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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)

CONNECTED TRANSACTION

The Board is pleased to announce that on 29 October 2015, Longhao Glass entered into the Inventories Sale Agreement with CLFG, pursuant to which Longhao Glass has agreed to sell and CLFG has agreed to purchase the Inventories for a total consideration of RMB24,401,121.31 (equivalent to approximately HK\$29,281,345.57).

CLFG is the immediate controlling Shareholder of the Company holding 31.80% equity interest in the Company, and therefore is regarded as a connected person of the Company under the Listing Rules. The transaction contemplated under the Inventories Sale Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Since the applicable percentage ratios are more than 0.1% but less than 5%, the transaction contemplated under the Inventories Sale Agreement is subject to the reporting and announcement requirements only but is exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 17 June 2015 in relation to the termination agreement dated 17 June 2015 (the “**Termination Agreement**”) entered into between Longhao Glass and CLFG to terminate the Assets Leasing Agreement with effect from the date of approval of the Termination Agreement by the Shareholders at the extraordinary general meeting of the Company held on 25 August 2015.

Since there are several Inventories leftover in the warehouse of the production line after termination of the Assets Leasing Agreement and such Inventories are required by CLFG for its future production needs, the Board is pleased to announce that on 29 October 2015, Longhao Glass entered into the Inventories Sale Agreement with CLFG, pursuant to which Longhao Glass has agreed to sell and CLFG has agreed to purchase the Inventories.

Set out below is a summary of the principal terms of the Inventories Sale Agreement:

DETAILS OF THE INVENTORIES SALE AGREEMENT

Date: 29 October 2015

Parties: (1) Longhao Glass, as vendor; and
(2) CLFG, as purchaser

Consideration: Pursuant to the Inventories Sale Agreement, Longhao Glass has agreed to sell and CLFG has agreed to purchase the Inventories (i.e. 9.1904 tonnes of tin, 3,768.86 tonnes of cullet and 349,776 weight boxes of finished products) for a total consideration of RMB24,401,121.31 (equivalent to approximately HK\$29,281,345.57), which was determined after arm’s length negotiations between the parties with reference to the book value, current fair market value and present conditions of the Inventories. Details are as follows:

- (1) tin: the consideration is RMB1,218,673.30, which was determined with reference to the current fair market value of tin (RMB132,602.86 per tonne) and its book value;
- (2) cullet: the consideration is RMB2,412,070.40, which was determined with reference to the current fair market value of cullet (RMB640 per tonne); and

- (3) finished products: the consideration is RMB20,770,377.61, which was determined with reference to their current fair market value, the fact that their selling price was generally lower than the production cost for usual sheet glass during the leasing period under the Assets Leasing Agreement, and their present conditions.

Payment Term: The consideration shall be payable by CLFG from its internal resources through bank transfer or bankers' acceptance or such other methods as the parties may agree, three months after issuance of the relevant invoices. All the consideration shall be paid before 31 January 2016.

INFORMATION OF THE INVENTORIES

The Inventories include 9.1904 tonnes of tin, 3,768.86 tonnes of cullet and 349,776 weight boxes of finished products. Set out below is a summary of the book value of the Inventories:

	Tin <i>(Approximately RMB'000)</i>	Cullet <i>(Approximately RMB'000)</i>	Finished products <i>(Approximately RMB'000)</i>
Book value as at 26 August 2015	1,218.67	1,404.08	32,793.16

Subject to audit, the Group expects to record a loss of RMB\$11,014,795.11 arising from the Disposal as calculated by reference to the carrying amount of the Inventories of RMB\$35,415,916.42 and the consideration for the Disposal of RMB\$24,401,121.31. The loss from the Disposal arises from the sale of finished products, which is caused by the decrease in market price of the usual sheet glass, of which is severely lower than its production cost. This is because of the adverse impact of the macroeconomic environment in the recent years and the severe over-production in the sheet glass industry. Save for the sale of finished products, the considerations for the sale of tin and cullet are same as, and even higher than, their book value respectively. The Directors expect that the proceeds from the Disposal will be used for general working capital of the Group.

REASONS FOR ENTERING INTO THE INVENTORIES SALE AGREEMENT

The Group is principally engaged in the production and sale of float sheet glass and is one of the largest manufacturers and distributors of float glass in the PRC. CLFG has agreed to lease the Leased Assets to Longhao Glass for a term of 3 years starting from 3 June 2014 under the Assets Leasing Agreement (for details, please refer to the announcement of the Company dated 17 April 2014 and the circular of the Company dated 14 May 2014). On 17 June 2015, the Termination Agreement was entered into between Longhao Glass and CLFG, pursuant to which the Assets Leasing Agreement was terminated (for details, please refer to the announcement of the Company dated 17 June 2015). The Termination Agreement was passed at the extraordinary general meeting of the Company on 25 August 2015.

Since the Inventories were leftover in the warehouse of the production line after termination of the Assets Leasing Agreement and they are required by CLFG for its future production needs, the Inventories Sale Agreement was entered into so that the Inventories can be sold to CLFG while allowing Longhao Glass to dispose the Inventories and supplement the general working capital of the Group. Longhao Glass can also save time and costs to sell such Inventories to third parties.

The terms of the Inventories Sale Agreement were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the transaction contemplated under the Inventories Sale Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and its terms are fair and reasonable and in the interests of the Group and its Shareholders as a whole.

INFORMATION AND RELATIONSHIP OF THE PARTIES TO THE INVENTORIES SALE AGREEMENT

Longhao Glass, the wholly-owned subsidiary of the Company, is principally engaged in the manufacturing and sales of float sheet glass with 3 mm to 15 mm size.

CLFG, the immediate controlling Shareholder of the Company, is principally engaged in the production and sale of float glass, imports, exports and the domestic sale of processing technology of glass, design and subcontracting of engineering works, labour export and other businesses.

LISTING RULES IMPLICATIONS

As mentioned above, CLFG is the immediate controlling Shareholder of the Company holding 31.80% equity interest in the Company, and therefore is regarded as a connected person of the Company under the Listing Rules. The transaction contemplated under the Inventories Sale Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

Since the applicable percentage ratios are more than 0.1% but less than 5%, the transaction contemplated under the Inventories Sale Agreement is subject to the reporting and announcement requirements only but is exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Mr. Ma Liyun and Mr. Xie Jun, the executive Directors of the Company, and Mr. Zhang Chengong and Mr. Zhang Chong, the non-executive Directors of the Company, have abstained from voting in respect of the Inventories Sale Agreement in the Board meeting due to the fact that they are senior management of CLFG or the controlled entities of its controlling shareholder(s) and are therefore not regarded as independent to make any recommendation to the Board.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise.

“Assets Leasing Agreement”	the assets leasing agreement dated 17 April 2014 entered into between Longhao Glass and CLFG, details of which were set out in the announcement of the Company dated 17 April 2014
“Board”	the board of Directors
“CLFG”	中國洛陽浮法玻璃集團有限責任公司(China Luoyang Float Glass (Group) Company Limited*), a company incorporated in the PRC with limited liability and the immediate controlling Shareholder of the Company holding 31.80% equity interest in the Company
“Company”	洛陽玻璃股份有限公司(Luoyang Glass Company Limited*), a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the main board of the Stock Exchange (stock code: 1108) and the Shanghai Stock Exchange (stock code: 600876) respectively

“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“Disposal”	the disposal of the Inventories by Longhao Glass to CLFG \ pursuant to the Inventories Sale Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Inventories”	include tin, cullet and finished products
“Inventories Sale Agreement”	the inventories sale agreement dated 29 October 2015 entered into between Longhao Glass and CLFG, pursuant to which Longhao Glass has agreed to sell and CLFG has agreed to purchase the Inventories
“Leased Assets”	a 600t/d online Low-E glass production line workshop and equipment located at Neibu Village, Ruyang County, Luoyang, Henan Province, the PRC, including but not limited to the main production line, raw material workshop, homogenization silo, mixtures transportation system, cullet system, hydrogen production station, electric power substation, nitrogen production station, compressed air station, liquid ammonia storage shed, raw material auxiliary workshop and circulating water pump house, etc.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longhao Glass”	洛玻集團洛陽龍昊玻璃有限公司(CLFG Luoyang Longhao Glass Company Limited*), a company with limited liability incorporated in the PRC, and the wholly-owned subsidiary of the Company
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction

“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“t/d”	tonnes per day
“%”	per cent.

For the purpose of this announcement, the following exchange rate is used: RMB1.00 = HK\$1.20.

By order of the Board
Luoyang Glass Company Limited
Ma Liyun
Chairman

Luoyang, the PRC
29 October 2015

As at the date of this announcement, the Board comprises four executive Directors: Mr. Ma Liyun, Mr. Ni Zhisen, Ms. Sun Lei and Mr. Xie Jun; two non-executive Directors: Mr. Zhang Chengong and Mr. Zhang Chong; and four independent non-executive Directors: Mr. Huang Ping, Mr. Dong Jiachun, Mr. Liu Tianni and Mr. Jin Zhanping.

** For identification purposes only*