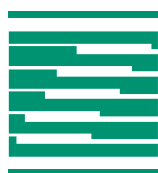


*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



浙 江 玻 璃 股 份 有 限 公 司

ZHEJIANG GLASS COMPANY, LIMITED

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

**(Stock Code: 739)**

## **(1) LITIGATION AND FREEZING ORDER; AND (2) ADVANCES MADE TO A CONNECTED PERSON**

Reference is made to the April 2009 Announcement.

### **LITIGATION AND FREEZING ORDER**

It recently came to the attention of the Company that pursuant to the Litigation, certain shares of QSAC were made subject to the Freezing Order. The Company has already obtained preliminary PRC legal advice in relation to the Litigation and the Freezing Order. Based on the information currently available, the Company believes that it has good defence against the Litigation.

The Company has engaged PRC lawyers for specifically handling matters relating to the Litigation in the PRC. The Company will keep the public informed of the latest development of the above Litigation and the status of the Freezing Order in due course.

### **ADVANCES MADE TO A CONNECTED PERSON**

In connection with the Litigation and in the process of compiling the 2008 Annual Results, it recently came to the attention of the Board that a sum of RMB50,000,000 was advanced to Guangyu Group in May 2008. By July 2008, Guangyu Group has settled in full the amount advanced by the Company.

Guangyu Group is a connected person of the Company. The advance of money in May 2008 constituted financial assistance by the Company to a connected person under Chapter 14A of the Listing Rules, which should have been subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

The money advanced to Guangyu Group was borrowed by the Company from the plaintiff in May 2008 under the Loan Agreement. Such amount borrowed by the Company has been settled in full in July 2008 by Guangyu Group (at the direction of the Company). Following that, the Company has not made and/or received any borrowings under the Loan Agreement.

Based on the information provided by Guangyu Group, Guangyu Group borrowed money on 4 July 2008 and 11 September 2008 directly from the plaintiff. Given the subject matter of the Litigation was the alleged non-repayment to the plaintiff for money advanced in September 2008, not in May 2008, and based on the preliminary PRC legal advice recently obtained, the Company believes it has good defence against the Litigation.

For prudence sake, the Company considered it appropriate to make a thorough review to ensure proper compliance requirements have been made regarding notifiable transactions and connected transactions that took place in 2008 (if any) and other unidentified litigation (if any). Such review was then expected to require about two to three further weeks from 23 April 2009 (being the date of the April 2009 Announcement). Accordingly, the Company then decided to defer the date of Board meeting for considering and (if thought fit) approving its 2008 Annual Results to 8 May 2009. The review has now been completed and the 2008 Annual Results were published on 10 May 2009.

## **BREACH OF THE LISTING RULES**

The Company's failure to comply with the reporting and announcement requirements in respect of the money advanced to Guangyu Group in May 2008 in a timely manner has resulted in a breach of Rule 14A.66 of the Listing Rules. The failure to enter into written agreement between the Company and Guangyu Group for the sum advanced in May 2008 constituted a breach of Rule 14A.04 of the Listing Rules. As an agreement was signed for creating a pledge over the domestic shares held by Mr Feng in the Company as collaterals to the Loan Agreement, the failure to duly comply with the general disclosure requirement under Rule 13.17 of the Listing Rules also constitutes a breach thereof. However, as set out in the note in page 5 of this announcement, the Directors consider that the pledge was not valid and has not come into effect under the applicable PRC laws.

Further and in connection with the postponement of the date of Board meeting for considering the 2008 Annual Results and thus the failure to timely publish the annual results announcement regarding the 2008 Annual Results and also to timely despatch the annual report of the Company for the year ended 31 December 2008, the aforesaid constitutes a breach of Rule 13.49(1) and Rule 13.46(2) of the Listing Rules respectively.

## **INTRODUCTION**

Reference is made to the April 2009 Announcement. The purpose of this announcement is to inform the public about, among others, the Litigation, the Freezing Order and the inadvertent breach of the Listing Rules.

## **LITIGATION AND FREEZING ORDER**

On or about 22 April 2009, the Company received a notification from the administration for industry and commerce bureau of Hai Xi, Qinghai, the PRC, by which the Company was informed that a total of 94,304,310 shares held by the Company in QSAC is subject to the Freezing Order. Such shares represent approximately 18.55% of the Company's interest in QSAC, and approximately 13.26% of the entire registered capital of QSAC.

Having obtained preliminary PRC legal advice regarding, among others, the above notification, it came to the Company's understanding that the Freezing Order was likely to be due to the Litigation. The Company received a writ instituting the Litigation in or around mid-December 2008. In the said writ, the plaintiff alleged that (i) a sum of RMB50,000,000 was deposited into the account of Guangyu Group at the Company's direction in September 2008 pursuant to the Loan Agreement; and (ii) the Company had defaulted in repaying the said sum to the plaintiff on time. The plaintiff also alleged that the purported obligation of the Company under the Loan Agreement was guaranteed by QSAC, Taoyan Glass and Mr Feng.

It was then believed that the Litigation was instituted without grounds against the Company, QSAC, Taoyan Glass and Mr Feng, as the Company neither borrowed money from the above plaintiff as alleged in September 2008, nor has QSAC, Taoyan Glass, Mr Feng or the Company provided guarantee for the purported loan to the Company in September 2008. The money borrowed by the Company pursuant to the Loan Agreement has already been settled by Guangyu Group (at the direction of the Company) on 4 July 2008. For such reasons, insufficient attention was paid to the writ and the matter was not brought to the attention of the full Board. The said writ was brought to the attention of the full Board when the Company received the above notification on or about 22 April 2009.

As advised by the Company's PRC legal advisers, the Freezing Order only preserves the assets being subject to such order, so that it may not be transferred or pledged to or otherwise disposed of to other persons without any further order of the court. The Freezing Order does not confer any right to the plaintiff to dispose of such assets. The shares in QSAC which are subject to the Freezing Order are still regarded to be held by the Company, not the plaintiff. At present, the Freezing Order has not created any impact on the operation of QSAC or the Group. At present, QSAC is owned as to approximately 70% by the Company. QSAC is a major subsidiary of the Company and significantly contributes to the soda ash business of the Group.

Guangyu Group is owned as to 96% by Mr Feng and thus is a connected person of the Company under Chapter 14A of the Listing Rules. While the alleged borrowing from the plaintiff in September 2008 was not taken out by the Company, the Directors believed that the Litigation was likely to have been instituted as tactics employed by the plaintiff for exploiting means to demand for repayment.

The Company has obtained preliminary PRC legal advice in relation to the Litigation and the Freezing Order and, based on the information currently available, the Company believes that it has good defence against the Litigation. In view of the fact that (i) the Freezing Order has not created any impact on the operation of QSAC and did not affect the Company's rights therein as a shareholder (save as disclosed in this announcement), and (ii) if the Freezing Order is to be discharged now the Company will be required to make security payment into court, the Company currently considered it unnecessary to make application to discharge the Freezing Order.

The Company has engaged PRC lawyers for specifically handling matters relating to the Litigation in the PRC. The Company will keep the public informed of the latest development of the above Litigation and the status of the Freezing Order in due course.

## ADVANCES MADE TO A CONNECTED PERSON

In connection with the Litigation and in the process for compiling the 2008 Annual Results, it recently came to the attention of the Board that a sum of RMB50,000,000 was advanced to Guangyu Group in May 2008. Such money in the sum of RMB50,000,000 was borrowed from the plaintiff under to the Loan Agreement and was directed by the Company to be advanced to Guangyu Group on 13 May 2008. By July 2008, Guangyu Group has settled in full the amount advanced by the Company, and Guangyu Group has also borne the interest under the Loan Agreement as set out below.

The major terms of the Loan Agreement are as follows:

- Date : 4 May 2008
- Parties : Zhejiang Glass Company, Limited (as borrower); and  
Ma Hong Mei (as lender), a third party independent of the Company, Guangyu Group and their respective connected persons.
- Loan amount and interest rate : RMB50,000,000 with a monthly interest of RMB2,250,000. Such loan can be deposited at the Company's bank account or at other bank account as directed by the Company.
- Duration of borrowing : Two months from the date when the lender remits the loan. The Company is required to make repayment (principal amount of the loan and interest) upon the expiry of such two-month-period.
- Recurring nature : On condition that the Company being able to make due repayment as set out above, the lender agrees to lend the principal amount of loan repaid to the Company again for not more than five times.
- Collaterals provided : (i) a guarantee and pledge agreement (*Note*) given by Mr Feng dated 4 May 2008; and  
(ii) a guarantee given by QSAC and Taoyan Glass dated 4 May 2008.

*Note:* To the best of the information and knowledge of the Company, the pledge of 20,000,000 domestic shares held by Mr Feng in the Company as security under the Loan Agreement has not undergone proper filing and/or registration procedures at the original approval authority of the Company, i.e. the ministry of commerce in the PRC. Based on the advice from the PRC lawyers, such pledge was not valid and has not come into effect under the applicable PRC laws.

## **REASONS FOR THE FUND TRANSFER**

The above fund transfer from the Company to Guangyu Group in May 2008 was for the use of Guangyu Group in its operation. In the first half of 2008, Guangyu Group had plans for expansion of its business. As it then experienced tight cash flow and also faced difficulty in making borrowings from financial institutions because of the then relatively stringent lending policy, Guangyu Group requested the Company to make the above fund transfer in May 2008. In view of the long-term relationship between the Company and Guangyu Group taking into account that Guangyu Group previously provided guarantee and/or collaterals to secure the Company's borrowings, money was agreed to be advanced to Guangyu Group in May 2008.

The Directors (including the independent non-executive Directors) believe that the terms of the financial assistance to Guangyu Group are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ON THE GROUP AND GUANGYU GROUP, CONNECTED RELATIONSHIP AND LISTING RULES REQUIREMENT**

The Group is principally engaged in the business of manufacturing and sales of glass products and soda ash in the PRC. Guangyu Group is principally engaged in the production of floor tiles and steel moulding plates and the operation and distribution of building materials, metal materials and hardware and electrical equipments.

Guangyu Group is owned as to 96% by Mr Feng, an executive Director and Chairman of the Company. As at the date of this announcement, Mr Feng and his associates were interested in 400,000,000 domestic shares of the Company, representing about 50.96% of the total number of shares of the Company. Guangyu Group is an associate of Mr Feng and thus a connected person of the Company. Accordingly, the above advance of money in May 2008 from the Company to Guangyu Group constituted financial assistance by the Company to a connected person under Chapter 14A of the Listing Rules.

The Directors considered that the above advance of money to Guangyu Group in May 2008 was not in the ordinary and usual course of business but on normal commercial terms. As each of the Percentage Ratios is less than 2.5%, the above financial assistance should have been subject to the reporting and announcement requirements, but is exempt from independent shareholders' approval under Rule 14A.66 of the Listing Rules. The Stock Exchange has nevertheless indicated that it will look into the subject matter in detail for determining whether the above financial assistance is on normal commercial terms.

As set out above, the RMB50,000,000 advanced to Guangyu Group was borrowed by the Company from the plaintiff in May 2008 under the Loan Agreement. Such amount borrowed by the Company has been settled in full in July 2008 by Guangyu Group (at the direction of the Company). Following that, the Company has not made and/or received any borrowing under the Loan Agreement.

Based on the information provided by Guangyu Group, Guangyu Group borrowed money on 4 July 2008 and 11 September 2008 directly from the plaintiff. The money borrowed for each occasion was RMB50,000,000. The Company neither directed nor requested the plaintiff to advance any money in connection with the said sum borrowed by Guangyu Group in July 2008 or in September 2008. Accordingly, it is considered that such sums were not borrowed under the Loan Agreement. Based on the information provided by Guangyu Group, such two sums were borrowed from the plaintiff pursuant to verbal agreement between Guangyu Group and the plaintiff. Given the subject matter of the Litigation was the alleged non-repayment to the plaintiff for RMB50,000,000 advanced on 11 September 2008 (instead of the loan drawn down in May 2008 which has been repaid already in July 2008) and, according to the information currently available, the Directors consider that neither the Company nor any of its subsidiaries have provided guarantee or otherwise have been involved in connection with the said sums borrowed by Guangyu Group in July 2008 and in September 2008, based on the preliminary PRC legal advice recently obtained, the Company believes it has good defence against the Litigation. The Company however wishes to emphasize that the Litigation has not been resolved as at the date hereof and it will keep the public informed of the latest development of the above Litigation and the status of the Freezing Order in due course.

## **REMEDIAL MEASURES TO BE TAKEN**

For prudence sake, the Company considered it appropriate to make a thorough review to ensure proper compliance requirements have been made regarding notifiable transactions and connected transactions that took place in 2008 (if any) and other unidentified litigation (if any). Such review was then expected to require about two to three further weeks from 23 April 2009 (being the date of the April 2009 Announcement). Accordingly, the Company then decided to defer the date of the Board meeting for considering and (if thought fit) approving its 2008 Annual Results to 8 May 2009, as set out in the April 2009 Announcement. The review has now been completed and the 2008 Annual Results were published on 10 May 2009. The independent non-executive Directors' findings were that while there should be no other connected transactions of the Company during the year ended 31 December 2008 which would otherwise be subject to announcement and/or independent shareholders' approval requirement under Chapter 14A of the Listing Rules, and that there should be no other unresolved litigation, officers (including Directors) are recommended to adopt more stringent compliance measures with the internal control system of the Group. Further, the independent non-executive Directors also recommended that, in view of the fact that Mr Feng is a controlling shareholder both at the Company and at Guangyu Group, for any proposed arrangement between the Company and Guangyu Group in future, Mr Feng shall abstain from voting at the Board meeting for considering such arrangement, and shall not be counted towards the quorum.



The above failure to comply with the Listing Rules in connection with fund transfer to Guangyu Group in May 2008 was an inadvertent oversight. At that time, the executive Director concerned failed to notice that such money advanced would constitute financial assistance to connected persons, which would subject the Company to the disclosure requirements under the Listing Rules. Upon receiving the notification on the Freezing Order on 22 April 2009, the executive Director concerned has taken steps to duly report to the full Board (including the independent non-executive Directors) the background which led to the Loan Agreement and the Litigation. At the Board meeting held on 30 April 2009 for, among others, considering and if thought fit approving the publication of this announcement, the executive Director concerned has expressed his utmost regrets for his then inadvertent failure to duly inform the full Board about the Loan Agreement and the Litigation. The Directors, including the non-executive Directors, considered that the Company should embark on remedial procedures as soon as possible. In order to avoid recurrence of failure to duly comply with the Listing Rules requirement in the future, the Company proposes that the audit committee and the finance department of the Company will review and take steps to enhance the Group's internal control system in order to ensure due compliance with the Listing Rules.

As background information, neither the Company nor its subsidiaries have provided direct financial assistance to or guarantee for loans borrowed by the above executive Director concerned and his associates. Further, based on the information provided by Mr Feng, he has not pledged his interest in the Company for loan borrowed by himself or his associates. Based on the confirmation from Mr Feng, neither he nor his associates have material financial difficulties at present.

## **BREACH OF THE LISTING RULES**

The Company's failure to comply with the reporting and announcement requirements in respect of the money advanced to Guangyu Group in May 2008 in a timely manner has resulted in a breach of Rule 14A.66 of the Listing Rules. The failure to enter into written agreement between the Company and Guangyu Group for the sum advanced in May 2008 constituted a breach of Rule 14A.04 of the Listing Rules. As an agreement was signed for creating a pledge over the domestic shares held by Mr Feng in the Company as collaterals to the Loan Agreement, the failure to duly comply with the general disclosure requirement under Rule 13.17 of the Listing Rules also constitutes a breach thereof. However, as set out in the note in page 5 of this announcement, the Directors consider that the pledge was not valid and has not come into effect under the applicable PRC laws.



Further and in connection with the postponement of the date of Board meeting for considering the 2008 Annual Results and thus the failure to timely publish the annual results announcement regarding the 2008 Annual Results and also to timely despatch the annual report of the Company for the year ended 31 December 2008, the aforesaid constitutes a breach of Rule 13.49(1) and Rule 13.46(2) of the Listing Rules respectively.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

- “2008 Annual Results” : the annual results of the Group for the year ended 31 December 2008
- “April 2009 Announcement” : the announcement of the Company dated 23 April 2009 in relation to the change of the date of the Board meeting for considering and (if thought fit) approving the 2008 Annual Results
- “associate(s)” : have the same meaning ascribed to it under Chapters 1 and 19A of the Listing Rules
- “Board” : the board of Directors
- “Company” : 浙江玻璃股份有限公司(Zhejiang Glass Company, Limited), a joint stock limited company established in PRC, whose H shares are listed on the Main Board of the Stock Exchange
- “Directors” : the directors of the Company
- “Freezing Order” : the Notice of Execution granted to Qinghai Haixi State Industrial and Commercial Administration Bureau by the Intermediate People’s Court in Shaoxing City, Zhejiang Province, the PRC, in respect of 94,304,310 shares held by the Company in QSAC on 7 January 2009

“Group”	:	the Company and its subsidiaries
“Gaungyu Group”	:	Guangyu Group Co., Ltd. (光宇集團有限公司), a company incorporated in the PRC and which is owned as to 96% by Mr Feng
“Litigation”	:	the litigation alleging default in payment by the Company in September 2008 instituted by an individual in the PRC in December 2008 against the Company, QSAC, Taoyan Glass and Mr Feng
“Loan Agreement”	:	the loan agreement dated 4 May 2008 and entered into between the Company and an individual in the PRC (being the plaintiff who subsequently instituted the Litigation)
“Listing Rules”	:	Rules Governing the Listing of Securities on the Stock Exchange
“Mr Feng”	:	Mr Feng Guangcheng, the Chairman and executive Director
“Percentage Ratios”	:	the percentage ratios, other than the profits ratio and equity capital ratio, under Rule 14.07 of the Listing Rules
“PRC”	:	People’s Republic of China
“QSAC”	:	Qinghai Soda Ash Company Limited (青海鹼業有限公司), a company incorporated in PRC and a subsidiary of the Company
“RMB”	:	Renminbi, the lawful currency of PRC
“Taoyan Glass”	:	Zhejiang Shaoxing Taoyan Glass Company Limited (浙江紹興陶堰玻璃有限公司), a company incorporated in the PRC and a subsidiary of the Company

“Stock Exchange” : The Stock Exchange of Hong Kong Limited

By order of the Board  
**Zhejiang Glass Company, Limited**  
**Feng Guangcheng**  
*Chairman*

Zhejiang Province, the People’s Republic of China, 12 May 2009

*As at the date of this announcement, the Board comprises the following members: (a) as executive Directors, Mr Feng Guangcheng, Ms Hong Yumei, Mr Gao Huojin, Mr Shen Guangjun and Mr Jiang Liqiang, (b) as non-executive Directors, Mr Liu Jianguo and Mr Xie Yong, and (c) as independent non-executive Directors, Mr Wang Yanmou, Dr Li Jun, Mr Su Gongmei and Mr Zhou Guochun.*