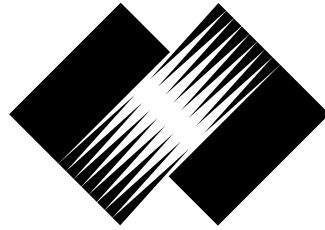


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**洛阳玻璃股份有限公司**

**LUOYANG GLASS COMPANY LIMITED**

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

(Stock Code: 1108)

**CONNECTED TRANSACTION  
LOAN ASSIGNMENT AGREEMENT**

With a view to improving the quality of the Company's assets and reducing the loss from bad debt, on 29 September 2010, the Company and CLFG entered into the Loan Assignment Agreement, pursuant to which the Company assigned to CLFG its rights and obligations in respect of the Loan owed by Guangzhou International at a consideration of RMB35,000,000 (equivalent to approximately HK\$40,250,000).

CLFG holds 159,018,242 Shares or 31.80% equity interest in the Company and as such, is a connected person of the Company. The transaction contemplated under the Loan Assignment Agreement constitutes a connected transaction of the Company. Since the applicable percentage ratios for the Loan Assignment Agreement are less than 5%, the Loan Assignment Agreement is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements according to Chapter 14A of the Listing Rules.

However, according to the Shanghai Stock Exchange Share Listing Rules, the Company is required to seek Independent Shareholders' approval for the Loan Assignment Agreement at the EGM. A circular containing, among other things, details of the Loan Assignment Agreement and a notice of the EGM will be dispatched to the Shareholders on or before 21 October 2010.

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Set out below is a summary of the principal terms of the Loan Assignment Agreement:-

## **LOAN ASSIGNMENT AGREEMENT**

### **Date:**

29 September 2010

### **Parties:**

- (a) the Company as the assignor; and
- (b) CLFG as the assignee

### **Details of the transaction:**

Pursuant to the Loan Assignment Agreement, the Company agreed to assign and CLFG agreed to assume the rights and obligations in respect of the Loan owed by Guangzhou International at a consideration of RMB35,000,000 (equivalent to approximately HK\$40,250,000).

### **Consideration:**

The consideration of the Loan Assignment Agreement was RMB35,000,000 (equivalent to approximately HK\$40,250,000), which shall be settled by CLFG in cash. The consideration was determined by the Company and CLFG after arm's length negotiations with reference to the net book value of the Loan as at 31 December 2009.

According to the audited account of the Company prepared by PKF Certified Public Accountants, as at 31 December 2009, provision of bad debt in the sum of RMB110,657,113.55 has been made to the Loan with principal amount of RMB145,657,113.55. As such, the net book value of the Loan amounted to RMB35,000,000 as at 31 December 2009. The status and amount of the Loan have been disclosed in the Company's annual reports.

**Payment term:**

CLFG shall settle the consideration of RMB35,000,000 in full within 5 business days upon the Loan Assignment Agreement taking effect and the Company sending to Guangzhou International a written notice in respect of the assignment of the Loan to CLFG (the “**Written Notice**”).

**Condition precedent:**

The Loan Assignment Agreement shall take effect upon obtaining the approvals from the Board, the board of directors of CLFG and the Independent Shareholders.

**Completion of the assignment:**

The Company shall be responsible for sending to Guangzhou International the Written Notice within 3 business days upon the Loan Assignment Agreement taking effect, and the date of sending the Written Notice shall be the completion date of the assignment.

Upon completion, CLFG shall become the creditor of the Loan and shall be entitled to exercise all the rights and obligations in respect of the Loan. CLFG shall undertake the responsibilities, risks and losses in the process of recovering the Loan.

**Special terms:**

1. The Company has informed CLFG and CLFG has acknowledged the history of providing the Loan, and the current status and recoverability of the Loan. CLFG has agreed to undertake the risks in relation to the Loan.
2. CLFG can further assign the Loan to any third parties and the Company shall not be getting involved in any disputes in relation to such further assignment.
3. CLFG agreed that if the debt recovered from Guangzhou International or the amount received from further assignment of the Loan to third parties exceeds RMB35,000,000, the Company shall be entitled to all the excess amount after deducting all necessary and reasonable expenses (including but not limited to legal fees, litigation costs and travelling expenses).

## REASONS FOR THE TRANSACTION

The Company deposited a total amount of RMB155,657,113.55 in Guangzhou International in March 1996, with deposit period of 21 months and annual interest rate of 10.98%. Upon expiry of the deposit period, Guangzhou International has only returned RMB10,000,000 to the Company. The outstanding principal amount of RMB145,657,113.55 and its interest have not been repaid.

In 1999, the General Office of the State Council of the PRC transmitted the “Notice on Scheme in respect of Reorganizing Trust and Investment Corporation by the People’s Bank of China 《中國人民銀行整頓信託投資公司方案的通知》”, requiring the majority of 239 trust and investment corporations in the PRC to conduct reorganization by way of debt restructuring or merger and consolidation. Guangzhou International was listed in the first batch. The Supreme People’s Court of the PRC has explicitly proclaimed to suspend acceptance and execution of lawsuits against trust and investment corporations which have closed business for reorganization including Guangzhou International. In May 2003, under the circumstances that the Loan owed by Guangzhou International to the Company could not be settled by way of lawsuit, after negotiation, the Company entered into the “Confirmation of Setting Up Trust” and the conditional “Debt Reorganization Trust Contract” with Guangzhou International, agreeing to participate in the debt and trust reorganization scheme. However, as approvals from all creditors of Guangzhou International have not been obtained, the said “Debt Reorganization Trust Contract” has not taken effect.

During the subsequent negotiations between the Company and Guangzhou International, Guangzhou International has proposed schemes to repay the debt by part of its assets and by discounting the debt. However, the schemes have not been implemented eventually. In December 2009, when Guangzhou International was entrusted to be managed by Guangzhou Yue Xiu Group Company Limited, Guangzhou International resumed the reorganization according to the arrangement of Guangzhou Municipal People’s Government of the PRC and the guidance of China Banking Regulatory Commission, and Guangzhou International will not be able to repay external debt in short period.

Considering that it will take some time to collect the Loan and certain difficulties will exist, in order to lower asset losses of the Company and improve the quality of the Company’s assets, the Company proposes to assign the Loan to CLFG.

Since the difference between the consideration of the Loan Assignment Agreement of RMB35,000,000 and the net book value of the Loan of RMB35,000,000 as at 31 December 2009 is zero, the Company does not expect to realize any gain or loss from the present assignment. The Directors intend to apply the proceeds from the assignment as general working capital of the Company.

The Loan has existed for several years during which the Company has tried to claim it back from Guangzhou International through many approaches. However, as several schemes negotiated could not be implemented and the debt and trust reorganization scheme was unable to launch for a long time, additionally, liquidation has had no progress, time for collection of the Loan is not clear. Even if the Company sues and wins the lawsuit against Guangzhou International, the Company will still face the problem that verdict cannot be enforced. Therefore, the Company proposes to assign the Loan to CLFG. Through assignment of the Loan, the Company will obtain general working capital at early time which is beneficial for the production and operation of the Company. In addition, the present Loan assignment will reduce unhealthy assets of the Company (other non-current assets) which will lead to a more healthy financial position of the Company. CLFG also agreed that if the debt recovered from Guangzhou International or the amount received from assignment of the Loan to third parties exceeds RMB35,000,000, the Company shall be entitled to all the excess amount after deducting all necessary and reasonable expenses. Such arrangement ensures that should the Loan be collected, the Company would be entitled to certain compensation which would minimize debt losses of the Company.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Loan Assignment Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, the terms and consideration of the Loan Assignment Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

## **OPINIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS**

The independent non-executive Directors are of the view that:

1. Given the current situation of Guangzhou International, it has no ability to repay the Loan owed to the Company. Even if the Company sues and wins the lawsuit against Guangzhou International, the Company will still face the problem that verdict cannot be enforced. Under such circumstances, the Company assigns the whole Loan which will improve the financial position of the Company and reduce its bad debt expenses, and is in the interests of the Company and the Shareholders as a whole, especially medium and small investors. CLFG also agreed that if the debt recovered from Guangzhou International or the amount received from assignment of the Loan to third parties exceeds RMB35,000,000, the Company shall be entitled to all the excess amount after deducting all necessary and reasonable expenses. Such arrangement ensures that should the Loan be collected, the Company would be entitled to certain compensation which would minimize debt losses of the Company. Therefore, the independent non-executive Directors are of the opinion that the Loan assignment is necessary and reasonable.
2. The consideration of the Loan assignment was determined based on the net book value of the Loan. The accounting policy of the Company pursuant to which provision of bad debt was made is in compliance with new Accounting Standards for Business Enterprises of the PRC. The net book value of the Loan was audited by qualified accountants. Therefore, the consideration of the Loan assignment is fair and reasonable.
3. When the present Loan assignment was considered at the Board meeting, connected Directors have abstained from voting. The voting procedure is in compliance with the relevant laws and regulations under the Company Law and Securities Law of the PRC, the Shanghai Stock Exchange Share Listing Rules and the Articles of Association of the Company. The present transaction is conducted on an open, fair and reasonable basis and is in the interests of the Company and the Shareholders as a whole without jeopardizing the interests of the non-connected Shareholders.

## **INFORMATION ON THE COMPANY AND CLFG**

The Company is principally engaged in the production and sale of float sheet glass and reprocessed automobile glass.

CLFG, the controlling shareholder of the Company, is principally engaged in the production and processing of glass, and the related coal, coking and international investment, and engineering technology services. As at the date of this announcement, CLFG holds 159,018,242 Shares or 31.80% equity interest in the Company and as such, is a connected person of the Company.

## **LISTING RULES IMPLICATION**

As mentioned above, CLFG is a connected person of the Company, and therefore the transaction contemplated under the Loan Assignment Agreement constitutes a connected transaction of the Company. Since the applicable percentage ratios for the Loan Assignment Agreement are less than 5%, the Loan Assignment Agreement is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements according to Chapter 14A of the Listing Rules.

However, according to the Shanghai Stock Exchange Share Listing Rules, the Company is required to seek Independent Shareholders' approval for the Loan Assignment Agreement at the EGM. A circular containing, among other things, details of the Loan Assignment Agreement and a notice of the EGM will be dispatched to the Shareholders on or before 21 October 2010.

Mr. Guo Yimin, Mr. Zhao Yuanxiang and Mr. Zhang Chengong, the non-executive Directors of the Company, have abstained from voting to approve the Loan Assignment Agreement in the Board meeting due to the fact that they were nominated by CLFG and are regarded not 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.

“Board”	the board of Directors of the Company
“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 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 respectively
“connected person”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors
“EGM”	an extraordinary general meeting of the Company proposed to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Loan Assignment Agreement
“Guangzhou International”	廣州國際信託投資公司 (Guangzhou International Trust and Investment Corporation*), a company incorporated in the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than CLFG and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a loan in the total principal amount of RMB145,657,113.55 owed to the Company by Guangzhou International and all the rights attached to such loan
“Loan Assignment Agreement”	a loan assignment agreement dated 29 September 2010 entered into between the Company and CLFG in respect of the assignment of the Company’s rights and obligations in connection with the Loan to CLFG
“percentage ratios”	has the same meaning as ascribed it under the Listing Rules



“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 holders of H Shares and A Shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

*For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.15.*

By order of the Board  
**LUOYANG GLASS COMPANY LIMITED**  
**Song Jianming**  
*Executive Director*

Luoyang, the PRC  
29 September 2010

*As at the date of this announcement, the Board comprises four executive Directors: Mr. Song Jianming, Ms. Song Fei, Mr. Ni Zhisen and Mr. Cheng Zonghui; three non-executive Directors: Mr. Guo Yimin, Mr. Zhao Yuanxiang and Mr. Zhang Chengong; and four independent non-executive Directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Huang Ping and Mr. Dong Jiachun.*

\* *For identification purposes only.*