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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)

CONTINUING CONNECTED TRANSACTION

On 28 April 2016, Bengbu Company entered into the Supply Agreement with Bengbu Chemical, pursuant to which Bengbu Chemical agreed to supply to Bengbu Company wooden boxes and their accessories during the term of the Supply Agreement.

Bengbu Company is a wholly-owned subsidiary of the Company and Bengbu Chemical is an indirect wholly-owned subsidiary of CNBMG, the ultimate controlling shareholder of the Company. Therefore, Bengbu Chemical is regarded as a connected person of the Company. The transaction contemplated under the Supply Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

INTRODUCTION

The Board announces that on 28 April 2016, Bengbu Company entered into the Supply Agreement with Bengbu Chemical, pursuant to which Bengbu Chemical agreed to supply to Bengbu Company wooden boxes and their accessories during the term of the Supply Agreement.

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

DETAILS OF THE SUPPLY AGREEMENT

Date: 28 April 2016

Parties: (1) Bengbu Company, as purchaser; and
(2) Bengbu Chemical, as seller

Term: From the date of the Supply Agreement to 31 December 2017

Pursuant to the Supply Agreement, Bengbu Chemical agreed to supply wooden boxes and their accessories to Bengbu Company at a price to be determined with reference to the prevailing market price at the time of particular transaction. The Company will seek to obtain market price information through various channels, which include (1) reference made to comparable transactions (if any) by independent third parties during the same period; (2) through communication and exchange of price information by various means, including but not limited to telephone conversations, emails and meetings with peers and business partners within the glass production industry. After collecting the market information, the pricing term will be used as benchmark for the transactions with Bengbu Chemical. The final terms will then be assessed and approved by the finance department and relevant operations departments with reference to the aforesaid information. The prices offered to Bengbu Company by Bengbu Chemical will not be less favourable than those offered to other independent third party(ies). Bengbu Company is required to pay Bengbu Chemical by bill of exchange within 30 days after the wooden boxes and/or their accessories have passed the acceptance test and invoices from Bengbu Chemical have been received.

HISTORICAL TRANSACTION AMOUNT AND THE ANNUAL CAPS

The historical transaction amount in respect of Bengbu Company's purchase of wooden boxes and their accessories from Bengbu Chemical in its financial year ended 31 December 2015 was approximately RMB4,106,610.

Bengbu Company expects that the proposed annual cap for the Supply Agreement for each of Bengbu Company's financial years ending 31 December 2016 and 31 December 2017 will not exceed RMB6,000,000 (equivalent to approximately HK\$7,260,000), which was determined after taking into account the above historical figure of the relevant transaction, the estimated annual purchase of 23,000 wooden boxes and their accessories from Bengbu Chemical in 2016 and 2017, and the current and estimated future market prices of wooden boxes with different dimensions and their accessories. The Company expects that there will be a massive increase in the production and sale of glass in its financial years ending 31 December 2016 and 31 December 2017. In light of this and in order to satisfy the Company's demand in transporting and packaging glass products, Bengbu Company's estimated purchase of wooden boxes and their accessories from Bengbu Chemical also increases correspondingly.

MEASURES OF INTERNAL CONTROL

To ensure the Group's conformity with the above pricing policies from time to time, the Group would adopt a series of internal control policies for its daily operation. Such internal control policies would be conducted and supervised by the finance department, the office of the Board and the audit department of the Company:

- (1) the Company has adopted and implemented a management system on connected transactions. According to the system, the office of the Board and finance department are responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms;
- (2) the independent non-executive Directors of the Company would review the continuing connected transaction under the Supply Agreement to ensure such agreement is entered into on normal commercial terms, is fair and reasonable, and is carried out pursuant to the terms of such agreement. The auditors of the Company would also conduct an annual review on the pricing and annual caps of the continuing connected transaction under the Supply Agreement; and
- (3) the internal audit department of the Company will conduct periodical monitoring and evaluation on whether the procedures of connected transactions are conformed with the internal control requirements of the Company.

REASONS FOR ENTERING INTO THE SUPPLY AGREEMENT

Bengbu Company is principally engaged in the production and sale of ultra-thin electronic glass. It needs wooden boxes with different dimensions for the purpose of transporting and packaging glass products. The entering into of the Supply Agreement enables Bengbu Company to meet its transportation and packaging needs. Further, Bengbu Chemical is capable of fulfilling contractual obligations and has geographical advantages. These can reduce the procuring costs of Bengbu Company and allow Bengbu Company to maintain its business in a sustainable manner. The terms of the Supply Agreement were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) consider that the Supply Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the Supply Agreement and its proposed annual caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION OF THE COMPANY, BENGBU COMPANY AND BENGBU CHEMICAL

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

Bengbu Company is a wholly-owned subsidiary of the Company and is principally engaged in the development, production, sale and deep processing of ultra-thin glass.

Bengbu Chemical is an indirect wholly-owned subsidiary of CNBMG, the ultimate controlling shareholder of the Company, and is principally engaged in the production and sale of chemical machinery products, rubber machinery products, containers, glass machineries and wooden packaging boxes, etc.

LISTING RULES IMPLICATIONS

As mentioned above, Bengbu Company is a wholly-owned subsidiary of the Company and Bengbu Chemical is an indirect wholly-owned subsidiary of CNBMG, the ultimate controlling shareholder of the Company. Therefore, Bengbu Chemical is regarded as a connected person of the Company. The transaction contemplated under the Supply Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Mr. Zhang Chong and Mr. Ma Yan, the executive Directors of the Company, and Mr. Zhang Chengong, Mr. Xie Jun and Mr. Tang Liwei, the non-executive Directors of the Company, have abstained from voting in respect of the Supply Agreement in the Board meeting due to the fact that they are senior management of the controlling shareholder(s) of the Company 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:

“Bengbu Chemical”	Bengbu Chemical Machinery Manufacturing Co., Ltd.* (蚌埠化工機械製造有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of CNBMG
“Bengbu Company”	Bengbu China Building Information Display Materials Co. Ltd.* (蚌埠中建材信息顯示材料有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“CNBMG”	China National Building Material Group Corporation* (中國建築材料集團有限公司), a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder 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 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
“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
“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 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
“Supply Agreement”	the wooden boxes supply framework agreement dated 28 April 2016 entered into between Bengbu Company and Bengbu Chemical, pursuant to which Bengbu Chemical agreed to supply to Bengbu Company wooden boxes and their accessories during the term of the agreement
“%”	per cent

For the purpose of this announcement, the following exchange rate is used: RMB1.00 = HK\$1.21.

By order of the Board
LUOYANG GLASS COMPANY LIMITED*
Zhang Chong
Chairman

Luoyang, the PRC
28 April 2016

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; three non-executive Directors: Mr. Zhang Chengong, Mr. Xie Jun and Mr. Tang Liwei; and four independent non-executive Directors: Mr. Jin Zhanping, Mr. Liu Tianni, Mr. Ye Shuhua and Mr. He Baofeng.

* For identification purposes only