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: 1108)

# SUPPLEMENTARY ANNOUNCEMENT TO SUMMARY ANNUAL REPORT OF 2008 AND DISCLOSEABLE TRANSACTION

Reference is made to the announcement of the 2008 Summary Annual Report of Luoyang Glass Company Limited (the "Company") dated 26 March 2009. This announcement is made at the request of the Shanghai Stock Exchange and pursuant to Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company and all members of the board of directors (the "Board") warrant that there is no false representation and misleading statement in or material omission from this report and jointly and severally accept responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.

As required by the Shanghai Stock Exchange, the explanatory notes to the financial report of 2008 prepared under the PRC Accounting Standards contained in the 2008 Annual Report are as follows:

## I. Differences between the PRC and overseas accounting standards

(1) Reconciliation of the profit/(loss) attributable to the Group prepared in accordance with the PRC Accounting Rules and Regulations and International Financial Reporting Standards ("IFRSs") is summarised below:

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit/(loss) attributable to shareholders under the PRC Accounting Rules and Regulations | **12,783** | (95,343) |
| Differences: | | |
| — Gain on disposal of land use rights *(Note 1(2))* | **34,657** | — |
| — Gain on disposal of a subsidiary | **15,834** | — |
| — Amortisation of revaluation of land use rights *(Note 1(1))* | **1,500** | 2,098 |
| — Government grants | **461** | 365 |
| — Difference in accounting for reused packing materials *(Note 2)* | **(7,616)** | (2,270) |
| — Others | **(3,579)** | (4,939) |
| Profit/(loss) attributable to equity shareholders of the Company under IFRSs | **54,040** | (100,089) |

(2) Reconciliation of shareholders' funds of the Group prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs is summarised below:

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Shareholders' funds under the PRC Accounting Rules and Regulations | **229,156** | 216,373 |
| Differences: | | |
| — Gain on disposal of land use rights *(Note 1(2))* | **34,657** | — |
| — Gain on disposal of a subsidiary | **15,834** | — |
| — Amortisation of revaluation of land use rights *(Note 1(1))* | **(76,552)** | (78,052) |
| — Government grants | **(3,186)** | (3,647) |
| — Difference in accounting for consolidation | **3,653** | 3,653 |
| — Difference in accounting for reused packing materials *(Note 2)* | **871** | 8,487 |
| — Others | **(6,574)** | (2,995) |
| Total equity attributable to equity shareholders of the Company under IFRSs | **197,859** | 143,819 |

Reasons for the differences:

**1. Differences in land use rights**

Certain capital injected by the controlling shareholder in 1994 during the listing of shares of the Company were land use rights. The revaluation surplus of the land use rights are classified as intangible assets and amortised on an annual basis pursuant to the PRC Accounting Standards, which are classified as reserves under IFRSs, resulting in the following differences:

(1) Such amounts of amortisation of land use rights are reversed under IFRSs, which contributed to the difference in amortisation;

(2) Under the PRC Accounting Standards, the gain or loss on disposal of the land use rights are accounted for in income statement, while the entire amount of the consideration of the disposal of the land use rights are reflected in income statement under IFRSs since the carrying amount of land use rights under IFRSs is Nil.

**2. Circulating materials — amortisation of racks**

There are differences between the accounting treatments in amortisation under the PRC Accounting Standards and IFRSs. Under the PRC Accounting Standards, racks are amortised based on a 50:50 amortisation method, while circulating materials are amortised with reference to its estimated turnover rate under the IFRSs. Pursuant to the "Notice of the Ministry of Finance concerning preparation of 2008 annual report in accordance with accounting standards" (2008 No. 60) published by the Ministry of Finance of the PRC, an one-off adjustment was made for such differences.

## II. Note 10 to the financial statements of the Company prepared under the PRC Accounting Standards — "Construction in progress"

| Projects | Budget | Opening balance | Amount increased during the year | Amount transferred to fixed assets during the year | Elimination | Closing balance | Capitalised interest | Source of fund | Percentage to budget (%) |
|---|---|---|---|---|---|---|---|---|---|
| Minor projects in Yinan | — | 84,553.73 | 1,292,605.67 | 1,377,159.40 | — | — | — | Self-financing | |
| Gas supply network of Longfei | — | 1,180,626.00 | 731,671.08 | 278,415.91 | — | 1,633,881.17 | — | Self-financing | |
| Warehouses of Longxiang | — | 302,430.42 | — | 302,430.42 | — | — | — | Self-financing | |
| Septic pool of Longfei | — | — | 300,000.00 | 300,000.00 | — | — | — | Self-financing | |
| Furnace of Longfei | — | — | 8,656,696.72 | — | — | 8,656,696.72 | — | Self-financing | |
| Upgrade of gas supply network of Longxiang | 2,800,000.00 | 2,610,531.51 | 189,681.89 | — | 539,265.00 | 2,260,948.40 | — | Self-financing | |
| Electricity generation project of Longhao | 40,000,000.00 | 146,737.20 | 9,500.00 | — | — | 156,237.20 | — | Self-financing | 0.39 |
| Mine road project of Silicon Company | 500,000.00 | 101,600.00 | 220,000.00 | — | — | 321,600.00 | — | Self-financing | 0.44 |
| Gas emission monitor project of Longhai | 470,000.00 | — | 380,000.00 | 380,000.00 | — | — | — | Self-financing | 0.81 |
| Technical upgrade of Longmen production line | — | — | 98,848,035.90 | — | — | 98,848,035.90 | — | Self-financing | |
| Minor projects of Luoshen | — | 1,271,708.40 | — | — | — | 1,271,708.40 | — | Self-financing | |
| NH3 decomposition project of the Company | 950,000.00 | 678,000.00 | 1,196,217.80 | 1,201,217.80 | 673,000.00 | — | — | Self-financing | |
| Automated pollutants detection project of the Company | 470,000.00 | 650.00 | 442,909.78 | 443,559.78 | — | — | — | Self-financing | |
| Gas pollutants control project of the Company | 116,000.00 | — | 116,000.00 | 116,000.00 | — | — | — | Self-financing | |
| Total | 45,306,000.00 | 6,376,837.26 | 112,383,318.84 | 4,398,783.31 | 1,212,265.00 | 113,149,107.79 | | | |

## III. Note 11 to the financial statements of the Company prepared under the PRC Accounting Standards — "Construction materials"

| Projects | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|---|---|---|---|---|
| Specialised materials | 645,910.00 | — | 645,910.00 | — |
| Specialised equipments | 90,634.48 | 1,562,858.89 | 1,574,470.63 | 79,022.74 |
| Total | 736,544.48 | 1,562,858.89 | 2,220,380.63 | 79,022.74 |

## IV. Delay in Disclosure by the Company

1. According to the Approval in relation to "Request for subsidies for transfer of production lines of float glass at the headquarters by Luoyang Glass Company Limited" issued by Luoyang government to Luoyang Municipal Finance Bureau (「關於撥付洛陽玻璃股份有限公司本部浮法線搬遷補助資金的請示」的批覆) on 19 December 2008, Luoyang Municipal Finance Bureau drew an one-off subsidy of RMB20.0 million out of the designated account for funding the reforms of state-owned enterprises in Luoyang City to the Company on 30 December 2008 to subsidise the transfer of the float glass production lines at its headquarters. The specific amount was used to subsidise the expenditure for settlement such as daily expenses for staff affected by the suspension of production during the transfer of the production lines.

***Discloseable Transaction***

2. Details of the discloseable transaction relating to the acquisition of 60% equity interest of CLFG Luoyang Longxiang Glass Company Limited ("Longxiang Glass") by CLFG Longfei Glass Company Limited ("Longfei Glass"), a subsidiary of the Company is as follows (the "Longxiang Equity Acquisition").

**The Longxiang Equity Acquisition Agreements**

*Date*

27 August 2008 and 4 September 2008

*Parties*

(1) Longfei Glass, as the buyer; and

(2) the following vendors:

(i) CLFG Longfei Glass Company Limited Labor Union (洛玻集團龍飛玻璃有限公司工會委員會), which is the staff union of Longfei Glass holding the equity interests in Longxiang Glass on behalf of the employees of Longfei Glass, in respect of a 33% equity interest in Longxiang Glass;

(ii) Mr. Zheng Qinghong (鄭清洪), in respect of a 6% equity interest in Longxiang Glass;

(iii) Mr. Yan Jun (閆軍), in respect of a 4% equity interest in Longxiang Glass;

(iv) Ms. Huang Qiuping (王秋萍), in respect of a 2% equity interest in Longxiang Glass;

(v) Ningbo Shuangning Building Material and Glass Company Limited (寧波雙寧建材玻璃有限公司), which is primarily engaged in, amongst others, the wholesale and retail of building and packaging materials, metals and hardware products and chemicals, processing of glass products, cargo warehousing and transportation services, in respect of a 2% equity interest in Longxiang Glass;

(vi) Henan Jinshan Chemical Company Limited (河南金山化工有限責任公司), which is primarily engaged in, amongst others, the production and sale of chemicals and fertilisers and the assembly of production equipment, in respect of a 2% equity interest in Longxiang Glass;

(vii) Changzhou Daming Glass Company Limited (常州市大明玻璃有限公司), which is primarily engaged in the sale and processing of glass products, in respect of a 2% equity interest in Longxiang Glass;

(viii) Hubei Yijun Trading Company Limited (湖北億鈞貿易有限公司), which is primarily engaged in, amongst others, the sale of glass, ceramics, oil and chemical products and automobile components and processing of glass products, in respect of a 2% equity interest in Longxiang Glass;

(ix) Guangzhou Yuntong Material Company Limited (廣州市雲通物資有限公司), which is primarily engaged in the business of wholesale, retail and trading, in respect of a 2% equity interest in Longxiang Glass;

(x) Yuncheng Yanhu District Xicheng Shengli Glass Company (運城市鹽湖區西城勝利玻璃店), which is primarily engaged in the sale of glass and related products, in respect of a 2% equity interest in Longxiang Glass;

(xi) Mr. Xue Jiankui (薛建奎), in respect of a 1% equity interest in Longxiang Glass;

(xii) Hunan Huaihua Hezhong Development Company Limited (湖南懷化合眾發展有限公司), which is primarily engaged in the wholesale and retail of government approved agricultural products, industrial goods, building materials, sale of furniture, processing of glass products and sale of domestically made automobiles, in respect of a 1% equity interest in Longxiang Glass; and

(xiii) Huaxing Building Material Company Limited (華星建築材料有限公司), which is primarily engaged in the sale of building materials, aluminium products, chemicals and raw materials for glass production and advanced processing of glass products, in respect of 1% equity interest in Longxiang Glass.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the above 13 vendors are third parties independent of the Company and connected persons of the Company.

**Interest to be acquired**

An aggregate 60% equity interest in the shareholding structure of Longxiang Glass held by the 13 vendors mentioned above.

**Consideration**

Total consideration is RMB38,016,445, payable by Longfei Glass to CLFG Longfei Glass Company Limited Labor Union in cash amounting to RMB20,624,395 and the other vendors by way of set off mentioned below which involved a total amount of RMB17,392,050. Of the 33% equity interest occurred by CLFG Longfei Glass Company Limited Labor Union, 0.982% was not paid up. The cash consideration was determined on a pro-rata basis after deducting this outstanding portion. Part of the cash consideration of RMB5,430,000 had been paid before 31 December 2008. The balance of cash consideration of RMB15,194,395 will be settled in three installments by 30 December 2011. The Directors have confirmed that the consideration of RMB17,392,050 payable by Longfei Glass to the other vendors will be set off against the outstanding amounts owed by the respective vendors to Longfei Glass for goods supplied by Longfei Glass to the vendors by 30 December 2011.

The aggregate consideration was determined with reference to the appraised net asset value of Longxiang Glass as at 31 December 2007 after deducting the unaudited net loss of Longxiang Glass for the period from 1 January 2008 to 30 April 2008.

Based on the generally accepted accounting standards in the PRC, the profit/(loss) before taxation and extraordinary items of Longxiang Glass for the two years ended 31 December 2007 was RMB15.4 million and RMB(13.2) million respectively. The profit/(loss) after taxation and extraordinary items of Longxiang Glass for the two years ended 31 December 2007 was RMB14.7 million and RMB(13.2) million respectively. The net asset value of Longxiang Glass as at 31 December 2007 was RMB51,414,893.

**Reasons for entering into the Longxiang Equity Acquisition**

In order to streamline the corporate structure of Longxiang Glass which was held by numerous shareholders including the employees of Longfei Glass and in light of the loss position of Longfei Glass in 2008, the Company decided to acquire the remaining equity interests in Longxiang Glass not yet held by Longfei Glass from the other shareholders of Longxiang Glass to enhance the management and operation of Longxiang Glass. The Longxiang Equity Acquisition also provided an opportunity for Longfei Glass, as the sole shareholder of Longxiang Glass after the transaction, to leverage on its experience and expertise in the glass industry to develop and expand the business of Longxiang Glass and for the other shareholders including the employees of Longfei Glass to realise their investments in Longxiang Glass.

**Completion**

The acquisition was completed in January 2009.

**Listing Rules implications**

As each of the applicable percentage ratios for the Longxiang Equity Acquisition was more than 5% but less than 25%, the Longxiang Equity Acquisition constituted a discloseable transaction which should be subject to notification and announcement requirements under the Listing Rules.

Details of the Longxiang Equity Acquisition will be included in the 2008 annual report of the Company. The Board (including the independent non-executive Directors) confirms that the Longxiang Equity Acquisition were conducted in the ordinary course of business, the terms of the Longxiang Equity Acquisition were normal and commercial terms, fair and reasonable and in the interests of the Shareholders and the Company as a whole.

This supplementary announcement is simultaneously published on the website of Shanghai Stock Exchange (http://www.sse.com.cn).

By order of the Board
**Luoyang Glass Company Limited**
**Gao Tianbao**
*Chairman*

Luoyang, the PRC
16 April 2009

*As at the date of this announcement, the Board comprises five executive Directors: Mr. Gao Tianbao, Mr. Xie Jun, Mr. Cao Mingchun, Mr. Song Jianming and Ms. Song Fei, one non-executive Director: Mr. Shen Anqin, and four independent non-executive Directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Xi Shengyang and Mr. Ge Tieming.*