency: RMB

Item	**Amount for current period**	Amount for previous period
I. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	**75,092,063.97**	73,259,614.17
Tax refunds received		
Other cash received from activities related to operation	**77,674,347.14**	94,349,331.54
Sub-total of cash inflow from operating activities	**152,766,411.11**	167,608,945.71
Cash paid for goods purchased and services rendered	**1,086,900.00**	24,063,475.66
Cash paid to and on behalf of employees	**12,143,285.40**	25,871,529.56
Tax payments	**1,407,217.36**	798,236.01
Other cash paid for activities related to operation	**128,184,563.20**	15,144,757.50
Sub-total of cash outflow from operating activities	**142,821,965.96**	65,877,998.73
Net cash flow from operating activities	**9,944,445.15**	101,730,946.98
II. Cash flow from investment activities:		
Cash from recovery of investment		
Cash received from return of investment		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**400,000.00**	
Other cash received from activities related to investment	**43,164,222.88**	9,930,000.00
Sub-total of cash inflow from investment activities	**43,564,222.88**	9,930,000.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	**3,361,300.60**	55,076,952.45
Cash paid for investment	**120,000,000.00**	
Other cash paid for activities related to investment		104,992,752.67
Sub-total of cash outflow from investment activities	**123,361,300.60**	160,069,705.12
Net cash flow from investment activities	**-79,797,077.72**	-150,139,705.12

Item	**Amount for current period**	Amount for previous period
III. Cash flow from financing activities:		
Cash received from capital contributions		209,624,984.30
Other cash received from activities related to financing		
Other cash received from activities related to financing	**938,578,015.21**	548,024,419.90
Sub-total of cash inflow from financing activities	**938,578,015.21**	757,649,404.20
Cash paid for repayment of loans	**37,636,864.81**	43,410,524.18
Cash paid for dividends, profit, or interest payment	**13,537,872.66**	40,688.87
Other cash paid for financing-related activities	**831,042,674.06**	601,374,849.08
Sub-total of cash outflow from financing activities	**882,217,411.53**	644,826,062.13
Net cash flow from financing activities	**56,360,603.68**	112,823,342.07
IV. Effects of changes in exchange rate on cash and cash equivalents	**-431.33**	428.59
V. Net increase in cash and cash equivalents	**-13,492,460.22**	64,415,012.52
Add: Opening balance of cash and cash equivalents	**64,837,249.29**	422,236.77
VI. Closing balance of cash and cash equivalents	**51,344,789.07**	64,837,249.29

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

Consolidated Statement of Changes in Owners' Equity

January–December 2017

Unit: Yuan Currency: RMB

Item	Current Period												
	Equity attributable to owners of the Company												
		Other equity instruments											
	Share capital	Preferential shares	Perpetual bonds	Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit	Minority interest	Total shareholder's equity
I. Balance at the end of last year	**526,766,875.00**				**1,473,105,039.50**				**51,365,509.04**		**-1,527,968,006.58**		**523,269,416.96**
Add: Changes in accounting policies													
Effects of correction of prior period errors													
Business combination under common control													
Others													
II.Balance at the beginning 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**
III.Increase/decrease in the year (decrease is represented by "-")					**15,301,668.89**						**20,568,060.51**		**35,869,729.40**
(I) Total comprehensive income											20,568,060.51		20,568,060.51
(II) Shareholders' contribution and decrease in capital					15,301,668.89								15,301,668.89
Others					15,301,668.89								15,301,668.89
(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**				**1,488,406,708.39**				**51,365,509.04**		**-1,507,399,946.07**		**559,139,146.36**

Item	Last Period												
	Equity attributable to owners of the Company												
	Share capital	Other equity instruments: Preferential shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profit	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
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
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
(I) Total comprehensive income											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
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													
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

Legal representative: **Zhang Chong**

Chief accountant: **Ma Yan**

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

Statement of Changes in Owners' Equity of the Company

January–December 2017

Unit: Yuan   Currency: RMB

Item	Current Period										
	Share capital	Other equity instruments: Preferential shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' equity
I. Balance at the end of last year	**526,766,875.00**				**1,253,391,100.15**				**51,365,509.04**	**-1,399,150,574.12**	**432,372,910.07**
Ⅱ. Balance at the beginning 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**
Ⅲ. Increase/decrease in the year (decrease is represented by "-")					**15,301,668.89**					**2,883,520.80**	**18,185,189.69**
(I) Total comprehensive income										**2,883,520.80**	**2,883,520.80**
(Ⅱ) Owners' contribution and decrease in capital					**15,301,668.89**						**15,301,668.89**
Others					**15,301,668.89**						**15,301,668.89**
(Ⅲ) Profit distribution											
(Ⅳ) Internal carry-forward of owners' equity											
(Ⅴ) Special reserve											
(Ⅵ) Others											
Ⅳ. Balance at the end of the year	**526,766,875.00**				**1,268,692,769.04**				**51,365,509.04**	**-1,396,267,053.32**	**450,558,099.76**

Item	Last Period										
	Share capital	Other equity instruments: Preferential shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total owners' 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) Owners' 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 owners' 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

Legal representative: **Zhang Chong**

Chief accountant: **Ma Yan**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year 2017 (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 are manufacturing and sale of photoelectric 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 based on 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 into 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, subsidiaries 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

During the year, the Company's revenue mainly generated from the sale of photoelectric glass, thus it is regarded as the single reportable segment. The management of the Company reviewed the Company'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 Company's revenue from external customers and the Company'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.

	Revenue from external customers		Non-current assets	
			31 December	31 December
Item	**2017**	2016	**2017**	2016
China	**367,047,136.12**	392,095,626.14	**770,610,814.98**	715,096,776.36
Total	**367,047,136.12**	392,095,626.14	**770,610,814.98**	715,096,776.36

2. Major customers

The Company has a relatively concentrated major customer base in 2017. The transaction amount of its top 5 sales customers exceeds 50% of the Company'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	Amount for current period	Amount for previous period
Revenue from main operating activities	**348,115,904.29**	380,091,217.36
Revenue from other operating activities	**18,931,231.83**	12,004,408.78
Total operating revenue	**367,047,136.12**	392,095,626.14

(2) Revenue from main operating activities by product

Designation of product or labor service	Amount for current period	Amount for previous period
Photoelectric glass	**348,115,904.29**	380,091,217.36
Total	**348,115,904.29**	380,091,217.36

V. OTHER INCOME

Item	Amount for current period	Amount for previous period
Government grant	**39,751,226.80**	
Total	**39,751,226.80**	

VI. GAINS ON THE DISPOSAL OF ASSETS

Item	**Amount for current period**	Amount for previous period
Gains and losses from disposal of fixed assets	**6,002,653.36**	-15,780.57
Gains and losses from disposal of Intangible assets	**61,151.62**	254,873.90
Total	**6,063,804.98**	239,093.33

VII. NON-OPERATING INCOME

Item	**Amount for current period**	Amount for previous period
Government grant	**38,450,106.00**	102,455,677.91
Income from debt restructuring	**2,000,783.33**	3,130,969.27
Others	**110,316.00**	36,991.83
Total	**40,561,205.33**	105,623,639.01

VIII. PRE-TAX PROFITS

Pre-tax profits have (deducted)/included:

(1) Financial expenses

Item	**Amount for current period**	Amount for previous period
Interest expense	**26,379,527.79**	9,207,506.10
Less: interest income	**711,870.89**	3,669,695.12
Exchange losses (less: exchange income)	**-238,846.73**	113,943.65
Other finance expenses	**4,125,581.30**	2,782,181.57
Total	**29,554,391.47**	8,433,936.20

(2) Operating costs

Item	Amount for current period	Amount for previous period
Principal business costs	**250,159,922.45**	337,501,702.46
Other business costs	**6,339,422.93**	6,207,860.71
Total of operating costs	**256,499,345.38**	343,709,563.17

(3) Tax and surcharges

Item	Amount for current period	Amount for previous period
Business tax		5,741.68
Property tax	**2,074,194.28**	1,382,796.18
Land-use tax	**3,611,055.11**	1,710,769.63
City maintenance tax	**449,083.06**	1,692,633.65
Education surcharges	**320,773.60**	275,385.63
Others	**501,397.75**	164,809.72
Total	**6,956,503.80**	5,232,136.49

(4) Selling expenses

Item	Amount for current period	Amount for previous period
Staff expense	**4,389,291.11**	5,255,815.70
Depreciation expenses	**174,878.85**	237,707.59
Transportation costs	**887,604.11**	203,121.71
Loading and unloading expenses	**459,594.80**	624,331.64
Travel Expense	**532,402.03**	443,600.90
Other selling expenses	**407,706.96**	717,729.41
Total	**6,851,477.86**	7,482,306.95

(5) Administrative expenses

Item	**Amount for current period**	Amount for previous period
Staff expense	**28,283,042.04**	37,479,187.08
Depreciation of fixed assets	**3,832,378.65**	2,612,502.24
Amortization of intangible assets	**2,691,951.27**	1,840,418.68
Intermediary engagement and consulting fees	**17,937,955.22**	7,864,025.28
Research and development fees	**17,793,597.50**	21,276,277.57
Repairing cost	**1,494,572.99**	794,003.10
Taxes		2,282,801.22
Staff settlement fees	**19,411,503.76**	9,171,745.41
Other expenses	**6,981,433.52**	3,704,987.34
Total	**98,426,434.95**	87,025,947.92

(6) Asset impairment loss

Item	**Amount for current period**	Amount for previous period
Bad debt loss	**1,586,196.00**	-4,058,434.40
Inventory falling price loss	**9,926,191.35**	22,054,121.69
Impairment loss of fixed assets	**9,555,668.20**	2,472,284.58
Total	**21,068,055.55**	20,467,971.87

(7) Non-operating expenses

Item	**Amount for current period**	Amount for previous period
Indemnities, liquidated damages and penalties	**51,014.49**	4,431,441.73
Others expenses	**349,584.09**	4,558.25
Total	**400,598.58**	4,435,999.98

IX. INCOME TAX EXPENSES

Item	**Amount for current period**	Amount for previous period
Current income tax expenses based on tax laws and relevant regulations	**10,828,539.91**	9,904,280.09
Deferred income tax expenses	**2,269,965.22**	-249,847.97
Total	**13,098,505.13**	9,654,432.12

Note: Longhai Company and Bengbu Company, the wholly-owned subsidiaries of the Company, have been approved as the high-tech enterprise in 2016 and paid the enterprise income tax at a tax rate of 15% in 2017.

X. DIVIDENDS

The Company's Board of Directors did not recommend distributing dividends for the year ended 31 December 2017.

XI. 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	**Amount for current period**	Amount for previous period
Net profits attributable to the holders of ordinary shares of the Company	**20,568,060.51**	11,516,063.78
Closing total shares	**526,766,875.00**	526,766,875.00
Basic earnings per share	**0.04**	0.02

For the year ended 31 December 2017, the Company does not have any potential diluted shares, so no diluted earnings per share are calculated.

XII. ACCOUNTS RECEIVABLE AND NOTES RECEIVABLE

1. Accounts receivable：

Item	Carrying amount	Opening balance
Account receivable	**160,817,363.43**	156,466,612.01
Less: Provision for bad debts	**55,504,319.97**	54,575,282.88
Net amount	**105,313,043.46**	101,891,329.13

Generally, 1 to 6 months of credit period are granted to the main customers and the Company sells its products by receiving advances for new customers or customers with small business.

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

Aging	Closing balance	Opening balance
Within 1 year	**78,591,460.02**	98,896,250.79
1–2 years	**28,161,799.88**	1,880,549.56
2–3 years	**13,125.10**	1,718,554.05
3–4 years	**79,720.82**	605,589.30
4–5 years	**605,589.30**	2,672,254.67
Over 5 years	**53,365,668.31**	50,693,413.64
Total	**160,817,363.43**	156,466,612.01

2. Notes receivable by category

Item	Closing balance	Opening balance
Bank acceptance	**86,642,392.18**	45,586,571.00
Trade acceptance		400,000.00
Total	**86,642,392.18**	45,986,571.00

XIII. ACCOUNTS PAYABLE AND NOTES PAYABLE

1. Accounts payable by aging

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	**25,532,687.36**	17,853,268.60
Over 1 year	**14,004,432.28**	28,520,633.60
Total	**39,537,119.64**	46,373,902.20

2. Notes payable by category

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

XIV. RESERVES

1. Capital reserve

Item	Opening balance	Increase in this period	Decrease in this period	Closing balance
I. Share capital premium	1,400,804,566.23			**1,400,804,566.23**
II. Other capital reserves	72,300,473.27	15,301,668.89		**87,602,142.16**
Total	1,473,105,039.50	15,301,668.89		**1,488,406,708.39**

Notes: Pursuant to the performance compensation commitment to Bengbu Company issued by CLFG in November 2015, since the performance of Bengbu Company in 2017 has not reached its committed amount, RMB15,301,668.89 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	**-1,527,968,006.58**	
Total of adjustment of undistributed profit at the beginning of the period (increase expresses with+, and decrease expressed with -)		
Undistributed profit at the beginning of the period after adjustment	**-1,527,968,006.58**	
Add: Net profit attributable to owners of parent company during the period	**20,568,060.51**	**–**
Less: Appropriation to Statutory surplus reserve		
Appropriation to discretionary surplus reserve		
Dividend payable in respect of ordinary shares		
Dividend on ordinary shares as converted into share capital		
Undistributed profit at the end of the period	**-1,507,399,946.07**	

XV. MATTERS AFTER BALANCE SHEET DATE

1. The company's significant asset restructuring was reviewed by the Listed Companies Merger and Reorganization Vetting Committee of China Securities Regulatory Commission

The Issuance of Shares by Luoyang Glass Company Limited to China Luoyang Float Glass (Group) Company Limited for Asset Acquisition and Raising of Supporting Funds Proceeds (CSRC Permit [2018] No. 475) received from CSRC on 19 March 2018 approved that the Company issued 10,097,588 shares to China Luoyang Float Glass (Group) Company Limited.,3,029,276 shares to Hefei High-Tech Construction Investment Group Company,6,377,490 shares to Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd., 2,365,976 shares to CNBMG Bengbu Design & Research Institute for Glass Industry Co., Ltd., 708,610 shares to China Triumph International Engineering Co., Ltd., 7,508,991 shares to Triumph Technology Group Company, 1,877,247 shares to Yixing Environmental Technology Innovation Venture Investment Company Limited and 1,065,338 shares to GCL System Integration Technology Co., Ltd, respectively, and approved that the supporting funds proceeds raised from the non-public issuance of shares of the Company does not exceed RMB511,865,700.

Chairman: **Zhang Chong**
Luoyang Glass Company Limited
22 March 2018

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; one non-executive Directors: Mr. Xie Jun; and four independent non-executive Directors: Mr. Jin Zhanping, Mr. Liu Tianni, Mr. Ye Shuhua and Mr. He Baofeng.