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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 CORRECTION OF ACCOUNTING ERRORS

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.

IMPORTANT NOTICE:

This correction of accounting errors affected the net profit by RMB-329,238,114.46, affected the capital reserve by RMB329,238,114.46 and affected the undistributed profit by RMB-329,238,114.46, and had no impact on the total assets and net assets of the Company for the year of 2015.

I. OVERVIEW

After the Company published its Summary of 2015 Annual Report and 2015 Annual Report on 17 March 2016 and 6 April 2016 respectively, the Shanghai Stock Exchange and the Henan Regulatory Bureau of China Securities Regulatory Commission (the “**Henan Regulatory Bureau**”) required the Company to provide further supplemental explanations and disclosures on relevant matters in the annual report by way of issuing “Letter of Enquiry in Relation to Post-vetting of the Annual Report” to the Company respectively. The Company provided its diligent replies and published announcements accordingly. For details, please refer to the announcements of the Company dated 25 April 2016 and 19 May 2016 respectively and the overseas regulatory announcement of the Company dated 19 April 2016. The Company and the auditor of the Company for the annual report still had deviation in understanding the issues on the relevant accounting treatment for the business merger arising from the significant asset restructuring of the Company in 2015. After consulting and discussing with the related professionals, although there was still room for discussion theoretically, the Company made correction of and adjustment to the accounting treatment in the regular reports in prior periods, and treated the significant asset restructuring transaction based on the accounting treatment in the “Accounting Standards for Business Enterprises No. 20 – Business Mergers” of the People’s Republic of China (the “**PRC**”), which did not recognized profit or loss in disposal of assets and adjusted the capital reserve by the difference between the book value of the net assets obtained and the book value of the consideration paid for the merger, in accordance with the principles of the “Accounting Standards for Business Enterprises No. 20 – Business Mergers” of the PRC, as considered and approved at the ninth meeting of the eighth session of the Board of the Company.

II. REASONS FOR THE CORRECTION OF ACCOUNTING ERRORS

In 2015, the Company carried out an asset restructuring, pursuant to which subsidiaries then held by the Company, including the 100% equity interest in CLFG Longhao Glass Co. Ltd.* (洛玻集團洛陽龍昊玻璃有限公司) (“**Longhao Company**”), 63.98% equity interest in CLFG Longfei Glass Co. Ltd.* (洛玻集團龍飛玻璃有限公司), 67% equity interest in Dengfeng CLFG Silicon Co. Ltd.* (登封洛玻硅砂有限公司), 52% equity interest in Yinan Huasheng Mineral Products Industry Co. Ltd.* (沂南華盛礦產實業有限公司) and 40.29% equity interest in CLFG Mineral Company Limited* (中國洛陽浮法玻璃集團礦產有限公司) and the right of debt of the Company in such companies, were used for the asset swap at equivalent value with the 100% equity interest in Bengbu China Building Information Display Materials Co. Ltd.* (蚌埠中建材信息顯示材料有限公司) then held 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 controlling shareholder of the Company, while the balance of the asset swap was paid by way of issuance of shares and cash payment. In the 2015 annual financial report, the Company recognized net gain of RMB329,238,114.46 from the restructuring, with an investment income of RMB603,457,879.81 recognized for disposal of equity interest and a loss of right of debt of RMB274,219,765.35 in such subsidiaries that were no longer consolidated in the consolidated financial statements.

This assets restructuring was a business merger under common control, and the non-cash assets paid as merger consideration were mainly long-term equity investments in subsidiaries and equity participating companies including Longhao Company as well as the debt receivables from the disposed subsidiaries held by the Company. Article 6 of the “Accounting Standards for Business Enterprises No. 20 – Business Mergers” of the PRC provides that “the assets and liabilities obtained from the business merger by the merging party shall be measured at the book value as recorded by the merged party as at the date of merger. The difference between the book value of the net assets obtained and the book value of the consideration paid for the merger by the merging party shall adjust the capital reserve. If the capital reserve is insufficient to be offset, it shall adjust the retained earnings”. During accounting treatment, the purchased assets and liabilities of the Company were measured at book value. However, in understanding “the book value of the consideration for the merger” in the Standards in relation to the difference between the consideration and book value of the disposed assets, the Company had written down the book value of the long term equity investment of the disposed insolvent subsidiaries to 0 and provided provision for bad debts for the debt receivables from the subsidiaries. Therefore, the book value of the long term equity investments of the insolvent subsidiaries was recognized as 0 and the balance derived from deducting the provision for bad debts from the principal amount of the debt receivables from the subsidiaries was recognized as the book value (the consideration of the debt receivables was the net value), and accordingly, the capital reserve was adjusted. The reversal of excess deficit and provision for bad debts of the disposed subsidiaries resulted in actual losses, and the Company recognized an investment gain and an assets impairment losses respectively, in accordance with the accounting treatment in the “Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements” of the PRC.

In the process of responding to the enquiries on the annual report from the Shanghai Stock Exchange and the Henan Regulatory Bureau, the Company has consulted and discussed with the related professionals on the aforementioned professional issues for many times. In light of the accounting treatment principles on business merger under common control in the “Accounting Standards for Business Enterprises No. 20 – Business Mergers” of the PRC, principles of the Standards were better complied with when the restructuring matter was treated as an equity transaction during the accounting treatment in understanding “the book value of the consideration for the merger” in the Standards in the consolidated financial statements while preparing the consolidated financial statements. Therefore, correction was made to the recognition of profit or loss for the disposal of equity interests in controlled subsidiaries and equity participating companies as well as the financial statements of the parent company.

The above accounting treatment errors were primarily due to the deviation in understanding the “Accounting Standards for Business Enterprises” of the PRC by Company and the auditor of the Company for the annual report and the lack of comparable precedents for reference. There was no subjective malicious behavior. The Company sincerely apologizes for the inconvenience caused by the above correction to the investors.

III. IMPACT OF THE CORRECTION ON THE COMPANY’S FINANCIAL POSITION AND OPERATION RESULTS

(I) Impact on the consolidated financial statements of the Company for the year of 2015

1. Impact on the consolidated balance sheet (Unit: Yuan, Currency: RMB)

| Item under the balance sheet | Amount before correction | Change in amount | Amount after correction |
|------------------------------|--------------------------|------------------|-------------------------|
| Capital reserve | 922,207,200.86 | 329,238,114.46 | 1,251,445,315.32 |
| Undistributed profit | -1,210,245,955.90 | -329,238,114.46 | -1,539,484,070.36 |

Note: This correction of errors does not affect the assets and liabilities items in the consolidated financial statements nor the net assets amount in the consolidated financial statements as at the end of 2015.

2. Impact on the consolidated income statement (Unit: Yuan, Currency: RMB)

| Item under the income statement | Amount before correction | Change in amount | Amount after correction |
|--|--------------------------|------------------|-------------------------|
| Impairment loss on assets | 323,017,726.85 | -274,219,765.35 | 48,797,961.50 |
| Gains from investment | 603,457,879.81 | -603,457,879.81 | / |
| Operating profit | 144,843,994.90 | -329,238,114.46 | -184,394,119.56 |
| Total profit | 144,307,022.85 | -329,238,114.46 | -184,931,091.61 |
| Net profit | 134,411,007.60 | -329,238,114.46 | -194,827,106.86 |
| Including: Net profit attributable to the owners of the parent company | 144,482,993.72 | -329,238,114.46 | -184,755,120.74 |

(II) Impact on the financial statements of the parent company for the year of 2015

1. Impact on the balance sheet of the parent company (Unit: Yuan, Currency: RMB)

| Item under the balance sheet | Amount before correction | Change in amount | Amount after correction |
|------------------------------|--------------------------|------------------|-------------------------|
| Capital reserve | 992,916,834.90 | 37,198,993.94 | 1,030,115,828.84 |
| Undistributed profit | -1,316,235,972.52 | -37,198,993.94 | -1,353,434,966.46 |

2. Impact on the income statement of the parent company (Unit: Yuan, Currency: RMB)

| Item under the income statement | Amount before correction | Change in amount | Amount after correction |
|---------------------------------|--------------------------|------------------|-------------------------|
| Gains from investment | 60,434,846.18 | -37,198,993.94 | 23,235,852.24 |
| Operating profit | 3,215,429.22 | -37,198,993.94 | -33,983,564.72 |
| Total profit | 3,510,791.88 | -37,198,993.94 | -33,688,202.06 |
| Net profit | 3,510,791.88 | -37,198,993.94 | -33,688,202.06 |

(III) Impact on the financial statements of the Company for the first quarter in 2016

1. Impact on the consolidated balance sheet (Unit: Yuan, Currency: RMB)

| Item under the balance sheet | Amount before correction | Change in amount | Amount after correction |
|------------------------------|--------------------------|------------------|-------------------------|
| Capital reserve | 1,120,083,552.16 | 329,238,114.46 | 1,449,321,666.62 |
| Undistributed profit | -1,209,808,904.21 | -329,238,114.46 | -1,539,047,018.67 |

Note: This correction of errors does not affect the assets and liabilities items nor the net assets amount in the consolidated financial statements as at 31 March 2016.

2. Impact on the balance sheet of the parent company (Unit: Yuan, Currency: RMB)

| Item under the balance sheet | Amount before correction | Change in amount | Amount after correction |
|------------------------------|--------------------------|------------------|-------------------------|
| Capital reserve | 1,190,793,186.20 | 37,198,993.94 | 1,227,992,180.14 |
| Undistributed profit | -1,316,957,587.56 | -37,198,993.94 | -1,354,156,581.50 |

(IV) The corrected financial statements of the Company for the year of 2015 and for the first quarter in 2016

For the corrected financial statements of the Company for the year of 2015 and the corresponding notes on items thereto and the corrected financial statements of the Company for the first quarter in 2016, please refer to the corrected regular reports of the Company dated 29 August 2016, in which the figures affected and corrected are presented in bold font.

IV. CONCLUSIVE OPINIONS OF THE BOARD, INDEPENDENT DIRECTORS, SUPERVISORY COMMITTEE AND ACCOUNTANTS OF THE COMPANY

(1) Opinion of the Board

The “Resolution on Correction of Accounting Errors of the Regular Reports of the Company in Prior Periods” was considered and approved at the ninth meeting of the eighth session of the Board of the Company on 29 August 2016, and the Board is of the view that this correction of accounting errors is in better compliance with the principles and requirements of the “Accounting Standards for Business Enterprises” of the PRC, without prejudice to the interests of the Company and the shareholders as a whole. Therefore, the Board approved this correction of and adjustment to the accounting errors.

(2) Opinion of the Supervisory Committee

The “Resolution on Correction of Accounting Errors of the Regular Reports of the Company in Prior Periods” was considered and approved by the Supervisory Committee of the Company, and the Supervisory Committee is of the view that this correction of accounting errors is in better compliance with the principles and requirements of the “Accounting Standards for Business Enterprises” of the PRC, which can reflect the financial position of the Company in a more accurate way. Therefore, the Supervisory Committee approved this correction of and adjustment to the accounting errors.

(3) Opinion of the Independent Directors

The independent Directors of the Company are of the view that this correction of accounting errors is in better compliance with the principles and requirements of the “Accounting Standards for Business Enterprises” of the PRC, which can reflect the financial position of the Company in a more objective and fair way, the procedures for considering and voting to such correction of errors adopted by the Board has complied with the relevant provisions, and this correction of errors does not prejudice the interests of the Company and the shareholders as a whole. Therefore, the independent Directors approved this correction of and adjustment to the accounting errors.

(4) Opinion of the Accountants

In respect of the above accounting errors and its correction, WUYIGE Certified Public Accountants LLP is of the view that the above correction of accounting errors in the prior periods is in better compliance with the requirements of the “Accounting Standards for Business Enterprises” of the PRC, and issued the “Special Explanations on Correction of Accounting Errors” (Da Xin Bei Zi [2016] No. 2-00096)

By order of the Board of
Luoyang Glass Company Limited*
Zhang Chong
Chairman

Luoyang, the PRC
29 August 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*