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**洛阳玻璃股份有限公司**

**LUOYANG GLASS COMPANY LIMITED\***

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

(Stock code: 01108)

**ANNOUNCEMENT ON REPLY TO THE LETTER OF ENQUIRY  
FROM THE SHANGHAI STOCK EXCHANGE IN RELATION  
TO POST-VETTING OF THE 2015 ANNUAL REPORT**

Luoyang Glass Company Limited (the “**Company**”) and all members of the board (the “**Board**”) of directors (the “**Directors**”) of the Company warrant the truthfulness, accuracy and completeness of the contents of this announcement, and accept several and joint responsibilities for any false information, misleading statements or material omissions in this announcement.

As required in the Letter of Enquiry in Relation to Post-vetting of the 2015 Annual Report of Luoyang Glass Company Limited (Shang Zheng Gong Han [2016]No. 0379) (hereinafter referred to as “**Enquiry Letter**”) issued by Shanghai Stock Exchange, the Company hereby replies to the relevant questions in the Enquiry Letter as follows:

## **I. INDUSTRY COMPETITION PATTERN AND CORE COMPETITIVENESS OF THE COMPANY**

- 1. Competitive Strengths. Please provide a detailed analysis of the Company's business model, business status and development prospect in the ultra-thin glass segment, the core competitiveness and major performance drivers, and the competitive advantages and disadvantages of the Company, taking into account the Company's business scale, industry segments, product competitiveness, market demand and production capacity, technical barriers of products and situations of competitors. Please further disclose the Company's market position, market share, industry ranking and other information in the relevant fields.**

Reply:

### ***(I) Market Condition and Prospect Analysis of Ultra-Thin Glass***

Ultra-thin glass substrate is at the upstream of the electronic industry chain, which is mainly used in displays such as TN-LCD, STN-LCD, OLED, as well as the touch module of touch screen and protective shield for screens, provides core functions such as display, touch-control and protection for flat-panel display devices and touch-control devices, and determines the features and properties of the devices to a large extent. Thus, ultra-thin glass substrate has non-substitutable nature, and has a favorable growth prospect with the development of the overall electronic product market.

With regard to the approaching Age of Information and the ongoing development in science and technologies, the consumer electronic products and application electronic products are upgraded at a higher pace. The panel display components included in flat-panel display devices and touch-control devices have become the most important downstream application products for the ultra-thin glass substrate with the largest market demands. Being the necessary basic parts and key basic material for flat-panel display devices and touch-control devices, the demand for ultra-thin glass substrate is expected to increase.

Currently, China has become the largest consumption market of flat-panel display in the world. With further upgrades in technologies, the consumption of electronic products such as LED TV, 3D TV, smartphones, tablets will promote the industry development. At present, China's manufacturing capacity of color TV accounts for 50% of the total manufacturing capacity of color TV industry in the globe, and that of mobile phones accounts for more than 80% in the world. Many other consumption electronic products are also produced in China. Meanwhile, China is a big manufacturing country as well as a big consuming country. The large amount of display terminals needed provides a strong demand for ITO conductive glass, which makes China the global production base of ITO conductive glass.

As indicated by the industry analyst of S&P Consulting, the global flat-panel display industry is shifting towards China, where there are more than 100 TN-LCD production lines, more than 40 STN-LCD production lines and nearly 20 TFT-LCD production lines. Up to now, the output of LCD by China accounts for approximately 35% of the global output, in which the output of TN/STN-LCD accounts for more than 90% of the global output. LCD panel industry has been rapidly developing in China, which generates huge demand for the glass substrate as upstream materials.

According to the research analysis of Display Search and GIA, the global demand for ultra-thin glass substrate from flat-panel display devices and touch-control devices in 2014 was estimated to be approximately 447 million square meters, and this figure will increase to approximately 622 million square meters in 2017, representing a compound annual growth rate of about 11.6%. In sum, the total domestic and overseas demand for ultra-thin glass substrate has exceeded the total output, indicating that the global supply falls short of demand.

Currently, the ultra-thin glass market in the world is still dominated by manufacturers such as US-based Corning, Japan-based Asahi Glass Co., Ltd. (AGC) and Nippon Sheet Glass (NSG). The major domestic manufacturers of alkali ultra-thin glass substrate include CSG, Luoyang Glass, Xinyi Glass and Haichuan Glass, in which the market landscape is relatively stable.

## ***(II) Technical barriers in ultra-thin float glass production***

Ultra-thin float glass production is a typical technology-intensive and capital-intensive industry, which stands for the cutting-edge technology of float glass at the moment and possesses features including complicated technical process, high level of technological difficulty, large scale of investment and stringent requirement in quality. In the production process of ultra-thin glass substrate, there are 4 major facilities included, namely: melting furnace, tin bath, lehr and cooling terminal, involving a number of advanced technologies such as furnace technique, clarification technique and thinning technique. The major technical challenges include various aspects regarding the formula of raw materials, melting, formation, tempering, trimming, stacking and some other auxiliary production facilities.

The acquisition of fine technical design, control standards and the suppression of side effects during the ultra-thin glass substrate production process has to be accumulated with years of practical experience, thereby creating a high technical barrier of the industry.

## ***(III) Operation Model and Business Status of the Company***

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, where goods will be delivered upon receipt of payment.

The Company now has three ultra-thin glass production lines with a daily melting capacity of 650 tons/day, and the average monthly production scale amounts to approximately 3 million square meters. The Company is among the frontiers of the domestic ultra-thin float glass industry in terms of production capacity and product varieties and specifications. At present, there are 8 ultra-thin glass production lines in China while the medium-end and high-end market is still dominated by NSG, AGC and the Central Glass (CG). The domestic manufacturers mainly compete in the downstream of the industry chain, i.e. the low-end and medium-end market by virtue of high cost-performance ratios. The Company takes up about 20% share of the domestic market of ultra-thin glass, with its product mainly distributed across 18 provinces (or municipalities directly controlled by the China government) including Anhui, Guangdong, Jiangsu, Shanghai, Zhejiang and Hebei.

#### ***(IV) The Company's Competitive Advantages and Disadvantages***

The Company has some relatively obvious competitive advantages over the domestic competitors, mainly including:

- (1) As a domestic pioneer enterprise in commercialized production of ultra-thin float glass products and with the leading expertise and technical experience accumulated over the operation of the ultra-thin glass substrate business for more than a decade, the Company has acquired core technologies in float glass production as well as a number of independent intellectual property rights, has a leading position in terms of the technologies for producing ultra-thin ultra-white float glass and possessed the personnel and experience in product R&D and production technology.
- (2) Rich product mix. The Company has the capacity to produce a variety kind of ultra-thin glass products ranging from 0.2mm to 1.3mm. Due to its rich product kinds and the continuous upgrading of high value-added products, the Company maintains an advantageous position in the market competition.
- (3) Continuous enhancement of economies of scale and synergistic effects. The Company is currently the largest ultra-thin glass manufacturer in China. The Company fully combines the technical characteristics and different advantages of its 3 production lines, and coordinates and manages the products, technologies, marketing channels, funds and personnels in a unified manner, so as to make the best out of the overall advantages of the Company in terms of personnel, technology and brand and intensify

the economies of scale advantage and synergistic effect, to continuously improve the Company's profitability. In particular, the introduction of the 150 tons/day production line of Bengbu China National Building Materials Information Display Materials Company Limited ("**Bengbu Company**") to the Company, which represents the top technical equipment level in China at present, will combine with the abundant practical experience in production and operation of the Company over the years, and will further contribute to the consolidation effect.

- (4) There is one production line of the Company requiring cold repair, which may pose threat to the revenue of the Company in short term. However, during the cold repair period, the production line will undergo technical upgrade to further improve the equipment standard and technical level, which will enhance the competitive strength of the Company.

2. **R&D Investment. As disclosed in the Annual Report, the Company has continuously conducted research, development and industrial incubation for ultra-thin electronic glass and new technologies in ultra-thin ultra-white glass during the reporting period, please, combined with the conditions of peers in the same industry, offer additional disclosure of intellectual property rights, core technology strengths and competitiveness regarding the new technologies in ultra-thin electronic glass and ultra-thin ultra-white glass, and also state the specific amount of the R&D investment during the reporting period and the relevant achievements thereof.**

Reply:

During the reporting period, the Company has accumulatively invested RMB14.2182 million in R&D, representing 2.15% of the operating revenue, and has made a number of achievements in the R&D of ultra-thin electronic glass products as well as the innovation and transformation of production technology.

- (1) During the reporting period, the 0.20mm ultra-thin float electronic glass of Bengbu production line and the 0.25mm and 0.28mm ultra-thin float electronic glass of Longhai production line were put into industrial-scale production. The new product of 0.55mm ultra-thin ultra-white float glass was successfully produced from Longbo production line.

- (2) As for intellectual property rights, the Company made 14 patent applications in 2015, including 4 invention patents and 10 utility model patents.
- (3) With 12 research and development projects being approved, the Company has made a series of achievements in technology innovation and transformation including Oxygen-Enriched Combustion Technology through Angle-Inserting Combustion Mode (斜插式燃燒方式富氧燃燒技術), Seal Technology for Terminal of Molten Tin Bath for Float Glass (浮法玻璃錫槽出口端密封技術), Research and Application of Technology in Reduction of Natural Gas with Ultra-thin Glass Production Line (超薄玻璃生產線降低天然氣技術的研發及應用), Optimization of Fire-Treatment for Upper Gap of Regenerative Chamber of Melting Furnace (熔窯蓄熱室上間隙投火處理優化). The Company was granted the following awards in respect of R&D of products and technology innovation achievements:

Development of Key Technology for Industrial Preparation of Ultra-thin Float Electronic Glass for Touch Control Display (《觸控顯示用超薄浮法電子玻璃工業化製備關鍵技術開發》) was awarded the First Prize for Technical Progress in Anhui Province; the “Ultra-Thin Float Electronic Glass” was entitled “Industrial Quality Product of Anhui (安徽工業精品)”; the 0.45mm Electronic Glass Technical Research and Application (《0.45毫米電子玻璃的技術研究及應用》) was awarded the First Prize for Technical Progress by the China National Building Materials Group Corporation (the “CNBMG”); the 0.33mm High-end Ultra-thin Electronic Glass Research and Industrialization (《0.33毫米超薄高檔電子玻璃的研發及產業化》) was awarded the Second Prize for Technical Progress by CNBMG; the Application of Cleansing Management in Ultra-thin Electronic Glass (《潔淨化管理在超薄電子玻璃中的應用》) was awarded the Second Prize among the Fourth Session of CNBMG Modern Innovation Achievements in Enterprise Management; the Research and Application of Technology in Reduction of Natural Gas with Ultra-thin Glass Production Line (《超薄玻璃生產線降低天然氣技術的研發及應用》) was awarded the First Prize for Technology Innovation (technology transformation) by CNBMG; the Research and Development of 0.6mm Ultra-White Ultra-Thin Float Glass (《0.6毫米超白超薄浮法玻璃研發》) was awarded the First Prize for Technology Innovation (technology development) by CNBMG.

## II. IMPLEMENTATION OF PERFORMANCE COMPENSATION FOR MAJOR ASSET RESTRUCTURING IN 2015

3. **Commitment of Restructuring Compensation.** In 2015, CLFG issued a commitment to make cash compensation for the balance between the sales amount of the finished products of exchange-in assets and the appraised value thereof. As at the end of the reporting period, the finished products of exchange-in assets have all been sold and CLFG has paid compensation of RMB2.15 million. Please disclose the total compensation payable by CLFG under its commitment and the outstanding compensation payable as at the end of the reporting period. Please explain the reasons for the lower-than-estimated sales amount of inventory of the underlying asset according to the sales performance of the exchange-in finished products, and give details on whether sufficient provision has been made for impairment of inventory of the same type. Please also illustrate the fluctuation of the selling price of the finished products, taking into account the competitive position in the underlying asset market.

Reply:

- (1) Total compensation payable and the outstanding compensation payable by China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司) (the “CLFG”) as at the end of the reporting period

As for the exchanged-in finished products assets as inventory of the Company with higher appraised value, CLFG undertook to make cash compensation for the difference between realized sales amount and the appraised value of the finished products assets exchanged-in.

As of 10 December 2015, all the aforementioned finished products of Bengbu Company have been sold to external parties. WUYIGE Certified Public Accountants LLP has conducted special audit on the sales of the aforementioned finished products and issued a special audit report (Da Xin Zhuan Shen Zi [2015] No. 2-00513). As audited, the total sales amount of the finished products finally realized was RMB15,811,153.27, representing a decrease of RMB2,150,930.89 as compared with the appraised value of RMB17,962,084.17. CLFG has paid all the compensation in cash to the Company on 25 December 2015.

As of the end of the reporting period, outstanding compensation payable by CLFG was RMB0.



- (2) Reasons for the lower-than-estimated sales amount of inventory of the underlying asset

The main reason for the actual lower-than-estimated sales amounts of finished products as compared with the appraised value was that, the appraised value of off-grade 0.33mm glass among Bengbu Company's inventory of finished products was estimated to be RMB11.48 million, accounting for 63.9% of the appraised value for all the inventory, while the selling price decreased by RMB6.31 according to the market situation and caused the actual sale amounts decreased by RMB1.8076 million as compared with the appraised value. Breakdowns of which are set out below:

Type	Inventory quantity ( $m^2$ )	Appraised unit price (RMB/ $m^2$ )	Appraised amounts (RMB)	Sales volume ( $m^2$ )	Unit selling price (RMB/ $m^2$ )	Sales amounts (RMB)
A-grade 1.1 mm glass	407.81	15.64	6378.15	407.81	7.69	3136.06
Off-grade 0.33 mm glass	286471.23	40.09	11484631.61	286471.23	33.78	9678604.81
Off-grade 0.4 mm glass	201370.36	24.05	4842957.16	201370.36	21.11	4250326.31
Off-grade 0.7 mm glass	14626.63	4.81	70354.09	14626.63	10.26	150077.32
Off-grade 1.1 mm glass	389440.79	4.00	1557763.16	389440.79	4.44	1729008.78
Total	<u>892316.82</u>	<u>20.13</u>	<u>17962084.17</u>	<u>892316.82</u>	<u>17.72</u>	<u>15811153.27</u>

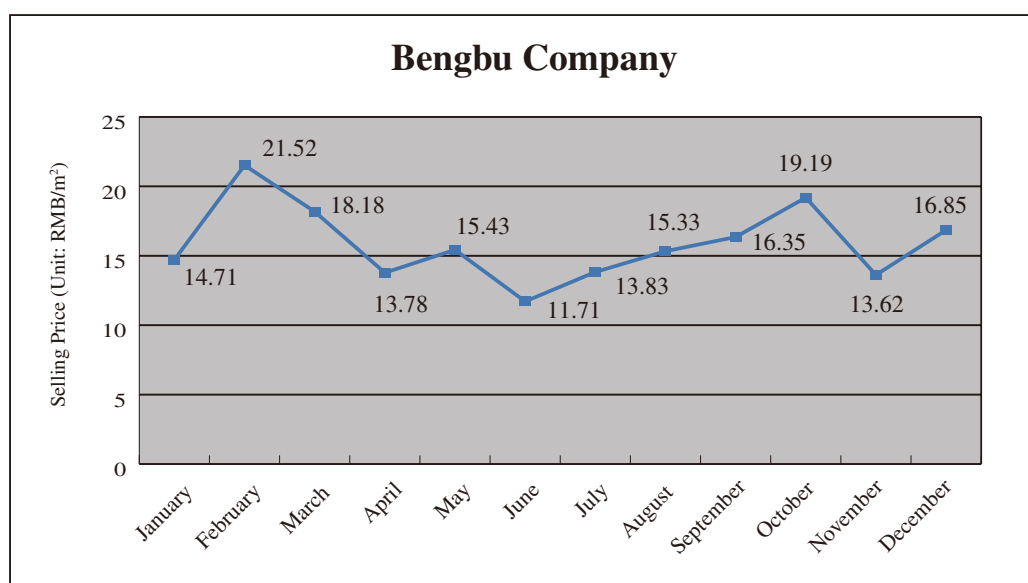
- (3) Whether sufficient provision has been made for impairment of the Company's inventory of the same type

Impairment provision has been made for the inventory of similar category in December 2015 according to the accounting standards. The balance of impairment provision for inventory as at the end of the reporting period amounted to RMB3,965,933.95, among which RMB3,512,167.53 for 1.1mm grade A glass, RMB194,459.53 for 0.28mm qualified glass, RMB35,611.87 for 0.28mm grade C glass and RMB223,695.02 for 0.25mm grade C glass.

- (4) Fluctuation of the unit selling price of the finished products

The overall product price trend during the reporting period is that the price went for a downward trend from February to May and gradually picked up from June to October. After a slight drop in November, the price rose by a certain extent in December. The fluctuation of price was mainly subject to the impact of changes in the relationship of market supply and demand and related to the difference in product mix.

The changes in the average unit selling price throughout the year of 2015 are shown in the figure below:



### III. OPERATIONAL RISK OF PRINCIPAL BUSINESS

4. **Cost Structure and Risk of Price Fluctuations in Raw Materials.** The Annual Report shows that the Company's gross profit margin of float glass for the reporting period was -0.81% and direct material costs accounted for a relatively large proportion of the costs of the Company's principal business. Please explain the difference in product cost structure between ultra-thin glass and ordinary glass, and illustrate the changing trend of the unit cost of various direct materials (including but not limited to fuel, sodium carbonate and silica sand) required for float glass during the reporting period. Upon completion of the restructuring, production of ultra-thin glass became the principal business of the Company, please further disclose the cost structure of the main raw materials for ultra-thin glass during the reporting period and illustrate their price fluctuations with chart.

Reply:

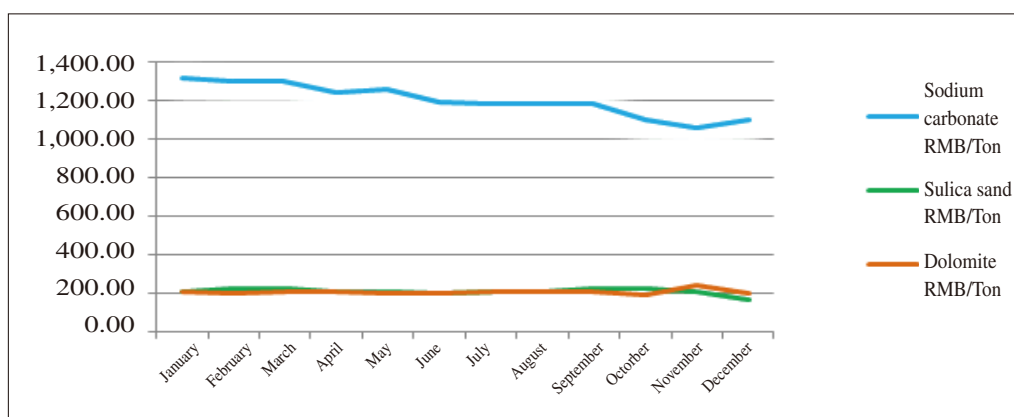
**(1) Composition of direct material costs of ultra-thin glass and common glass:**

*Unit: RMB*

By products	Components of cost	The amount of the current period	Percentage over direct material	The amount of the same period last year	Percentage over direct material cost	Percentage change of the amount of the current period over that of the same period last year
			cost for the current period (%)		for the same period last year (%)	that of the same period last year (%)
Ultra-thin glass	Raw materials	35,972,954.25	14.91	35,473,709.86	17.65	1.41
	Including: sodium carbonate	18,918,223.17	52.59	18,541,733.72	52.27	2.03
	silica sand	11,071,927.30	30.78	10,004,616.72	28.20	10.67
	dolomite	3,086,817.67	8.58	2,561,410.32	7.22	20.51
	Natural gas	121,172,128.46	50.22	100,492,441.08	50.00	20.58
	Electricity	54,176,560.70	22.45	41,556,391.56	20.67	30.37
	Others	29,971,951.42	12.42	23,471,053.37	11.68	27.70
Common glass	Raw materials	67,055,452.94	35.03	109,372,689.97	40.58	-38.69
	Including: sodium carbonate	41,758,733.47	62.27	70,684,367.31	64.63	-40.92
	silica sand	17,509,075.70	26.11	26,543,658.18	24.27	-34.04
	dolomite	4,505,522.27	6.72	6,192,771.24	5.66	-27.25
	Natural gas	91,119,740.86	47.61	106,301,905.42	39.44	-14.28
	Electricity	15,678,928.65	8.19	16,832,472.62	6.25	-6.85
	Others	17,559,968.08	9.17	37,017,349.74	13.73	-52.56

The major components of the cost of ultra-thin glass are raw materials, fuels, power and others, of which fuels and power represent a larger proportion of over 70% of the total cost.

(2) *Movement trend of the price for major raw materials of the ultra-thin glass:*



The major components of the cost of raw materials of ultra-thin glass are sodium carbonate, silica sand, dolomite and others. During the reporting period, the procurement price of sodium carbonate fluctuated slightly, while the prices of silica sand and dolomite remained relatively stable.

**5. Risk of Product Price Fluctuations. The Annual Report shows that the continuous increase in production capacity of the ultra-thin glass market will affect the product prices and sales. As price fluctuations will make it difficult to convert overdue inventory into cash, please explain whether there is any risk of impairment of the Company’s current inventory, taking into account the inventory turnover rates of peer companies. Please illustrate with charts the fluctuation of the average market price of ultra-thin glass during the reporting period.**

Reply:

(1) *Whether the inventory of the Company is exposed to impairment risk*

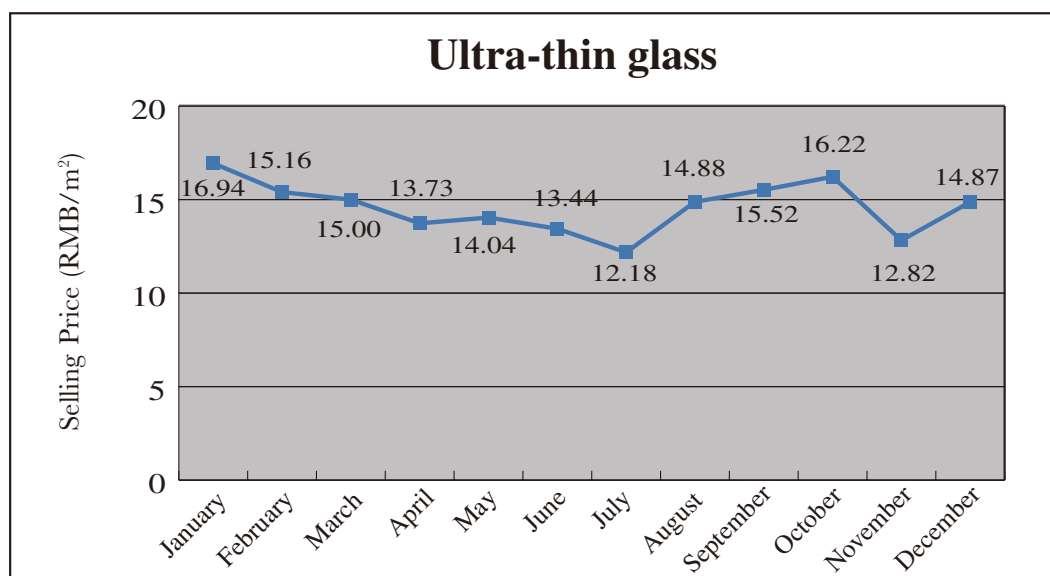
The inventory turnover rates of listed companies in the same industry are set out below:

	Luoyuang Glass	CSG A	Fuyao Glass	Kibing Group	Jinjing Science & Technology	Yaohua Pilkington Glass	AVIC Sanxin	Sanxia Xincai
Inventory turnover rate (day)	126.44	22.9	107.43	132.03	77.23	118.88	94.09	31

*Note:* the data of companies within the same industry is extracted from Eastmoney.com (the data of Kibing Group is extracted from the 2015 third quarterly report).

As compared to the inventory turnover rates of the companies in the same industry during the reporting period, the Company's turnover efficiency was relatively sluggish. However, the Company has made provision for impairment for inventories of which the book cost is higher than the net realizable value in accordance with the principle of prevalence of the lower between cost and net realizable value. As of the end of December 2015, the balance of the provision for inventory impairment was RMB53,597,000. As a result, the Company currently has no impairment risk.

(2) *Fluctuations of average market price of ultra-thin glass during the reporting period*



#### IV. FINANCIAL RISK AND FINANCIAL INFORMATION DISCLOSURE

6. **Classification Criteria of Available-for-Sale Financial Assets.** It is disclosed in the annual report that the shareholdings of your company in CLFG Jingwei Glass Fibre Co., Ltd., CLFG Luoyang Jingjiu Glass Products Company Limited and CLFG New Lighting Company Limited all exceed 20%. However, your company recognizes and measures the above investments as available-for-sale financial assets at cost and their disclosure is made on the basis that the investees are subsidiaries of CLFG. Please further disclose whether your company has designated any director or management personnel to engage in the aforesaid investees and whether you participate in the financial and operational decision-making process of such investees. Please explain item by item whether your company has significant influence on such investees and whether such investments should be reclassified as long-term equity investments accounted for using the equity method pursuant to requirements of “Judgment on Significant Influence” under the Accounting Standards for Business Enterprises No.2 – Long-term Equity Investments. Please have the accountant issue their opinion in this regard.

Reply:

Criteria for determining significant influence were mainly:

- (I) representative sent to the Board or similar authority of the invested company.
- (II) participation in the formulation process of financial or operation policies of the invested company.
- (III) material transaction with the invested company.
- (IV) management personnel assigned to the invested company.
- (V) key technological information provided to the invested company.

Based on the above criteria, neither did the Company assign management personnel to CLFG Jingwei Glass Fibre Co., Ltd, CLFG Jingjiu Container Co, Ltd., and Xinguang Zhaoming Co., Ltd., nor did it participate in the formulation process of financial or operation policies of these invested companies, nor did it enter into material transactions with these invested companies, nor did it provide key technological information to these invested companies. As a result, the Company determined that it does not constitute significant influence on these invested companies and therefore classifies them as available-for-sale financial assets.

These three investees, namely CLFG Jingwei Glass Fibre Co., Ltd., CLFG Luoyang Jingjiu Glass Products Company Limited and CLFG New Lighting Company Limited, are currently closed down and there are no production and operation activities in these investees. The financial statements of these three companies show insolvency. As early as in 2002, the Company had already made provision of asset impairment at the full investment costs for the above three investees.

The accountant is of the view that:

CLFG did not assign management personnel to CLFG Jingwei Glass Fibre Co., Ltd., CLFG Luoyang Jingjiu Glass Products Company Limited and CLFG New Lighting Company Limited nor did it take part in the formulation process of the financial and operation policies for these investees. It also did not have any major transactions with these investees and did not provide these investees with key technological information.

These three investees, namely CLFG Jingwei Glass Fibre Co., Ltd., CLFG Luoyang Jingjiu Glass Products Company Limited and CLFG New Lighting Company Limited, are currently closed down and there are no production and operation activities in these investees. The financial statements of the three companies show insolvency. As early as in 2002, Luoyang Glass had already made provision of asset impairment at the full investment costs for the above three investees.

Luoyang Glass has no significant influence on these investees and classifying them to be available-for-sale financial assets is in compliance with the Accounting Standards for Business Enterprises.

- 7. Recognition Period of Impairment Loss on Assets. As disclosed in the annual report, the asset impairment loss for the reporting period reached RMB323 million and the receivable claim loss generated during asset restructuring amounted to RMB270 million, of which the loss on bad debts was RMB80 million and the held-to-maturity investment impairment loss was RMB190 million. Please give the reasons for the significant provision for impairment for the current period as well as the specific calculation basis and process of the provision for each asset impairment. Please also clarify whether there were signs of impairment of relevant assets in previous periods and make detailed analysis as to the reasonableness of the recognition period of impairment loss on assets. Please have the accountant issue their opinion in this regard.**

Reply:

The principal reason for the significant increase in the provision during the period is that upon the disposal of certain subsidiaries due to the completion of the significant asset restructuring, the original amount of claim receivables from the disposed subsidiaries could not be recovered in full, and the difference between the recoverable amount and the carrying amount of the claim at the disposal date (Completion date: 21 December 2015) is recognized in the consolidated statement as impairment loss on assets. The principal basis and process of the calculation of the impairment of claim are as follows:

*Unit: RMB*

Debtor	Item in the financial statement	Balance of claim as at the settlement date of the asset restructuring <sup>(1)</sup>	Amount recovered as of the end of the reporting period <sup>(2)</sup>	Amount of loss(3) = (1) - (2)	Note
CLFG Longfei Glass Co. Ltd. (Longfei Company)	Account receivables	161,836,138.34	123,216,987.48	38,619,150.86	
	Other receivables	10,673,100.00	0	10,673,100.00	
	Held-to-maturity investment	72,000,000.00	0	72,000,000.00	Note 1
	Sub-total	244,509,238.34	123,216,987.48	121,292,250.86	
CLFG Longxiang Glass Co. Ltd. (Longxiang Company)	Account receivables	98,277,887.64	64,389,289.19	33,888,598.45	Note 2
CLFG Longhao Glass Co. Ltd. (Longhao Company)	Account receivables	285,847,245.27	285,847,245.27	0	
	Other receivables	33,728,087.81	33,728,087.81	0	
	Held-to-maturity investment	135,089,000.00	16,050,083.96	119,038,916.04	Note 3
	Sub-total	454,664,333.08	335,625,417.04	119,038,916.04	
	Total	<u>797,451,459.06</u>	<u>523,231,693.71</u>	<u>274,219,765.35</u>	

*Note 1:* As at the settlement date of the significant asset restructuring, the balance of claim receivables from Longfei Company by Luoyang Glass amounted to RMB244 million, in which the original value of the claim amounted to RMB230 million, and the appraised value of RMB109 million as at the base date of 31 October 2014 was used for swap at equivalent value with the 100% equity interest in Bengbu Company held by CLFG. Upon the settlement date, Luoyang Glass has received the balance of the remaining claim amounting to RMB14 million from CLFG, repaid on behalf of Longfei Company. As a result, the total actual loss on claim from Longfei Company during the period was RMB121 million.



*Note 2:* As at the settlement date of the significant asset restructuring, the balance of claim receivables from Longxiang Company by Luoyang Glass amounted to RMB98 million, in which, the original value of the claim amounted to RMB97 million, and the appraised value of RMB63 million as at the base date of 31 October 2014, was used to swap at equivalent value with 100% equity interests in Bengbu Company held by CLFG. Upon the settlement date, Luoyang Glass has received the balance of the remaining claim amounting to RMB1 million from CLFG, repaid on behalf of Longxiang Company. As a result, the total actual loss on claim from Longxiang Company during the period was RMB34 million.

*Note 3:* As at the settlement date of the significant asset restructuring, the balance of claim receivable from Longhao Company by Luoyang Glass amounted to RMB455 million, in which the original value of the claim amounted to RMB370 million, and the appraised value of RMB251 million as at the base date of 31 October 2014 was used to swap at equivalent value with 100% equity interests in Bengbu Company held by CLFG. Upon the settlement date, Luoyang Glass has received the balance of the remaining claim amounting to RMB85 million from CLFG, repaid on behalf of Longhao Company. As a result, the total actual loss on claim from Longhao Company during the period was RMB119 million.

The accounting policy of the Company for the provision of bad debts on the receivables due from related parties is as follows: no provision for bad debts is usually made for the receivables from related parties, and when there are signs indicating that the receivables due from related parties cannot be recovered in full, the Company shall conduct an individual impairment test on the receivables due from related parties and recognize the provision for bad debts based on the difference between the carrying value thereof and the present value of the estimated future cash flows. The Company shall perform an impairment test on assets showing signs of impairment in accordance with the relevant accounting policies at the end of each reporting period. In respect of the above receivables due from subsidiaries, sufficient provision of impairment has been made in previous years, and as at 1 January 2015, the balance of claim receivables from Longfei Company amounted to RMB233 million in aggregate and the balance of the provision of impairment was RMB123 million; the balance of claim receivables from Longxiang Company amounted to RMB97 million in aggregate and the balance of the provision of impairment was RMB35 million; the balance of claim receivables from Longhao Company amounted to RMB386 million in aggregate and the balance of the provision of impairment was RMB140 million. The provision of impairment made for the claim of the above subsidiaries in previous years was offset during the preparation of the consolidated financial statement. During the reporting period, the Company disposed of the equity interests of the above subsidiaries and they were not included into the scope of consolidation at the end of the period. Accordingly, the actual loss arising from the disposal of the claim receivables from subsidiaries was reflected in the item named impairment loss on assets in the consolidated financial statements.

The accountant is of the view that:

Luoyang Glass has complied with the requirements under the Accounting Standards for Business Enterprises, conducted impairment tests on assets showing signs of impairment and made corresponding provision for impairment based on the results of such impairment tests. The significant loss on asset impairment in the consolidated financial statements during the period is mainly attributable to the actual loss as a result of the difference arising from actual recovered amount from the disposed subsidiaries being less than the balance of claim receivables. Since the internal impairment loss on assets was offset during the preparation of consolidated financial statements in previous years, and the disposed subsidiaries were not included in the scope of consolidation for the current period, recognizing the actual loss from the disposed subsidiaries in the consolidated financial statements for the current period is in compliance with the relevant requirements.

- 8. Disclosure of Extraordinary Profit and Loss Breakdown. In 2015, your company recorded a net profit attributable to the shareholders of RMB144 million and a net profit attributable to shareholders after extraordinary profit or loss of RMB-216 million, implying that the net profit is largely from extraordinary profit or loss. As indicated in the “Details of extraordinary profit and loss”, the amount of “Other profits or losses items within the definition of extraordinary profit or loss” amounted to RMB329 million, being the major item of extraordinary profit or loss. (1) Please provide the breakdowns and specific amounts of “other items”; (2) Please clarify whether all the transactions related to “other items” have complied with the decision-making procedures and information disclosure requirements via extraordinary announcements pursuant to the Listing Rules.**

Reply:

*(1) Breakdown of items of extraordinary profit and loss*

<b>Item</b>	<b>Amount involved</b> <i>(RMB)</i>	<b>Details</b>
Investment income	603,457,879.81	Including: investment income of RMB379 million from the disposal of equity interests in Longhao Company; investment income of RMB182 million from the disposal of equity interests in Longfei Company; investment income of RMB15 million from the disposal of equity interests in Dengfeng Silicon Company; investment income of RMB18 million from the disposal of equity interests in Huasheng Mining; investment income of RMB9 million from the disposal of equity interests in Group Mining; totaling RMB603 million.
Impairment loss on assets	-274,219,765.35	Including: loss of RMB119 million in respect of claim receivable from Longhao Company; loss of RMB121 million in respect of claim receivable from Longfei Company; loss of RMB34 million in respect of claim receivable from Longxiang Company; totaling RMB274 million.
Total	<u>329,238,114.46</u>	

(2) *Decision-making procedures and information disclosure of the performance of transactions relating to other items*

All the above other items of extraordinary profit and loss arise from the completion of the significant asset restructuring of the Company during the period. In particular, the claim and equity interests were the target assets of the restructuring and the target companies under the significant asset restructuring have undergone the procedures of review and approval by the relevant board of directors, general meetings and regulatory authorities, and have disclosed the relevant information.

9. **Large Finance Expenses.** As disclosed in the Annual Report, finance expenses for the current period was relatively high, witnessed an increase of 35.56% over the same period of last year. Gearing ratio was 78.82%, with higher debt ratio as a whole. Please make comparison in terms of gearing ratio between your company and the horizontal competing companies, and specify the short-term and long-term debt paying ability of your company and its responses to the risk of higher debt ratio taking into account of the liquidity ratio, interest coverage ratio, cash interest coverage ratio and other financial indicators of your company.

Reply:

	Luoyang Glass	CSG A	Fuyao Glass	Kibing Group	Jinjing Science & Technology	Yaohua Pilkington Glass	AVIC Sanxin	Sanxia Xincai
Gearing ratio (%)	78.82	49.14	33.88	60.99	57.97	57.66	81.71	73.7

Note: The data of companies within the same industry are extracted from Eastmoney.com (the data of Kibing Group is extracted from the 2015 third quarterly report)

During the reporting period, the current ratio is 0.86 and the interest coverage ratio was 22.55, mainly attributable to the extraordinary profit and loss in the profit and if such item is excluded, the interest coverage ratio would become negative; the cash interest coverage ratio would be negative. From the above indicators, the short and long term repayment capability of the Company was relatively limited.

In respect of the relatively high gearing ratio, the Company will adopt the following measures to prevent risks: (1) to be innovation-driven to improve the profitability of products; (2) to revitalize the stock assets, strive for unearthing potentials, reduce unreasonable use of funds and improve the asset-liability structure; (3) to expand the financing channel and adjust the liability structure to reduce financing costs; and (4) to cut costs and increase profit and strictly control all costs and expenses.

**10. Long-term Outstanding Accounts Receivable. As disclosed in the Annual Report, the balance of accounts receivable amounted to RMB120 million, 43.9% of which is accounts receivable aged above three years and 39.57% of which is accounts receivable aged above five years. Please offer explanation on the settlement mode of sales income and the reasons for long-term unpaid accounts receivable. Please disclose additional information on top five defaulting parties with the most accounts receivable as at the end of the reporting period, including but not limited to the name of the parties in default, the defaulting amount, ratio, age and whether the party in default is a connected person. Please offer reasons and justifications on the longer turnover period of accounts receivable combining the turnover rate of accounts receivable of competitors in the same industry.**

Reply:

- (1) In recent years, the settlement for sales income is mainly cash payment before delivery of goods. A certain extent of credit limit is granted for a few clients who have good long-term cooperative relationship with the Company. Accounts receivable aged over five years, most of which aged over ten years, accounts for 39.57% of the total accounts receivable. Reason for such accounts receivable is that such receivables has already become bad debts with insufficient information due to its long history. The Company has also adopted various methods to clear such receivables, but no progress has been achieved. The Company has made full provision for all the bad debts of long-term outstanding receivables of goods.
- (2) Top five largest accounts receivable at the end of the period by the balance to be collected regarding the party in default:

Name of unit	Closing balance (RMB)	Proportion to total accounts receivable (%)	Aging	Whether it is connected party
Shenzhen Yongchangsheng New Materials Co., Ltd. (深圳市永昌晟新型材料有限公司)	54,701,759.55	43.63	Within one year	No
Shanghai Shunsheng Glass Sales Cooperation Company (上海順勝玻璃銷售合作公司)	4,757,122.32	3.79	Over 5 years	No
Shenzhen Mingzhida Glass Co., Ltd. (深圳銘志達玻璃有限公司)	3,141,497.28	2.51	Within one year	No
Australian CAMDEN LUOYANG GLASS P/L	2,820,625.92	2.25	Over 5 years	No
Associate of Luobo Qingdao	2,796,175.91	2.23	Over 5 years	No
Total	<u>68,217,180.98</u>	<u>54.41</u>		

- (3) The turnover rate of accounts receivable of companies in the same industry during the reporting period

	Luoyang Glass	CSG A	Fuyao Glass	Kibing Group	Jinjing Science & Technology	Yaohua Glass	AVIC Sanxin	Sanxia New Building Materials
Turnover days of accounts receivable	26.57	18.68	68.92	1.05	34.46	63.6	57.69	28.45

*Note:* Information of companies in the same industry is extracted from eastmoney.com (Information of Kibing Group is extracted from the 2015 third quarter report)

The turnover rate of accounts receivable of the Company is at a better level among companies in the same industry.

**11. Long-term Outstanding Prepayments. As disclosed in the Annual Report, the Company has prepayments aged above three years. Please disclose additional information on detailed contents and nature of prepayments aged above one year and reasons for untimely settlement of the long outstanding accounts. Please disclose additional information in table format, setting out the particulars of prepayments, party paying prepayments, contents and reasons of prepayments of the top five parties with the most prepayments made as at the end of the reporting period.**

Reply:

- (1) Prepayments aged above one year

Name of unit	Description of payment	Closing balance (RMB)	Reason for unsettlement
Qindao Yunding High Alloy Pipe Industry Company Limited (青島元鼎高合金管業有限公司)	Payment for goods	118,007.38	Goods have not been delivered
Yanshi Salt Company* (偃師市鹽業公司)	Payment for goods	46,244.00	Goods have not been delivered
Jinan Huolong Thermal Ceramics Co., Ltd.* (濟南火龍熱陶瓷有限責任公司)	Payment for goods	19,500.00	Goods have not been delivered
Mengjin Hualong Motor Manufacture Co., Ltd.* (孟津縣華龍電機製造有限公司)	Payment for goods	15,000.00	Goods have not been delivered
Wuhan Qingjiang Chemical Co., Ltd. (武漢青江化工股份有限公司)	Payment for goods	14,600.00	Goods have not been delivered

Name of unit	Description of payment	Closing balance (RMB)	Reason for unsettlement
China Machinery International Engineering Design & Research Institute Co., Ltd. East China Branch* (中機國際工程設計研究院有限責任公司華東分院)	Design fees	12,000.00	Provision of design services has not been completed
Zhengzhou Winona Electronics Co., Ltd.* (鄭州威諾電子有限公司)	Payment for goods	3,800.00	Goods have not been delivered
Jingcounty Longqing Special Rubber Hose Co.,Ltd. (景縣龍清特種膠管有限公司)	Payment for goods	3,350.00	Goods have not been delivered
Henan Zhongan Electronic Detection Technology Co., Ltd.* (河南中安電子探測技術有限公司)	Payment for goods	3,100.00	Goods have not been delivered
Yanshi Zhuge Dongxing Mineral Products Processing Plant (偃師市諸葛鎮東興礦產品加工廠)	Payment for goods	3,026.59	Goods have not been delivered
Luoyang Shaxi Evergrande Building Materials City* (洛陽紗西恒大建材城)	Payment for goods	2,700.00	Goods have not been delivered
Nanjing Xushihong Electronic Co., Ltd.* (南京旭視宏電子有限公司)	Payment for goods	1,500.00	Goods have not been delivered
Others	Payment for goods	3,863.20	Balance settlement
Total		<u>246,691.17</u>	

(2) *Top five parties with the most prepayments made*

Name of unit	Description of payment	Closing balance (RMB)	Proportion to total prepayments (%)	Reason
Luoyang Xinao Huayou Gas Company Limited* (洛陽新奧華油燃氣有限公司)	Payment for natural gas	1,896,333.40	43.80	Prepayments pursuant to procurement contract
Henan Electric Power Corporation Luoyang Power Supply Company (河南省電力公司洛陽供電公司)	Payment for electricity	941,339.43	21.74	Prepayments pursuant to procurement contract
Luoyang Yin Xing Electrical Equipment Co., Ltd. (洛陽寅興機電設備有限公司)	Payment for spare parts	228,321.95	5.27	Prepayments pursuant to procurement contract
Dengfeng Longde Silicon Company Limited (登封龍德矽砂有限公司)	Payment for silicon	138,339.60	3.19	Prepayments pursuant to procurement contract
Luoyang Wuhong Electric Co., Ltd. (洛陽五弘電氣有限公司)	Payment for spare parts	135,716.86	3.13	Prepayments pursuant to procurement contract
Total		<u>3,340,051.24</u>	<u>77.13</u>	

Announcement is hereby given.

By order of the Board  
**LUOYANG GLASS COMPANY LIMITED\***  
**Zhang Chong**  
*Chairman*

Luoyang, the PRC  
25 April 2016

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

\* For identification purposes only