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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION–
ACQUISITION OF 60% EQUITY INTEREST IN
QINHUANGDAO NORTH GLASS CO., LTD.**

ACQUISITION

Reference is made to the inside information announcement of the Company dated 30 December 2020 in relation to the entering into of cooperation framework agreements with connected persons of the Company.

The Board is pleased to announce that the Company entered into the Share Transfer Agreement with Yaohua Group on 29 April 2021. Pursuant to the Share Transfer Agreement, the Company conditionally agreed to acquire and Yaohua Group conditionally agreed to dispose of 60% equity interest in North Glass at a consideration of RMB182,275,920 (equivalent to approximately HK\$218,731,104).

Upon Completion, North Glass will become a directly controlled subsidiary of the Company, and the financial results of North Glass will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yaohua Group is a subsidiary controlled by Triumph Group which is an indirect controlling shareholder (as defined under the Listing Rules) of the Company. Therefore, Yaohua Group is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but lower than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules, thus is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

The AGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Share Transfer Agreement and the transaction contemplated thereunder. Triumph Group and its associates will abstain from voting on the resolutions in relation to the Share Transfer Agreement at the AGM. The voting will be conducted by poll at the AGM.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in respect of the Share Transfer Agreement and the transaction contemplated thereunder. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) details of the Share Transfer Agreement; (ii) a letter from the Independent Board Committee containing its recommendations; (iii) a letter from the Independent Financial Adviser containing its advices; and (iv) the notice of the AGM will be despatched to the Shareholders on or before 31 May 2021 (more than 15 business days after the publication of this announcement), as the Company needs more time to prepare the information to be contained in the circular.

Completion is subject to and conditional upon the fulfillment of the terms and conditions precedent set out in the Share Transfer Agreement and the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the inside information announcement of the Company dated 30 December 2020 in relation to the entering into of cooperation framework agreements with connected persons of the Company.

The Board is pleased to announce that the Company entered into the Share Transfer Agreement with Yaohua Group on 29 April 2021. Pursuant to the Share Transfer Agreement, the Company conditionally agreed to acquire and Yaohua Group conditionally agreed to dispose of 60% equity interest in North Glass at a consideration of RMB182,275,920 (equivalent to approximately HK\$218,731,104).

Upon Completion, North Glass will become a directly controlled subsidiary of the Company, and the financial results of North Glass will be consolidated into the financial statements of the Group.

SHARE TRANSFER AGREEMENT

Set out below are the principal terms of the Share Transfer Agreement in respect of the Acquisition:

Date: 29 April 2021

Parties: (1) Yaohua Group (as the transferor); and
(2) the Company (as the transferee).

SHARE TRANSFER

Yaohua Group agreed to dispose of and the Company agreed to acquire 60% equity interest in North Glass. From the date on which the commercial and industrial registration of changes in the transfer of the Target Equity Interest is completed (“**Registration Completion Date**”), the Company will become the legal owner of the Target Equity Interest, and the percentage of equity interest held by Yaohua Group in North Glass will be changed from 100% to 40%.

SHARE TRANSFER PRICE AND PAYMENT METHOD

The transfer price of the Target Equity Interest was determined after arm's length negotiations between the Company and Yaohua Group on normal commercial terms, with reference to, among others, the assets appraisal report of North Glass determining the appraisal value of the entire equity interest attributable to the shareholders of North Glass prepared by Zhongjing Minxin (Beijing) Assets Appraisal Co., Ltd.,* (中京民信(北京)資產評估有限公司) an independent asset appraiser, based on the appraisal results of the cost method (asset-based method) as the appraisal conclusion. Accordingly, the appraisal value of the entire equity interest attributable to the shareholders of North Glass as of 30 November 2020 was approximately RMB303,793,200 (equivalent to approximately HK\$364,551,840).

Based on the aforementioned valuation results, it is determined that the transfer price of Target Equity Interest in North Glass is RMB182,275,920 (equivalent to approximately HK\$218,731,104) ("**Share Transfer Price**"). The Company intends to pay the Share Transfer Price in cash by installment, which will be funded by the Company's own funds. The Company shall pay the Share Transfer Price of the Target Equity Interest to Yaohua Group in the following ways:

The first installment: The Company shall pay RMB170,000,000 (equivalent to approximately HK\$204,000,000) of the Share Transfer Price to Yaohua Group within 15 working days from the effective date of the Share Transfer Agreement.

The second installment: The Company shall pay the remaining balance of the Share Transfer Price to Yaohua Group within 15 working days from the date on which the Target Equity Interest is registered under the Company's name (subject to the industrial and commercial registration).

HANDOVER

The Handover Completion Date of the transfer of the Target Equity Interest shall be the Registration Completion Date. Since the Handover Completion Date, the Company and its authorized persons will be entitled to take over North Glass, and be entitled to conduct production and operation activities or other disposals through North Glass as a shareholder. Upon the completion of the relevant handover matters, Yaohua Group, the Company and North Glass will jointly sign a handover agreement. At the same time, Yaohua Group and the Company will appoint an auditor to audit the financial position of North Glass for the period from 1 December 2020 to the Handover Completion Date and issue the corresponding audit report.

Yaohua Group and the Company will make their best efforts to assist and cooperate in the completion of formalities for the industrial and commercial registration of changes for the Share Transfer in a timely manner. Yaohua Group and the Company will reformulate the articles of association of North Glass in accordance with the Company Law of the People's Republic of China and other relevant regulations. Yaohua Group undertakes to complete the industrial and commercial registration of changes for the Share Transfer within ten working days from the date of receipt of the first installment of payment from the Company.

During the period in which the Company and Yaohua Group holds 60% and 40% equity interest in North Glass, respectively, the members of the board of directors, board of supervisors and senior management of North Glass shall be arranged in the following ways:

- (i) North Glass shall establish a board of directors, comprising of three directors, including two to be nominated by the Company and one by Yaohua Group, who shall be elected at a general meeting of North Glass. The chairman of the board of directors shall be served by a director nominated by the Company, who shall also act as the legal representative of North Glass.
- (ii) North Glass shall establish a board of supervisors, comprising of three supervisors. The supervisors shall be two supervisors representing shareholders, including one to be nominated by Yaohua Group and one by the Company, who shall be elected at a general meeting of North Glass, and one supervisor representing employees, who shall be democratically elected by the employees of North Glass. The chairman of the board of supervisors shall be served by the supervisor nominated by Yaohua Group.
- (iii) The general manager of North Glass shall be nominated by the Company and appointed by the board of directors; the deputy general manager shall be nominated by the general manager as per the recommendation by shareholders and appointed by the board of directors; the finance director shall be nominated by the general manager as per the recommendation by the Company and appointed by the board of directors of North Glass.

The profits and losses realized by North Glass after the audit and valuation benchmark date (being 30 November 2020) shall be borne or enjoyed by North Glass and indirectly borne or enjoyed by each shareholder in proportion to their respective equity interest upon Completion of the Share Transfer.

HANDLING OF CREDITOR'S RIGHTS AND DEBTS

Upon Share Transfer, the qualification of North Glass as a legal person will subsist, and North Glass will continue to assume the creditor's rights of North Glass upon Share Transfer.

Yaohua Group shall ensure that Yaohua Group and its related parties have settled the debts owed by them to North Glass before the Registration Completion Date.

Upon Share Transfer, the qualification of North Glass as a legal person will subsist, the debts recorded in the financial statements of North Glass as of the Handover Completion Date will continue to retain in North Glass, which will be repaid by North Glass upon Share Transfer.

CONDITIONS PRECEDENT FOR SHARE TRANSFER AGREEMENT TO TAKE EFFECT

Share Transfer Agreement shall become effective from the date on which all the following conditions have been satisfied:

- (i) the Share Transfer Agreement has been signed by the legal representatives of Yaohua Group and the Company or their respective authorized representative(s), with company seals of both parties affixed thereon;
- (ii) the Share Transfer as contemplated under the Share Transfer Agreement has been approved at the general meeting of Yaohua Group; and
- (iii) the Share Transfer as contemplated under the Share Transfer Agreement has been approved at the general meeting of the Company.

INFORMATION ON THE COMPANY AND YAOHUA GROUP

The principal activities of the Company are production and sales of information display glass and new energy glass. The scope of business includes development, production, manufacture and installation of information display glass, new energy glass, photoelectric material for functional-glass category and its processed products and components, relevant materials, mechanical equipment and its electric appliances and accessories, relevant technical consultancy and technical services, as well as sales and after-sales services of self-produced products.

Yaohua Group is a subsidiary controlled by Triumph Group which is an indirect controlling shareholder (as defined under the Listing Rules) of the Company. Yaohua Group is a company incorporated in the PRC with limited liability, which is principally engaged in the sales and warehousing of glass and glass products, relevant mineral products and chemical products (excluding hazardous chemicals, precursor chemicals and monitored and controlled chemicals); import and export business (excluding goods that are subject to the state-run trade administration, application shall be made in accordance with the relevant state requirements for the import and export of goods that are subject to quotas and license); technical consultation and technical services related to the company. As of the date of this announcement, the ultimate beneficial owner of Yaohua Group is CNBMG. CNBMG is a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company, and is a comprehensive building materials industry group.

INFORMATION ON THE TARGET COMPANY

North Glass is a company incorporated in the PRC with limited liability. Its scope of business mainly covers production and sale of glass and glass products, refractory materials and ceramic products; import and export of goods and technologies; stevedoring services. Yaohua Group acquired 100% equity interest in North Glass in 2011 at the consideration of RMB322,269,875.12. As at the date of this announcement, North Glass is held as to 100% by Yaohua Group. Upon Completion of the Acquisition, the Company will hold 60% equity interest in North Glass and Yaohua Group will hold the remaining 40% equity interest in North Glass.

FINANCIAL INFORMATION ON THE TARGET COMPANY

The following is the audited financial information of North Glass for the two financial years ended 31 December 2019 and 31 December 2020 and the unaudited financial information of North Glass for the three months ended 31 March 2021 prepared under the China's Accounting Standards for Business Enterprises:

The audited net assets and total assets of North Glass as at 31 December 2019 and 2020 and the unaudited net assets and total assets of North Glass as at 31 March 2021 are set out below, respectively:

	As at 31 December		As at 31 March
	2019	2020	2021
	Audited	Audited	Unaudited
	(RMB)	(RMB)	(RMB)
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Net assets	180,142,900	238,328,400	212,023,400
Total assets	826,409,000	859,559,400	807,050,900

The audited net profit before and after taxation and operating income for the years ended 31 December 2019 and 2020 and the unaudited net profit before and after taxation and operating income for the three months ended 31 March 2021 are set out below, respectively:

	For the year ended		For the three
	31 December		months ended
	2019	2020	31 March
	Audited	Audited	Unaudited
	(RMB)	(RMB)	(RMB)
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Net profit before taxation	-94,577,400	77,779,800	13,180,300
Net profit after taxation	-94,577,400	77,779,800	13,180,300
Operating income	453,407,800	485,549,100	187,841,000

Upon Completion, North Glass will become a directly controlled subsidiary of the Company, and the financial results of North Glass will be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Acquisition is mainly for the purpose of regulating and avoiding related parties' conduct which may constitute horizontal competition with the principal operations of the Company and its subsidiaries; at the same time, the acquisition of the controlling interest in North Glass will help the Company to optimize the layout of its photovoltaic glass business segment, expand its production scale and better meet the demands of downstream market.

The terms of Share Transfer Agreement have been determined after the arm's length negotiations between the parties thereto. Based on the abovementioned, except for the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser, the Directors consider that the terms of the Share Transfer Agreement are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yaohua Group is a subsidiary controlled by Triumph Group which is an indirect controlling shareholder (as defined under the Listing Rules) of the Company. Therefore, Yaohua Group is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Share Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but lower than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company under the Hong Kong Listing Rules, and thus is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Hong Kong Listing Rules.

Mr. Zhang Chong and Mr. Xie Jun, executive Directors of the Company, and Mr. Chen Yong and Mr. Ren Hongcan, non-executive Directors of the Company, have abstained from voting on the approval of the Share Transfer Agreement and the transaction thereunder at the Board meeting due to the fact that they are connected with Triumph Group and are therefore not regarded as independent to make any recommendation to the Board.

The AGM will be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Share Transfer Agreement and the transaction contemplated thereunder. Triumph Group and its associates will abstain from voting on the resolution in relation to the Share Transfer Agreement at the AGM. The voting will be conducted by poll at the AGM.

The Independent Board Committee has been formed by the Company to provide recommendation to the Independent Shareholders in respect of the Share Transfer Agreement and the transaction contemplated thereunder. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, (i) details of Share Transfer Agreement; (ii) a letter from the Independent Board Committee containing its recommendations; (iii) a letter from the Independent Financial Adviser containing its advices; and (iv) the notice of the AGM will be despatched to the Shareholders on or before 31 May 2021 (more than 15 business days after the publishment of this announcement), as the Company needs more time to prepare the information to be contained in the circular.

Completion is subject to and conditional upon the fulfillment of the terms and conditions precedent set out in the Share Transfer Agreement and the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition” or “Share Transfer”	the acquisition of the Target Equity Interest from Yaohua Group according to the terms and conditions under the Share Transfer Agreement by the Company
“AGM”	the annual general meeting of the Company to be convened to consider and, if thought fit, approve, among others, the Share Transfer Agreement and the transaction contemplated thereunder by Independent Shareholders
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CNBMG”	China National Building Materials Group Co., Ltd.* (中國建材集團有限公司), 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
“Completion”	the completion of the Acquisition according to the terms and conditions under the Share Transfer Agreement
“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
“Handover Completion Date”	the Registration Completion Date for the transfer of Target Equity Interest in North Glass
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Jin Zhanping, Mr. Ye Shuhua, Mr. He Baofeng and Ms. Zhang Yajuan, being all the independent non-executive Directors of the Company, which is formed to advise the Independent Shareholders on the Share Transfer Agreement and the transaction contemplated thereunder in accordance with the Listing Rules
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Transfer Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole
“Independent Shareholders”	Shareholders other than (i) Triumph Group and its associate(s); and (ii) all other parties (if any) who are materially interested or involved in the Share Transfer Agreement and the transaction thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“North Glass” or “Target Company”	Qinhuangdao North Glass Co., Ltd.* (秦皇島北方玻璃有限公司), a company incorporated in the PRC with limited liability, and a direct wholly-owned subsidiary of Yaohua Group as at the date of this announcement
“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, excluding 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

“Share Transfer Agreement”	the agreement in relation to the acquisition of the Target Equity Interest in North Glass entered into between Yaohua Group and the Company on 29 April 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“Target Equity Interest”	the 60% equity interest in North Glass which Yaohua Group agreed to dispose of and the Company agreed to acquire pursuant to the Share Transfer Agreement
“Triumph Group”	Triumph Technology Group Co., Ltd.* (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
“Yaohua Group”	China Yaohua Glass Group Corporation Co., Ltd.* (中國耀華玻璃集團有限公司), a company incorporated in the PRC with limited liability and a subsidiary controlled by Triumph Group which is an indirect controlling shareholder of the Company
“%”	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*
Zhang Chong
Chairman

Luoyang, the PRC
29 April 2021

As at the date of this announcement, the Board comprises five executive Directors: Mr. Zhang Chong, Mr. Xie Jun, Mr. Ma Yan, Mr. Wang Guoqiang and Mr. Zhang Rong; two non-executive Directors: Mr. Ren Hongcan and Mr. Chen Yong; and four independent non-executive Directors: Mr. Jin Zhanping, Mr. Ye Shuhua, Mr. He Baofeng and Ms. Zhang Yajuan.

* For identification purposes only