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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)

**CONNECTED TRANSACTION
AND
CONTINUING CONNECTED TRANSACTION**

TECHNOLOGY DEVELOPMENT AGREEMENT

On 28 May 2019, Bengbu Institute entered into the Technology Development Agreement with Bengbu CNBM Information Display, a wholly-owned subsidiary of the Company. On the same day, Far East Optoelectronics entered into the Agreement on Settlement of Utility Fees with Yixing New Energy, a non-wholly-owned subsidiary of the Company (the Technology Development Agreement and the Agreement on Settlement of Utility Fees are collectively referred to as the “**above agreements**”).

Pursuant to the Technology Development Agreement, Bengbu Institute will delegate Bengbu CNBM Information Display to conduct research and development of ultra-thin new glass products.

Pursuant to the Agreement on Settlement of Utility Fees, Yixing New Energy will utilize the Yunlai Line with 10kv and Hengshan Water (tap water) of Far East Optoelectronics and make reimbursement to Far East Optoelectronics for relevant electricity charges and water tariffs; and Far East Optoelectronics will utilize the 10 kv outgoing line with the switch No. 115 of the 110kv transformer substation and industrial water of Yixing New Energy and make reimbursement to Yixing New Energy for relevant electricity charges and water tariffs.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Bengbu Institute is the substantial shareholder of the Company and an indirect wholly-owned subsidiary of CNBMG (the ultimate controlling Shareholder of the Company). Therefore, Bengbu Institute is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Technology Development Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Far East Optoelectronics holds 29.01% shares of Yixing New Energy, a non-wholly-owned subsidiary of the Company, and is a substantial shareholder of Yixing New Energy. Therefore, Far East Optoelectronics is deemed as a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Agreement on Settlement of Utility Fees constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios under each of the above agreements are more than 0.1% but less than 5%, the above agreements are subject to the reporting and announcement requirements only but are exempt from the independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

On 28 May 2019, Bengbu Institute entered into the Technology Development Agreement with Bengbu CNBM Information Display, a wholly-owned subsidiary of the Company. On the same day, Far East Optoelectronics entered into the Agreement on Settlement of Utility Fees with Yixing New Energy, a non-wholly-owned subsidiary of the Company.

Pursuant to the Technology Development Agreement, Bengbu Institute will delegate Bengbu CNBM Information Display to conduct research and development of ultra-thin new glass products.

Pursuant to the Agreement on Settlement of Utility Fees, Yixing New Energy will utilize the Yunlai Line with 10kv and Hengshan Water (tap water) of Far East Optoelectronics and make reimbursement to Far East Optoelectronics for relevant electricity charges and water tariffs; and Far East Optoelectronics will utilize the 10 kv outgoing line with the switch No. 115 of the 110kv transformer substation and industrial water of Yixing New Energy and make reimbursement to Yixing New Energy for relevant electricity charges and water tariffs.

(i) Technology Development Agreement

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

Date: 28 May 2019

Parties: Bengbu Institute, as the entrusting party; and

Bengbu CNBM Information Display, as the entrusted party

Term

The technology research project under the Technology Development Agreement shall commence from 1 June 2019 and remain in effect until 31 October 2019. Bengbu Institute will organize experts to complete acceptance of the project before 15 November 2019 (the “**Project Acceptance**”).

Scope of services

Pursuant to the Technology Development Agreement, Bengbu Institute will delegate Bengbu CNBM Information Display to conduct research and development of ultra-thin new glass products, including (1) development of process and technique proposal for ultra-thin new glass products; (2) completion of actual commissioning; (3) formation of a complete set of process and technology for preparation of ultra-thin new glass products.

Research and development expenditure and remuneration and payment terms

According to the Technology Development Agreement, Bengbu Institute shall pay RMB20,000,000 to Bengbu CNBM Information Display in a lump sum within 15 days from the date of the Project Acceptance as the total amount of research and development expenditure and remuneration.

The research and development expenditure under the Technology Development Agreement shall be used by Bengbu CNBM Information Display in the following ways (including but not limited to): (1) expenditures for purchase of instruments and equipment for research and development, and compensation for losses of energy and raw materials during the commissioning; (2) costs of research and development personnel; and (3) experiment and testing fees.

The research and development expenditure and remuneration were determined between the parties after arm's length negotiation taking into account the type of research and development services to be provided, the wages of the personnel and the fees of the equipment deployed.

(ii) Agreement on Settlement of Utility Fees

Set out below is a summary of the principal terms of the Agreement on Settlement of Utility Fees:

Date: 28 May 2019

Parties: Yixing New Energy; and
Far East Optoelectronics

Term

The Agreement on Settlement of Utility Fees shall have a term from 1 January 2019 to 31 December 2021.

Scope of the Agreement

Pursuant to the Agreement on Settlement of Utility Fees, Yixing New Energy will utilize the Yunlai Line and Hengshan Water (tap water) of Far East Optoelectronics and make reimbursement to Far East Optoelectronics for relevant electricity charges and water tariffs; and Far East Optoelectronics will utilize the power substation and industrial water of Yixing New Energy and make reimbursement to Yixing New Energy for relevant electricity charges and water tariffs.

Pricing basis and payment terms

The consideration on the utilization of the 10kv Yunlai Line of Far East Optoelectronics by Yingxing New Energy (“**Transaction I**”) shall be the electricity fees charged by the electric company for electricity consumed. Yixing New Energy shall make payments to the electric company via the electricity account of Far East Optoelectronics and the electric company will issue electrical VAT invoices to Far East Optoelectronics; afterwards, Far East Optoelectronics shall provide electricity bills to Yixing New Energy. The specific fees shall be subject to the real-time peak-valley electricity price during the examination conducted by the electric company. The active quantity of electricity shall be based on the meter readers by Yixing New Energy and the calculation of the budget on electricity charges shall be signed by both parties for confirmation.

The consideration on the utilization of the 10 kv outgoing line with the switch No. 115 of the 110kv transformer substation of Yixing New Energy (“**Transaction II**”) shall be the electricity fees charged by the electric company for electricity consumed. Far East Optoelectronics shall make payments to the electric company via the electricity account of Yixing New Energy and the electric company will issue electrical VAT invoices to Yixing New Energy; afterwards, Yixing New Energy shall provide electricity bills to Far East Optoelectronics. The specific fees shall be subject to the real-time peak-valley electricity price during the examination conducted by the electric company. The active quantity of electricity shall be based on the meter readers by Yixing New Energy and the calculation of the budget on electricity charges shall be signed by both parties for confirmation.

The consideration on the utilization of the Hengshan Water (tap water) of Far East Optoelectronics by Yixing New Energy (“**Transaction III**”) shall be the water tariffs charged by the water supplies company for water consumed. Far East Optoelectronics will make payments to the water supplies company first and issue invoices on the water tariff to Yixing New Energy; and Yixing New Energy shall make reimbursement to Far East Optoelectronics according to the invoices. The specific fees shall be subject to the unit price set out in the invoices issued by the water supplies company. The quantity of water used shall be calculated based on the meter readers by both parties and shall be signed by both parties for confirmation.

The consideration on the utilization of the industrial water of Yixing New Energy by Far East Optoelectronics (“**Transaction IV**”) shall be the water tariffs charged by the water supplies company for water consumed. Yixing New Energy will make payments to the water supplies company first and issue invoices on the water tariff to Far East Optoelectronics; and Far East Optoelectronics shall make reimbursement to Yixing New Energy according to the invoices. The specific fees shall be subject to the unit price set out in the invoices issued by the water supplies company. The quantity of water used shall be calculated based on the meter readers by both parties and shall be signed by both parties for confirmation.

During the cooperation between the parties, water tariff approval and payment shall be completed before the 20th day of each month, whereas electricity charge approval and payment shall be completed before the 25th day of each month.

Historical data

During the period from 1 January 2017 to 31 December 2018, the historical amounts of Yixing New Energy for the Transaction I, Transaction II, Transaction III and Transaction IV under the Agreement on Settlement of Utility Fees are as follows:

	For the period from 1 January 2017 to 31 December 2017 (RMB)	For the period from 1 January 2018 to 31 December 2018 (RMB)
(a) Transaction I	1,557,696.60	832,087.30
(b) Transaction II	8,474,714.46	5,976,368.86
(c) Transaction III	5,876.20	1,063.67
(d) Transaction IV	78,538.81	44,534.77
	<u>10,116,826.07</u>	<u>6,854,054.60</u>
Total transaction amount	<u>10,116,826.07</u>	<u>6,854,054.60</u>

Yixing New Energy did not enter into any relevant contract before 1 January 2017.

Proposed transaction caps

The amounts of the proposed caps for the Transaction I, Transaction II, Transaction III and Transaction IV under the Agreement on Settlement of Utility Fees for the three years ending 31 December 2021 are as follows:

	For the period from 1 January 2019 to 31 December 2019 (RMB)	For the period from 1 January 2020 to 31 December 2020 (RMB)	For the period from 1 January 2021 to 31 December 2021 (RMB)
(a) Transaction I	1,980,000.00	1,980,000.00	1,980,000.00
(b) Transaction II	12,000,000.00	12,000,000.00	12,000,000.00
(c) Transaction III	12,000.00	12,000.00	12,000.00
(d) Transaction IV	120,000.00	120,000.00	120,000.00
Total	<u>14,112,000.00</u>	<u>14,112,000.00</u>	<u>14,112,000.00</u>

The amounts of the above proposed annual caps are determined based on (i) the estimated quantity of water and electricity to be consumed by the Group under the Agreement on Settlement of Utility Fees; and (ii) the historical transaction amount of relevant transactions. The Company will continuously and closely monitor relevant transactions to ensure that they will not exceed relevant caps for the whole year.

REASONS FOR ENTERING INTO THE ABOVE AGREEMENTS

Entering into the Technology Development Agreement allows the Group and Bengbu Institute to make optimal use of their resources and obtain opportunities to more actively provide technical services and research and development services and benefit from them.

Both Yixing New Energy and Far East Optoelectronics are located in Taoyuan Development Zone in Gaocheng Town, Yixing City and they share the ancillary pipelines for water and electricity in the development zone. Based on relevant requirements of relevant authorities of the development zone, the electric company and the water supplies company adopt the supply model with each power and water supply station for each customer and will not issue respective invoices to different enterprises at one station. Therefore, Yixing New Energy and Far East Optoelectronics entered into the Agreement on Settlement of Utility Fees on mutual collection and payment of water and electricity fees.

The terms of the above agreements were determined after arm's length negotiations between the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of the above agreements and the transaction contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

INFORMATION OF THE COMPANY, BENGBU CNBM INFORMATION DISPLAY, BENGBU INSTITUTE, YIXING NEW ENERGY AND FAR EAST OPTOELECTRONICS

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

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

Bengbu Institute, the substantial Shareholder of the Company and an indirect wholly-owned subsidiary of CNBMG, is principally engaged in engineering management and services sector, manufacture of equipment sector, new materials sector and new glass sector (including ITO conductive film glass, TFT-LCD glass and float glass).

Yixing New Energy is principally engaged in the research and development, production and sales of solar photovoltaic glass and further processed glass.

Far East Optoelectronics is principally engaged in the manufacturing of optoelectronic devices and other electronic devices; the research and development of optoelectronic technology; the development, research, manufacturing and sales of ancillary equipment for glass ceramics, solar energy and wind energy and new materials for glass anti-reflection; glass coating; and import and export of various proprietary and franchised commodities and technologies.

LISTING RULES IMPLICATIONS

In light of the above, as at the date of this announcement, Bengbu Institute is the substantial shareholder of the Company and an indirect wholly-owned subsidiary of CNBMG (the ultimate controlling Shareholder of the Company). Therefore, Bengbu Institute is regarded as a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Technology Development Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, Far East Optoelectronics holds 29.01% shares of Yixing New Energy, a non-wholly-owned subsidiary of the Company, and is a substantial shareholder of Yixing New Energy. Therefore, Far East Optoelectronics is deemed as a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Agreement on Settlement of Utility Fees constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Mr. Zhang Chong and Mr. Xie Jun, the executive Directors of the Company, and Mr. Chen Yong and Mr. Ren Hongcan, the non-executive Directors of the Company, have abstained from voting in respect of the Technology Development Agreement at the Board meeting(s) since they have connected relationship with Bengbu Institute and/or CNBMG and are therefore not regarded as independent to make any recommendation to the Board.

None of Directors is deemed to have material interest in the Agreement on Settlement of Utility Fees and has to abstain from voting in respect of the Agreement on Settlement of Utility Fees at the Board meetings.

DEFINITIONS

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

“Agreement on Settlement of Utility Fees”	The agreement entered into by Yixing New Energy and Far East Optoelectronics dated 28 May 2019, the contents of which is related to reimbursement of electricity charge and water tariffs
“Bengbu CNBM Information Display”	Bengbu China National Building Materials Information Display Materials Company Limited* (蚌埠中建材信息顯示材料有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Bengbu Institute”	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), a company incorporated in the PRC with limited liability, the substantial shareholder of the Company and an indirect wholly-owned subsidiary of CNBMG
“Board”	the board of Directors
“CNBMG”	China National Building Materials Group Corporation* (中國建材集團有限公司), a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling Shareholder of the Company
“Company”	Luoyang Glass Company Limited* (洛陽玻璃股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the main board of the Stock Exchange (stock code: 1108) and the Shanghai Stock Exchange (stock code: 600876) respectively
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“Far East Optoelectronics”	Far East Optoelectronics Co., Ltd* (遠東光電股份有限公司)
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules, as applicable to a transaction
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Technology Development Agreement”	The agreement entered into by Bengbu CNBM Information Display and Bengbu Institute dated 28 May 2019, the contents of which is related to technology development
“Yixing New Energy”	CNBM (Yixing) New Energy Company Limited* (中建材(宜興)新能源有限公司), a non-wholly-owned subsidiary of the Company and is owned as to 70.99% and 29.01% by the Company and Far East Optoelectronics, respectively, as at the date of this announcement
“%”	per cent

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

Luoyang, the PRC
28 May 2019

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

* For identification purposes only