

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.



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)

**DISCLOSEABLE TRANSACTIONS
IN RELATION TO FINANCE LEASE AGREEMENT**

On 8 November 2017, the Lessee, as a wholly-owned subsidiary of the Company, and the Lessor entered into the Finance Lease Agreement, pursuant to which the Lessee agreed to sell the Leased Assets to the Lessor at a total consideration of RMB50,000,000 (equivalent to approximately HK\$60,000,000) and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Lease Period. Upon expiry of the Lease Period and subject to full payment of all the rents and other payables and performance of other obligations by the Lessee under the Finance Lease Agreement, the Lessor shall transfer the ownership of the Leased Assets to the Lessee at a nominal price of RMB1,000.

On 11 April 2017, the Lessee and the Lessor entered into the Finance Lease Agreement (I). The new finance lease agreement, namely the Finance Lease Agreement, should be aggregated with the Finance Lease Agreement (I), pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios (after aggregation) are more than 5% but less than 25%, the transactions contemplated under the Finance Lease Agreement constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement pursuant to the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 8 November 2017, the Lessee, as a wholly-owned subsidiary of the Company, and the Lessor entered into the Finance Lease Agreement, pursuant to which the Lessee agreed to sell the Leased Assets to the Lessor at a total consideration of RMB50,000,000 (equivalent to approximately HK\$60,000,000) and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Lease Period. Upon expiry of the Lease Period and subject to full payment of all the rents and other payables and performance of other obligations by the Lessee under the Finance Lease Agreement, the Lessor shall transfer the ownership of the Leased Assets to the Lessee at a nominal price of RMB1,000.

THE FINANCE LEASE AGREEMENT

The principal terms of the Finance Lease Agreement are summarised as follows:

Date

8 November 2017

Parties

- (i) Suyin Financial Leasing Co., Ltd.* (蘇銀金融租賃股份有限公司), being the Lessor and the transferee; and
- (ii) Bengbu China National Building Materials Information Display Materials Company Limited* (蚌埠中建材信息顯示材料有限公司), being the Lessee and the transferor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Lessor and its ultimate beneficial owners are all third parties independent of the Company and its connected persons.

Subject Matters

Sale of the Leased Assets to the Lessor

Pursuant to the Finance Lease Agreement, the Lessee agreed to sell and the Lessor agreed to purchase the Leased Assets originally owned by the Lessee at a total consideration of RMB50,000,000 (equivalent to approximately HK\$60,000,000), which was determined after arm's length negotiation between the parties with reference to the net asset value of the Leased Assets as at 30 November 2016, being approximately RMB55,058,551 (equivalent to approximately HK\$66,070,261), and shall be paid by the Lessor to the Lessee in the following manners:

- I. Upon satisfaction of the conditions described below and after issue of a payment notice by the Lessee to the Lessor five business days in advance, the Lessor shall make the first payment of the consideration in the sum of RMB5,000,000 to the Lessee:
 1. the Finance Lease Agreement taking effect;
 2. the transfer agreement (which forms part of the Finance Lease Agreement) taking effect;
 3. the Guarantee Agreement taking effect;
 4. the Lessee having provided the resolutions of the shareholders approving the Finance Lease Agreement and the transactions contemplated thereunder;
 5. the Guarantor having provided the resolutions of its office of general manager approving the provision of guarantee under the Guarantee Agreement;
 6. the Lessor having received copy invoices (with company seal) of the Leased Assets; and
 7. the Lessor having received insurance certificate of the Leased Assets, on which the Lessor is the beneficiary.

- II. Upon the Lessor having received the risk deposit in the sum of RMB2,500,000 and the handling fee in the sum of RMB1,250,000 payable by the Lessee, and after issue of a payment notice by the Lessee to the Lessor five business days in advance, the Lessor shall make the second payment of the consideration in the sum of RMB45,000,000 to the Lessee.

As at the date of the first payment of the consideration in the sum of RMB5,000,000 by the Lessor to the Lessee according to the Finance Lease Agreement, the ownership of the Leased Assets should be transferred from the Lessee to the Lessor. Pursuant to the Finance Lease Agreement, the consideration is limited to be used as cash flow of the Lessee required to maintain its ordinary production and operation.

Leaseback of the Leased Assets to the Lessee after the Sale

Pursuant to the Finance Lease Agreement, the Leased Assets shall be leased back to the Lessee during the Lease Period at the total rent of approximately RMB56,760,990 (equivalent to approximately HK\$68,113,188), which comprises of (i) the amount of the lease principal in the sum of RMB50,000,000 (equivalent to approximately HK\$60,000,000); and (ii) the lease interest of approximately RMB6,760,990 (equivalent to approximately HK\$8,113,188), according to the benchmark lending rate of the People's Bank of China for 5-year loan in RMB and which may be adjusted if there is adjustment in the benchmark lending rate of the People's Bank of China during the same period. The aforesaid rent shall be paid by the Lessee to the Lessor during the Lease Period in ten installments.

Ownership of the Leased Assets during and after the Lease Period

The Leased Assets comprise part of the equipment of the production line of ultra-thin glass and ancillary equipment of the Lessee. The Leased Assets alone could not generate any revenue for the Group. The net asset value of the Leased Assets was approximately RMB55,058,551 (equivalent to approximately HK\$66,070,261) and RMB51,388,212 (equivalent to approximately HK\$61,665,854) as at 30 November 2016 and 30 October 2017 respectively. During the Lease Period, the ownership of the Leased Assets will vest in the Lessor and the Lessee will be entitled to use the Leased Assets.

Upon expiry of the Lease Period and subject to full payment of all the rents and other payables and performance of other obligations by the Lessee under the Finance Lease Agreement, the Lessor shall transfer the ownership of the Leased Assets to the Lessee at a nominal price of RMB1,000.

Risk Deposit

According to the Finance Lease Agreement, the Lessee shall, on or before 10 November 2017, pay to the Lessor a risk deposit in the sum of RMB2,500,000 (equivalent to approximately HK\$3,000,000). When the Lessee does not pay the rent on time or breaches contract causing damages to the Lessor, the Lessor will be entitled to set off the relevant part from the risk deposit, in the set-off sequence of various fee payables, damages and rents. If set-off event occurs, the Lessee will be obliged to make up the full risk deposit amount within ten business days from the date of set-off. If there is no set-off event of the risk deposit or the full risk deposit amount is made up after set-off event, the risk deposit will be used to set off part of the last rent.

Handling Fee

The Lessor agreed to provide consultancy service and risk management service to the Lessee during the Lease Period, and the Lessee shall, on or before 10 November 2017, pay to the Lessor a handling fee in the sum of RMB1,250,000 (equivalent to approximately HK\$1,500,000).

Guarantee

According to the Guarantee Agreement, the Guarantor agreed to provide joint liability guarantee to the Lessor for all of the Lessee's debt under the Finance Lease Agreement. The scope of guarantee includes all of the Lessee's debt under the Finance Lease Agreement, including but not limited to payment of rent, rental interest, compound interest, default interest, handling fee, damages, liquidated damages, legal fee, notarial fee, tax, litigation fee, travel expense, evaluation fee, auction fee, asset maintenance fee, enforcement fee, announcement fee, delivery fee, appraisal fee, and other relevant fees from realization of debt paid by the Lessor.

Effectiveness

The Finance Lease Agreement shall take effect upon its signing by the parties thereto with company seal affixed.

REASONS FOR AND BENEFIT OF ENTERING INTO THE FINANCE LEASE AGREEMENT

The entering into of the Finance Lease Agreement is for the purposes of increasing the financing channels of the Company, replenishing funds required for the production and operation, liquidizing the Company's assets, and optimizing the Company's liability structure.

In view of the above, the Board (including the independent non-executive Directors) considers that the terms of the Finance Lease Agreement and the transactions contemplated thereunder are arrived at after arm's length negotiations between the parties thereto, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE COMPANY, THE LESSEE, THE LESSOR AND THE GUARANTOR

The Company is principally engaged in the production and sales of ultra-thin electronic glass.

The Lessee is a wholly-owned subsidiary of the Company and is principally engaged in the development, production and sales of ultra-thin electronic glass.

The Lessor is principally engaged in financial leasing business and other financial business.

The Guarantor is an indirect controlling shareholder of the Company and is principally engaged in glass sector, new materials sector, new energy sector, new equipment sector and project management sector.

LISTING RULES IMPLICATIONS

On 11 April 2017, the Lessee and the Lessor entered into the Finance Lease Agreement (I). The new finance lease agreement, namely the Finance Lease Agreement, should be aggregated with the Finance Lease Agreement (I) pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios (after aggregation) are more than 5% but less than 25%, the transactions contemplated under the Finance Lease Agreement constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements only but exempt from the shareholders' approval requirement pursuant to the Listing Rules.

Since the Guarantor is an indirect controlling shareholder of the Company, it is regarded as a connected person of the Company under the Listing Rules. The provision of guarantee by the Guarantor in favour of the Lessee under the Guarantee Agreement constitutes a financial assistance provided by a connected person for the benefit of the Group. As such provision of guarantee is conducted on normal commercial terms or better and no security over the assets of the Group is required, the provision of guarantee under the Guarantee Agreement is exempt from the reporting, announcement and independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

DEFINITIONS

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

- “Board” the board of Directors of the Company;
- “Company” Luoyang Glass Company Limited* (洛陽玻璃股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares and the 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;
- “Director(s)” the director(s) of the Company, including the independent non-executive directors;
- “Finance Lease Agreement” the finance lease agreement and the transfer agreement (which forms part of the finance lease agreement) dated 8 November 2017 entered into between the Lessor and the Lessee, pursuant to which the Lessee agreed to sell the Leased Assets to the Lessor at a total consideration of RMB50,000,000 and the Lessor agreed to leaseback the Leased Assets to the Lessee during the Lease Period;
- “Finance Lease Agreement (I)” the finance lease agreement dated 11 April 2017 entered into between the Lessor and the Lessee, pursuant to which the Lessee agreed to sell part of the equipment of the production line of ultra-thin glass and ancillary equipment to the Lessor at a total consideration of RMB100,000,000 and the Lessor agreed to leaseback such leased assets to the Lessee for a period of 5 years since 27 April 2017, details of which were set out in the Company’s announcement dated 12 April 2017. The leased assets under this agreement does not constitute part of the Leased Assets;
- “Group” the Company and its subsidiaries;

“Guarantee Agreement”	the guarantee agreement dated 8 November 2017 entered into between the Lessor and the Guarantor, pursuant to which the Guarantor shall provide joint liability guarantee for the Lessee’s liabilities under the Finance Lease Agreement to the Lessor;
“Guarantor”	Triumph Technology Group Company Limited* (凱盛科技集團有限公司), a company incorporated in the PRC with limited liability and an indirect controlling shareholder of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Leased Assets”	part of the equipment of the production line of ultra-thin glass and ancillary equipment, which shall be transferred by the Lessee to the Lessor and leased back by the Lessor to the Lessee according to the Finance Lease Agreement;
“Lease Period”	a period of 5 years which is expected to commence from 10 November 2017;
“Lessee”	Bengbu China National Building Materials Information Display Materials Company Limited* (蚌埠中建材信息顯示材料有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company;
“Lessor”	Suyin Financial Leasing Co., Ltd.* (蘇銀金融租賃股份有限公司), a company incorporated in the PRC with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“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, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of The People’s Republic of China and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

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

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

Luoyang, the PRC
8 November 2017

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; one non-executive Director: Mr. Xie Jun; and four independent non-executive Directors: Mr. Jin Zhanping, Mr. Liu Tianni, Mr. Ye Shuhua and Mr. He Baofeng.

* *For identification purposes only*