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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser(s).

**If you have sold or transferred** all your shares in **Luoyang Glass Company Limited\***, you should at once hand this circular and the form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

### MAJOR AND CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**BAOQIAO PARTNERS CAPITAL LIMITED**

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A letter from the Board is set out on pages 1 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter from BaoQiao Partners, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 38 of this circular.

The EGM originally scheduled to be held at 9:00 a.m. on 30 November 2017 (Thursday) was postponed to 9:00 a.m. on 7 December 2017 (Thursday). The notice for convening the EGM to be held at the conference room of the Company on 3rd Floor, No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC is set out on pages 53 to 55 of this circular.

A form of proxy for use at the EGM was despatched to the Shareholders and published on the website of the Stock Exchange (<http://www.hkexnews.hk>) on 13 October 2017. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712-1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or to the Company's registered address at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

21 November 2017

\* For identification purpose only

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## DEFINITIONS

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

“Agreements”	the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“CNBMG”	China National Building Material 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 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
“Desulphurization and Denitrification Engineering”	the initial design, construction design, equipment and materials procurement, and installation and testing of equipment for the smoke treatment project in the smoke desulphurization, denitrification and ash removal engineering ancillary to the Puyang Project
“Desulphurization and Denitrification Engineering Agreement”	the equipment procurement, installation and construction agreement dated 11 October 2017 entered into between Puyang Company and Triumph Company, pursuant to which Triumph Company agreed to be in charge of the Desulphurization and Denitrification Engineering
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 9:00 a.m. on 7 December 2017 (Thursday) for the purposes of, among other things, seeking the Independent Shareholders’ approval for each of the Agreements and the transactions contemplated thereunder

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## DEFINITIONS

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“Enlarged Group”

(i) the Group; (ii) CNBM (Hefei) New Energy Company Limited\* (中建材(合肥)新能源有限公司) (“**Hefei New Energy**”), 100% equity interest in which is to be acquired by the Company under the conditional sale and purchase agreement dated 7 February 2017 (the “**First SP Agreement**”) and the supplemental sale and purchase agreement dated 7 August 2017 (the “**First Supplemental SP Agreement**”) among the Company, China Luoyang Float Glass (Group) Company Limited\* (中國洛陽浮法玻璃集團有限責任公司) (“**CLFG**”) and Hefei High-Tech Construction Investment Group Company\* (合肥高新建設投資集團公司) (“**Hefei High-Tech**”); (iii) CNBM (Tongcheng) New Energy Materials Company Limited\* (中國建材桐城新能源材料有限公司) (“**Tongcheng New Energy**”), 100% equity interest in which is to be acquired by the Company under the conditional sale and purchase agreement dated 7 February 2017 (the “**Second SP Agreement**”) and the supplemental sale and purchase agreement dated 7 August 2017 (the “**Second Supplemental SP Agreement**”) among the Company, Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd. (安徽華光光電材料科技集團有限公司) (“**Huaguang Group**”), (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd\* (中建材蚌埠玻璃工業設計研究院有限公司) (“**Bengbu Institute**”) and International Engineering; and (iv) CNBM (Yixing) New Energy Company Limited\* (中建材(宜興)新能源有限公司) (“**Yixing New Energy**”), 70.99% equity interest in which is to be acquired by the Company under the conditional sale and purchase agreement dated 7 February 2017 (the “**Third SP Agreement**”) and the supplemental sale and purchase agreement dated 7 August 2017 (the “**Third Supplemental SP Agreement**”) among the Company, Triumph Technology Group Company Limited\* (凱盛科技集團有限公司) (“**Triumph Group**”), Yixing Environmental Technology Innovation Venture Investment Company Limited\* (宜興環保科技創新創業投資有限公司) (“**Yixing Environmental Technology**”) and GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司) (“**GCL System Integration**”). Details of the First SP Agreement, the Second SP Agreement, the Third SP Agreement, the First Supplemental SP Agreement, the Second Supplemental SP Agreement, the Third Supplemental SP Agreement (collectively, the “**Proposed Acquisitions Agreements**”) were set out in the circular of the Company dated 11 October 2017

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## DEFINITIONS

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“General Contracting Agreement”	the chief general contracting agreement dated 11 October 2017 entered into between Puyang Company and International Engineering, pursuant to which International Engineering agreed to provide the General Contracting Services to Puyang Company
“General Contracting Services”	general contracting for civil engineering, supply of equipment and installation engineering in the Puyang Project, where civil engineering mainly includes construction of structure including the main ultra-white solar thermal glass production line, raw material warehouse, machine repairing workshop factory, office, power center factory, supply of equipment mainly includes supply of equipment and materials required in the ultra-white solar thermal glass production line, and installation engineering mainly includes installation and testing of the above engineering, equipment and materials
“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
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser” or “BaoQiao Partners”	BaoQiao Partners Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Agreements and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than CNBMG and its associate(s)
“International Engineering”	China Triumph International Engineering Co., Ltd. (中國建材國際工程集團有限公司), a company incorporated in the PRC with limited liability and an associate of CNBMG

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## DEFINITIONS

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“Latest Practicable Date”	15 November 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information containing herein
“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 circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Puyang Company”	CNBMG (Puyang) Photoelectric Material Co., Ltd.* (中建材(濮陽)光電材料有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Puyang Project”	the ultra-white solar thermal glass production line project of Puyang Company in Puyang
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of RMB1.00 each in the share capital of the Company, including the A Share(s) and the H Share(s)
“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

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## DEFINITIONS

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“Triumph Company”	Shenzhen Triumph Technology Engineering Co., Ltd. (Bengbu branch) (深圳市凱盛科技工程有限公司蚌埠分公司), a limited liability company incorporated in the PRC, a wholly-owned subsidiary of International Engineering and an associate of CNBMG
“Waste Heat Recovery Kiln Room Engineering”	the initial design, construction design, equipment and materials procurement and installation and testing of equipment for the waste heat recovery kiln room engineering ancillary to the Puyang Project
“Waste Heat Recovery Kiln Room Engineering Agreement”	the equipment procurement, design and installation agreement dated 11 October 2017 entered into between Puyang Company and Triumph Company, pursuant to which Triumph Company agreed to be in charge of the Waste Heat Recovery Kiln Room Engineering
“%”	per cent

*For the purpose of this circular, the following exchange rate is used:*

*RMB1.00 = HK\$1.20*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Zhang Chong (*Chairman*)  
Mr. Ni Zhisen  
Mr. Wang Guoqiang  
Mr. Ma Yan

*Registered office:*

No. 9 Tang Gong Zhong Lu  
Xigong District  
Luoyang Municipal  
Henan Province  
The PRC

*Non-executive Director:*

Mr. Xie Jun

*Independent non-executive Directors:*

Mr. Jin Zhanping  
Mr. Liu Tianni  
Mr. Ye Shuhua  
Mr. He Baofeng

21 November 2017

*To the Shareholders,*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 11 October 2017 in respect of the Agreements.

In accordance with the Company's development strategies, with an aim to build up the Company into a new glass industry platform with high-end electronic glass and solar thermal material, etc., and to grasp opportunities in the solar thermal glass material market, and thus realizing long-term sustainable



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## LETTER FROM THE BOARD

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development for the Company, the Company planned to invest in the Puyang Project through Puyang Company, a wholly-owned subsidiary of the Company, to build an ultra-white solar thermal glass production line with melting capacity of 400 tons per day in the industrial cluster district of Puyang County in Henan Province in the PRC to produce solar thermal power generation raw materials for glasses production and high-end auto windshield and dashboard glass materials, etc.

For the purpose of ensuring civil engineering progress and quality as well as smooth achievement in production capacity and standard in the Puyang Project, on 11 October 2017, Puyang Company entered into the General Contracting Agreement with International Engineering, pursuant to which International Engineering agreed to provide the General Contracting Services. On the same day, Puyang Company also entered into the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement with Triumph Company, pursuant to which Triumph Company agreed to be in charge of the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering respectively.

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreements and the transactions contemplated thereunder, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from BaoQiao Partners to the Independent Board Committee and the Independent Shareholders in relation to each of the Agreements and the transactions contemplated thereunder, (iv) notice of the EGM at which ordinary resolutions will be proposed for the Independent Shareholders to consider and, if thought fit, approve each of the Agreements and the transactions contemplated thereunder; and (v) other information as required by the Listing Rules.

Set out below is a summary of the principal terms of the Agreements:

### 1. THE GENERAL CONTRACTING AGREEMENT

#### **Date**

11 October 2017

#### **Parties**

- (1) Puyang Company; and
- (2) International Engineering, as the general contractor.

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## LETTER FROM THE BOARD

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### **Term for the Engineering**

The expected completion date of the construction of the engineering is 30 June 2018.

### **Scope of the Agreement**

Pursuant to the General Contracting Agreement, International Engineering agreed to provide general contracting for civil engineering, supply of equipment and installation engineering in the Puyang Project, where civil engineering mainly includes construction of structure including the main ultra-white solar thermal glass production line, raw material warehouse, machine repairing workshop factory, office, power center factory, supply of equipment mainly includes supply of equipment and materials required in the ultra-white solar thermal glass production line, involving raw materials system equipment, production system equipment, molding system equipment, production line computer control system equipment and automatic control and testing system equipment, etc., and installation engineering mainly includes installation and testing of the above engineering, equipment and materials.

### **Consideration and Payment Terms**

Pursuant to the General Contracting Agreement, Puyang Company shall pay International Engineering by way of cash or acceptance bills a total consideration of RMB439,000,000 (equivalent to approximately HK\$526,800,000), including RMB236,000,000 for supply fee of equipment and materials, RMB154,000,000 for civil engineering fee and RMB49,000,000 for installation fee.

The consideration was determined after arm's length negotiation between the parties with reference to the market rate for similar services and the estimated budget for the Puyang Project. The supply fee of equipment and materials was determined with reference to factors including the production line design plan and the market price of the relevant equipment and materials. To have better understanding on the market price of the relevant equipment and materials, the Company has made enquires with not less than four independent third parties, which are companies engaging in the same industry or business partners of the Company, for the quotation of the relevant equipment and materials by various means, including but not limited to telephone conversations and meetings. The civil engineering fee was determined with reference to factors including the production line design plan, total construction area, labour costs, construction materials costs and other costs. The installation fee was determined with reference to factors including machine costs, labour costs and the required construction technology and standard. The consideration of the General Contracting Agreement is less than the estimated budget for the Puyang Project. Therefore, the Company is of the view that such consideration is fair and reasonable.

The consideration shall be paid by instalments according to the construction progress as shown below:

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## LETTER FROM THE BOARD

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(1) *Supply fee of equipment and materials*

<b>Construction Progress</b>	<b>As a percentage to the supply fee of equipment and materials (%)</b>	<b>Payment (RMB0'000)</b>
1. Within 10 working days after the date of approval of the General Contracting Agreement at the general meeting of the Company, being the prepayment	20	4,720
2. Within 10 working days upon ordering the key goods including fire-resistant materials and annealing kiln, etc.	15	3,540
3. Within 10 working days upon receiving the key goods including fire-resistant materials and annealing kiln, etc.	25	5,900
4. Within 10 working days upon receiving all the goods	15	3,540
5. Within 10 working days upon completion of all inspection and acceptance on trial run after installing and testing all the equipment with a trial run and linkage test	10	2,360
6. Within 10 working days upon ignition of furnace	10	2,360
7. Within 10 working days upon expiry of warranty period under the General Contracting Agreement, being the quality warranty fee	5	1,180
<b>Total:</b>	<b>100</b>	<b>23,600</b>

Puyang Company adopted the above payment term for the supply fee of equipment and materials under the General Contracting Agreement in accordance with the normal commercial practice in the industry for general contracting of construction projects, to ensure quality of the equipment and its installation by making payments upon acceptance of quality of the delivered equipment (in the above progress 3 and 4), acceptance of trial run result (in the above progress 5) and absence of quality problem after operation (in the above progress 6 and 7) respectively. Therefore, the Company is of the view that the above payment term is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM THE BOARD**

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(2) *Civil engineering fee*

<b>Construction Progress</b>	<b>As a percentage to the civil engineering fee (%)</b>	<b>Payment (RMBO'000)</b>
1. Within 10 working days after the date of approval of the General Contracting Agreement at the general meeting of the Company, being the prepayment	20	3,080
2. Within 10 working days upon completion of basic civil engineering of raw material center on the ground	5	770
3. Within 10 working days upon completion of basic civil engineering of power center on the ground	5	770
4. Within 10 working days upon completion of basic civil engineering of joint workshop on the ground	10	1,540
5. Within 10 working days upon completion of topping out of factory for raw material center	5	770
6. Within 10 working days upon completion of topping out of factory for power center	5	770
7. Within 10 working days upon completion of topping out of factory for joint workshop	20	3,080
8. Within 10 working days upon completion of all civil engineering and preliminary inspection and acceptance	15	2,310
9. Within 10 working days upon completion of all final inspection and acceptance	10	1,540
10. Within 10 working days upon expiry of warranty period under the General Contracting Agreement, being the quality warranty fee	5	770
	5	770
<b>Total:</b>	<b>100</b>	<b>15,400</b>

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## LETTER FROM THE BOARD

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(3) *Installation fee*

<b>Construction Progress</b>	<b>As a percentage to the installation fee (%)</b>	<b>Payment (RMB0'000)</b>
1. Within 10 working days after the date of approval of the General Contracting Agreement at the general meeting of the Company, being the prepayment	20	980
2. Within 10 working days upon commencement of work by the installation unit	30	1,470
3. Within 10 working days upon completion of all installation projects	25	1,225
4. Within 10 working days upon completion of inspection and acceptance on trial run and linkage test	10	490
5. Within 10 working days upon ignition of furnace	10	490
6. Within 10 working days upon expiry of warranty period under the General Contracting Agreement, being the quality warranty fee	5	245
<b>Total:</b>	<b>100</b>	<b>4,900</b>

### **Sub-contracting**

Pursuant to the General Contracting Agreement, International Engineering may only sub-contract equipment and materials procurement, and installation of machinery and equipment. International Engineering may submit application to Puyang Company in relation to other sub-contracting works in different lots and phases during implementation stage of the engineering. International Engineering shall be responsible for reviewing the qualification of the sub-contracting companies who accepted the sub-contracting works. International Engineering shall also owe a duty to Puyang Company for the conduct of the sub-contracting companies, and International Engineering and the sub-contracting companies shall jointly and severally be liable to Puyang Company for the sub-contracting works.

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## LETTER FROM THE BOARD

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Pursuant to the General Contracting Agreement, International Engineering shall exercise effective quality control with strict guarantee over the entire process of the Puyang Project, including quality control during procurement process and control over the construction process, in compliance with the internationally accepted management mode on general contracting of engineering. During the procurement process and the construction process, Puyang Company may conduct inspection, individually or together with International Engineering, on the qualified sub-contracting companies selected by International Engineering. Puyang Company will also conduct assessment, inspection and acceptance examination on the sub-contracting works in accordance with the agreed assessment, inspection and acceptance examination standard.

It is expected that works to be conducted by International Engineering under the Puyang Project include the specialized glass production sections, and therefore International Engineering will not sub-contract the whole Puyang Project. However, International Engineering will sub-contract certain works in the Puyang Project, including professional engineering which should be conducted by company with professional qualification and experience as required by laws and regulations, i.e. building ground and foundation engineering, steel structure engineering and fire safety engineering, etc., and select qualified sub-contracting company based on its past cooperation experience with the company, the relevant quality and experience of the company and the reputation and capacity of the company, according to the normal commercial practice in the industry for general contracting of construction projects. So far as the Company is aware and as at the Latest Practicable Date, there is no identified sub-contractor for the Puyang Project.

### **Effectiveness of the Agreement**

The General Contracting Agreement shall become effective after execution of the agreement and receipt of the prepayment and upon approval by the Independent Shareholders at the general meeting of the Company.

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## LETTER FROM THE BOARD

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### 2. THE DESULPHURIZATION AND DENITRIFICATION ENGINEERING AGREEMENT

#### **Date**

11 October 2017

#### **Parties**

- (1) Puyang Company; and
- (2) Triumph Company, as the person-in-charge of the engineering.

#### **Term for the Engineering**

Installation shall be completed within 5 months after the Desulphurization and Denitrification Engineering Agreement becoming effective and the credit of prepayment to the account being recorded.

#### **Scope of the Agreement**

Pursuant to the Desulphurization and Denitrification Engineering Agreement, Triumph Company agreed to be in charge of the initial design, construction design, equipment and materials procurement and installation and testing of equipment for the smoke treatment project in the smoke desulphurization, denitrification and ash removal engineering ancillary to the Puyang Project, in order to provide a complete, technologically advanced, mature, safe to operate, reliable, economical and reasonable smoke treatment system.

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## LETTER FROM THE BOARD

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### Consideration and Payment Terms

Pursuant to the Desulphurization and Denitrification Engineering Agreement, Puyang Company shall pay Triumph Company by way of remittance or acceptance bills a total consideration of RMB22,000,000 (equivalent to approximately HK\$26,400,000), including RMB13,500,000 for supply fee of equipment and materials and RMB8,500,000 for installation fee of equipment. The consideration was the bid price offered by Triumph Company during the tender held by Puyang Company in relation to the Desulphurization and Denitrification Engineering. During the tender process, the Company and Puyang Company selected three members from the evaluation unit who would be approved by the representatives of different departments of the Company to rank the bidders according to the selection criteria including the bidding price, the completion time, service commitment and the qualifications and relevant experience of the bidders. Triumph Company was selected by the members of the evaluation unit as the successful bidder in the tender as it ranked No. 1 in the overall score of the bidding evaluation with the lowest bidding price among all the three bidders.

The consideration shall be paid by instalments according to the construction progress as shown below:

<b>Construction Progress</b>	<b>As a percentage to the total consideration (%)</b>	<b>Payment (RMB0'000)</b>
1. Within 10 working days after the Desulphurization and Denitrification Engineering Agreement becoming effective, being the prepayment	30	660
2. Within 10 days upon delivery of the main body equipment (the ash removal body)	30	660
3. After completion of installation of equipment with trial run capacity in hot status	20	440
4. Within 10 days upon passing of monitoring and testing by environmental department for the project (or passing of the relevant data for online monitoring by joint network of the building owner and environmental department) or passing of monitoring and testing by qualified third-party monitoring institution	15	330
5. One year after the completion date of construction, inspection and acceptance of project with normal operation of the system, being the quality warranty fee	5	110
<b>Total:</b>	<b>100</b>	<b>2,200</b>



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## LETTER FROM THE BOARD

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### **Effectiveness of the Agreement**

The Desulphurization and Denitrification Engineering Agreement shall become effective after execution of the agreement and upon approval by the Independent Shareholders at the general meeting of the Company.

### **3. THE WASTE HEAT RECOVERY KILN ROOM ENGINEERING AGREEMENT**

#### **Date**

11 October 2017

#### **Parties**

- (1) Puyang Company; and
- (2) Triumph Company, as the person-in-charge of the engineering.

#### **Term for the Engineering**

Supply of equipment shall be completed within 4 months after the Waste Heat Recovery Kiln Room Engineering Agreement becoming effective and the credit of prepayment to the account being recorded. Installation shall be completed within 2 months after completion of supply of equipment by Triumph Company and completion and delivery of civil engineering by Puyang Company to Triumph Company with installation capacity.

#### **Scope of the Agreement**

Pursuant to the Waste Heat Recovery Kiln Room Engineering Agreement, Triumph Company agreed to be in charge of the initial design, construction design, equipment and materials procurement and installation and testing of equipment for the waste heat recovery kiln room engineering ancillary to the Puyang Project, in order to provide a complete, technologically advanced, mature, safe to operate, reliable, economical and reasonable waste heat recovery kiln room system.

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## LETTER FROM THE BOARD

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### Consideration and Payment Terms

Pursuant to the Waste Heat Recovery Kiln Room Engineering Agreement, Puyang Company shall pay Triumph Company by way of remittance or acceptance bills a total consideration of RMB7,500,000 (equivalent to approximately HK\$9,000,000), including RMB4,500,000 for equipment fee and RMB3,000,000 for design and installation fee. The consideration was the bid price offered by Triumph Company during the tender held by Puyang Company in relation to the Waste Heat Recovery Kiln Room Engineering. During the tender process, the Company and Puyang Company selected three members from the evaluation unit who would be approved by the representatives of different departments of the Company to rank the bidders according to the selection criteria including the bidding price, the completion time, service commitment and the qualifications and relevant experience of the bidders. Triumph Company was selected by the members of the evaluation unit as the successful bidder in the tender as it ranked No. 1 in the overall score of the bidding evaluation with the lowest bidding price among all the three bidders.

The consideration shall be paid by instalments according to the construction progress as shown below:

(1) *Equipment fee*

Construction Progress	As a percentage to the equipment fee (%)	Payment (RMB0'000)
1. Within a week after the Waste Heat Recovery Kiln Room Engineering Agreement becoming effective, being the prepayment	30	135
2. Within a week upon receipt by Puyang Company of a copy of the agreement ordering the key kiln equipment	45	202.5
3. Within a week upon completion of installation of kiln and completion of water pressure test with operating capacity	20	90
4. Upon expiry of equipment warranty period without quality issues, being the quality warranty fee	5	22.5
<b>Total:</b>	<b>100</b>	<b>450</b>

Puyang Company adopted the above payment term for the equipment fee under the Waste Heat Recovery Kiln Room Engineering Agreement in accordance with the normal commercial practice among engineering companies conducting the waste heat recovery kiln room engineering, to ensure quality of the equipment and its installation by making payments upon acceptance of test result (in the above progress 3) and absence of quality issues after operation (in the above progress 4) respectively. Therefore, the Company is of the view that the above payment term is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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(2) *Design and installation fee*

<b>Construction Progress</b>	<b>As a percentage to the design and installation fee (%)</b>	<b>Payment (RMB0'000)</b>
1. Within a week after the Waste Heat Recovery Kiln Room Engineering Agreement becoming effective, being the prepayment	30	90
2. Within a week before commencement of work of the installation company	45	135
3. Within a week upon completion of installation of kiln and completion of water pressure test with operating capacity	20	60
4. Within a week upon expiry of warranty period for the waste heat recovery kiln room system, being the quality warranty fee	5	15
<b>Total:</b>	<b>100</b>	<b>300</b>

### **Effectiveness of the Agreement**

The Waste Heat Recovery Kiln Room Engineering Agreement shall become effective after execution of the agreement and upon approval by the Independent Shareholders at the general meeting of the Company.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENTS**

Puyang Project is an important step of the Company to expand its new energy materials business in accordance with the development strategy of the Company. It is expected that after completion of construction and commencement of production of the Puyang Project, it could be the first ultra-white solar thermal glass production line in the PRC from independent research and development. International Engineering is a comprehensive grade A design and scientific research unit in the PRC and an international engineering company, with grade A qualifications in design and general contracting for engineering in the construction materials industry, civil engineering and specific environmental pollution treatment engineering. The entering into of the General Contracting Agreement and having International Engineering as the general contractor for the construction of the Puyang Project could facilitate the civil engineering progress and quality, as well as smooth achievement in production capacity and standard in the Puyang Project. Puyang Project will build the first production line of ultra-white solar thermal glass in the PRC, involving self-developed and pioneered design know-how for ultra-white solar thermal glass by research and development of the general contractor in the PRC. Due to factors including confidentiality regarding

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## LETTER FROM THE BOARD

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know-how, Puyang Company engages International Engineering directly as the general contractor for the General Contracting Services under the Puyang Project without adopting the tender process.

In order to fully comply with the laws, regulations, standards and policy stipulated by the PRC government and the local government in relation to environmental protection, energy-saving and comprehensive utilization of resources, including the “Emission Standard of Air Pollutants for Flat Glass Industry (平板玻璃工業大氣污染物排放標準)” of the PRC, the “Emission Standard of Air Pollutants for Industrial Kiln in the Henan Province (河南省工業爐窯大氣污染物排放標準)” of the PRC and the “Energy Conservation Law of The People’s Republic of China (中華人民共和國節約能源法)”, Puyang Company has to conduct the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering, as the ancillary projects of the Puyang Project. In both of the tenders for the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering, Triumph Company was the successful bidder and thus entered into the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement with Puyang Company. Given that Triumph Company is the wholly-owned subsidiary of International Engineering, it is expected that International Engineering and Triumph Company can jointly provide more comprehensive and coordinated services for the Puyang Project and its ancillary projects as a whole.

The terms of each of the Agreements were determined after arm’s length negotiations between the respective parties thereto. The Directors (excluding the independent non-executive Directors whose views are included in the letter from the Independent Board Committee as set forth on pages 17 to 18 of this circular) are of the view that each of the Agreements is on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **INFORMATION OF THE COMPANY, PUYANG COMPANY, INTERNATIONAL ENGINEERING AND TRIUMPH COMPANY**

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

Puyang Company, a wholly-owned subsidiary of the Company, is principally engaged in the production, processing and sales of solar thermal power glass, electronic glass and electronic information display glass, the processing of glass and the relevant raw materials, and technical consultation and service for float glass, solar thermal power glass and electronic information display glass.

International Engineering, an associate of CNBMG, is principally engaged in engineering technology research and services, which mainly include general contracting business and engineering project design business of glass, cement and new energy projects.

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## LETTER FROM THE BOARD

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Triumph Company, a wholly-owned subsidiary of International Engineering and an associate of CNBMG, is principally engaged in technical services, technical research and development and technical consultation for new materials, porcelain, glass, cement, fire-resistant materials, non-metal mines, environmental protection, automatic control for electricity, etc., development and sales of the related products, waste water and waste gas treatment, and export and import business.

### **LISTING RULES IMPLICATIONS**

The General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement should be aggregated pursuant to Rule 14.22 of the Listing Rules. As the applicable percentage ratios (after aggregation) are more than 25% but less than 100%, the transactions contemplated under the Agreements constitute major transactions of the Company under the Listing Rules, and are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As mentioned above and as at the Latest Practicable Date, International Engineering is an associate of CNBMG and Triumph Company is a wholly-owned subsidiary of International Engineering and an associate of CNBMG. Therefore, each of International Engineering and Triumph Company is regarded as a connected person of the Company. Accordingly, the transactions contemplated under the Agreements constitute connected transactions of the Company under the Listing Rules.

The General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement should be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios (after aggregation) are more than 5%, the transactions contemplated under the Agreements are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Zhang Chong, the executive Director of the Company, and Mr. Xie Jun, the non-executive Director of the Company, have abstained from voting in respect of the Agreements in the Board meeting due to the fact that they are connected with CNBMG and are not regarded as independent to make any recommendation to the Board.

### **EGM**

The Company will convene the EGM for the purposes of, among other things, seeking the Independent Shareholders' approval for each of the Agreements and the transactions contemplated thereunder. CNBMG and its associates will abstain from voting on the resolutions in relation to the Agreements at the EGM. At the EGM, votes will be taken by poll.

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## LETTER FROM THE BOARD

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The EGM originally scheduled to be held at 9:00 a.m. on 30 November 2017 (Thursday) was postponed to 9:00 a.m. on 7 December 2017 (Thursday). The notice for convening the EGM to be held at the conference room of the Company on 3rd Floor, No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC is set out on pages 53 to 55 of this circular. A form of proxy for use at the EGM was despatched to the Shareholders and published on the website of the Stock Exchange (<http://www.hkexnews.hk>) on 13 October 2017. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712–1716, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, or to the Company's registered address at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC as soon as possible and in any event not less than 24 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### **INDEPENDENT BOARD COMMITTEE AND BAOQIAO PARTNERS**

The Independent Board Committee has been established by the Company to give recommendations to the Independent Shareholders in respect of each of the Agreements and the transactions contemplated thereunder. BaoQiao Partners has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **RECOMMENDATION**

The Directors (excluding the independent non-executive Directors whose views are included in the letter from the Independent Board Committee as set forth on pages 17 to 18 of this circular) are of the view that the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions with respect to the Agreements and the transactions contemplated thereunder to be proposed at the EGM.

The Independent Board Committee, having taken into account the advice of BaoQiao Partners, is of the opinion that the entering into of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the EGM to approve the Agreements and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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Your attention is drawn to the recommendation of the Independent Board Committee as set out on pages 17 to 18 of this circular and the letter of advice from BaoQiao Partners as set out on pages 19 to 38 of this circular.

Your attention is also drawn to the appendices to this circular, which contain further information on the Group and other information required to be disclosed under the Listing Rules, and the notice of the EGM.

Yours faithfully,  
By order of the Board  
**Luoyang Glass Company Limited\***  
**Zhong Chong**  
*Chairman*

\* *For identification purposes only*



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)

21 November 2017

*To the Independent Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTIONS**

We refer to the circular dated 21 November 2017 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings herein.

We have been appointed as members of the Independent Board Committee to consider the terms of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement, and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether, in our opinion, the entering into of the Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

BaoQiao Partners has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of each of the Agreements and the transactions contemplated thereunder.

We wish to draw your attention to (i) the “Letter from the Board”; (ii) the “Letter from BaoQiao Partners” to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the terms of each of the Agreements and the transactions contemplated thereunder; and (iii) the additional information as set out in the appendices to the Circular.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Agreements, and having taken into account the opinion of BaoQiao Partners and, in particular, the factors, reasons and recommendations as set out in the “Letter from BaoQiao Partners” on pages 19 to 38 of the Circular, we consider that the entering into of the Agreements is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM to approve the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement, and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Luoyang Glass Company Limited\***

**Mr. Jin Zhanping   Mr. Liu Tianni   Mr. Ye Shuhua   Mr. He Baofeng**

*Independent non-executive Directors*

\* *For identification purposes only*

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## LETTER FROM BAOQIAO PARTNERS

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*The following is the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



**BAOQIAO PARTNERS CAPITAL LIMITED**

Unit 501, 5/F, Tower 1, Admiralty Centre,  
18 Harcourt Road, Admiralty, Hong Kong

21 November 2017

*To the Independent Board Committee and the Independent Shareholders of Luoyang Glass Company Limited*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement, and the Waste Heat Recovery Kiln Room Engineering Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 21 November 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 11 October 2017, Puyang Company, a wholly-owned subsidiary of the Company, entered into the General Contracting Agreement with International Engineering, pursuant to which International Engineering agreed to provide the General Contracting Services for a total cash consideration of RMB439,000,000 (equivalent to approximately HK\$526,800,000), including RMB236,000,000 for supply fee of equipment and materials, RMB154,000,000 for civil engineering fee and RMB49,000,000 for installation fee.

On the same day, Puyang Company also entered into the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement with Triumph Company, pursuant to which Triumph Company agreed to be in charge of the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering respectively. Pursuant to the Desulphurization and Denitrification Engineering Agreement, Puyang Company shall pay Triumph Company a total cash consideration of RMB22,000,000 (equivalent to approximately HK\$26,400,000),

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## LETTER FROM BAOQIAO PARTNERS

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including RMB13,500,000 for supply fee of equipment and materials and RMB8,500,000 for installation fee of equipment. Pursuant to the Waste Heat Recovery Kiln Room Engineering Agreement, Puyang Company shall pay Triumph Company a total cash consideration of RMB7,500,000 (equivalent to approximately HK\$9,000,000), including RMB4,500,000 for equipment fee and RMB3,000,000 for design and installation fee.

According to the Letter from the Board, as at the Latest Practicable Date, International Engineering is an associate of CNBMG, the ultimate controlling shareholder of the Company and Triumph Company is a wholly-owned subsidiary of International Engineering and an associate of CNBMG. Therefore, each of International Engineering and Triumph Company is regarded as a connected person of the Company. Accordingly, the transactions contemplated under the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement constitute connected transactions of the Company under the Listing Rules. Since the highest applicable percentage ratio (after aggregation) are more than 25% but is less than 100%, the transactions contemplated under the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement constitute major and connected transactions of the Company, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Company will convene the EGM for the purposes of, among other things, seeking the Independent Shareholders' approval for the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement, the Waste Heat Recovery Kiln Room Engineering Agreement and the transactions contemplated thereunder. CNBMG and its associates will abstain from voting on the resolutions in relation to the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement at the EGM. At the EGM, votes will be taken by poll.

### **INDEPENDENT BOARD COMMITTEES**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Jin Zhanping, Mr. Liu Tianni, Mr. Ye Shuhua and Mr. He Baofeng, has been established to make recommendations to the Independent Shareholders in respect of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement, the Waste Heat Recovery Kiln Room Engineering Agreement and the transactions contemplated thereunder.

We, BaoQiao Partners Capital Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement, the Waste Heat Recovery Kiln Room Engineering Agreement and the transactions contemplated thereunder, and such appointment has been approved by the Independent Board Committee.

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## LETTER FROM BAOQIAO PARTNERS

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### OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, there was no engagement between the Group and BaoQiao Partners Capital Limited. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement, the Waste Heat Recovery Kiln Room Engineering Agreement and the transactions contemplated thereunder, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the annual report of the Company for the years ended 31 December 2015 and 2016, the interim report of the Company for the six months ended 30 June 2016, the announcements of the Company dated 11 October 2017, the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Management in the Circular were reasonably made after due enquiries and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs, financial condition and future prospects of the Company. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the facts, information, representations and opinions made available to us, at the Latest Practicable Date.

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## LETTER FROM BAOQIAO PARTNERS

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Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of such information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement, and the Waste Heat Recovery Kiln Room Engineering Agreement, we have taken into consideration the following factors and reasons:

#### 1. Information of the Group

##### 1.1 Background of the Group

The principal activities of the Group are manufacturing and sale of ultra-thin electronic glass. The scope of business includes manufacturing of glass and relevant sophisticated processing goods, mechanical equipment, electric appliances and accessories, sale of self-produced products, provision of technical consultancy and technical services.

##### 1.2 Financial information of the Group

Set out below is the financial information of the Group based on (i) the 2016 annual report of the Company (the “**2016 Annual Report**”) for the years ended 31 December 2015 (“**FY2015**”) and 31 December 2016 (“**FY2016**”) and (ii) the 2017 interim report of the Company (the “**2017 Interim Report**”) for the six months ended 30 June 2016 (“**1H2016**”) and 30 June 2017 (“**1H2017**”):

	For the year ended		For six months ended	
	31 December		30 June	
	2015	2016	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	662,157	392,096	137,240	154,969
Profit/(loss) before tax	(184,931)	21,170	(22,583)	5,608
Profit/(loss) after tax	(194,827)	11,516	(25,746)	1,178

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## LETTER FROM BAOQIAO PARTNERS

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*For the year ended 31 December 2016*

As shown in the above table, the revenue of the Group decreased by approximately 40.79% from approximately RMB662.16 million (equivalent to approximately HK\$794.59 million) for FY2015 to approximately RMB392.10 million (equivalent to approximately HK\$470.52 million) for FY2016. As disclosed in the 2016 Annual Report, such decrease in revenue of the Group for FY2016 as compared to FY2015 was mainly due to the exclusion of operating revenue from transferred-out companies. Therefore, the Group's revenue was mainly generated from its one business segment, sales of photoelectric glass, in FY2016 as compared to three business segments, with the addition of sales of common glass and sales of silica, in FY2015. In FY2016, the Group's revenue from the sales of photoelectric glass amounted to approximately RMB380.09 million (equivalent to approximately HK\$456.11 million), representing a decrease of approximately 8.94% from approximately RMB417.41 million (equivalent to approximately HK\$500.89 million) for FY2015.

The Group has made a turnaround from a loss after tax of approximately RMB194.83 million (equivalent to approximately HK\$233.79 million) for FY2015 to a profit after tax of approximately RMB11.52 million (equivalent to approximately HK\$13.82 million) for FY2016. However, as disclosed in the 2016 Annual Report, the profit from FY2016 was mainly due to the subsidy received from the government in FY2016 which amounted to approximately RMB102.46 million (equivalent to approximately HK\$122.95 million). The Group has recorded an operating loss for its core-business of approximately RMB80.26 million and RMB184.39 million for FY2016 and FY2015 respectively. Such decrease in operating loss for its core-business was due to the exclusion of operations from the transferred-out companies in respect of the ordinary glass and silica sand business.

*For six months ended 30 June 2017*

As shown in the above table, the revenue of the Group increased by approximately 12.92% from approximately RMB137.24 million (equivalent to approximately HK\$164.69 million) for 1H2016 to approximately RMB154.97 million (equivalent to approximately HK\$185.96 million) for 1H2017. As disclosed in the 2017 Interim Report, such increase in the revenue of the Group for 1H2017 as compared to 1H2016 was mainly due to the optimization of product mix and increase in the selling prices of products.

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## LETTER FROM BAOQIAO PARTNERS

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The Group has made a turnaround from a loss after tax of approximately RMB25.75 million (equivalent to approximately HK\$30.89 million) for 1H2016 to a profit after tax of approximately RMB1.18 million (equivalent to approximately HK\$1.41 million) for 1H2017. As disclosed in the 2017 Interim Report, such turnaround of loss after tax to profit after tax was mainly due to the increase in government grants.

	<b>As at 31 December</b>		<b>As at 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Total assets	1,314,035	1,356,917	1,267,087
Total liabilities	1,035,690	833,648	742,640
Net assets	278,345	523,269	524,447

As shown in the above table, the net assets of the Group have increased from approximately RMB523.27 million (equivalent to approximately HK\$627.92 million) as at 31 December 2016 to approximately RMB524.45 million (equivalent to approximately HK\$629.34 million) as at 30 June 2017, representing an increase of approximately 22.51%.

As at 30 June 2017, the total assets of the Group were approximately RMB1,267.09 million (equivalent to approximately HK\$1,520.50 million), which mainly comprised of, among others, (i) fixed assets (mainly comprised of buildings and structures, machine and equipment, electronic equipment and transportation tools, etc.) of approximately RMB616.04 million (equivalent to approximately HK\$739.24 million); (ii) bills receivables of approximately RMB43.61 million (equivalent to approximately HK\$52.33 million); (iii) account receivables of approximately RMB138.10 million (equivalent to approximately HK\$165.72 million); (iv) inventories of approximately RMB125.05 million (equivalent to approximately HK\$150.06 million); and (v) intangible assets of approximately RMB117.74 million (equivalent to approximately HK\$141.29 million). The cash and cash equivalents of the Group were approximately RMB90.69 million (equivalent to approximately HK\$108.83 million) as at 30 June 2017.

As at 30 June 2017, the total liabilities of the Group were approximately RMB742.64 million (equivalent to approximately HK\$891.17 million), which mainly comprised of, among others, (i) the short-term borrowings of approximately RMB326.50 million (equivalent to approximately HK\$391.80 million); (ii) bills payables of approximately RMB50.00 million (equivalent to approximately HK\$60.00 million); (iii) accounts payables of approximately RMB32.95 million (equivalent to approximately HK\$39.54 million); (iv) other payables of approximately RMB53.05 million (equivalent to approximately HK\$63.66 million); (v) non-current liabilities due within one year of approximately RMB111.41 million (equivalent

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## LETTER FROM BAOQIAO PARTNERS

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to approximately HK\$133.69 million); and (vi) long-term borrowings of approximately RMB121.72 million (equivalent to approximately HK\$146.07 million).

As disclosed in the 2017 Interim Report, the Group has (i) short-term loans comprised of mortgage loan and guaranty loan of approximately RMB5.00 million (equivalent to approximately HK\$6.00 million) and approximately RMB321.50 million (equivalent to approximately HK\$385.80 million), respectively, bearing an annual interest rate of around 4.35% to 4.785%; and (ii) long-term loans comprised of mortgage loan and guaranty loan of approximately RMB120.90 million (equivalent to approximately HK\$145.08 million) and approximately RMB0.83 million (equivalent to approximately HK\$0.99 million), respectively, bearing an annual interest rate of around 2.50% to 6.44%.

### **2. Information about International Engineering and Triumph Company**

International Engineering, an associate of CNBMG, is principally engaged in engineering technology research and services, which mainly includes general contracting business and engineering project design business of glass, cement and new energy projects.

Triumph Company, a wholly-owned subsidiary of International Engineering and an associate of CNBMG, is principally engaged in technical services, technical research and development and technical consultation for new materials, porcelain, glass, cement, fire-resistant materials, non-metal mines, environmental protection, automatic control for electricity, etc., development and sales of the related products, waste water and waste gas treatment, and export and import business.

### **3. Reasons for and benefits of the entering into the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement**

#### ***Puyang Project***

As advised by the Management, one of the Company's development strategies is to aim to build up the Group into a new glass industry platform with high-end electronic glass and solar thermal materials. The implementation of the Puyang Project allows the Group to grasp onto the opportunities in the solar thermal glass material market as well as to enhance its competitiveness and optimise its product structure.



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## LETTER FROM BAOQIAO PARTNERS

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As stated in the Letter from the Board, the Company planned to invest in the Puyang Project through Puyang Company, a wholly-owned subsidiary of the Company, to build an ultra-white solar thermal glass production line with melting capacity of 400 tons per day in the industrial cluster district of Puyang County in Henan Province in the PRC to produce solar thermal power generation raw materials for glasses production and high-end auto windshield and dashboard glass materials, etc. The Company considers that the entering into of the General Contracting Agreement and having International Engineering as the general contractor for construction of the Puyang Project could facilitate the civil engineering progress and quality, as well as smooth achievement in production capacity and standard in the Puyang Project.

The Puyang Project will mainly produce ultra-white solar thermal materials which is an important base material for solar thermal power generation as well as a scarce high-end product in the PRC with only a few leading enterprises in the world, all of which being located outside of the PRC, possessing such relevant technologies in the production of ultra-white solar thermal glass which causes the downstream manufacturers in PRC needing to import such materials at a high price. Therefore, the domestic market has a larger gap for import substitution.

According to the 《“十三五”節能減排綜合工作方案》 (Comprehensive Work Plan for Energy Conservation and Emission Reduction in the 13th Five-Year Plan Period\*) (the “**Thirteenth Five-year Plan**”) published by The State Council of the PRC and the industrial policies and technological progress, we noted that the PRC government has raised the environmental protection concerns among industries. In order to achieve energy conservation and emission reduction within the PRC, the PRC government promotes the optimisation of energy structure, for example, by encouraging the use of renewable energy such as, including but not limited to, solar energy, wind power and hydropower to replace the use of coal for generating electricity.

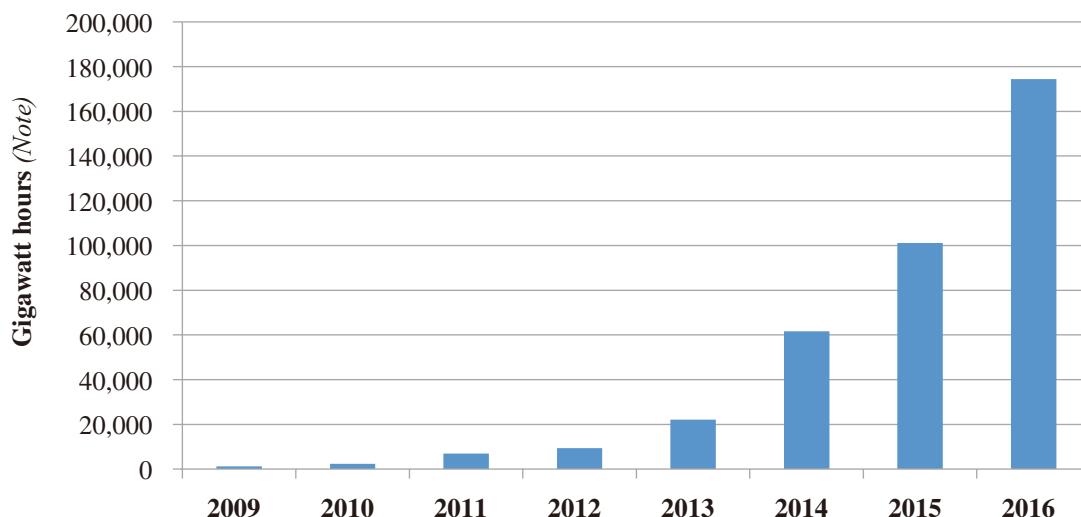
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## LETTER FROM BAOQIAO PARTNERS

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Set out below is the solar energy consumption in the PRC since 2009.

### SOLAR ENERGY CONSUMPTION IN THE PRC



*Note: For illustration purpose, the conversion rate of 1 gigawatt hour of energy to 86.04 tons of oil equivalent of energy was used.*

*Source: BP Statistical Review of World Energy June 2017 (website: [www.bp.com](http://www.bp.com))*

According to the chart above, the solar energy consumption in the PRC has been increasing significantly from 2009 to 2016 with a compound annual growth rate (the “CAGR”) of approximately 87.07%. In addition, according to the International Energy Outlook 2017 published by the U.S. Energy Information Administration (website: [www.eia.gov](http://www.eia.gov)), the total energy consumption in the world is expected to increase by approximately 28% between 2015 and 2040, especially for countries with strong economic growth, and renewable energy and nuclear power are expected to be the world’s fastest growing forms of energy during such period.

Given that the ultra-white solar thermal materials are one of the indispensable components for the new energy development in the PRC as well as the expected increase in energy demand in the world and the growth in the solar energy sector, the Puyang project will position the Group in the PRC for being the first domestic supplier of ultra-white solar thermal materials and capture the opportunities arising from the abovementioned government plans and expected growth.

#### ***General Contracting Agreement***

As advised by the Management, when selecting a contractor for the provisions of civil engineering, and supply and installation of equipment for the purpose of Puyang Project, the Company has primarily taken technical expertise and previous transaction experience of the contractor into account.

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## LETTER FROM BAOQIAO PARTNERS

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As stated in the Letter from the Board, Puyang Project is an important step of the Company to expand its new energy materials business in accordance with the development strategy of the Company. It is expected that after completion of construction and commencement of production of the Puyang Project, it could become the first ultra-white solar thermal glass production line in the PRC from independent research and development. International Engineering is a comprehensive grade A design and scientific research unit in the PRC and an international engineering company, with grade A qualifications in design and general contracting for engineering in the construction materials industry, civil engineering and specific environmental pollution treatment engineering. As per our discussion with the Management, we noted that International Engineering has a few key strengths within the industry in the PRC in various areas, including but not limited to, its long history of establishment with over 10 years of experience and was involved in different glass engineering projects both domestically and internationally. Also, International Engineering's development of “太陽能電池用微鐵高透過率玻璃成套技術及產業化開發” (Technology and Industrial Development of Micro Iron Glasses with High Transmittance for the Use of Solar Cell\*) has won 國家科學技術進步獎 (National Science and Technology Progress Award\*). Such portfolio and achievements demonstrate the expertise and competency of International Engineering in providing civil engineering, supply and installation of equipment within the glass industry.

### ***Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement***

As stated in the Letter from the Board, in order to fully comply with the laws, regulation, standards and policy stipulated by the PRC government and the local government in relation to environmental protection, energy-saving and comprehensive utilization of resources, including the “Emission Standard of Air Pollutants for Flat Glass Industry (平板玻璃工業大氣污染物排放標準)” of the PRC, the “Emission Standard of Air Pollutants for Industrial Kiln in the Henan Province (河南省工業爐窯大氣污染物排放標準)” of the PRC and the “Energy Conservation Law of The People's Republic of China (中華人民共和國節約能源法)”, Puyang Company has to conduct the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering, as the ancillary projects of the Puyang Project. In both of the tenders for the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering, Triumph Company was the successful bidder and thus entered into the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement with Puyang Company. Given that Triumph Company is the wholly-owned subsidiary of International Engineering, it is expected that International Engineering and Triumph Company can jointly provide more comprehensive and coordinated services for the Puyang Project and its ancillary projects as a whole.

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## LETTER FROM BAOQIAO PARTNERS

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As stated in the Letter from the Board and as advised by the Management, the Company invited three potential bidders for the tender, including two independent bidders and Triumph Company, which are all considered to be reputable local companies with relevant construction qualifications and are, in the Company's view, competent in carrying out the construction for both the smoke desulphurization, denitrification and ash removal engineering ancillary and the waste heat recovery kiln room engineering ancillary to the Puyang Project. In addition to offering the lowest bid price, Triumph Company had also scored the highest or tied for the highest with respect to all selection criteria and was therefore selected as the successful bidder. The Management had also taken into account that (i) previous member(s) of the Group had previously engaged Triumph Company to provide construction service and was satisfied with the service; and (ii) Triumph Company, being a wholly-owned subsidiary of International Engineering, would enhance the joint efforts of International Engineering and Triumph Company and provide a more comprehensive and coordinated service in relation to the Puyang Project.

With the completion of the Puyang Project, the Group will possess the first production line of ultra-white solar thermal materials in the PRC which will weaken the foreign enterprises' dominance in the technology of ultra-white solar thermal material production and enhance the competitiveness of the downstream PRC manufacturers.

Having considered (i) the above information of the Puyang Project; (ii) the new production line under the Puyang Project will allow the Company to grasp on the opportunities in the solar thermal glass material market as well as to enhance its competitiveness and optimise its product structure; (iii) the prospect of the solar energy sector; (iv) the background and experience of International Engineering; and (v) the highest overall score obtained by Triumph Company during the tender as well as the satisfactory construction services provided by Triumph Company previously, we concur with the Management and are of the view that the entering of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

#### **4. Principal terms of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement**

##### ***4.1 The General Contracting Agreement***

###### *Principal terms of the General Contracting Agreement*

As disclosed in the Letter from the Board, on 11 October 2017, Puyang Company, a wholly-owned subsidiary of the Company, entered into the General Contracting Agreement with International Engineering. Pursuant to the General Contracting Agreement, International Engineering agreed to provide general contracting for civil engineering, supply of equipment and installation engineering in the Puyang Project, where civil engineering mainly includes construction of structure including the main ultra-white solar thermal glass production line, raw material warehouse, machine repairing workshop factory, office, power center factory, supply of equipment mainly includes supply of equipment and materials required in the ultra-white solar thermal glass production line, involving raw materials system equipment, production system equipment, molding system equipment, production line computer control system equipment and automatic control and testing system equipment, etc., and installation engineering mainly includes installation and testing of the above engineering, equipment and material.

Pursuant to the General Contracting Agreement, International Engineering may only sub-contract equipment and materials procurement, and installation of machinery and equipment. International Engineering may submit application to Puyang Company in relation to other sub-contracting works in different lots and phases during implementation stage of the engineering. International Engineering shall be responsible for reviewing the qualification of the sub-contracting companies who accepted the sub-contracting works. International Engineering shall also owe a duty to Puyang Company for the conduct of the sub-contracting companies, and International Engineering and the sub-contracting companies shall jointly and severally be liable to Puyang Company for the sub-contracting works.

International Engineering shall exercise effective quality control with strict guarantee over the entire process of the Puyang Project, including quality control during procurement process and control over the construction process, in compliance with the internationally accepted management mode on general contracting of engineering. During the procurement process and the construction process, Puyang Company may conduct inspection, individually or together with International Engineering, on the qualified sub-contracting companies selected by International Engineering. Puyang Company will also conduct assessment, inspection and acceptance examination on the sub-contracting works in accordance with the agreed assessment, inspection and acceptance examination standard.

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## LETTER FROM BAOQIAO PARTNERS

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It is expected that works to be conducted by International Engineering under the Puyang Project include the specialized glass production sections, and therefore International Engineering will not sub-contract the whole Puyang Project. However, International Engineering will sub-contract certain works in the Puyang Project, including professional engineering which should be conducted by company with professional qualification and experience as required by laws and regulations, i.e., building ground and foundation engineering, steel structure engineering and fire safety engineering, etc., and select qualified sub-contracting company based on its past cooperation experience with the company, the relevant quality and experience of the company and the reputation and capacity of the company, according to the normal commercial practice in the industry for general contracting of construction projects. So far as the Company is aware and as at the Latest Practicable Date, there is no identified sub-contractor for the Puyang Project.

The General Contracting Agreement shall become effective after execution of the agreement and receipt of the prepayment and upon approval by the Independent Shareholders at the EGM. The expected completion date of construction of the engineering is 30 June 2018. As advised by the Management, the expected completion date was determined after arm's length negotiation between the parties and was proposed by the Company and agreed by International Engineering in accordance to the Company's targeted timeline in order to meet the expected commencement time of the production line under the Puyang Project. Given that (i) the expected completion date was proposed by the Company; and (ii) the reputation and experience of International Engineering in providing civil engineering, supply and installation of equipment within the glass industry, we consider the expected completion date of construction of the engineering to be reasonable.

### *Consideration and payment terms of the General Contracting Agreement*

As stated in the Letter from the Board, Puyang Company shall pay International Engineering in cash or by way of cash or acceptance bills a total consideration of RMB439,000,000 (equivalent to approximately HK\$526,800,000), including RMB236,000,000 for supply fee of equipment and materials, RMB154,000,000 for civil engineering fee and RMB49,000,000 for installation fee.

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## LETTER FROM BAOQIAO PARTNERS

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As stated in the Letter from the Board, the considerations under the General Contracting Agreement was determined after arm's length negotiation between the parties with reference to the market rate for similar services and estimated budget for the Puyang Project. The supply fee of equipment and materials was determined with reference to factors including the production line design plan and the market price of the relevant equipment and materials. To have better understanding on the market price of the relevant equipment and materials, the Company has made enquires with not less than four independent third parties, which are companies engaging in the same industry or business partners of the Company, for the quotation of the relevant equipment and materials by various means, including but not limited to telephone conversations and meetings. The civil engineering fee was determined with reference to factors including the production line design plan, total construction area, labour costs, construction materials costs and other costs. The installation fee was determined with reference to factors including machine costs, labour costs and the required construction technology and standard. The consideration of the General Contracting Agreement is less than the estimated budget for the Puyang Project. Therefore, the Company is of the view that such consideration is fair and reasonable. The consideration shall be paid by installments according to the construction progress. Further details of the consideration and payment terms are set out under the sub-section headed "Consideration and Payment Terms" of the Letter from the Board for the General Contracting Agreement.

We have reviewed the estimated budget for Puyang Project in regards to the civil engineering and supply and installation of equipment cost, as conducted by the Company prior to the entering of the General Contracting Agreement, and noted that the estimated cost for (i) the supply fee of equipment and materials is mainly attributed to the cost of equipment and materials for, but not limited to, the melting section, the forming section, the annealing section, the cutting and finishing section and the nitrogen station; (ii) the civil engineering fee is mainly attributed to engineering cost of, but not limited to, the raw material workshop, the raw material homogenizing silo, the melting section, the forming section, the cutting and finishing section, the laboratory, the factory pipe network and the general factory mapping; and (iii) the installation fee is mainly attributed to the installation of, but not limited to, the raw material workshop, the melting section, the forming section, the annealing section, the substation, the lighting, the water supply and drainage, the nitrogen station, the central air conditioning system and the factory pipe network of the Puyang Project. We also noted that consideration of the General Contracting Agreement is less than the Company's estimation.

As per our discussion and as advised by the Management, in assessing the consideration for the General Contracting Agreement, Puyang Company has taken into account of, including but not limited to, the estimated amount of (i) labour costs; (ii) construction materials costs; (iii) total construction area; (iv) subcontracting charges; (v) construction time; and (vi) the complexity of Puyang Project (collectively, the "**Assessment Factors**"). The Assessment Factors are either a direct cost input or factors which directly affect the construction cost of

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## LETTER FROM BAOQIAO PARTNERS

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the Puyang Project and hence contributes to the determination of the consideration of the Puyang Project. In addition, International Engineering has confirmed to Puyang Company that pricing and payment terms under the General Contracting Agreement are no less favorable than those offered to other independent third parties under normal commercial term.

Given that (i) the Company had internally conducted a budget estimation for the Puyang Project in accordance to its production line design plan; and (ii) the consideration of the General Contracting Agreement is less than the Company's budget estimation, we consider that the consideration of the General Contracting Agreement is reasonable.

In our due diligence process we tried to identify projects that are comparable in terms of production capacity of the production line and the type of materials in which the production line produces. However, (i) we note that there was no transaction entered into between the Group and independent third parties for the engineering or construction of production line of ultra-white solar thermal materials and (ii) since the Puyang Project will become the first production line of ultra-white solar thermal materials based on self-developed domestic technology, it will be difficult to find a similar project which is comparable due to its specific requirements and complexity. As advised by the Management, due to commercial secrets and confidentiality agreements entered into between International Engineering and its clients, the Company had, through its best effort, obtained 3 copies of agreements for projects in the PRC in relation to the engineering or construction of production line for glass related materials (the "**Glass Related Materials Production Line Projects**") from International Engineering which has been entered into by International Engineering with its independent third parties recently and as per our review, we have noted that the type of fee charges under the scope of work of general contracting are generally similar which includes supply fee of equipment and materials, civil engineering fee and installation fee while payment terms are generally based on the project schedule. Given that (i) there are no direct market comparables for the production line of ultra-white solar thermal materials in the PRC; and (ii) both the Puyang Project and the Glass Related Materials Production Line Projects are related to the engineering or construction of production line for glass related materials, we consider that the Glass Related Materials Production Line Projects provides a general representation for the type of fee charges and payment terms under agreements for projects in the PRC in relation to the engineering or construction of production line for glass related materials entered into between International Engineer and its independent third party.



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## LETTER FROM BAOQIAO PARTNERS

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As advised by the Management, the payment terms of progressive payment arrangement under the General Contracting Agreement is common in the construction industry in which the total consideration for construction projects is payable by stages as the construction progresses. We have reviewed and noted that the progressive payment terms were also applied in the Glass Related Materials Production Line Projects.

For other details regarding the reasons and benefits of engaging International Engineering for the General Contracting Agreement, please refer to the section headed “3. Reasons for and benefits of the entering into the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement” of this letter.

Having considered (i) the expertise and competency of International Engineering; (ii) that the consideration of the General Contracting Agreement was determined after arm’s length negotiations between the parties; and (iii) that the pricing terms and payment terms under the General Contracting Agreement are no less favorable than those offered to other independent third party(ies), the terms of the General Contracting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4.2 *The Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement***

##### *Principal terms of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement*

As disclosed in the Letter from the Board, on 11 October 2017, being the same date of the General Contracting Agreement, the Group also entered into (i) the Desulphurization and Denitrification Engineering Agreement; and (ii) the Waste Heat Recovery Kiln Room Engineering Agreement with Triumph Company, pursuant to which Triumph Company agreed to be in charge of the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering respectively.

Triumph Company, as the person-in-charge of the engineering, agreed to be in charge of the initial design, construction design, equipment and materials procurement and installation and testing of equipment for (i) the smoke treatment project in the smoke desulphurization, denitrification and ash removal engineering ancillary; and (ii) the waste heat recovery kiln room engineering ancillary to the Puyang Project in order to provide a complete, technologically advanced, mature, safe to operate, reliable, economical and reasonable smoke treatment system and waste heat recovery kiln room system respectively.

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## LETTER FROM BAOQIAO PARTNERS

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The Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement shall become effective after execution of the agreement and receipt of the prepayment and upon approval by the Independent Shareholders at the EGM.

The installation under the Desulphurization and Denitrification Engineering Agreement shall be completed within 5 months after the effective date of such agreement and the record date of credit of prepayment to the account of Triumph Company. Under the Waste Heat Recovery Kiln Room Engineering Agreement, the supply of equipment shall be completed within 4 months after the effective date of such agreement and the record date of credit of prepayment to the account and the installation shall be completed within 2 months after completion of supply of equipment by Triumph Company and completion and delivery of civil engineering by Puyang Company to Triumph Company with installation capacity. As advised by the Management, the expected completion dates for both the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement were determined after arm's length negotiation between the parties and were proposed by the Company in accordance to its targeted timeline for the Puyang Project. As advised by the Management, the Company has taken into account of the expected completion date of the General Contracting Agreement when determining the expected completion date of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement as the Desulphurization and Denitrification Engineering and the Waste Heat Recovery Kiln Room Engineering are required to be completed prior to the completion of the construction of the engineering under the General Contracting Agreement. Having considered the aforesaid requirements, we consider that the expected completion date of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement is reasonable.

*Consideration and payment terms of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement*

As stated in the Letter from the Board, Puyang Company shall pay Triumph Company by way of remittance or acceptance bills a total consideration of (i) RMB22,000,000 (equivalent to approximately HK\$26,400,000), including RMB13,500,000 for supply fee of equipment and materials and RMB8,500,000 for installation fee of equipment under the Desulphurization and Denitrification Engineering Agreement; and (ii) RMB7,500,000 (equivalent to approximately HK\$9,000,000), including RMB4,500,000 for equipment fee and RMB3,000,000 for design and installation fee under the Waste Heat Recovery Kiln Room Engineering Agreement. The considerations under the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement are the bidding prices offered by Triumph Company, being the successful bidder at the tender for the aforesaid agreements to the Puyang Project. The payments will be settled in instalments

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## LETTER FROM BAOQIAO PARTNERS

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depending on the construction progress for each of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement. Further details of the consideration and payment terms are set out under the sub-section headed “Consideration and Payment Terms” of the Letter from the Board for each of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement.

As advised by the Management, in selecting the potential bidders for the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement, the Company has conducted consultation and inspection on construction enterprises in respect of, but not limited to, their qualification, credibility and experience in accordance with the provisions of the Company’s internal 招標管理辦法 (Bidding Management System\*).

We have reviewed and noted that, pursuant to the Bidding Management System, the Company shall issue tender invitations to not less than three potential bidders and as advised by the Management, the Company invited three potential bidders for the tender, including two independent bidders and Triumph Company, for each of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement, who the Company considers to meet the abovementioned provisions under the Bidding Management System.

As advised by the Management, the criteria in assessing the tender documents in respect of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement was the same to all bidders. The criteria include (i) the bidding price; (ii) the completion time; (iii) service commitment; and (iv) the qualifications and relevant experience of bidders.

We have reviewed the tender documents, stating the scope of work and the standards and requirements, and the submissions from the bidders in respect of the Desulphurization and Denitrification Engineering Agreement (the “**DDE Submissions**”) and the Waste Heat Recovery Kiln Room Engineering Agreement (the “**WHR Submissions**”) and noted that both the DDE Submissions and the WHR Submissions have (i) stated the bidding price with a consistent list of sub-item prices, types of equipment, and number of units for each equipment; and (ii) included each bidders’ business licenses as well as its certificates in the construction field.

Having considered the aforesaid factors relating to the tender procedures of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement, we consider that the tender procedures are reasonable.

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## LETTER FROM BAOQIAO PARTNERS

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As advised by the Management, the Company and Puyang Company, in performing the evaluation of tenders and selection of preferred bidder, has selected three members from its evaluation unit to rank the bidders following the aforesaid criteria and such members were selected at random and were approved by the representatives from different departments of the Company such as (i) the bidding organisation unit; (ii) the evaluation management unit; (iii) the discipline inspection unit; and (iv) the audit department.

We have reviewed the Company's internal 評標專家管理制度 (Bid Evaluation Management System\*) and noted that in order to become a member of the Company's evaluation unit, such member must meet the requirements of having an engineering and technical specialist qualification (including college degree or above), being a middle-level engineering employee or above and have worked in their respective specialized field for five years and the Company will perform an internal assessment on the members of the evaluation unit annually to decide whether such member is suitable to remain in the evaluation unit.

Having considered the aforesaid factors relating to the assessment of the tender documents in respect of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement, we consider that the assessment is reasonable.

We obtained the results of evaluation of assessments regarding the tender documents which were submitted by all bidders and noted that Triumph Company ranked No. 1 among all the bidders according to the overall score of the bidding evaluation for the services stipulated under the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement. In addition, we noted that Triumph Company had the lowest bidding price among all bidders for the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement.

Given that (i) Triumph Company were selected through tender procedures; (ii) the considerations under the aforesaid agreements were the bidding price offered by Triumph Company and set out in its submitted tender document; and (iii) the consideration was lower than the bidding prices quoted by other bidders, we consider that the consideration is fair and reasonable so far as the Independent Shareholders are concerned.

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## LETTER FROM BAOQIAO PARTNERS

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We are further advised by the Management that while International Engineering was awarded with the General Contracting Agreement, Triumph Company, being a wholly-owned subsidiary of International Engineering, was considered to be an appropriate candidate to become the person-in-charge of the engineering process under the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement because of the joint efforts to provide a more comprehensive and coordinated service in relation to the Puyang Project as a whole. Furthermore, Triumph Company had a previous working relationship with the Group and its established synergy is valued highly during the bidding process.

For other details regarding the reasons and benefits of appointing Triumph Company as the person-in-charge of engineering under the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement, please refer to the section headed “3. Reasons for and benefits of the entering into the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement” of this letter.

Having considered the background and reasons as discussed above, we are of the view that the terms of the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### **RECOMMENDATION**

Taking into account of the above principal factors and reasons, we consider that the entering into of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement are in the interests of the Company and the Shareholders as a whole, the terms of the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we would recommend and advise the Independent Board Committee to recommend to the Independent Shareholders to vote in favour of the resolution(s) to approve the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Room Engineering Agreement at the EGM.

Yours faithfully,

**BaoQiao Partners Capital Limited**

**1. WORKING CAPITAL SUFFICIENCY OF THE COMPANY**

Taking into account the financial resources available to the Enlarged Group, including its existing cash and cash equivalents and cash flow from operations, the Directors believe that the Enlarged Group has available sufficient working capital for at least the next 12 months from the date of this circular.

**2. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**3. INDEBTEDNESS OF THE ENLARGED GROUP**

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had the following outstanding borrowings:

**1. Borrowings**

As at the close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding bank loans and other borrowings of approximately RMB1,341,222,217.16. As at 30 September 2017, bank loans and other borrowings of RMB1,105,030,750.00 were guaranteed by the de facto controller and its subsidiaries; bank loans and other borrowings of RMB195,058,246.00 were secured by the interests of the Enlarged Group in investment properties and land use rights and guaranteed by the de facto controller and its subsidiaries; bank loans and other borrowings of RMB40,084,701.19 were secured by the interests of the Enlarged Group in investment properties and land use rights; and bank loans of RMB1,048,519.97 were pledged by certificate of deposit.

The breakdown of the outstanding borrowings as at 30 September 2017 is shown as follows:

Counterparty of the loan	Date of borrowing	Due date	Interest Rate	Balance of the loan (RMB)
Bank of China	2017.2.6	2018.2.12	4.350%	106,860,000.00
China Construction Bank	2017.2.10	2018.2.9	4.350%	64,224,000.00
Bank of Communications	2017.1.16	2018.1.15	4.568%	88,068,750.00
Bank of Luoyang	2017.1.26	2018.1.26	4.568%	57,600,000.00
Industrial and Commercial Bank	2017.7.25	2018.6.02	4.350%	26,750,000.00
Huishang Bank Bengbu Branch	2017.7.20	2018.7.20	4.785%	9,500,000.00
Huishang Bank Bengbu Branch	2017.8.8	2018.8.8	4.785%	9,000,000.00
Bank of China	1989.3.07	2019.2.15	2.50%	1,048,519.97
Industrial and Commercial Bank	2016.10.30	2017.10.30	0%	8,768,000.00
Taiping & Sinopec Financial Leasing Co., Ltd.	2016.12.9	2019.12.9	4.275%	75,000,001.00
Suyin Financial Leasing Co., Ltd.	2017.4.27	2022.4.27	4.750%	90,058,245.00
International Far Eastern Leasing Co., Ltd.	2015.6.23	2018.6.23	5.23%	13,244,607.50
International Far Eastern Leasing Co., Ltd.	2015.6.23	2018.6.23	6.43%	16,840,093.69
Hefei Science & Technology Rural Commercial Bank Qilitang Sub-branch	2016.10.28	2017.10.28	4.350%	35,000,000.00
Hefei Science & Technology Rural Commercial Bank Qilitang Sub-branch	2017.2.6	2018.2.6	4.350%	45,500,000.00
Hefei Science & Technology Rural Commercial Bank Qilitang Sub-branch	2017.3.9	2018.3.9	4.350%	30,000,000.00
Hefei Science & Technology Rural Commercial Bank Qilitang Sub-branch	2017.5.23	2018.5.23	4.350%	15,000,000.00
China Construction Bank Heifei Zhonglou Sub-branch	2017.2.4	2018.2.3	4.350%	30,000,000.00
China Construction Bank Heifei Zhonglou Sub-branch	2017.5.3	2018.2.3	4.350%	20,000,000.00
Huishang Bank Hefei North Railway Station Sub-branch	2017.7.21	2018.7.21	5.003%	15,000,000.00
Huishang Bank Hefei North Railway Station Sub-branch	2017.7.24	2018.7.21	5.003%	15,000,000.00
Hefei Science & Technology Rural Commercial Bank	2017.9.5	2018.4.5	5.22%	17,000,000.00
Huishang Bank Hefei North Railway Station Sub-branch	2017.9.8	2018.9.8	4.35%	19,000,000.00

Counterparty of the loan	Date of borrowing	Due date	Interest Rate	Balance of the loan (RMB)
Industrial Bank Hefei Qingyang Road Sub-branch	2015.3.26	2021.3.25	6.431%	63,600,000.00
Industrial Bank Hefei Qingyang Road Sub-branch	2015.5.28	2021.5.27	6.159%	3,000,000.00
Industrial Bank Hefei Qingyang Road Sub-branch	2015.9.9	2021.9.8	5.364%	63,660,000.00
Industrial Bank Hefei Qingyang Road Sub-branch	2015.12.15	2021.12.14	5.341%	67,500,000.00
CCB Trust	2016.10.28	2018.10.26	4.750%	30,000,000.00
Bank of Jiangsu Yixing Sub-branch	2017.3.27	2018.3.26	4.350%	75,000,000.00
Bank of Jiangsu Yixing Sub-branch	2017.3.28	2018.3.27	4.350%	50,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.1.11	2018.1.11	4.350%	20,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.1.16	2018.1.16	4.350%	30,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.5.8	2018.6.20	5.145%	15,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.5.8	2018.12.20	5.145%	15,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.6.14	2019.6.20	5.145%	20,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.6.14	2019.12.20	5.145%	10,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.8.4	2019.12.20	5.145%	10,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.8.4	2020.6.20	5.145%	20,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.9.4	2021.6.20	5.145%	10,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.9.13	2021.6.20	5.145%	10,000,000.00
Jiangsu Yixing Rural Commercial Bank	2017.9.20	2021.12.20	5.145%	10,000,000.00
Tongcheng Economic Development Zone Construction & Development Company Limited	2017.9.7	2019.9.7	Interest-free	10,000,000.00
Total				<u>1,341,222,217.16</u>

As at 30 September 2017, pledged bank deposits, secured fixed assets – buildings, fixed assets – machinery and equipment and secured intangible assets – land use rights amounted to RMB1,400,000.00, RMB94,799,415.39, RMB262,797,587.99 and RMB54,400,153.69 respectively.



**2. Capital commitments**

As at 30 September 2017, the Enlarged Group had capital commitments of RMB13,315,591.20 with respect to properties, plants and others, which had been contracted for without provisions in the financial statements.

**3. Pledge of assets**

As at 30 September 2017, the net book value of certain secured assets of the Enlarged Group amounted to RMB411,997,157.07.

**4. Operating lease commitments**

As at 30 September 2017, the Enlarged Group had no operating lease commitments.

**5. Contingent liabilities**

As at 30 September 2017, the Enlarged Group had no contingent liabilities.

**Disclaimer**

Save for the aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 September 2017, none of the members of the Enlarged Group had any outstanding bonds, acceptance liabilities (other than normal trade bills), acceptance credits, finance lease or lease commitments, mortgages, pledge, loan capital or overdraft or other similar indebtedness.

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Enlarged Group since 30 September 2017.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the exchange rates prevailing at the close of business on 30 September 2017.

#### 4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

##### (I) Industry pattern and development trend

The PRC economy has been in a new norm with a proper growth rate and an optimised structure, in which the growth of traditional industries slows down while the strategic emerging industries will still maintain a higher growth rate.

The outline of the National “Thirteenth Five-year” Plan proposes to “step up breakthroughs in core technologies in terms of a new generation of information communication, new energy, new materials, aerospace, biological medicine, intelligent manufacturing, etc.”. The “Made in China 2025” puts forward “to vigorously promote breakthrough development in key fields and place the focus on ten key fields including a new generation of information technology industry, high-end CNC machine tool and robot, aerospace equipment, ocean engineering equipment and high-tech ships, advanced rail transit equipment, energy-saving and new energy automobiles, power equipment, agricultural machinery equipment, new materials, biological medicine and high performance medical devices”.

The future market growth mainly derives from increase in downstream market demand and expansion of application fields. In recent years, amid the explosive growth of mobile internet applications, the demands for smartphone, laptop and other consumer electronics maintained growth and the intelligentization trend in professional application fields including on-board equipment, industrial control, intelligent household appliances and medical treatment continued to intensify in an accelerated manner with stable growth at an annual growth rate of market share of more than 20%. It is expected that the demand for ultra-thin glass substrate, as a core material for touch screen, will reach 101 million m<sup>2</sup> by 2020.

At present, the PRC has become the largest producer and exporter of ITO conductive glass, TP touch screen glass, cover glass and window protective shields, etc. The overall market developments show favourable signs as domestic and international markets have maintained the stability with good momentum driven by the expansion, upgrading and growth of the relevant consumer markets.

##### (II) Development strategy

Led by innovation, the Company will maintain the lead in respect of Luoyang float glass technology. With the stress laid on consolidating information display glass substrate to enhance competitive edge and market advantage, the Company, centering on new glass, new material and new energy market, aims at becoming a provider of special high-tech glass with strong influence in the market through expansion of application fields and optimisation of product mix.

**(III) Business plan**

In 2017, the Company's main operation targets are to achieve production volume of 26.84 million m<sup>2</sup> and realize operating revenue of RMB500.00 million.

Based on the aforesaid targets, the Company will take the following key measures:

Adherence to the operation and management guiding principles of “integration and optimisation, quality improvement and efficiency enhancement, meticulousness, refinement and solidity in preparation, hard-working, price stabilization, quantity assurance, cost reduction, receivables collection, inventory control, adjustment, and prioritizing profitability and efficiency”.

1. The Company will intensify market value management, and simultaneously implement physical operation and capital operation. By insisting on being led by market value and supported by performance, the Company will boost its competitiveness and strength to enhance investors' confidence. In combination with the Company's strategic positioning and industry development direction, the Company will seek for new leap in respect of transformation and upgrade so as to realize win-win situation for both the Company and the investors.
2. The Company will implement the plan on enhancement and transformation of Longhai production line to build a new generation of production line of ultra-thin glass and improve production technology and core equipment, striving to achieve international advanced product quality.
3. Investment will be made in construction of a production line of ultra-white solar thermal materials in the Puyang Project to explore in the area of new energy materials, enrich and optimise the Company's product mix, seize the market of strategic emerging industries and foster a new growth driver. Upon completion of the Puyang Project, it is expected that the Company will further expand in the new energy material business, enhancing industry competitiveness and sustainable development capability of the Company.
4. While strengthening technical exchange and cooperation and increasing investment in research and development to enhance technological strength, the Company will focus on the development of products with high added value and explore potential demands in the market. In addition, the Company will consolidate its market share and maintain a stable market price.

5. To improve the management and control mode and innovate the internal mechanism, the Company will, based on assets restructuring, explore and establish a management and control mode that suits its development requirements and promote remuneration system reform to link remuneration and welfare with operating performance and form a positively related incentive mechanism. It will vigorously carry forward the corporate culture of “innovation, performance, harmony and responsibility” and earnestly practice the code of conduct of “reverence, gratefulness, humility and appropriateness” to foster key technical personnel and a staff team with craftsmanship.
6. Further efforts will be made to carry out “increasing, cutting and reducing” works in a solid manner, and the Company will align with the benchmark of international peers in the industry to improve the level of product technology, technological equipment, energy efficiency and environmental protection.
7. In addition to fulfillment of the energy conservation and emission reduction targets, the Company will be responsible for the proper social responsibilities and enhance production safety with realisation of safe production with zero accident throughout the year.
8. The Company will strengthen the party construction in an all-round way to generate positive energy as powerful support for realisation of the goals for the year.
9. Centering on the annual operational targets and based on comprehensive budget management and refined management, the Company will take practically effective risk management measures to restrain risks in the controllable range. Moreover, the Company will further improve the construction of internal control system to improve the executive force of internal control.
10. The Company proactively carried forward the significant asset restructuring. Under the restructuring, the Company proposed to acquire 100% equity interest in Hefei New Energy, 100% equity interest in Tongcheng New Energy and 70.99% equity interest in Yixing New Energy by means of issuance of Shares and raise proceeds through non-public issuance of Shares for funding construction of the relevant projects of the companies proposed to be acquired. The restructuring, if materialized, will enable the Company to develop the new energy glass business in addition to its photoelectric glass and information display glass businesses, further enriching the product mix and expanding the application scope of the products, thereby enhancing the core competitiveness of the Company and strengthening its risk-resistant capability.

**5. EFFECT OF THE AGREEMENTS ON ASSETS, LIABILITIES AND EARNINGS OF THE GROUP**

The considerations under the Agreements may be settled by way of internal resources and/or other financing resources of the Group, depending on the need of financial resources of the Group for its other business plan and expansion. If the considerations under the Agreements are settled by internal resources, the transactions contemplated under the Agreements are not expected to have any immediate significant impact on the assets and liabilities or the earnings of the Group. However, if the considerations under the Agreements are settled by debt financing, the assets and liabilities of the Group would increase by the amount of such debt financing and in such case, the financing costs would be capitalised as asset along the construction period and would not have any immediate significant impact on the earnings of the Group.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****(a) Interests of the Directors, supervisors and chief executive of the Company**

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had an interest or short position in any Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, entered in the register kept by the Company; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates were considered to have interest in any business, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group taken as a whole.

**(b) Substantial Shareholders' and other Shareholders' interests**

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executive of the Company, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any members of the Group:

Name	Capacity	Number of Shares held <sup>1</sup>	Number of underlying Shares held under equity derivatives	Total number of Shares interested <sup>1</sup>	Approximate	Approximate	Type of Share
					percentage of the relevant issued class of share capital of the Company	percentage of the total issued share capital of the Company	
					(%)	(%)	
CNBMG <sup>2</sup>	Interest in controlled corporation	201,076,897 (L)	/	201,076,897 (L)	72.65	38.17	A Share
Triumph Group <sup>2</sup>	Beneficial owner/ Interest in controlled corporation	200,368,287 (L)	/	200,368,287 (L)	72.40	38.04	A Share
CLFG	Beneficial owner	115,115,830 (L)	/	115,115,830 (L)	41.59	21.85	A Share
Bengbu Institute	Beneficial owner	71,365,976 (L)	/	71,365,976 (L)	25.79	13.55	A Share

*Note 1:* (L) – Long Position

*Note 2:* CNBMG is the controlling shareholder of China National Building Material Company Limited, which is the controlling shareholder of International Engineering. Triumph Group, which is a wholly-owned subsidiary of CNBMG, is the controlling shareholder of Huaguang Group, Bengbu Institute and CLFG. Therefore, CNBMG is deemed to have the same interests in the Company as those owned by International Engineering, Triumph Group, Huaguang Group, Bengbu Institute and CLFG by virtue of the SFO; and Triumph Group is deemed to have the same interest in the Company as those owned by Huaguang Group, Bengbu Institute and CLFG by virtue of the SFO.

### 3. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS OF THE COMPANY

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract with any member of the Enlarged Group which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### 4. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

### 5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by any member of the Enlarged Group) have been entered into by the members of the Enlarged Group within two years immediately preceding the issue of this circular up to and including the Latest Practicable Date and which are or may be material:

- (a) the finance lease agreement dated 8 November 2017 entered into between Suyin Financial Leasing Co., Ltd.\* (蘇銀金融租賃股份有限公司) (“Suyin”) and 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) (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 Suyin at a total consideration of RMB50,000,000 and Suyin agreed to leaseback the same to the Lessee for a period of 5 years since 10 November 2017;
- (b) the Agreements;
- (c) the Proposed Acquisition Agreements entered into by the Company respectively with: (i) CLFG and Hefei High-Tech, pursuant to which the Company has conditionally agreed to purchase, and CLFG and Hefei High-Tech have conditionally agreed to sell an aggregate of 100% equity interest in Hefei New Energy at a total consideration of RMB307,825,000 which shall be settled by the Company by allotment and issue of 13,126,864 new A Shares; (ii) Huaguang Group, Bengbu Institute and International Engineering, pursuant to which the Company has conditionally agreed to purchase, and Huaguang Group, Bengbu Institute and International Engineering have conditionally agreed to sell an aggregate of 100% equity interest in Tongcheng New Energy at a total consideration of RMB221,651,200



- which shall be settled by the Company by allotment and issue of 9,452,076 new A Shares; and (iii) Triumph Group, Yixing Environmental Technology and GCL System Integration, pursuant to which the Company has conditionally agreed to purchase, and Triumph Group, Yixing Environmental Technology and GCL System Integration have conditionally agreed to sell an aggregate of 70.99% equity interest in Yixing New Energy at a total consideration of RMB245,089,500 which shall be settled by the Company by allotment and issue of 10,451,576 new A Shares (the “**Proposed Acquisition**”);
- (d) the three profit guarantee indemnity agreements dated 7 February 2017 and the three supplemental profit guarantee indemnity agreements dated 7 August 2017 entered into by the Company respectively with: (i) CLFG and Hefei High-Tech; (ii) Huaguang Group, Bengbu Institute and International Engineering; and (iii) Triumph Group, Yixing Environmental Technology and GCL System Integration in respect of the profit guarantee and the assets impairment indemnity provided by the respective parties to the Company in relation to the Proposed Acquisition;
- (e) the subscription agreement dated 7 February 2017 and the supplemental subscription agreement dated 24 February 2017 entered into between the Company and Triumph Group, pursuant to which the Company has conditionally agreed to issue, and Triumph Group has conditionally agreed to subscribe for 10% of the new A Shares that could be placed under the proposed placing of new A Shares by the Company (the “**Proposed A Share Placing**”);
- (f) the finance lease agreement dated 11 April 2017 entered into between Suyin 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 Suyin at a total consideration of RMB100,000,000 and Suyin agreed to leaseback the same to the Lessee for a period of 5 years since 27 April 2017;
- (g) the finance lease agreement dated 8 December 2016 entered into between Taiping & Sinopec Financial Leasing Co., Ltd. (太平石化金融租賃有限責任公司) (“**Taiping**”) and the Lessee, pursuant to which the Lessee agreed to sell the moulding and ancillary equipment for production of ultra-thin glass to Taiping at a consideration of RMB100,000,000 and Taiping agreed to leaseback the same to the Lessee for a period of 3 years; and
- (h) the three framework agreements dated 7 December 2016 entered into by the Company respectively with: (i) CLFG and Hefei High-Tech; (ii) Huaguang Group, Bengbu Institute and International Engineering; and (iii) Triumph Group, Yixing Environmental Technology and GCL System Integration in respect of the Proposed Acquisition and the Proposed A Share Placing.

**6. QUALIFICATION AND CONSENT OF THE EXPERT**

The following is the qualification of the expert who had given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
BaoQiao Partners	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, BaoQiao Partners had no shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and had no direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

BaoQiao Partners has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and the references to its name, in the form and context in which it appears.

**7. CORPORATE AND OTHER INFORMATION**

- (a) The company secretary of the Company is Mr. Ip Pui Sum, a fellow member of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered and principal office of the Company is situated at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC.
- (c) The branch share registrar and the transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Rooms 1712–1726, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Messrs. Li & Partners at 22nd Floor, World Wide House, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date of this circular:

- (a) the Articles of Association of the Company;
- (b) the Agreements;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (d) the letter from BaoQiao Partners, the Independent Financial Adviser, the text of which is set out on pages 19 to 38 of this circular;
- (e) each material contracts referred to in the paragraph headed “5. MATERIAL CONTRACTS” in this appendix;
- (f) the annual reports of the Company for the financial years ended 31 December 2015 and 31 December 2016;
- (g) the written consent referred to in the paragraph headed “6. QUALIFICATION AND CONSENT OF THE EXPERT” in this appendix;
- (h) the circular of the Company dated 11 October 2017 in respect of, among other things, the Proposed Acquisition and the Proposed A Share Placing; and
- (i) this circular.

# NOTICE OF THE 2017 FOURTH EXTRAORDINARY GENERAL MEETING

## IMPORTANT NOTICE:

*As stated in the announcement of the Company dated 15 November 2017, the EGM originally scheduled to be held at 9:00 a.m. on 30 November 2017 (Thursday) was postponed to 9:00 a.m. on 7 December 2017 (Thursday), and the venue, the attendance eligibility, the resolutions to be considered at and other relevant matters of the EGM will remain unchanged. For details, please refer to the notice of the EGM of the Company dated 13 October 2017 set out below.*



**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)

## NOTICE OF THE 2017 FOURTH EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY** given that the 2017 Fourth Extraordinary General Meeting (the “**EGM**”) of Luoyang Glass Company Limited\* (the “**Company**”) will be held at the conference room of the Company on 3rd Floor, No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, The People’s Republic of China (the “**PRC**”) at 9:00 a.m. on 30 November 2017 for the purpose of considering and, if thought fit, passing the following resolutions:

*Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 11 October 2017 (the “**Announcement**”).*

### ORDINARY RESOLUTIONS

1. To consider and approve the General Contracting Agreement (a copy of which has been produced to the EGM marked “**1**” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof.

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## NOTICE OF THE 2017 FOURTH EXTRAORDINARY GENERAL MEETING

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2. To consider and approve the Desulphurization and Denitrification Engineering Agreement (a copy of which has been produced to the EGM marked “2” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof.
3. To consider and approve the Waste Heat Recovery Kiln Engineering Agreement (a copy of which has been produced to the EGM marked “3” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof.
4. To approve, ratify and confirm any one of the Directors for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable giving effect to and implement the General Contracting Agreement, the Desulphurization and Denitrification Engineering Agreement and the Waste Heat Recovery Kiln Engineering Agreement.

(For details of the foregoing resolutions, please refer to the Announcement.)

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

Luoyang, the PRC  
13 October 2017

*As at the date of this notice, 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*

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## NOTICE OF THE 2017 FOURTH EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Holders of the Company's H shares, whose names appear on the register of members maintained by Hong Kong Registrars Limited at the close of trading at 4:00 p.m. on 30 October 2017, are entitled to attend and vote at the EGM. The register of members of the Company's H shares will be closed from 31 October 2017 to 30 November 2017 (both days inclusive), during which period no transfer of H shares will be effected in order to determine the list of holders of H shares eligible to attend the EGM. Holders of H shares of the Company who wish to attend the EGM must lodge all share transfer forms accompanied by the relevant H share certificates with the registrar of the Company's H shares, namely Hong Kong Registrars Limited at Rooms 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on 30 October 2017.
2. Any Shareholder entitled to attend and vote at the EGM may appoint a proxy or proxies (who need not be a Shareholder of the Company) to attend and vote at the EGM on his/her behalf. A proxy of a Shareholder who has appointed more than one proxy may only vote on a poll.
3. The principal Shareholder may appoint a proxy in written form (i.e. through the enclosed proxy form). The proxy form shall be signed by the principal or his attorney as authorised. In the event that the proxy form is signed by the attorney of the principal, the power of attorney or other authorisation documents authorising the signatories must be notarised by the notary public. The proxy form together with such power of attorney or other authorisation documents as notarised by the notary public shall be effective only if the same be delivered to the Company's share registrar in Hong Kong, Hong Kong Registrars Limited, at Rooms 1712–1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or to the Company at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC, not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof.
4. Shareholders who intend to attend the EGM in person or by proxy should complete and return the signed reply slip for attending the EGM to the registered address of the Company on or before 9 November 2017 by courier, mail or facsimile.
5. Shareholders or their proxies shall produce their proofs of identity when attending the EGM. A proxy of Shareholder who is appointed to attend the EGM shall produce the proxy form at the same time.
6. The EGM is expected to last for no more than one day. Shareholders and their proxies attending the EGM should be responsible for their own travelling and accommodation expenses.
7. The registered address of the Company is as follows:  
  
No. 9 Tang Gong Zhong Lu, Xigong District  
Luoyang Municipal, Henan Province  
The People's Republic of China  
Postal Code: 471009  
Telephone: 86-379-6390 8588  
Facsimile: 86-379-6325 1984
8. Completion and return of the proxy form will not preclude Shareholders from subsequently attending and voting in person at the EGM or any adjourned meetings should you so wish.