
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Triumph New Energy Company** you should at once hand this circular to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



凯盛新能源股份有限公司

Triumph New Energy Company Limited

*(Formerly known as “LUOYANG GLASS COMPANY LIMITED 洛陽玻璃股份有限公司”
(a joint stock limited company incorporated in the People’s Republic of China with limited liability))*

(Stock code: 01108)

(1) CONTINUING CONNECTED TRANSACTIONS; AND (2) DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION

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

VEDA | CAPITAL
智 略 資 本

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 1 to 50 of this circular.

A notice 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 at 9 a.m. on Monday, 5 February 2024 is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is also enclosed. Such proxy form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zhglb.com).

The proxy form for use at the EGM was despatched to the Shareholders and published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) on 18 January 2024. Whether or not you are able to attend the EGM in person, you are requested to complete and return the proxy form in accordance with the instructions printed thereon to the Company’s H share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, 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 proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

18 January 2024

CONTENTS

	<i>Page</i>
DEFINITIONS	ii
LETTER FROM THE BOARD	1
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	51
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	53
APPENDIX I — GENERAL INFORMATION	97
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING 2024	EGM-1

DEFINITIONS

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

“2021–2023 CCT Agreements”	the 2021–2023 Sale and Purchase of Glass Products Framework Agreement, the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement, the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement, the 2021–2023 Sale and Purchase of Products Framework Agreement, the 2021–2023 Technical Services Framework Agreement, the 2021–2023 Sale and Purchase of Spare Parts Framework Agreement and the 2021–2023 Financial Services Framework Agreement
“2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement”	the engineering construction equipment procurement and installation framework agreement dated 2 December 2020 entered into between the Company and CNBMG, pursuant to which CNBMG Group agreed to supply equipment, materials, construction and installation services required for engineering projects to the Group
“2021–2023 Financial Services Framework Agreement”	the financial services framework agreement dated 2 December 2020 entered into between the Company and CNBMG Finance, pursuant to which CNBMG Finance agreed to provide deposit services, loan services and other financial services approved by the CBIRC
“2021–2023 Sale and Purchase of Glass Products Framework Agreement”	the sale and purchase of glass products framework agreement dated 2 December 2020 entered into between the Company and CNBMG, pursuant to which the Group agreed to supply certain glass products to CNBMG Group
“2021–2023 Sale and Purchase of Products Framework Agreement”	the sale and purchase of products framework agreement dated 2 December 2020 entered into between Triumph Technology and the Company, pursuant to which Triumph Technology Group agreed to supply float glass products and wooden packaging boxes to the Group
“2021–2023 Sale and Purchase of Raw Materials Framework Agreement”	the sale and purchase of raw materials framework agreement dated 2 December 2020 entered into between CNBMG and the Company, pursuant to which CNBMG Group agreed to supply certain raw materials to the Group

DEFINITIONS

“2021–2023 Sale and Purchase of Spare Parts Framework Agreement”	the sale and purchase of spare parts framework agreement dated 2 December 2020 entered into between CNBMG and the Company, pursuant to which CNBMG Group agreed to supply certain equipment and spare parts to the Group
“2021–2023 Technical Services Framework Agreement”	the technical services framework agreement entered into between the Company and CNBMG on 2 December 2020, pursuant to which CNBMG Group agreed to provide certain technical services to the Group
“2024–2026 CCT Agreements”	the Non-exempt 2024–2026 CCT Agreements, the 2024–2026 Technical Services Framework Agreement, the 2024–2026 Supply of Spare Parts Framework Agreement and the loan services and other financial services under the 2024–2026 Financial Services Framework Agreement
“2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement”	the engineering construction equipment procurement and installation framework agreement dated 27 December 2023 entered into between the Company and CNBMG, pursuant to which CNBMG Group agreed to supply equipment, materials, construction and installation services required for engineering projects to the Group
“2024–2026 Financial Services Framework Agreement”	the financial services framework agreement dated 27 December 2023 entered into between the Company and CNBMG Finance, pursuant to which CNBMG Finance agreed to provide deposit services, loan services and other financial services approved by the CBIRC
“2024–2026 Procurement of Raw Materials Framework Agreement”	the procurement of raw materials framework agreement dated 27 December 2023 entered into between Triumph Technology and the Company, pursuant to which Triumph Technology Group agreed to supply certain raw materials to the Group
“2024–2026 Sale of Products Framework Agreement”	the sale of products framework agreement dated 27 December 2023 entered into between the Company and Triumph Technology, pursuant to which the Group agreed to supply certain products (including but not limited to photovoltaic glass, photovoltaic agricultural glass and deep processed products, etc.) to Triumph Technology Group

DEFINITIONS

“2024–2026 Supply of Products Framework Agreement”	the supply of products framework agreement dated 27 December 2023 entered into between Triumph Technology and the Company, pursuant to which Triumph Technology Group agreed to supply packaging boxes, packaging materials, original glass and deep processed products, etc. to the Group
“2024–2026 Supply of Spare Parts Framework Agreement”	the supply of spare parts framework agreement dated 27 December 2023 entered into between CNBMG and the Company, pursuant to which CNBMG Group agreed to provide spare parts required for production equipment to the Group
“2024–2026 Technical Services Framework Agreement”	the technical services framework agreement entered into between the Company and CNBMG on 27 December 2023, pursuant to which CNBMG Group agreed to provide certain technical services to the Group
“A Share(s)”	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the SSE and subscribed for and traded in RMB
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission* (中國銀行保險監督管理委員會)
“CLFG”	China Luoyang Float Glass (Group) Company Limited* (中國洛陽浮法玻璃集團有限責任公司), a company incorporated in the PRC with limited liability and a substantial shareholder of the Company
“CNBM”	China National Building Material Company Limited* (中國建材股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the H shares of which are listed on the Stock Exchange and approximately 44.60% of the issued share capital of which are directly and indirectly held by CNBMG

DEFINITIONS

“CNBM Research Institute”	CNBM New Material Research Institute Group Co., Ltd. (中建材玻璃新材料研究院集團有限公司), a company incorporated in the PRC with limited liability
“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
“CNBMG Finance”	China National Building Material Group Finance Co., Ltd.* (中國建材集團財務有限公司), a company incorporated under the law of the PRC with limited liability, and 58.33% equity interest in which is directly held by CNBMG and 41.67% equity interest in which is directly held by CNBM
“CNBMG Group”	CNBMG and its subsidiaries
“Company”	Triumph New Energy Company Limited, 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 SSE (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
“EGM”	the first extraordinary general meeting 2024 of the Company to be held at 9 a.m. on Monday, 5 February 2024, among other things, for the Independent Shareholders to consider and, if thought fit, approve the 2024–2026 CCT Agreements, the transactions contemplated thereunder and their respective Proposed Annual Caps
“Group”	the Company and its subsidiaries

DEFINITIONS

“H Share(s)”	overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, listed on the main board of the Stock Exchange and traded in HK\$
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all of the independent non-executive Directors
“Independent Financial Adviser”	Veda Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Board and approved by the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt 2024–2026 CCT Agreements and their respective Proposed Annual Caps
“Independent Shareholders”	Shareholders other than CNBMG and its associates
“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
“Latest Practicable Date”	12 January 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt 2024–2026 CCT Agreements”	the 2024–2026 Procurement of Raw Materials Framework Agreement, the 2024–2026 Sale of Products Framework Agreement, the 2024–2026 Supply of Products Framework Agreement, the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement and the deposit services under the 2024–2026 Financial Services Framework Agreement

DEFINITIONS

“PRC” or “China”	The People’s Republic of China which, for the purpose of this circular and for geographical reference only, excludes Hong Kong and the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	the maximum aggregate annual transaction amounts for each of the continuing connected transactions contemplated under the 2024–2026 CCT Agreements for each of the three years ending 31 December 2026
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning as ascribed to it under the Listing Rules
“Supplemental Agreement for the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement”	the supplemental agreement for the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement dated 23 November 2022 entered into between the Company and CNBMG to revise the 2022 and 2023 annual caps for the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement
“Supplemental Agreement for the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement”	the supplemental agreement for the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement dated 23 November 2022 entered into between the Company and CNBMG to revise the 2022 and 2023 annual caps for the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement

DEFINITIONS

“Supplemental Agreement for the 2021–2023 Technical Services Framework Agreement”	the supplemental agreement for the 2021–2023 Technical Services Framework Agreement dated 23 November 2022 entered into between the Company and CNBMG to revise the 2022 and 2023 annual caps for the 2021–2023 Technical Services Framework Agreement
“Triumph Resources”	CNBMG Triumph Mineral Resources Group Co., Ltd.* (中建材凱盛礦產資源集團有限公司), a company incorporated in the PRC with limited liability, an indirect wholly-owned subsidiary of CNBMG and a direct wholly-owned subsidiary of Triumph Technology
“Triumph Technology”	Triumph Technology Group Company Limited* (凱盛科技集團有限公司), a company incorporated in the PRC with limited liability and an indirect controlling shareholder of the Company
“Triumph Technology Group”	Triumph Technology and its subsidiaries
“VAT”	value-added tax in the PRC
“%”	per cent



凯盛新能源股份有限公司

Triumph New Energy Company Limited

(Formerly known as “LUOYANG GLASS COMPANY LIMITED 洛陽玻璃股份有限公司”
(a joint stock limited company incorporated in the People’s Republic of China with limited liability))

(Stock code: 01108)

Executive Directors:

Mr. Xie Jun

Mr. Zhang Rong

Mr. He Qingbo

Ms. Wang Leilei

Registered Office:

No. 9 Tang Gong Zhong Lu

Xigong District

Luoyang Municipal

Henan Province

The PRC

Non-executive Directors:

Mr. Zhang Chong

Mr. Sun Shizhong

Dr. Pan Jingong

Independent non-executive Directors:

Ms. Zhang Yajuan

Mr. Chen Qisuo

Mr. Zhao Hulin

Mr. Fan Baoqun

(1) CONTINUING CONNECTED TRANSACTIONS;

AND

**(2) DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED
TRANSACTION**

INTRODUCTION

Reference is made to the announcement of the Company dated 27 December 2023 in relation to the 2024–2026 CCT Agreements and the Proposed Annual Caps for the continuing connected transactions contemplated under the respective agreements for each of the three years ending 31 December 2026 (the “**Announcement**”).

LETTER FROM THE BOARD

The purpose of this circular is to set forth, among other things:

- (1) details of the 2024–2026 CCT Agreements and their respective Proposed Annual Caps;
- (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Non-exempt 2024–2026 CCT Agreements and their respective Proposed Annual Caps;
- (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt 2024–2026 CCT Agreements and their respective Proposed Annual Caps; and
- (4) a notice of the EGM.

CONTINUING CONNECTED TRANSACTIONS

A. TRANSACTIONS OF REVENUE NATURE IN THE ORDINARY AND USUAL COURSE OF BUSINESS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the principal terms of (1) the 2024–2026 Procurement of Raw Materials Framework Agreement, (2) the 2024–2026 Sale of Products Framework Agreement, (3) the 2024–2026 Supply of Products Framework Agreement, and (4) the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement, which are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules:

1. 2024–2026 PROCUREMENT OF RAW MATERIALS FRAMEWORK AGREEMENT

The 2024–2026 Procurement of Raw Materials Framework Agreement was renewed from the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement and the Supplemental Agreement for the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement. The parties to the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement and the Supplemental Agreement for the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement are the Company and CNBMG, while the parties to the 2024–2026 Procurement of Raw Materials Framework Agreement are the Company and Triumph Technology.

LETTER FROM THE BOARD

On 27 December 2023, the Company and Triumph Technology entered into the 2024–2026 Procurement of Raw Materials Framework Agreement, details of which are set out as below:

Date

27 December 2023

Parties

- (i) Triumph Technology (as supplier); and
- (ii) the Company (as purchaser).

Effective period

The 2024–2026 Procurement of Raw Materials Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company, and shall be valid until 31 December 2026.

Nature of transaction

Pursuant to the 2024–2026 Procurement of Raw Materials Framework Agreement, Triumph Technology Group agreed to supply raw materials, such as silkscreen glaze, silicon powder and sodium carbonate to the Group. Triumph Technology Group will organise the production or implement tender procurement according to the procurement plan of raw materials provided by the Group and supply such raw materials as required to the Group, the procurement plan will form part of the 2024–2026 Procurement of Raw Materials Framework Agreement.

For the purpose of clarity, members of the Group and Triumph Technology Group may enter into supplemental agreement or other confirmation documents for a certain product in accordance with the terms of the 2024–2026 Procurement of Raw Materials Framework Agreement, such supplemental agreement and confirmation documents will form part of the 2024–2026 Procurement of Raw Materials Framework Agreement.

Pricing and payment terms

As a general principle, the price of raw materials under the 2024–2026 Procurement of Raw Materials Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market price of the transaction.

LETTER FROM THE BOARD

Such prices of raw materials will also be determined in accordance with the following pricing principles, including:

- (i) the prices of products offered by Triumph Technology Group to the Group shall not be higher than those comparable transactions (if any) that offered by Triumph Technology Group to independent third parties for provision of the same or similar products;
- (ii) the prices of products purchased by the Group from Triumph Technology Group shall not be higher than those comparable transactions (if any) that purchased by the Group from independent third parties for provision of the same or similar products; and
- (iii) both parties agree that the Group has the right to freely choose its supplier. If the Group does not agree with the actual transaction price and/or related terms proposed by Triumph Technology Group, the Group shall not be responsible for the procurement of products or services from Triumph Technology Group.

In general, both parties will sign a specific sale and purchase agreement and shall agree on the payment period with the principle of fairness and reasonableness. Unless otherwise agreed by both parties, the payment for the current month shall be settled in the following month.

Pricing Standard

Silkscreen glaze

The price of silkscreen glaze under the 2024–2026 Procurement of Raw Materials Framework Agreement will be determined with reference to the market price at the time of that particular transaction. The Company will refer to the prices of transactions conducted by independent third parties or price information published in the market during the same period.

LETTER FROM THE BOARD

Silicon powder

The price of silicon powder under the 2024–2026 Procurement of Raw Materials Framework Agreement will be determined with reference to the prevailing market price at the time of a particular transaction. The Company will obtain market price information through various channels, which include:

- (i) reference made to comparable transactions (if any) conducted with independent third parties during the same period;
- (ii) regular visit to silicon powder manufacturers (including independent third parties) to understand production, sales and price information onsite; and/or
- (iii) the procurement price obtained by the way of open tender or invitation for bid. The major factors in relation to determination of market price are the supply and demand of silicon powder and other raw materials in the areas where the Group's glass production lines are located, distance between the purchasers and vendors, and quality of silicon powder.

Sodium carbonate

The procurement of sodium carbonate by the Company is conducted via the centralised procurement platform established by Triumph Resources, a wholly-owned subsidiary of Triumph Technology Group in order to give play to the benefit of large-scale procurement and reduction of general procurement costs. The centralised procurement of sodium carbonate shall be conducted by means of unified tender by Triumph Resources for unified procurement from and unified payment to sodium carbonate suppliers.

The price of sodium carbonate between the Group and Triumph Resources shall be

- (i) the procurement price of Triumph Resources Group; plus
- (ii) the capital occupation costs (surcharge of 1% for 1-month contracts).

The photovoltaic glass business department of the Company will also collect the market price information on a monthly basis. The vice president who in charge of the Company's centralised procurement will check and approve the transaction price with Triumph Resources with the reference to the quotations from different sodium carbonate manufacturers and service providers of data of the bulk commodity and relevant industry such as www.oilchem.net.

LETTER FROM THE BOARD

Historical figures and proposed annual caps

Set out below are (i) the annual cap amounts for the three years ended 31 December 2023; and (ii) the historical transaction amounts for the two years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>
Historical annual caps (inclusive of VAT)	601,000	1,200,000	2,000,000

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the eleven months ended 30 November 2023 <i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	421,470	930,690.8	1,428,927

The proposed annual caps under the 2024–2026 Procurement of Raw Materials Framework Agreement for each of the three years ending 31 December 2026 are set out below:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps (inclusive of VAT)	2,400,000	5,200,000	6,200,000

LETTER FROM THE BOARD

The proposed annual caps under the 2024–2026 Procurement of Raw Materials Framework Agreement are determined based on the estimated demand of silkscreen glaze, silicon powder and sodium carbonate after taking into account:

- (i) the historical transaction amounts in 2021 and 2022 and the expected transaction amounts for the year ended 31 December 2023 between the Group and CNBMG;
- (ii) the increase in the consumption of silkscreen glaze, silicon powder and sodium carbonate mainly due to the increase in the existing production capacity and the planned operation of new production lines, resulting in an expected increase in the production capacity of the photovoltaic glass for the Group in the next three years; and
- (iii) the expected unit price of such raw materials with reference to the average market price of the same or similar raw materials and market trend.

Among them, due to the impact of the pandemic, the production line for the project of photovoltaic cell encapsulating material for solar equipment originally scheduled for operation in 2022 was delayed, resulting in a lower-than-expected utilization rate of raw materials for the Company's planned production. As such, the utilization rate of the historical annual caps under the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement was relatively low.

The proposed annual caps for the years 2024, 2025 and 2026 under the 2024–2026 Procurement of Raw Materials Framework Agreement (RMB2.4 billion, RMB5.2 billion and RMB6.2 billion, respectively) are mainly comprised of (i) the procurement of silicon powder and sodium carbonate and (ii) the procurement of silkscreen glaze:

The silicon powder and sodium carbonate are the main raw materials for the production of photovoltaic original glass. In determining the expected consumption of these raw materials in the next three years, the Company takes into full consideration the factors such as the kiln tonnage of the photovoltaic glass production line, the implementation and arrangement of the production expansion plan and the consumption rate of raw materials. In accordance with the Group's strategic planning and development target, it is expected that the production capacity of photovoltaic original glass will reach approximately 8,500T/D, 18,000T/D and 22,000T/D for the years 2024, 2025 and 2026, respectively, which corresponds to an annual consumption of 1.7 million tons, 3.7 million tons and 4.5 million tons of silicon powder, and an annual consumption of 530,000 tons, 1.15 million tons and 1.4 million tons of sodium carbonate, respectively. Given the strong momentum of the development of the photovoltaic industry in the PRC as well as the high growth in demand for raw materials brought about by the expansion of production capacity in the industry, a phased supply shortage may lead to an upward trend in the prices of raw materials, and the Company expects that the average market price of silicon powder in the coming years will increase by approximately 5%; and the market for sodium carbonate is more volatile, and the average market price is expected to increase by approximately 10%. On this basis, the total purchase amount of silicon powder and sodium carbonate is estimated to be approximately RMB2.26 billion, RMB4.97 billion and RMB6.02 billion for the years 2024, 2025 and 2026, respectively.

LETTER FROM THE BOARD

The silkscreen glaze is mainly used in the deep processing of photovoltaic glasses, to increase power generation efficiency of solar photovoltaic modules. Based on the recognition of the power generation gain of the double-sided module by downstream applications of the photovoltaic industry, it is expected that by 2024, the double-sided module will surpass the single-sided module to become the mainstream of the market. The Group will further expand the deep-processing production capacity of front cover glass and backsheet glass for the double-sided module. It is expected that the production scale of photovoltaic backsheet glass will reach approximately 200 million square meters, 269.3 million square meters and 339.12 million square meters for the years 2024, 2025 and 2026, respectively, and taking into account of the actual supply capacity of the suppliers, the corresponding annual procurement volumes of silkscreen glaze will be 1,734 tons, 2,765 tons and 3,055 tons, respectively. The Company expects that the average market price of silkscreen glaze will remain unchanged in the coming years. On this basis, the total purchase amount of silkscreen glaze is estimated to be approximately RMB95 million, RMB152 million and RMB167 million for the years 2024, 2025 and 2026, respectively.

Internal control on pricing

The Group will adopt the below internal control procedures in relation to the procurement of the raw materials from Triumph Technology Group:

- (i) the procurement departments of the Group's subsidiaries shall conduct open tender or invitation for bid involving at least three independent suppliers at least on a yearly basis, and determine the suppliers and procurement prices of silkscreen glaze and silicon powder based on the tender results;
- (ii) for the purpose of centralising the procurement of sodium carbonate, a vice president in charge of the photovoltaic glass business department of the Company will be appointed to directly participate in the centralised tender, bid negotiation and pricing for sodium carbonate of Triumph Technology Group. A centralised tender for sodium carbonate shall be performed once a month or every two months depending on the market situation, and the tender is open for domestic major sodium carbonate manufacturers in the market;

LETTER FROM THE BOARD

- (iii) the photovoltaic glass business department of the Company will be responsible for collection of information on supply and demand and price fluctuation of sodium carbonate on a monthly basis from different sodium carbonate manufacturers and service providers of data of China's bulk commodity and relevant industry such as www.oilchem.net. The photovoltaic glass business department of the Company and personnel in charge of procurement business in the subsidiaries of the Company will communicate and query with the silicon powder, sodium carbonate and silkscreen glaze manufacturers or trade partners through telephone conversations, emails and/or site visits to obtain the prices of comparable transactions by independent suppliers in the same period and the prevailing market price at the time of a particular transaction; and
- (iv) vice president in charge of the photovoltaic glass business department of the Company or the management of its subsidiaries will assess and determine the terms and pricing for procurement of raw materials with Triumph Technology Group based on the market information collected with the abovementioned methods/channels in order to ensure that the prices offered by Triumph Technology Group shall not be less favourable than those offered by other independent third parties for similar raw materials.

2. 2024–2026 SALE OF PRODUCTS FRAMEWORK AGREEMENT

The 2024–2026 Sale of Products Framework Agreement was renewed from the 2021–2023 Sale and Purchase of Glass Products Framework Agreement. The parties to the 2021–2023 Sale and Purchase of Glass Products Framework Agreement are the Company and CNBMG, while the parties to the 2024–2026 Sale of Products Framework Agreement are the Company and Triumph Technology.

On 27 December 2023, the Company and Triumph Technology entered into the 2024–2026 Sale of Products Framework Agreement, details of which are set out as below:

Date

27 December 2023

Parties

- (i) the Company (as supplier); and
- (ii) Triumph Technology (as purchaser).

LETTER FROM THE BOARD

Effective period

The 2024–2026 Sale of Products Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company, and shall be valid until 31 December 2026.

Nature of transaction

Pursuant to the 2024–2026 Sale of Products Framework Agreement, the Group agreed to supply the products produced by the Group, including but not limited to photovoltaic glass, photovoltaic agricultural glass and deep processed products, etc. to Triumph Technology Group.

The Group has established seven intelligent photovoltaic glass production bases in East China, Central China, North China and Southwest China, with a wide geographical distribution. For transactions under the 2024–2026 Sale of Products Framework Agreement, the Company’s sales of photovoltaic glass deep processed products will be mainly supplied by the two production bases in Hefei and Tongcheng. Triumph Technology Group has been a long-term downstream customer of the Company due to its low transportation cost advantage as its location is in the same region as that of the Company’s bases in Hefei and Tongcheng.

The Group agreed to implement the production and supply products to Triumph Technology Group according to the type of product, specifications, quantity and other orders as required by Triumph Technology Group. The members of the Group and Triumph Technology Group will enter into a separate sale contract within the scope of the 2024–2026 Sale of Products Framework Agreement and such sale contract will form part of the 2024–2026 Sale of Products Framework Agreement.

Pricing and payment terms

As a general principle, the price of products under the 2024–2026 Sale of Products Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm’s length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market prices of the transaction.

Such prices of products will also be determined in accordance with the following pricing principles, including:

- (i) the prices offered by the Group to Triumph Technology Group shall not be less than those comparable transactions that offered by the Group to independent third parties for provision of the same or similar products; and
- (ii) both parties agree that the Group has the right to freely choose its customer. If the Group does not agree with the actual transaction price and/or related terms proposed by Triumph Technology Group, the Group shall not be responsible for the supply of products or services to Triumph Technology Group.

LETTER FROM THE BOARD

In general, both parties will sign a specific sale contract and shall agree on the payment period with the principle of fairness and reasonableness. Unless otherwise agreed by both parties, the buyer shall pay for the delivery or other arrangement already agreed.

Pricing standards

The price of products under the 2024–2026 Sale of Products Framework Agreement will be determined with reference to:

- (i) comparable transactions (if any) conducted by the Group with independent third parties during the same period; and/or
- (ii) communication and exchange of price information by various means, including telephone conversations, emails and meetings with peers and business partners within the glass production industry; and/or
- (iii) sales staff will communicate and query with the customers, suppliers or trade partners through site visits to obtain the prices of comparable transactions in the same period and the prevailing market price at the time of a particular transaction; and/or
- (iv) supply and demand information and price information of the photovoltaic glass market obtained from the Ministry of Industry and Information Technology (www.miit.gov.cn), China Photovoltaic Industry Association (www.chinapv.org.cn) and photovoltaic industry information providers (e.g. InfoLink, etc.) respectively. Relevant market price data will be used as the basis for the transactions with Triumph Technology Group by the sales department.

The final price will be implemented after the approval of the general manager or the deputy general manager of the Company's subsidiaries with reference to (i) to (iv) above.

LETTER FROM THE BOARD

Historical figures and proposed annual caps

Set out below are (i) the annual cap amounts for the three years ended 31 December 2023; and (ii) the historical transaction amounts for the two years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Sale and Purchase of Glass Products Framework Agreement:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>
Historical annual caps (inclusive of VAT)	710,000	810,000	870,000

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the eleven months ended 30 November 2023 <i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	397,580	294,717.6	47,073

The proposed annual caps under the 2024–2026 Sale of Products Framework Agreement for each of the three years ending 31 December 2026 are set out below:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps (inclusive of VAT)	280,000	350,000	360,000

LETTER FROM THE BOARD

The proposed annual caps under the 2024–2026 Sale of Products Framework Agreement are determined based on the estimated amount of relevant products to be sold to Triumph Technology Group by the Group after taking into account:

- (i) the historical transaction amounts between the Group and CNBMG Group in the past three years;
- (ii) the estimated demand for the Group’s products by Triumph Technology Group for the period from 2024 to 2026; and
- (iii) the historical transactions between the Group and Triumph Technology Group and the estimated prevailing market price for the such products.

In terms of the historical transaction amount between the Group and CNBMG Group in the past three years, the subsidiaries of Triumph Technology Group have been giving priority to the purchase of the Company’s photovoltaic glass products in the production and manufacture of photovoltaic modules, as well as in the construction of photovoltaic agricultural greenhouses and photovoltaic power stations. As a result of market competition and changes in the external environment, the number of orders for the production of photovoltaic modules and the number of projects undertaken by subsidiaries of Triumph Technology Group in the past three years were lower than that expected in 2021, which led to the decrease in the transaction amount for the procurement of photovoltaic glass from the Company.

The transactions under the 2024–2026 Sale of Products Framework Agreement are determined based on the estimated demand plan of Triumph Technology Group. The products sold by the Company to Triumph Technology Group include photovoltaic agricultural greenhouse glass and photovoltaic glass, which are manufactured and sold by the Company’s two bases in Hefei and Tongcheng. Based on the demand planning arrangement for these products, the sales volume of photovoltaic glass is estimated to be 11.14 million square meters, 14.05 million square meters and 14.56 million square meters, and the sales volume of photovoltaic agricultural greenhouse glass is estimated to be 1.45 million square meters, 1.81 million square meters and 1.81 million square meters for the years 2024, 2025 and 2026, respectively. The Company expects that the selling prices of these products will remain unchanged in the coming years. On this basis, the total purchase amount of the products is estimated to be approximately RMB280 million, RMB350 million and RMB360 million for the years 2024, 2025 and 2026, respectively.

LETTER FROM THE BOARD

Internal control on pricing

The Company will adopt the below internal control measures in relation to the products to be sold to Triumph Technology Group:

- (i) the photovoltaic glass business department of the Company and the business departments of the Company's subsidiaries will be responsible for collecting information on market supply and demand and the price fluctuation of the products on a monthly basis from the Ministry of Industry and Information Technology (www.miit.gov.cn), China Photovoltaic Industry Association (www.chinapv.org.cn) and photovoltaic industry information providers (e.g. InfoLink, etc.) respectively;
- (ii) the photovoltaic glass business department of the Company and the business departments of the Company's subsidiaries will also communicate and query with the customers, suppliers or trade partners through telephone conversations, emails and site visits to obtain the prices of comparable transactions in the same period and the prevailing market price at the time of a particular transaction for verification of the prevailing market price implemented by the sales department;
- (iii) the photovoltaic glass business department of the Company will review and make statistics on the sales of the products of the Group and report to the management of the Company on a monthly basis; and
- (iv) the Group will also hold regular benchmarking meetings to analyze, study and judge market information and price trends, then formulate sales strategies accordingly.

3. 2024–2026 SUPPLY OF PRODUCTS FRAMEWORK AGREEMENT

The 2024–2026 Supply of Products Framework Agreement was renewed from the 2021–2023 Sale and Purchase of Products Framework Agreement. The parties to the 2021–2023 Sale and Purchase of Products Framework Agreement and the 2024–2026 Supply of Products Framework Agreement are both the Company and Triumph Technology.

On 27 December 2023, the Company and Triumph Technology entered into the 2024–2026 Supply of Products Framework Agreement, details of which are set out as below:

Date

27 December 2023

LETTER FROM THE BOARD

Parties

- (i) Triumph Technology (as supplier); and
- (ii) the Company (as purchaser).

Effective period

The 2024–2026 Supply of Products Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company, and shall be valid until 31 December 2026.

Nature of transaction

Pursuant to the 2024–2026 Supply of Products Framework Agreement, Triumph Technology Group agreed to supply the products produced by Triumph Technology Group, including but not limited to packaging boxes, packaging materials, original glass and deep processed products, etc. to the Group.

For glass products, Triumph Technology Group agreed to manufacture the glass products according to the type of product, specification, quantity and other orders as requested by the Group and provide the required products to the Group. For packaging boxes, Triumph Technology Group agreed to manufacture the packaging boxes according to the category of the packaging boxes, the size and drawings requested by the Group and provide the required products to the Group.

Based on the market position of the Company's photovoltaic glass products, and in order to continue to expand its market share, the Company has established long and stable cooperative partnerships with a number of large-scale photovoltaic module manufacturers in the industry and has entered into strategic cooperation agreements or long-term supply contracts of photovoltaic glass. Due to the restrictions imposed by the requirements to convene hearings for new photovoltaic glass construction projects and the implementation of strengthened production capacity alert system in various provinces in the PRC, in the event that the Company's planned production expansion project fails to materialize as expected or is delayed, in an effort to proactively cope with the impact that may be brought about by the possible shortage of production capacity in the coming years and to satisfy the long-term demand of major customers to the greatest extent, the Company plans to arrange for the procurement of corresponding photovoltaic glass deep processed products from other manufacturing enterprises affiliated with Triumph Technology Group in the transactions under the 2024–2026 Supply of Products Framework Agreement. The Company considers that such arrangement is in the long-term interests of the Company and its Shareholders.

LETTER FROM THE BOARD

The Group and Triumph Technology Group will enter into separate supply contracts within the scope of the 2024–2026 Supply of Products Framework Agreement which contains details of the sale and purchase of the products, such supply contracts, orders and drawings, etc. will form part of the 2024–2026 Supply of Products Framework Agreement.

Pricing and payment terms

As a general principle, the price of products under the 2024–2026 Supply of Products Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market prices of the transaction.

Such prices of glass products and packaging box products will also be determined in accordance with the following pricing principles, including:

- (i) the price offered by Triumph Technology Group to the Group shall not be higher than those comparable transactions (if any) that offered by Triumph Technology Group to independent third parties for provision of the same or similar glass products and packaging box products;
- (ii) the price of glass products and packaging box products purchased by the Group from Triumph Technology Group shall not be higher than those comparable transactions (if any) that charged to the Group by independent third parties for provision of the same or similar glass products and packaging box products; and
- (iii) both parties agree that the Group has the right to freely choose its supplier. If the Group does not agree with the actual transaction price and/or related terms proposed by Triumph Technology Group, the Group shall not be responsible for the purchase of products or services from Triumph Technology Group.

In general, both parties will sign a specific sale and purchase contract and shall agree on the payment period with the principle of fairness and reasonableness. Unless otherwise agreed by both parties, the payment for the current month shall be settled in the following month.

LETTER FROM THE BOARD

Pricing standards

Glass products

Specifically, the business department of the Company will (i) collect the price information by various means, including telephone conversations, emails and meetings with peers and business partners within the glass production industry; and/or (ii) collect the supply and demand information and price information in the PRC market from the Ministry of Industry and Information Technology (www.miit.gov.cn), China Photovoltaic Industry Association (www.chinapv.org.cn) and photovoltaic industry information providers (e.g. InfoLink, etc.). Relevant market price data will be used as the basis for the transactions by the sales department of the Group; and/or (iii) refer to the comparable transactions (if any) conducted by the Group with independent third parties during the same period on the same products or the products with same specification and grade.

The final price will be implemented after the approval of the general manager or the deputy general manager of the Company's subsidiaries with reference to the information of (i) to (iii) above.

Packaging box products

The Company will determine the market price thereof by inquiring no less than three suppliers or through invitation for bid. The Company will also require Triumph Technology Group to provide the sale and purchase contracts for packaging boxes products between Triumph Technology Group and the independent third parties for provision of the same or similar products to ensure the price fairness and reasonableness.

Historical figures and proposed annual caps

Set out below are (i) the annual cap amounts for the three years ended 31 December 2023; and (ii) the historical transaction amounts for the two years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Sale and Purchase of Products Framework Agreement:

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000
Historical annual caps (inclusive of VAT)	561,000	740,000	920,000

LETTER FROM THE BOARD

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the eleven months ended 30 November 2023 <i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	32,350	13,451.8	41,437.4

The proposed annual caps under the 2024–2026 Supply of Products Framework Agreement for each of the three years ending 31 December 2026 are set out below:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps (inclusive of VAT)	510,000	540,000	570,000

The proposed annual caps under the 2024–2026 Supply of Products Framework Agreement are determined based on the expected consumption on the glass products, packaging box products and various packaging materials after taking into account:

- (i) the anticipated increase in demand for original glass due to the increase in the number of the Group's photovoltaic glass deep processing production lines and increased capacity utilization during the period from 2024 to 2026; and the increase in planned procurement of glass deep processed products to meet the demand of downstream customers;
- (ii) the corresponding increase in the consumption of packaging boxes and various packaging materials required for the sales and warehousing of the products based on the anticipated increase in the sales volume of the Group's products; and
- (iii) the anticipated transaction prices of original glass, deep processed products, packaging boxes and various packaging materials are referred to the historical transactions between the Group and Triumph Technology Group and the prevailing market price of the relevant products.

Among them, due to changes in downstream customer demand and market prices falling below expectations, the Company decided to adjust its product production schedule, resulting in a decrease in the procurement quantity of original glass. Due to the impact of the pandemic, the production line for photovoltaic backsheet glass originally scheduled for operation was delayed, leading to a lower-than-expected demand for original glass and packaging products. As such, the utilization rate of the historical annual caps under the 2021–2023 Sale and Purchase of Products Framework Agreement was relatively low.

LETTER FROM THE BOARD

The supply of products from Triumph Technology Group to the Group mainly includes packaging boxes, packaging materials, original glass and deep processed products, etc. The transactions under the 2024–2026 Supply of Products Framework Agreement are determined on the basis of the anticipated increase in demand for original glass due to the increase in the number of the Company’s deep processing production lines and increased capacity utilization, as well as the actual supply capacity of Triumph Technology Group.

The Company will expand the deep-processing production capacity of front cover glass and backsheet glass for the double-sided module. It is expected that the production scale of photovoltaic backsheet glass will reach approximately 200 million square meters, 269.3 million square meters and 339.12 million square meters for the years 2024, 2025 and 2026, respectively. According to the Company’s production demand plan, Triumph Technology Group’s annual supply capacity of original float glass was approximately 19.5 million square meters during the period from 2024 to 2026, which was mainly used for the deep processing of photovoltaic backsheet glass by the Company’s bases in Hefei and Yixing. In addition, in order to satisfy the effective fulfillment of the strategic cooperation agreements or long-term supply contracts of photovoltaic glass entered into by the Company with a number of large-scale photovoltaic module manufacturers in the industry, the Company also plans to purchase approximately 6 million square meters of photovoltaic glass deep processed products from Triumph Technology Group on an annual basis during the period from 2024 to 2026, pursuant to which the expected transaction amount of original glass and deep processed products is approximately RMB337.5 million per annum.

It is expected that the consumption of packaging materials for its products will increase year on year based on the year-on-year increase in the sales volume of the products resulting from the expansion of the Company’s production scale. On the basis of the market prices of various packaging materials (e.g. packaging boxes, corner protectors, sheet protectors, PE films and wrap-around films, etc.) remaining unchanged, the transaction amounts of packaging materials for the years 2024, 2025 and 2026 will amount to approximately RMB172 million, RMB207 million and RMB235.15 million, respectively.

LETTER FROM THE BOARD

Internal control on pricing

The Company will adopt the below internal control procedures in relation to the purchase of the glass products and packaging box products from Triumph Technology Group:

- (i) the business departments of the Company's subsidiaries will be responsible for collection of market information and price changes of relevant products, and report the same to the deputy general manager of subsidiaries;
- (ii) the deputy general manager in charge of business is responsible for verification of the pricing and payment terms for procurement of products and the final contract terms and pricing shall be subject to approval by the general managers of subsidiaries; and
- (iii) the internal audit department will regularly supervise and evaluate the product orders or contract approval procedures in respect of their compliance with internal control requirements.

4. 2024–2026 ENGINEERING CONSTRUCTION EQUIPMENT PROCUREMENT AND INSTALLATION FRAMEWORK AGREEMENT

The 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement was renewed from the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement and the Supplemental Agreement for the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement. The parties to the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement, the Supplemental Agreement for the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement and the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement are the Company and CNBMG.

On 27 December 2023, the Company and CNBMG entered into the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement, details of which are set out as below:

Date

27 December 2023

LETTER FROM THE BOARD

Parties

- (i) CNBMG (as supplier); and
- (ii) the Company (as purchaser).

Effective period

The 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company, and shall be valid until 31 December 2026.

Nature of transaction

Pursuant to the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement, CNBMG Group agreed to provide the required equipment, materials and construction and installation services, etc. to the Group, according to the project planning and requirement for the engineering and construction projects of the Group.

For the purpose of clarity, members of the Group and CNBMG Group may enter into supplemental agreement or other confirmation documents for a certain project in accordance with the terms of the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement, such supplemental agreement and confirmation documents will form part of the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement.

Pricing and payment terms

As a general principle, the price of equipment materials, construction fee and installation fee under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market price of the transaction.

Such prices of equipment materials, construction fees and installation fees will also be determined in accordance with the following pricing principles, including:

- (i) the prices or fees charged by CNBMG Group on the Group shall not be higher than those comparable transactions (if any) that charged by CNBMG Group on independent third parties for the same or similar type of equipment materials, construction and installation services;

LETTER FROM THE BOARD

- (ii) the prices of equipment or fees paid by the Group to CNBMG Group shall not be higher than those comparable transactions (if any) that charged to the Group by independent third parties for the same or similar type of equipment materials, construction and installation services; and
- (iii) both parties agree that the Group has the right to freely choose its supplier. If the Group does not agree with the actual transaction price and/or related terms proposed by CNBMG Group, the Group shall not be responsible for the purchase of products or services from CNBMG Group.

In general, both parties will sign a specific project contract and shall agree on the payment period with the principle of fairness and reasonableness and taking into account of the requirements of engineering projects of the Group.

Pricing standards

The pricing or consideration under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement will be determined with reference to:

- (i) prices offered to other independent third party(ies) on the same or similar size of the engineering projects by CNBMG Group;
- (ii) the comparable transactions (if any) with independent third parties by the Group during the same period on the same or similar size of the engineering projects; and
- (iii) communication and exchange of price information by various means, including telephone conversations, emails and meetings with peers and business partners within the glass production industry.

If there is no available prevailing market prices or where it is impracticable to obtain such market prices, the Group and CNBMG Group will determine the price through arm's length negotiation with reference to:

- (i) the previous similar transactions concluded by the Group and independent third parties; and/or
- (ii) similar transactions concluded by CNBMG Group and independent third parties; and/or

LETTER FROM THE BOARD

- (iii) the costs of equipment and materials provided by CNBMG Group for engineering projects, technical requirements on installation, manpower involved, complexity of technical plan, technology advancement and duration of the installation. The price offered by CNBMG Group to the Group shall not be less favourable than those offered by CNBMG Group to other independent third parties.

Upon collection of market information as stated above, relevant terms (including pricing and payment terms) will be used as the basis for the transaction with CNBMG Group.

Historical figures and proposed annual caps

Set out below are (i) the annual cap amounts for the three years ended 31 December 2023; and (ii) the historical transaction amounts for the two years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>
Historical annual caps (inclusive of VAT)	2,300,000	3,300,000	3,700,000
	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the eleven months ended 30 November 2023 <i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	2,001,170	3,165,412.9	139,505.2

LETTER FROM THE BOARD

The proposed annual caps under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement for each of the three years ending 31 December 2026 are set out below:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps (inclusive of VAT)	6,010,000	5,800,000	4,500,000

The proposed annual caps under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement are determined based on the estimated amounts of the equipment material, construction services and installation services to be required for future engineering projects after taking into account:

- (i) the projected schedule of construction projects for the new projects and technological upgrading projects proposed to be implemented by the Group for the period of 2024–2026;
- (ii) the estimated demand of equipment material, construction services and installation services based on the complexity of the construction work and installation work for future projects; and
- (iii) the estimated price and fees for the equipment material, construction services and installation services based on the historical transactions between the Group and CNBMG Group.

Among them, due to the market conditions falling below expectations, the project relating to engineering and construction originally scheduled for 2023 by the Company was delayed. As such, the annual cap for 2023 under the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement were not utilized as scheduled.

LETTER FROM THE BOARD

The Board of the Company has reviewed and approved the Group's mid-term evaluation and strategic rolling development plan for the "14th Five-Year Plan", striving to achieve the development goal of a total production capacity of photovoltaic glass exceeding 20,000 T/D and an average single-line production capacity of more than 800 T/D over a period of two to three years. By seizing the development opportunities of the industry, the Company will accelerate production capacity enhancement through new construction, renovation and expansion, acquisition and other means to further narrow the gap with the industry's leading manufacturers, better utilize the economies of scale and synergies, reduce the production cost per unit of product, and enhance the competitiveness of products. Accordingly, the Company expects to enter into general contracting contracts for projects during the period from 2024 to 2026, of which:

- (i) the amount of general contracting contracts for projects to be signed in 2024 is expected to be approximately RMB6 billion, which includes 3 new production line projects with a contract amount of approximately RMB5 billion, mainly implemented at the Zigong, Zhangzhou and Qihuangdao base; 3 renovation and expansion projects with a contract amount of approximately RMB540 million, mainly implemented at the Luoyang and Yixing base; 2 other projects with a contract amount of approximately RMB55 million, including factory facade, roof photovoltaic power station project and power supply system installation project at Zhangzhou base; and a proposed overseas construction project with a contract amount of approximately RMB410 million. As such, the proposed annual cap for 2024 under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement is RMB6,010 million;
- (ii) the amount of general contracting contracts for projects to be signed in 2025 is expected to be approximately RMB5.736 billion, which includes a new production line project with a contract amount of approximately RMB1.967 billion, mainly implemented at the Luoyang base; 3 renovation and expansion projects with a contract amount of approximately RMB609 million, mainly implemented at the Zhangzhou and Heifei base; and 3 production line expansion projects involving the proposed acquisition of certain target companies with a contract amount of approximately RMB3,160 million. As such, the proposed annual cap for 2025 under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement is RMB5.8 billion; and
- (iii) the amount of general contracting contracts for projects to be signed in 2026 is expected to be approximately RMB1.1 billion. Meanwhile, taking into account the fact that hearings will be convened for new photovoltaic glass construction, renovation and expansion projects and restrictions are imposed by the production capacity alert system in various provinces in the PRC, and the project approval cycle and the filing and approval process prior to the commencement of construction of the projects are subject to greater unpredictability, which may result in the actual commencement date of the projects being delayed from expected. Therefore, in estimating the transaction amount for 2026, the five projects to be implemented in 2025 (involving a contract amount of approximately RMB3.359 billion) have been taken into consideration. As such, the proposed annual cap for 2026 under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement is RMB4.5 billion.

LETTER FROM THE BOARD

Internal control on pricing

The Group will adopt the below internal control procedures in relation to the procurement of the equipment materials, construction services and installation services provided by CNBMG Group:

- (i) the corporate management department of the Company is the centralized management department of projects and is responsible for organizing the review, demonstration, report submission for approval, supervision, inspection and cooperation in completion acceptance and post-evaluation of the projects, and reporting or making recommendations to the general manager office of the Company. The main unit of a project is responsible for the preliminary work of the project and the organization and implementation of the project after approval;
- (ii) the approval of engineering projects is divided into two stages: project approval and feasibility study approval. The feasibility study report can only be compiled after the approval of the project, and feasibility study report of the project shall be prepared by an organization with appropriate qualifications. The main unit of the project can only organize and implement the project after the feasibility study report has been approved;
- (iii) within the scope of the estimated amount of project investment approved in the feasibility study report, written contracts relating to engineering projects shall be reviewed jointly by the legal department and either financial department or deputy general manager of the main unit of the project, and then executed after approval by the general manager of the main unit of the project; and
- (iv) the corporate management department and financial department of the Company carry out dynamic monitoring and management of the implementation of engineering projects and contract execution, etc. through the information networking management system platform.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS SUBJECT TO THE REPORTING AND ANNOUNCEMENT REQUIREMENTS ONLY

Set out below is a summary of the principal terms of the (1) 2024–2026 Technical Services Framework Agreement; and (2) 2024–2026 Supply of Spare Parts Framework Agreement which are subject to the reporting and announcement requirements only under the Listing Rules:

1. 2024–2026 TECHNICAL SERVICES FRAMEWORK AGREEMENT

The 2024–2026 Technical Services Framework Agreement was renewed from the 2021–2023 Technical Services Framework Agreement and the Supplemental Agreement for the 2021–2023 Technical Services Framework Agreement. The parties to the 2021–2023 Technical Services Framework Agreement, the Supplemental Agreement for the 2021–2023 Technical Services Framework Agreement and the 2024–2026 Technical Services Framework Agreement are the Company and CNBMG.

On 27 December 2023, the Company and CNBMG entered into the 2024–2026 Technical Services Framework Agreement, details of which are set out as below:

Date

27 December 2023

Parties

- (i) CNBMG (as provider); and
- (ii) the Company (as receiver).

Effective period

The 2024–2026 Technical Services Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company (if necessary), and shall be valid until 31 December 2026.

LETTER FROM THE BOARD

Nature of transaction

Pursuant to the 2024–2026 Technical Services Framework Agreement, CNBMG Group agreed to provide technical services to the Group including but not limited to: (1) preparation of engineering project feasibility plans and feasibility study reports; (2) project design, project consultation and proprietary technology; (3) implementation and supervision of the projects; (4) design, organisation and implementation of plans for environmental protection facilities; (5) plan design, report preparation and preparation of budget estimation reports for environmental impact assessment; (6) maintenance, organisation and implementation of the kiln and main equipment; (7) cloud services and development, application and services of the project software; (8) technical consultation and technical training; and (9) testing and certification services.

CNBMG Group and the Group may enter into specific design contract(s), technical service agreement(s), supplemental agreement(s) or other confirmation document(s) for a specific technical service in accordance with the terms of the 2024–2026 Technical Services Framework Agreement, such contract(s), agreement(s) and confirmation document(s) shall form part of the 2024–2026 Technical Services Framework Agreement.

Pricing and payment terms

As a general principle, the technical service fees in relation to the 2024–2026 Technical Services Framework Agreement shall be determined in the ordinary course of business on normal commercial terms and negotiated on arm's length basis by both parties under the principle of justice, fairness and openness.

Such prices of technical services will also be determined in accordance with the following pricing principles, including:

- (i) the technical services fees charged by CNBMG Group to the Group should not be higher than those comparable transactions (if any) that CNBMG Group charge to independent third parties for similar or same technical services;
- (ii) the technical services fees charged to the Group by CNBMG Group should not be higher than those comparable transactions (if any) that the Group accept from an independent third party for similar or same technical services; and
- (iii) both parties agree that the Group has the right to freely choose its service provider. If the Group does not agree with the actual transaction price and/or related terms proposed by CNBMG Group, the Group shall not be responsible for the purchase of products or services from CNBMG Group.

LETTER FROM THE BOARD

In general, both parties will sign a specific technical service contract and shall agree on the payment period with the principle of fairness and reasonableness and with reference to the service scope.

Pricing standards

The technical services fees under the 2024–2026 Technical Services Framework Agreement will also be determined with reference to:

- (i) the technical services fees should be determined with reference to the fair prices of the similar technical services provided by independent third parties in the location of the Company or the nearby area, and the prevailing market price of the transaction. The Group will obtain relevant market price information through various channels, which include (1) considering the comparable transactions (if any) conducted by independent third parties during the same period on such services; and (2) communication and exchange of price information with independent suppliers by various means, including telephone conversations, emails and meetings, with peers and business partners within the glass production industry. The Company will then conclude the relevant market price by taking reference with the comparable transactions with independent third parties; and the price offered by the independent suppliers to set a fair price; or
- (ii) where there are no available prevailing market prices or where it is impracticable to obtain the relevant market price information, the Group and CNBMG Group will determine the price after arm's length negotiations with reference to (1) the previous same or same type of the transactions concluded by the Group with independent third parties; and/or (2) previous same or same type of the transactions concluded by CNBMG Group with independent third parties; and/or (3) the costs of equipment and materials required by CNBMG Group for provision of the relevant technical services, manpower involved, complexity of the technical plans, level of technology advancement and duration of the construction.

LETTER FROM THE BOARD

Historical figures and proposed annual caps

Set out below are (i) the annual cap amounts for the three years ended 31 December 2023; and (ii) the historical transaction amounts for the two years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Technical Services Framework Agreement:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>
--	---	---	---

Historical annual cap (inclusive of VAT)	46,000	21,000	20,000
---	--------	--------	--------

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the eleven months ended 30 November 2023 <i>RMB'000</i>
--	---	---	--

Historical transaction amounts (inclusive of VAT)	35,430	14,175.6	15,251.7
--	--------	----------	----------

The proposed annual caps under the 2024–2026 Technical Services Framework Agreement for each of the three years ending 31 December 2026 are set out below:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
--	--	--	--

Proposed annual caps (inclusive of VAT)	33,000	23,000	22,000
--	--------	--------	--------

LETTER FROM THE BOARD

The proposed annual caps under the 2024–2026 Technical Services Framework Agreement are determined based on the estimated amounts for the technical services of the Company after taking into account:

- (i) the historical transaction amounts between the Group and CNBMG Group;
- (ii) the expected fees to be incurred in the preparation of feasibility studies reports, design and survey, and project supervision for the implementation of new projects of the Group for the period of 2025–2026;
- (iii) the estimated technical maintenance fees to be incurred in the production lines and production equipment of the Group for the period of 2024–2026; and
- (iv) the expected fees of the technical projects with reference to the historical transaction between the Group and CNBMG Group and the prevailing market price for the provision of same or similar services.

The Company proposes that the annual caps under the 2024–2026 Technical Services Framework Agreement for the years 2024, 2025 and 2026 to be RMB33 million, RMB23 million and RMB22 million, respectively, showing a downward trend year by year, which is attributable to the following reason: apart from the fixed services of smart factory software operation and maintenance and module upgrade, and industrial robots maintenance services, the technical services provided to the Group by CNBMG Group and its subsidiaries mainly include the provision of services relating to design survey, preparation of feasibility study report and project supervision for the Company’s construction projects, which are required to be carried out prior to or during the construction period due to the requirements of corresponding approval and filing procedures prior to the commencement of the projects, and majority of the Group’s planned construction projects will commence in 2024.

Internal control on pricing

The Company will adopt the below internal control procedures in relation to the technical services provided by CNBMG Group:

- (i) the relevant unit of the Group should report to their respective management of the Group for the application of the technical services and such technical services and the respective fees will be accepted only upon approval of the management of such unit. For significant and important technical services, they shall be implemented upon approval by the general manager of the Group; and
- (ii) the written contract in relation to technical services involving the Company shall be executed upon approval by the secretariat of the Board, chief financial controller and president of the Company after joint review by the legal consultant, internal control management department, financial department and secretariat of the Board of the Company; those involving the Company’s subsidiaries shall be reviewed jointly by the subsidiaries’ legal department and either financial department or deputy general manager, and then executed after approval by the subsidiaries’ general manager.

LETTER FROM THE BOARD

2. 2024–2026 SUPPLY OF SPARE PARTS FRAMEWORK AGREEMENT

The 2024–2026 Supply of Spare Parts Framework Agreement was renewed from the 2021–2023 Sale and Purchase of Spare Parts Framework Agreement. The parties to the 2021–2023 Sale and Purchase of Spare Parts Framework Agreement and the 2024–2026 Supply of Spare Parts Framework Agreement are both the Company and CNBMG.

On 27 December 2023, the Company and CNBMG entered into the 2024–2026 Supply of Spare Parts Framework Agreement, details of which are set out as below:

Date

27 December 2023

Parties

- (i) CNBMG (as supplier); and
- (ii) the Company (as purchaser).

Effective period

The 2024–2026 Supply of Spare Parts Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company (if necessary), and shall be valid until 31 December 2026.

Nature of transaction

Pursuant to the 2024–2026 Supply of Spare Parts Framework Agreement, CNBMG Group agreed to provide equipment and spare parts required for production to the Group, including but not limited to calenders, cold-end equipment, punching machines, coating machines, robot arms, knife wheels, suction cups, iron trays, electrical components and various spare parts, etc.

Pricing and payment terms

As a general principle, the price of the equipment and spare parts under the 2024–2026 Supply of Spare Parts Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm’s length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market price of the transaction.

LETTER FROM THE BOARD

Such prices of equipment and spare parts will also be determined in accordance with the following pricing principles, including:

- (i) the price of equipment and spare parts offered by CNBMG Group to the Group shall not be higher than those comparable transactions (if any) that offered by CNBMG Group to independent third parties for provision of the same or similar equipment and spare parts;
- (ii) the price of equipment and spare parts purchased by the Group from CNBMG Group shall not be higher than those comparable transactions (if any) that charged to the Group by independent third parties for provision of the same or similar equipment and spare parts; and
- (iii) both parties agree that the Group has the right to freely choose its supplier. If the Group does not agree with the actual transaction price and/or related terms proposed by CNBMG Group, the Group shall not be responsible for the purchase of products or services from CNBMG Group.

In general, both parties will sign a specific supply contract and shall agree on the payment period with the principle of fairness and reasonableness. Unless otherwise agreed by both parties, the payment for the current month shall be settled in the following month.

Pricing standards

The price of the equipment and spare parts under the 2024–2026 Supply of Spare Parts Framework Agreement will be determined with reference to the prevailing market price at the time of a particular transaction and not be less favourable than those offered by other independent third party(ies) on the same or similar products. Procurement Department of the Company's subsidiary will make reference price by inquiring at least three suppliers to determine the price of supply of spare parts by CNBMG Group.

The procurement department of the Company's subsidiary will make reference price by inquiring from the independent suppliers with the same or better quality of products and services, price, capabilities and experience as CNBMG Group or inviting independent suppliers for tender to determine the price of supply of spare parts by CNBMG Group.

LETTER FROM THE BOARD

Historical figures and proposed annual caps

Set out below are (i) the annual cap amounts for the three years ended 31 December 2023; and (ii) the historical transaction amounts for the two years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Sale and Purchase of Spare Parts Framework Agreement:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>
Historical annual caps (inclusive of VAT)	38,000	42,000	48,000

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the eleven months ended 30 November 2023 <i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	22,500	13,497.1	19,606.9

The proposed annual caps under the 2024–2026 Supply of Spare Parts Framework Agreement for each of the three years ending 31 December 2026 are set out below:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps (inclusive of VAT)	120,000	140,000	150,000

LETTER FROM THE BOARD

The proposed annual caps under the 2024–2026 Supply of Spare Parts Framework Agreement are determined based on the expected maximum consumption of the production equipment and spare parts after taking into account:

- (i) the anticipated demand for repair and replacement of the production equipment and spare parts at each of the Group’s bases under the existing production scale;
- (ii) during the period from 2024 to 2026, several large-tonnage photovoltaic production lines currently under construction by the Group in Luoyang, Zhangzhou, Qinhuangdao and other bases will be put into operation successively, at the same time the Company also plans to acquire several more photovoltaic glass production lines. Based on the continuous expansion of the Group’s production scale, the consumption of spare parts required for the additional large-tonnage photovoltaic production lines is expected to increase significantly; and
- (iii) the anticipated transaction prices of the spare parts are referred to the historical transactions between the Group and Triumph Technology Group and the prevailing market price of the relevant products.

Among them, the estimated demand for spare parts is determined based on the expected commissioning time of the Group’s expansion project and the actual consumption of production equipment and spare parts under the current production scale. In addition, in order to enhance the stability and reliability of production line operations, the Company estimates the amount of the procurement of the required spare parts on the basis of the highest value that may be incurred.

In accordance with the production expansion plan of the Group, the expected expansion projects in 2024 include two 1,200T/D substrate production lines for packaging materials of solar photovoltaic cells and ancillary deep-processing production lines for the Phase I project in the Luoyang base, two 1,200T/D production lines for ultra-thin packaging materials of photovoltaic modules in the Zigong base, an annual production capacity of 56 million square meters of production line for packaging materials of photovoltaic cells in the Zhangzhou base, and an annual production capacity of 48 million square meters of cold-repairing technological upgrading of the production line of solar film-coated glass in the Yixing base. As the expansion projects all use the most advanced large-tonnage furnaces in the industry (daily melting capacity of 1,200 tons), more production lines need to be installed in terms of process layout, and in order to improve the level of automation and intelligence of the entire production system, the original glass sheets produced are not discharged from the line, and are directly connected to the deep processing process one by one. Based on the significant increase in the number of production lines and the increase in the number of large-scale ancillary processing equipment and automated facilities, the Company expects that the demand for spare parts in 2024 will increase significantly as compared to 2023. In addition,

LETTER FROM THE BOARD

taking into account the construction cycle of each production line and the gradual increase in production capacity utilization, the actual consumption of spare parts will increase year by year from 2024 to 2026.

Internal control on pricing

The Company will adopt the below internal control procedures in relation to the purchase of the equipment and spare parts from CNBMG Group:

- (i) the procurement department of the Company's subsidiaries will make reference price by inquiring at least three suppliers to determine the price offered by CNBMG Group and the business departments of the Company's subsidiaries will be responsible for collection of information on market information and price changes of relevant products, and report the same to the deputy general manager of subsidiaries;
- (ii) the deputy general manager in charge of business is responsible for verification of the pricing and payment terms for procurement of products. The final contract terms and pricing shall be subject to approval by the general managers of subsidiaries; and
- (iii) the internal audit department will perform regular check of the product orders or contract approval procedures to ensure the compliance with internal control requirements.

B. TRANSACTIONS NOT CLASSIFIED AS REVENUE NATURE IN THE ORDINARY AND USUAL COURSE OF BUSINESS

1. 2024–2026 FINANCIAL SERVICES FRAMEWORK AGREEMENT

The 2024–2026 Financial Services Framework Agreement was renewed from the 2021–2023 Financial Services Framework Agreement. The parties to the 2021–2023 Financial Services Framework Agreement and the 2024–2026 Financial Services Framework Agreement are both the Company and CNBMG Finance.

LETTER FROM THE BOARD

On 27 December 2023, the Company and CNBMG Finance entered into the 2024–2026 Financial Services Framework Agreement, details of which are set out as below:

Date

27 December 2023

Parties

- (i) the Company; and
- (ii) CNBMG Finance.

Effective period

The 2024–2026 Financial Services Framework Agreement shall take effect upon (i) the signing with company seals by the legal or authorised representatives of both parties; and (ii) the completion of internal approval procedures by both parties (including but not limited to the approval by the Independent Shareholders at the EGM of the Company) and shall be valid until 31 December 2026.

Nature of transactions

Pursuant to the 2024–2026 Financial Services Framework Agreement, CNBMG Finance has agreed to provide (i) deposit services; (ii) loan services; and (iii) other financial services approved by the CBIRC (including but not limited to bills acceptance, discounting services, assistance in achieving the collection and payment of the transactional proceeds, clearing and settlement services, financial and financing advisory services, credit authentication and related consulting and agency services).

LETTER FROM THE BOARD

Pricing and payment terms

The deposit services, loan services and other financial services under the 2024–2026 Financial Services Framework Agreement provided by CNBMG Finance to the Group are in accordance with the following pricing principles:

Deposit services: The interest rate for deposits offered to the Group by CNBMG Finance should comply with the PBOC’s regulations on the interest rates for the same type of deposit from time to time, and will not be lower than (i) the interest rate specified by the PBOC for the deposit of the same category during the same period; (ii) the interest rate paid by CNBMG Finance for deposits of the same type placed by the members of CNBMG (other than the Group) with CNBMG Finance during the same period under the same conditions; and (iii) the interest rate for deposits of the same type offered by the PRC general commercial banks to the Group during the same period under the same conditions.

Loan services: The interest rate for loans granted to the Group by CNBMG Finance should comply with the PBOC’s regulations on interest rates for loans of the same type of loans from time to time, and will not be higher than: (i) the loan prime rate announced by the National Interbank Funding Center during the same period; (ii) the interest rate for similar loans charged by CNBMG Finance to the members of CNBMG (other than the Group) during the same period under the same conditions; and (iii) the interest rate charged by the PRC general commercial banks to the Group for similar loans during the same period under the same conditions.

CNBMG Finance will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

LETTER FROM THE BOARD

Other financial services: The terms and conditions for provision of other financial services by CNBMG Finance to the Group will not be less favourable than: (i) the terms and conditions provided by CNBMG Finance to the members of CNBMG (other than the Group); and (ii) the terms and conditions for provision of services of the same type by PRC general commercial banks to the Group.

The services fees charged by CNBMG Finance for provision of other financial services to the Group will be in accordance with the standard of fees issued by the PBOC or set by the CBIRC (if applicable). According to the above principle, such service fees will not be higher than: (i) the fees charged by CNBMG Finance to members of CNBMG (other than the Group) for providing services of the same type during the same period under the same conditions; and (ii) the fees charged to the Group by the PRC general commercial banks in the PRC for services of the same type during the same period under the same conditions.

Both parties shall further sign a separate contract which is in compliance with the 2024–2026 Financial Services Framework Agreement and agree on the specific transaction terms for the transaction to be entered by CNBMG Finance and the Group.

Pricing standards

Pursuant to the 2024–2026 Financial Services Framework Agreement, the Group will obtain quotes of interest rate, fee rate and terms from at least two general commercial banks in the PRC located in the same or adjacent regions during the same period and will compare the quotes as obtained with the corresponding terms proposed by CNBMG Finance for the transactions to be entered into between the Group and CNBMG Finance. If the interest rates, fee rate and terms proposed by CNBMG Finance are more favourable than those proposed by the PRC general commercial banks, the Group will engage CNBMG Finance.

The Group will only give priority to using the services of CNBMG Finance if such terms and conditions offered by CNBMG Finance are equivalent to the PRC general commercial banks' offers. The Group has discretion to engage other PRC general commercial banks as its financial service providers as it thinks fit and beneficial to the Group.

LETTER FROM THE BOARD

Historical figures and proposed annual caps

Set out below are (i) the annual cap amounts for the three years ended 31 December 2023; and (ii) the historical transaction amounts for the two years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Financial Services Framework Agreement:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ended 31 December 2023 <i>RMB'000</i>
Historical annual caps			
– Maximum daily deposit balance (including corresponding interest)	500,000	600,000	700,000
– Comprehensive credit loan facilities (excluding corresponding interest)	550,000	650,000	750,000
– Other financial services	10,000	15,000	20,000
	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the eleven months ended 30 November 2023 <i>RMB'000</i>
Historical transaction amounts			
– Maximum daily deposit balance (including corresponding interest)	100,000	357,141	290,193.3
– Comprehensive credit loan facilities (excluding corresponding interest)	100,000	0	23,460
– Other financial services	0	0	0

LETTER FROM THE BOARD

The proposed annual caps under the 2024–2026 Financial Services Framework Agreement for each of the three years ending 31 December 2026 are set out below:

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps			
– Maximum daily deposit balance (including corresponding interest)	800,000	900,000	1,000,000
– Comprehensive credit loan facilities (excluding corresponding interest)	850,000	950,000	1,050,000
– Other financial services	25,000	30,000	35,000

Regarding of the maximum daily deposit balance and comprehensive credit loan facilities, the reasons for the lower utilization rate of the historical annual caps for the three years ended 31 December 2023 are as follows: During the period from 2021 to 2023, the Group conducted bank acceptance, letter of credit and other businesses with banks according to its business needs, and the cooperating banks in such business, in accordance with the regulations, have required the Group to deposit a certain percentage of the margin in relation to the amount of the notes, and the banks imposed a freeze on the margin to ensure payment of the notes when due. Those funds could not be freely transferred or utilized before the maturity of the notes, and as a result of such business arrangement, part of the Company's monetary funds were in a restricted status, and the restricted funds in the Company's monetary funds amounted to RMB155,092,300, RMB203,474,500 and RMB48,370,000 in 2021, 2022 and 2023, respectively, which resulted in the relatively low utilization rate of the Group's deposit services and loan services with CNBMG Finance.

The proposed annual caps for the 2024–2026 Financial Services Framework Agreement are determined based on (i) the estimated collected funds from operations and expected cash and cash equivalent of the Group as at 31 December 2023; (ii) the expectation on the capital needs and financing requirement in relation to the business development of the Group between 2024 and 2026; (iii) the consideration of financial ability of CNBMG Finance in relation to its recent financial position and financial performance in 2023, including the scale of deposits accepted and loans granted; and (iv) the financial ability of and the expected interest rate of deposit and loan to be offered by CNBMG Finance.

LETTER FROM THE BOARD

In addition, in accordance with CNBMG's Notice on Further Enhancing the Group's Internal Financing and Improving the Capital Usage Efficiency (CNBMG Fa Cai Wu [2020] No. 147 (中國建材《關於進一步提升集團內部資金融通提高資金使用效率的通知》(中國建材發財務〔2020〕147號)), as well as the specific requirements of the State-owned Assets Supervision and Administration Commission of the State Council and CNBMG Group in respect of the construction of treasury of its subsidiaries, the subsidiaries shall further strengthen the business cooperation with finance companies within the Group in respect of bank account opening, deposits and settlement. CNBMG Group and Triumph Technology Group have also requested their respective subsidiaries to further increase their capital concentration. Catering to and in response to the aforesaid policies of the State-owned Assets Supervision and Administration Commission of the State Council and CNBMG, the Group intends to further strengthen its cooperation with CNBMG Finance from 2024 to 2026 by mainly adopting the financial services provided by CNBMG Finance, hence proposes to increase the annual caps under the 2024–2026 Financial Services Framework Agreement.

When determining the proposed annual caps for the deposit services under the 2024–2026 Financial Services Framework Agreement, the Group's monetary funds has been increasing year by year and the deposit base has increased accordingly as a result of the expansion and development of the Group's business. The Group's monetary funds was RMB689,022,300 as at 31 December 2022 and RMB878,295,800 as at 30 September 2023, respectively. The Group's deposits with CNBMG Finance are as follows: the average daily deposits for the year 2022 were RMB135,364,400 and the deposits as at 31 December 2022 were RMB365,194,000; and the average daily deposits for the ten months ended 31 October 2023 were RMB183,702,200 and the deposits as at 31 October 2023 were RMB309,464,200. The decrease in the Group's deposits as at 31 October 2023 as compared to those as at 31 December 2022 was mainly due to the fact that the Company officially completed the disposal of its former wholly-owned subsidiary, Puyang China National Building Materials Photovoltaic Materials Company Limited, and the corresponding completion of transfer of the equity interests on 3 January 2023, and as a result, the Company no longer holds any interest in it and its assets are no longer consolidated in the Group's consolidated financial statements and are no longer classified in the Group's deposits. As mentioned in the sections headed "4. 2024–2026 ENGINEERING CONSTRUCTION EQUIPMENT PROCUREMENT AND INSTALLATION FRAMEWORK AGREEMENT — Historical figures and proposed annual caps" and "2. 2024–2026 SUPPLY OF SPARE PARTS FRAMEWORK AGREEMENT – Historical figures and proposed annual caps", the Group expects to require substantial amount of monetary funds from 2024 to 2026 to finance the commencement of operation and acquisition of new production lines, as well as the implementation of new projects and technological upgrading projects. As the deposit account held by the Group under the deposit services under the 2024–2026 Financial Services Framework Agreement is the main working capital account of the Company for the payment of, among other things, the fees and consideration for the aforesaid projects under the expansion of the Group's business, it is proposed to increase the maximum daily deposit balance to cater for the transfers of large amount pursuant to the corresponding (single or consecutive) transactions.

LETTER FROM THE BOARD

Internal control on pricing

The Company will adopt the below internal control procedures in relation to the deposit services, loan services and other financial services under the 2024–2026 Financial Services Framework Agreement provided by CNBMG Finance to the Group as abovementioned:

- (i) the Group employs and maintains separate business, operation and accounting personnel of its own from CNBMG Finance for a clear segregation of approval authority and duty between the parties;
- (ii) the Company’s finance department will monitor the actual transaction amount at the Group level to ensure the pricing and the annual caps are in compliance with the 2024–2026 Financial Services Framework Agreement;
- (iii) the finance department will review the interest rates for deposits and interest rates for loans regularly published by other PRC general commercial banks and compare with the interest rates for deposits and interest rates for loans offered by CNBMG Finance to ensure the fairness and reasonableness;
- (iv) the finance department will review the interest rates for deposits, the interest rates for loans and the fees charged by CNBMG Finance arising from its acceptance of offers and compare the offers with those in similar nature and period that CNBMG Finance offered to independent third parties in order to ensure the fairness and reasonableness;
- (v) the finance department will review and monitor the balance of deposits from the relevant members of the Group through the online platform of CNBMG Finance;
- (vi) the finance department will perform risk diversification measure by separating the money deposits among the financial service providers, including CNBMG Finance, to avoid excessive concentration of deposits in a particular financial service provider;
- (vii) the finance department will review the financial statements of CNBMG Finance on a monthly basis and will also review the regulatory reports submitted by CNBMG Finance to the CBIRC in order to keep abreast of the operations and financial situation of CNBMG Finance and to take timely action when any unfavourable situation is found;

LETTER FROM THE BOARD

- (viii) according to the articles of association of CNBMG Finance, the board of directors of CNBMG committed that CNBMG will base on the actual emergency of payment difficulties facing by CNBMG Finance to provide the corresponding funding to CNBMG Finance to solve its payment difficulties. Therefore, the safety of deposits of the Group will be ensured by means of the financial support from CNBMG to CNBMG Finance; and
- (ix) the Company's external auditor will conduct an annual review of the transactions entered into under the 2024–2026 Financial Services Framework Agreement to confirm the transaction amount are within the annual caps and the transactions are entered into in accordance with the terms set out in the 2024–2026 Financial Services Framework Agreement in all material respects.

INTERNAL CONTROL ON CONTINUING CONNECTED TRANSACTIONS

The Group has implemented the following measures to ensure that the annual transaction amounts under each of the 2024–2026 CCT Agreement will not exceed the respective Proposed Annual Caps of the respective year:

- (i) the subsidiaries of the Group will record and report the amount of each of the connected transaction to the finance department monthly. The finance department will then prepare the statistics on the amount of continuing connected transactions on a monthly basis and together with the secretariat of the Board, jointly supervise and control the amounts of connected transactions of subsidiaries;
- (ii) the internal control management department of the Group (with the Company's audit department as the implementation department) will (1) inspect, supervise and evaluate the purchase/sales orders and/or the contract approval procedures of the Company and its subsidiaries in respect of their compliance with the internal control requirements of connected transactions on a quarterly basis and will report the issue discovered (if any) to the audit (examination) committee under the Board in a timely manner; and
- (iii) in accordance with the Listing Rules, the independent non-executive Directors and the auditors of the Company will also perform an annual review of the terms of continuing connected transactions under the 2024–2026 Financial Services Framework Agreement to confirm that the transactions entered into are in accordance with the terms set out in the respective framework agreements and the pricing policy and the annual caps remain fair and reasonable and that appropriate internal control procedures are in place, and will confirm so each year in the annual report published by the Company.

LETTER FROM THE BOARD

INFORMATION ON AND RELATIONSHIP OF THE PARTIES TO THE 2024–2026 CCT AGREEMENTS

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

CNBMG, a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company, is a comprehensive building materials industry group, the largest comprehensive building material group corporation in the PRC and an enterprise of Fortune Global 500. It is deemed to be interested in 204,932,781 A Shares, representing approximately 31.74% of the total issued share capital of the Company as at the Latest Practicable Date.

CNBMG Finance is a limited liability company incorporated under the laws of the PRC. It is licensed and regulated by the CBIRC and is engaged in the provision of financial services which principally include acceptance of deposits, loans, bills acceptance and discounting services and clearing and settlement services. CNBMG Finance has a registered capital of RMB2.5 billion and its 58.33% equity interest is directly held by CNBMG, and 41.67% equity interest is directly held by CNBM.

Triumph Technology, a company incorporated in the PRC with limited liability, is directly and indirectly interested in approximately 31.74% equity interests in the Company and is a direct wholly-owned subsidiary of CNBMG. Triumph Technology is principally engaged in glass sector, new materials sector, new energy sector, new equipment sector and project management sector.

BACKGROUND OF AND REASONS FOR ENTERING INTO THE 2024–2026 CCT AGREEMENTS

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

LETTER FROM THE BOARD

As the 2021–2023 CCT Agreements will expire on 31 December 2023, the renewal of the 2021–2023 CCT Agreements on 27 December 2023 is for the purposes of (i) assurance of continuous provision of goods and services to and by the Group; (ii) coping with the operation needs and business development of the Group; and (iii) fulfilling the needs in relation to the expansion of the Company’s production scale and business development in the next three years, improving the intelligent manufacturing level of the production line to ensure continuous access to raw materials, products and technical services, and to meet the construction requirements of new and rebuilt projects.

In order to ensure a better planning of capital and cash flow management in different stages of various projects and business development of the Group, on 27 December 2023, the Company and CNBMG Finance entered into the 2024–2026 Financial Services Framework Agreement, pursuant to which CNBMG Finance has agreed to provide the Group, on a non-exclusive basis, with deposit services, loan services and other financial services approved by the CBIRC subject to the terms and conditions therein. The Group expects that the engagement with CNBMG Finance will (i) provide an alternative of a stable source of financial services provider which CNBMG Finance can offer more favourable, diversified and flexible financial service than other third party commercial banks; and (ii) encourage the cooperating financial services providers of the Group to offer more competitive terms to the Group.

Except for the views of the independent non-executive Directors on the Non-exempt 2024–2026 CCT Agreements and their respective Proposed Annual Caps, which will be expressed after considering the advice from the Independent Financial Adviser, the Directors are of the view that the 2024–2026 CCT Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the 2024–2026 CCT Agreements and their respective Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders and the Company as a whole.

IMPLICATIONS UNDER LISTING RULES

CNBMG is deemed to be interested in 204,932,781 A Shares, representing approximately 31.74% of the total issued share capital of the Company as at the Latest Practicable Date, and CNBMG Finance and Triumph Technology are the non-wholly-owned subsidiary and wholly-owned subsidiary of CNBMG, respectively. Therefore, each of CNBMG, CNBMG Finance and Triumph Technology is regarded as a connected person of the Company and the transactions contemplated under each of the 2024–2026 CCT Agreements constitute continuing connected transactions of the Company.

As the respective highest applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for each of the Non-exempt 2024–2026 CCT Agreements (other than the deposit services under the 2024–2026 Financial Services Framework Agreement) exceed 5%, and the transactions are of revenue nature in the ordinary and usual course of business of the Company, the transactions contemplated thereunder will be subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the respective highest applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for each of the 2024–2026 Technical Services Framework Agreement and the 2024–2026 Supply of Spare Parts Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated thereunder will be subject to the reporting and announcement requirements only but exempt from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the maximum daily amount of the deposit services under the 2024–2026 Financial Services Framework Agreement exceed 5% but less than 25%, the deposit services under the 2024–2026 Financial Services Framework Agreement constitute a discloseable transaction of the Company in addition to being a continuing connected transaction of the Company, and will be subject to the reporting and announcement requirements for discloseable transactions under Chapter 14 of the Listing Rules, as well as the reporting, announcement and Independent Shareholders’ approval requirements for continuing connected transactions under Chapter 14A of the Listing Rules.

The loan services under the 2024–2026 Financial Services Framework Agreement are on normal commercial terms or better terms and are in the interest of the Group and no security over the assets of the Group will be granted to CNBMG Finance in respect of such loans. Such services will therefore be fully exempted from all reporting, announcement and Independent Shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As the highest applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the other financial services under the 2024–2026 Financial Services Framework Agreement exceed 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, such other financial services will be subject to the reporting and announcement requirements only but exempted from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Mr. Xie Jun and Mr. He Qingbo, the executive Directors, and Mr. Zhang Chong and Mr. Sun Shizhong, the non-executive Directors, have abstained from voting in respect of the 2024–2026 CCT 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors has been formed by the Company in accordance with the Listing Rules to advise the Independent Shareholders on the Non-exempt 2024–2026 CCT Agreements. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Non-exempt 2024–2026 CCT Agreements, the transactions contemplated thereunder and their respective Proposed Annual Caps are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

SSE LISTING RULES IMPLICATIONS

As the A Shares of the Company are listed on the Shanghai Stock Exchange, the Company is also required to comply with the relevant requirements of the SSE Listing Rules. Pursuant to the SSE Listing Rules, the Proposed Annual Caps of all the 2024–2026 CCT Agreements should be aggregated and are subject to the Independent Shareholders’ approval at the EGM.

EGM

The Company will convene the EGM for the purpose of, among other things, seeking the Independent Shareholders’ approval for each of the 2024–2026 CCT Agreements and the respective Proposed Annual Caps. At the EGM, voting on the proposed resolutions will be conducted by way of poll.

The EGM 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 PRC at 9 a.m. on Monday, 5 February 2024. The notice of the EGM will be published on 18 January 2024 and is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is also enclosed. Such proxy form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zhglb.com).

The proxy form for use at the EGM was despatched to the Shareholders, and published on the website of the Stock Exchange (<http://www.hkexnews.hk>) on 18 January 2024. Whether or not you are able to attend the EGM in person, you are requested to complete and return the proxy form in accordance with the instructions printed thereon to the Company’s share registrar in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, 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 proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the transaction must abstain from voting on the resolution. Therefore, CNBMG and its associates, which have interests in the transactions contemplated under the 2024–2026 CCT Agreements, in which the Shareholders of the Company, namely Triumph Technology (directly holding 29,515,000 shares of the Company with a shareholding ratio of 4.57%), CNBM Research Institute (directly holding 63,835,499 shares of the Company with a shareholding ratio of 9.89%), CLFG (directly holding 111,195,912 shares of the Company with a shareholding ratio of 17.22%) and International Engineering (directly holding 386,370 shares of the Company with a shareholding ratio of 0.06%), will abstain from voting on the resolutions in respect of each of the 2024–2026 CCT Agreements and their respective Proposed Annual Caps at the EGM.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the continuing connected transactions under the 2024–2026 CCT Agreements are carried out in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors (including the independent non-executive Directors) are also of the view that the terms of the 2024–2026 CCT Agreements, the transactions contemplated thereunder and the Proposed Annual Caps 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 2024–2026 CCT Agreements and the Proposed Annual Caps to be proposed at the EGM.

The Independent Board Committee, having taken into account, among other things, the advice of the Independent Financial Adviser, is of the view that the terms of the Non-exempt 2024–2026 CCT Agreements are on normal commercial terms, and the entering into of the Non-exempt 2024–2026 CCT Agreements, the transactions contemplated thereunder and the respective Proposed Annual Caps are fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions with respect to the Non-exempt 2024–2026 CCT Agreements and the respective Proposed Annual Caps to be proposed at the EGM.

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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which are respectively set out on pages 51 to 52 and pages 53 to 96 of this circular. Additional information is also set out in the appendix to this circular and the notice of the EGM.

Yours faithfully,

By order of the Board

Triumph New Energy Company Limited

Xie Jun

Chairman

Luoyang, the PRC

18 January 2024



凯盛新能源股份有限公司

Triumph New Energy Company Limited

(Formerly known as “LUOYANG GLASS COMPANY LIMITED 洛陽玻璃股份有限公司”
(a joint stock limited company incorporated in the People’s Republic of China with limited liability))

(Stock code: 01108)

Executive Directors:

Mr. Xie Jun

Mr. Zhang Rong

Mr. He Qingbo

Ms. Wang Leilei

Registered Office:

No. 9 Tang Gong Zhong Lu

Xigong District

Luoyang Municipal

Henan Province

The PRC

Non-executive Directors:

Mr. Zhang Chong

Mr. Sun Shizhong

Dr. Pan Jingong

Independent non-executive Directors:

Ms. Zhang Yajuan

Mr. Chen Qisuo

Mr. Zhao Hulin

Mr. Fan Baoqun

18 January 2024

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS;
AND
(2) DISCLOSEABLE TRANSACTION AND
CONTINUING CONNECTED TRANSACTION**

We refer to the circular dated 18 January 2024 of the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings herein unless the context otherwise requires.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We have been appointed as the members of the Independent Board Committee to consider the terms of the Non-exempt 2024–2026 CCT Agreements and the respective Proposed Annual Caps, and to advise the Independent Shareholders whether, in our opinion, the terms of the Non-exempt 2024–2026 CCT Agreements, the transactions contemplated thereof and the respective Proposed Annual Caps are fair and reasonable, in the ordinary and usual course of business of the Group, on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole. Veda Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Your attention is drawn to (i) the “Letter from the Board”; (ii) the “Letter from the Independent Financial Adviser” to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the terms of the Non-exempt 2024–2026 CCT Agreements, the transactions contemplated thereof and the respective Proposed Annual Caps; and (iii) the additional information as set out in the appendix to the Circular.

Having considered the terms and conditions of the Non-exempt 2024–2026 CCT Agreements, the transactions contemplated thereof and the respective Proposed Annual Caps, and having taken into account the opinion of the Independent Financial Adviser and, in particular, the factors, reasons and recommendations as set out in the “Letter from the Independent Financial Adviser” on pages 53 to 96 of the Circular, we are of the opinion that the Non-exempt 2024–2026 CCT Agreements were entered into in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms of the Non-exempt 2024–2026 CCT Agreements, the transactions contemplated thereof and the respective Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions concerning the same to be proposed at the EGM.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Ms. Zhang Yajuan

Mr. Chen Qisuo

Mr. Zhao Hulin

Mr. Fan Baoqun

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Veda Capital Limited to the Independent Board Committee and the Independent Shareholders in connection with the Non-exempt 2024–2026 CCT Agreements and their respective Proposed Annual Caps, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Suites 10, 10/F., 299 QRC
Queen's Road Central, Hong Kong

18 January 2024

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**(1) CONTINUING CONNECTED TRANSACTIONS;
AND
(2) DISCLOSEABLE TRANSACTION AND
CONTINUING CONNECTED TRANSACTION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Non-exempt 2024–2026 CCT Agreements and their respective Proposed Annual Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 18 January 2024 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 27 December 2023, the Company entered into the 2024–2026 CCT Agreements to renew the 2021–2023 CCT Agreements. As set out in the Board Letter, each of CNBMG, CNBMG Finance and Triumph Technology is regarded as a connected person of the Company and the transactions contemplated under each of the 2024–2026 CCT Agreements constitute continuing connected transactions of the Company.

As the respective highest applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for each of the Non-exempt 2024–2026 CCT Agreements (other than the deposit services under the 2024–2026 Financial Services Framework Agreement), exceed 5%, and the transactions are of revenue nature in the ordinary and usual course of business of the Company, the transactions contemplated thereunder will be subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Moreover, as the highest applicable percentage ratios as defined in Rule 14.07 of the Listing Rules in respect of the maximum daily amount of the deposit services under the 2024–2026 Financial Services Framework Agreement exceed 5% but less than 25%, such service constitutes a discloseable transaction of the Company in addition to being a continuing connected transaction of the Company, and will be subject to the reporting and announcement requirements for discloseable transactions under Chapter 14 of the Listing Rules, as well as the reporting, announcement and Independent Shareholders' approval requirements for continuing connected transactions under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed by the Company in accordance with the Listing Rules to consider the terms of the Non-exempt 2024–2026 CCT Agreements, which include:

- (i) 2024–2026 Procurement of Raw Materials Framework Agreement;
- (ii) 2024–2026 Sale of Products Framework Agreement;
- (iii) 2024–2026 Supply of Products Framework Agreement;
- (iv) 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement, and
- (v) deposit services under the 2024–2026 Financial Services Framework Agreement,

and their respective Proposed Annual Caps, and to advise the Independent Shareholders on whether the transactions contemplated thereunder and the respective Proposed Annual Caps are fair and reasonable. We, Veda Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser in relation to the Non-exempt 2024–2026 CCT Agreements, there were no other engagements between us and the Group in the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the date of this letter.

We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. As the Independent Financial Adviser, we take no responsibility for the contents of any part of the Circular, save and except for this letter. 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 no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. In rendering our opinion in the Circular, we have also researched, analyzed and relied on (i) information of the Group, including but not limited to, the published financial reports of the Company for the two financial years ended 31 March 2023; (ii) information provided by the Company; (iii) the Circular; and (iv) market information obtained from the website of the Stock Exchange.

In light of the above, we consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the Management.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons.

1. Information on and relationship of the parties to the Non-exempt 2024–2026 CCT Agreements

The Group

The Company is one of the famous glass manufacturers in the PRC with industry-leading level equipment in photovoltaic glass production line, advanced carbon and emission reduction facilities, rich products structure and location advantages.

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

Set out below is a summary of the consolidated financial information of the Group for the six months ended 30 June 2023 and the two financial years ended 31 December 2022 which were extracted from the published financial reports of the Company:

	For the financial years		For the six months	
	ended 31 December		ended 30 June	
	2021	2022	2022	2023
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Revenue	3,625.85	5,030.11	2,356.48	2,778.82
Net profit attributable to the Shareholders	255.76	409.04	247.89	128.74

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2023, the Group's (i) operating revenue recorded a year-on-year increase of approximately 17.92% and as advised by the Company, the increase in revenue was due to the increase in sales of glass products as general market conditions steadily recovers; and (ii) net profit attributable to the Shareholders recorded a decrease in approximately 48.07% and as advised by the Company, the decrease in profit was due to the non-recurring loss of investment income amounted in corresponding period of approximately RMB126 million recognized from the disposal of three subsidiaries.

For the financial year ended 31 December 2022, the Group's (i) operating revenue recorded a year-on-year increase of approximately 38.73% and as advised by the Company, the increase in revenue was due to the increase in production capacity which led to a year-on-year increase of approximately 80% in the photovoltaic glass sales; and (ii) net profit attributable to the Shareholders recorded an increase in approximately 59.93% and as advised by the Company, the increase in profit was due to the increase in the revenue that was driven by increased photovoltaic glass sales.

From our discussions with the Company and based on the information obtained from the Company's latest financial reports, we understood that the Company's photovoltaic glass products will be used as light-transmitting materials for photovoltaic glass modules. The Group's photovoltaic glass covering the photovoltaic modules can ensure higher light transmittance and result in more power energy. At the same time, the photovoltaic glass may withstand greater wind pressure and larger temperature differences resulting in better photovoltaic efficiency and durability. The Group's glass products strive for better efficiency and stronger light-transmittance and performance in terms of power generation.

Triumph Technology

Triumph Technology, a company incorporated in the PRC with limited liability, is directly and indirectly interested in approximately 31.74% equity interests in the Company and is a direct wholly-owned subsidiary of CNBMG. Triumph Technology is principally engaged in glass sector, new materials sector, new energy sector, new equipment sector and project management sector.

CNBMG and CNBMG Finance

CNBMG, a wholly state-owned enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company, is a comprehensive building materials industry group, the largest comprehensive building material group corporation in the PRC and an enterprise of Fortune Global 500. It is deemed to be interested in 204,932,781 A Shares, representing approximately 31.74% of the total issued share capital of the Company as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CNBMG Finance is a limited liability company incorporated under the laws of the PRC. It is licensed and regulated by the CBIRC and is engaged in the provision of financial services which principally include acceptance of deposits, loans, bills acceptance and discounting services and clearing and settlement services. CNBMG Finance has a registered capital of RMB2.5 billion and its 58.33% equity interest is directly held by CNBMG, and 41.67% equity interest is directly held by CNBM.

2. Principal terms for each of the Non-exempt 2024–2026 CCT Agreements

A. *The 2024–2026 Procurement of Raw Materials Framework Agreement*

Summary

On 27 December 2023, the Company (as purchaser) and Triumph Technology (as supplier) entered into the 2024–2026 Procurement of Raw Materials Framework Agreement to renew the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement and the Supplemental Agreement for the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement.

Effective period

The 2024–2026 Procurement of Raw Materials Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM, and shall be valid until 31 December 2026.

Nature of transactions

Triumph Technology Group agreed to supply raw materials, such as silkscreen glaze, silicon powder and sodium carbonate to the Group. Triumph Technology Group will organize the production or implement tender procurement according to the procurement plan of raw materials provided by the Group and supply such raw materials as required to the Group, the procurement plan will form part of the 2024–2026 Procurement of Raw Materials Framework Agreement.

For the purpose of clarity, members of the Group and Triumph Technology Group may enter into supplemental agreement or other confirmation documents for a certain product in accordance with the terms of the 2024–2026 Procurement of Raw Materials Framework Agreement, such supplemental agreement and confirmation documents will form part of the 2024–2026 Procurement of Raw Materials Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing principles

As a general principle, the price of raw materials under the 2024–2026 Procurement of Raw Materials Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm’s length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market price of the transaction.

Such prices of raw materials will also be determined in accordance with the following pricing principles, including:

- (i) the prices of products offered by Triumph Technology Group to the Group shall not be higher than those comparable transactions (if any) that offered by Triumph Technology Group to independent third parties for provision of the same or similar products;
- (ii) the prices of products purchased by the Group from Triumph Technology Group shall not be higher than those comparable transactions (if any) that purchased by the Group from independent third parties for provision of the same or similar products; and
- (iii) both parties agree that the Group has the right to freely choose its supplier. If the Group does not agree with the actual transaction price and/or related terms proposed by Triumph Technology Group, the Group shall not be responsible for the procurement of products or services from Triumph Technology Group.

In general, both parties will sign a specific sale and purchase agreement and shall agree on the payment period with the principle of fairness and reasonableness. Unless otherwise agreed by both parties, the payment for the current month shall be settled in the following month.

Pricing standards and controls

Silkscreen glaze

The price of silkscreen glaze under the 2024–2026 Procurement of Raw Materials Framework Agreement will be determined with reference to the market price at the time of that particular transaction. The Company will refer to the prices of transactions conducted by independent third parties or price information published in the market during the same period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Silicon powder

The price of silicon powder under the 2024–2026 Procurement of Raw Materials Framework Agreement will be determined with reference to the prevailing market price at the time of a particular transaction. The Company will obtain market price information through various channels, which include:

- (i) reference made to comparable transactions (if any) conducted with independent third parties during the same period;
- (ii) regular visit to silicon powder manufacturers (including independent third parties) to understand production, sales and price information onsite; and/or

the procurement price obtained by the way of open tender or invitation for bid. The major factors in relation to determination of market price are the supply and demand of silicon powder and other raw materials in the areas where the Group’s glass production lines are located, distance between the purchasers and vendors, and quality of silicon powder.

The Company advised us that its silkscreen glaze and the silicon powders are all sourced through the method of bidding (the “**Bidding**”) and each of the subsidiaries of the Company would be responsible for its own sourcing. The subsidiaries usually arrange for their own biddings once per year or two years and would invite at least 3 suppliers in close proximity, including the members of the Triumph Technology Group and other independent third parties to participate, in the Bidding. The participants would offer their respective selling prices to the Company and the Company would then perform screening its processes and compare the offered prices. The results of the Bidding are subject to the approval of the general manager and the deputy general manager of the procurement department of the respective subsidiaries prior to the entering of new framework agreements with the successful bidders to confirm on the purchasing amount and prices.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have also requested the Company to provide not less than 5 sets of agreements/receipts (the “**RM Agreements**”) entered into as a result of the Bidding, including those entered into by the Group with Triumph Technology Group and with other parties who are independent third parties of the Company. To be regarded as fair and representative samples, the RM Agreements were selected such that the transactions (i) involve various sets of products which are the same or highly comparable in feature, characteristic and quality; and (ii) were conducted within 60 days to avoid uncertainties resulted from market price fluctuations. The RM Agreements show that the aforesaid internal control procedures have been put in place and the payment terms and arrangement offered by members of the Triumph Technology Group are not less favorable to the Group than those offered by other independent third parties.

Sodium carbonate

The procurement of sodium carbonate by the Company is conducted via the centralised procurement platform (the “**Sodium Carbonate Platform**”) established by Triumph Resources, a wholly-owned subsidiary of Triumph Technology Group in order to give play to the benefit of large-scale procurement and reduction of general procurement costs. The centralised procurement of sodium carbonate shall be conducted by means of unified tender by Triumph Resources for unified procurement from and unified payment to sodium carbonate suppliers.

The price of sodium carbonate between the Group and Triumph Resources shall be (i) the procurement price of Triumph Resources; plus (ii) the capital occupation costs (surcharge of 1% for 1-month contracts).

The photovoltaic glass business department of the Company will also collect the market price information on a monthly basis. The vice president who in charge of the Company’s centralised procurement will approve the transaction price with Triumph Resources with the reference to the quotations from different sodium carbonate manufacturers and service providers of data of the bulk commodity and relevant industry such as www.oilchem.net.

Based on our understandings with the Company, the procurement of sodium carbonate via the Sodium Carbonate Platform would provide the Group purposeful prices discounts as the benefits of large-scale procurement. Accordingly, almost none of the sodium carbonate of the Group were sourced via other methods. To ensure the prices of the sodium carbonate to be sourced from the Sodium Carbonate Platform to be economical to the Group, the Company would also monitor and compare the market prices of sodium carbonate with the weekly reports prepared by oilchem.net which provide market information and norm of the photovoltaic glass industry in the PRC. The decision to purchase will finally be made by the general manager of the Company upon the above mentioned comparison.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the circumstances, we have obtained historical documents and approval records in relation to the procurement of sodium carbonate which shows that the above-mentioned internal control procedures existed and the purchase of sodium carbonate had been approved by the general manager of the Company. Moreover, we have also obtained samples of the weekly reports of oilchem.net and noticed that the said reports would provide photovoltaic market insights, weekly transactions and updates of major industry players and the trends and prices of photovoltaic glass related materials of not less than half a year.

Having considered (i) the screening of prices of silkscreen glazes and silicon powders in the Bidding could ensure that the Group to obtain the lowest purchase prices for the materials; (ii) the payment terms and arrangement in the RM Agreements are not less favorable to the Group than those offered by other independent third parties; and (iii) the price discount from the Sodium Carbonate Platform as compared to market price, we consider that the terms of the 2024–2026 Procurement of Raw Materials Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

B. The 2024–2026 Sale of Products Framework Agreement

Summary

On 27 December 2023, the Company (as supplier) and Triumph Technology (as purchaser) entered into the 2024–2026 Sale of Products Framework Agreement to renew the 2021–2023 Sale and Purchase of Glass Products Framework Agreement.

Effective period

The 2024–2026 Sale of Products Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM, and shall be valid until 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nature of transactions

The Group agreed to supply the products produced by the Group, including but not limited to photovoltaic glass, photovoltaic agricultural glass and deep processed products, etc. to Triumph Technology Group.

The Group agreed to implement the production and supply products to Triumph Technology Group according to the type of product, specifications, quantity and other orders as required by Triumph Technology Group. The members of the Group and Triumph Technology Group will enter into a separate sale contract within the scope of the 2024–2026 Sale of Products Framework Agreement and such sale contract will form part of the 2024–2026 Sale of Products Framework Agreement.

Pricing principles

As a general principle, the price of products under the 2024–2026 Sale of Products Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market prices of the transaction. Such prices of products will also be determined in accordance with the following pricing principles, including:

- (i) the prices offered by the Group to Triumph Technology Group shall not be less than those comparable transactions that offered by the Group to independent third parties for provision of the same or similar products; and
- (ii) both parties agree that the Group has the right to freely choose its customer. If the Group does not agree with the actual transaction price and/or related terms proposed by Triumph Technology Group, the Group shall not be responsible for the supply of products or services to Triumph Technology Group.

In general, both parties will sign a specific sale contract and shall agree on the payment period with the principle of fairness and reasonableness. Unless otherwise agreed by both parties, the buyer shall pay for the delivery or other arrangement already agreed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing standards and controls

The price of products under the 2024–2026 Sale of Products Framework Agreement will be determined with reference to:

- (i) comparable transactions (if any) conducted by the Group with independent third parties during the same period; and/or
- (ii) communication and exchange of price information by various means, including telephone conversations, emails and meetings with peers and business partners within the glass production industry; and/or
- (iii) sales staff will communicate and query with the customers, suppliers or trade partners through site visits to obtain the prices of comparable transactions in the same period and the prevailing market price at the time of a particular transaction; and/or
- (iv) supply and demand information and price information of the photovoltaic glass market obtained from the Ministry of Industry and Information Technology (www.miit.gov.cn), China Photovoltaic Industry Association (www.chinapv.org.cn) and photovoltaic industry information providers (e.g. InfoLink, etc.) respectively. Relevant market price data will be used as the basis for the transactions with Triumph Technology Group by the sales department.

The final price will be implemented after the approval of the general manager or the deputy general manager of the Company's subsidiaries with reference to (i) to (iv) above.

In assessing the reasonableness and fairness of the above pricing standard, we have obtained not less than 5 sets of agreements/receipts (the “**Glass Agreements**”) entered into by the Group with Triumph Technology Group and with other parties who are independent third parties of the Company. To be regarded as fair and representative samples, the Glass Agreements were selected such that the transactions (i) involve various sets of products which are the same or highly comparable in feature, characteristic and quality; and (ii) were conducted within 60 days to avoid uncertainties resulted from market price fluctuations. As advised by the Company, to help monitor and assess the selling prices under the Glass Agreements, the Company would hold regular benchmarking meetings to analyze, study and judge market information and price trends. The general managers of the subsidiaries would usually participate in these meetings to ensure the analysis and discussions to be effective in order to formulate forthcoming sales strategies of the Group accordingly. The photovoltaic glass business department of the Company would review available market information and make statistics on the sales of the products of the Group and report to the management of the Company on a monthly basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From the Glass Agreements, we noted that the prices offered by the Group to the Triumph Technology Group for the glass products were not more favorable than those prices offered to other independent third parties. The Glass Agreements were reviewed and approved by the general managers of the respective Company's subsidiaries which illustrated that the internal control procedures have been put in place and the payment terms and arrangement offered by the Triumph Technology Group are not less favorable to the Group than those offered by other independent third parties.

Having considered that (i) the prices offered to the Triumph Technology Group for the glass products were not more favorable than those prices offered to other independent third parties; and (ii) the payment terms and arrangement in the Glass Agreements are not less favorable to the Group than those offered by other independent third parties, we consider that the terms of the 2024–2026 Sale of Products Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. The 2024–2026 Supply of Products Framework Agreement

Summary

On 27 December 2023, the Company (as purchaser) and Triumph Technology (as supplier) entered into the 2024–2026 Supply of Products Framework Agreement to renew the 2021–2023 Sale and Purchase of Products Framework Agreement.

Effective period

The 2024–2026 Supply of Products Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company, and shall be valid until 31 December 2026.

Nature of transactions

Triumph Technology Group agreed to supply the products produced by Triumph Technology Group, including but not limited to packaging boxes, packaging materials, original glass and deep processed products, etc. to the Group.

For glass products, Triumph Technology Group agreed to manufacture the glass products according to the type of product, specification, quantity and other orders as requested by the Group and provide the required products to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For packaging boxes, Triumph Technology Group agreed to manufacture the packaging boxes according to the category of the packaging boxes, the size and drawings requested by the Group and provide the required products to the Group.

The Group and Triumph Technology Group will enter into separate supply contracts within the scope of the 2024–2026 Supply of Products Framework Agreement which contains details of the sale and purchase of the products, such supply contracts, orders and drawings, etc. will form part of the 2024–2026 Supply of Products Framework Agreement.

Pricing principles

As a general principle, the price of products under the 2024–2026 Supply of Products Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market prices of the transaction.

Such prices of glass products and packaging box products will also be determined in accordance with the following pricing principles, including:

- (i) the price offered by Triumph Technology Group to the Group shall not be higher than those comparable transactions (if any) that offered by Triumph Technology Group to independent third parties for provision of the same or similar glass products and packaging box products;
- (ii) the price of glass products and packaging box products purchased by the Group from Triumph Technology Group shall not be higher than those comparable transactions (if any) that charged to the Group by independent third parties for provision of the same or similar glass products and packaging box products; and
- (iii) both parties agree that the Group has the right to freely choose its supplier. If the Group does not agree with the actual transaction price and/or related terms proposed by Triumph Technology Group, the Group shall not be responsible for the purchase of products or services from Triumph Technology Group.

In general, both parties will sign a specific sale and purchase contract and shall agree on the payment period with the principle of fairness and reasonableness. Unless otherwise agreed by both parties, the payment for the current month shall be settled in the following month.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing standards and controls

Glass products

Specifically, the business department of the Company will (i) collect the price information by various means, including telephone conversations, emails and meetings with peers and business partners within the glass production industry; and/or (ii) collect the supply and demand information and price information in the PRC market from the Ministry of Industry and Information Technology (www.miit.gov.cn), China Photovoltaic Industry Association (www.chinapv.org.cn) and photovoltaic industry information providers (e.g. InfoLink, etc.). Relevant market price data will be used as the basis for the transactions by the sales department of the Group; and/or (iii) refer to the comparable transactions (if any) conducted by the Group with independent third parties during the same period on the same products or the products with same specification and grade.

The final price will be implemented after the approval of the general manager or the deputy general manager of the Company's subsidiaries with reference to the information of (i) to (iii) above.

Packaging box products

The Company will determine the market price thereof by inquiring no less than three suppliers or through invitation for bid. The Company will also require Triumph Technology Group to provide the sale and purchase contracts for packaging boxes products between Triumph Technology Group and the independent third parties for provision of the same or similar products to ensure the price fairness and reasonableness.

In assessing the reasonableness and fairness of the above pricing standard, we have obtained not less than 5 sets of agreements/receipts (the "**Supply Agreements**") entered into by the Group with Triumph Technology Group and with other parties who are independent third parties of the Company. To be regarded as fair and representative samples, the Supply Agreements were selected such that the transactions (i) involve various sets of products which are the same or highly comparable in feature, characteristic and quality; and (ii) were conducted within 30 days to avoid uncertainties resulted from market price fluctuations. As advised by the Company, to help monitor and assess the purchasing prices under the Supply Agreements, the business departments of the respective Company's subsidiaries would be responsible for collection of market information and price changes of the relevant products and should report the results to the general manager of the respective subsidiaries. Also, the internal audit department of the Company would regularly supervise and evaluate the product orders or contract approval procedures in respect of their compliance with internal control requirements of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

From the Supply Agreements, we noted that the prices for the products from the Triumph Technology Group were not higher than those purchased from other independent third parties. The Supply Agreements were reviewed and approved by the general manager or deputy general manager of the Company's subsidiary selling the products which illustrated that the internal control procedures have been put in place and the payment terms and arrangement offered by the Triumph Technology Group are not less favorable to the Group than those offered by other independent third parties.

Having considered that (i) the prices for the purchase of glass products offered to the Group were not higher than those purchased from other independent third parties; (ii) the payment terms and arrangement in the Supply Agreements are not less favorable to the Group than those offered by other independent third parties; and (iii) a bidding process involving independent third parties could ensure that the Group to obtain the lowest purchase prices for the supplies, we consider that the terms of the 2024–2026 Supply of Products Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

D. The 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement

Summary

On 27 December 2023, the Company (as purchaser) and CNBMG (as supplier) entered into the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement to renew the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement and the Supplemental Agreement for the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement.

Effective period

The 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement shall take effect upon signing with company seals by the authorised representatives of both parties and approval by the Independent Shareholders at the EGM of the Company, and shall be valid until 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nature of transactions

CNBMG Group agreed to provide the required equipment, materials and construction and installation services, etc. to the Group, according to the project planning and requirement for the engineering and construction projects of the Group.

For the purpose of clarity, members of the Group and CNBMG Group may enter into supplemental agreement or other confirmation documents for a certain project in accordance with the terms of the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement, such supplemental agreement and confirmation documents will form part of the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement.

Pricing principles

As a general principle, the price of equipment materials, construction fee and installation fee under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement shall be determined in the ordinary course of business on normal commercial terms, negotiated on arm's length basis by both parties under the principle of justice, fairness and openness, and based on the prevailing market price of the transaction.

Such prices of equipment materials, construction fees and installation fees will also be determined in accordance with the following pricing principles, including:

- (i) the prices or fees charged by CNBMG Group on the Group shall not be higher than those comparable transactions (if any) that charged by CNBMG Group on independent third parties for the same or similar type of or the same or similar type of equipment materials, construction and installation services;
- (ii) the prices of equipment or fees paid by the Group to CNBMG Group shall not be higher than those comparable transactions (if any) that charged to the Group by independent third parties for the same or similar type of or the same or similar type of equipment materials, construction and installation services; and
- (iii) both parties agree that the Group has the right to freely choose its supplier. If the Group does not agree with the actual transaction price and/or related terms proposed by CNBMG Group, the Group shall not be responsible for the purchase of products or services from CNBMG Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In general, both parties will sign a specific project contract and shall agree on the payment period with the principle of fairness and reasonableness and taking into account of the requirements of engineering projects of the Group.

Pricing standards and controls

The pricing or consideration under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement will be determined with reference to:

- (i) prices offered to other independent third party(ies) on the same or similar size of the engineering projects by CNBMG Group;
- (ii) the comparable transactions (if any) with independent third parties by the Group during the same period on the same or similar size of the engineering projects; and
- (iii) communication and exchange of price information by various means, including telephone conversations, emails and meetings with peers and business partners within the glass production industry.

If there were no available prevailing market prices or where it is impracticable to obtain such market prices, the Group and CNBMG Group will determine the price through arm's length negotiation with reference to:

- (i) the previous similar transactions concluded by the Group and independent third parties; and/or
- (ii) similar transactions concluded by CNBMG Group and independent third parties; and/or
- (iii) the costs of equipment and materials provided by CNBMG Group for engineering projects, technical requirements on installation, manpower involved, complexity of technical plan, technology advancement and duration of the installation. The price offered by CNBMG Group to the Group shall not be less favourable than those offered by CNBMG Group to other independent third parties.

Upon collection of market information as stated above, relevant terms (including pricing and payment terms) will be used as the basis for the transaction with CNBMG Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, due to years of cooperations between the Group and the CNBMG Group, members of the CNBMG Group have the required knowledge and clear understandings of the Group's operations and needs in producing high quality glass products than those of other independent third parties. The CNBMG installed all of the Group's equipment machineries and production lines and provided the relevant maintenance that support the Group's productions at high standards over the years. The assessment for the constructions or installations costs are made by the members of the CNBMG Group with qualification licenses and are well-known as one of the industry leaders among the industry peers in the photovoltaic industry in the PRC.

To supplement the above, the Company will compare the estimated construction costs with similar and comparable construction and installation projects of the Group in the past. All written contracts relating to engineering projects will also be reviewed jointly by the legal department and either financial department or general manager of the main unit of the project to ensure the required time, costs and feasibility of the projects are reasonable and match with the Company's understandings and expectations before such projects could be approved.

Based on the facts that (i) the pricing of the construction and installation projects is assessed by experienced and licensed companies; (ii) the CNBMG Group has required skills and clear understandings of the Group's operations and needs, we consider that the terms of the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

E. The deposit services under the 2024–2026 Financial Services Framework Agreement

Summary

On 27 December 2023, the Company and CNBMG Finance entered into the 2024–2026 Financial Services Framework Agreement to renew the 2021–2023 Financial Services Framework Agreement.

Effective period

The 2024–2026 Financial Services Framework Agreement shall take effect upon (i) the signing with company seals by the authorised representatives of both parties; and (ii) the completion of internal approval procedures by both parties (including but not limited to the approval by the Independent Shareholders at the EGM) and shall be valid until 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nature of transactions (for the deposit services)

CNBMG Finance has agreed to provide deposit services to the Group.

Pricing and payment terms (for the deposit services)

The interest rate for deposits offered to the Group by CNBMG Finance should comply with the PBOC's regulations on the interest rates for the same type of deposit from time to time, and will not be lower than (i) the interest rate specified by the PBOC for the deposit of the same category during the same period; (ii) the interest rate paid by CNBMG Finance for deposits of the same type placed by the members of CNBMG (other than the Group) with CNBMG Finance during the same period under the same conditions; and (iii) the interest rate for deposits of the same type offered by the PRC general commercial banks to the Group during the same period under the same conditions.

Both parties shall further sign a separate contract which is in compliance with the 2024–2026 Financial Services Framework Agreement and agree on the specific transaction terms for the transaction to be entered by CNBMG Finance and the Group.

Pricing standards and controls

The Company will adopt the below internal control procedures in relation to the deposit services under the 2024–2026 Financial Services Framework Agreement provided by CNBMG Finance to the Group:

- (i) the Group employs and maintains separate business, operation and accounting personnel of its own from CNBMG Finance for a clear segregation of approval authority and duty between the parties;
- (ii) the Company's finance department will monitor the actual transaction amount at the Group level to ensure the pricing and the annual caps are in compliance with the 2024–2026 Financial Services Framework Agreement;
- (iii) the Company's finance department will review the interest rates for deposits regularly published by other PRC general commercial banks and compare with the interest rates for deposits offered by CNBMG Finance to ensure the fairness and reasonableness;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the Company's finance department will review the interest rates for deposits and the fees charged by CNBMG Finance arising from its acceptance of offers and compare the offers with those in similar nature and period that CNBMG Finance offered to independent third parties in order to ensure the fairness and reasonableness;
- (v) the Company's finance department will review and monitor the balance of deposits from the relevant members of the Group through the online platform of CNBMG Finance;
- (vi) the Company's finance department will perform risk diversification measure by separating the money deposits among the financial service providers, including CNBMG Finance, to avoid excessive concentration of deposits in a particular financial service provider;
- (vii) the Company's finance department will review the financial statements of CNBMG Finance on a monthly basis and will also review the regulatory reports submitted by CNBMG Finance to the CBIRC in order to keep abreast of the operations and financial situation of CNBMG Finance and to take timely action when any unfavorable situation is found;
- (viii) according to the articles of association of CNBMG Finance, the board of directors of CNBMG committed that CNBMG will base on the actual emergency of payment difficulties facing by CNBMG Finance to provide the corresponding funding to CNBMG Finance to solve its payment difficulties. Therefore, the safety of deposits of the Group will be ensured by means of the financial support from CNBMG to CNBMG Finance; and
- (ix) the Company's external auditor will conduct an annual review of the transactions entered into under the 2024–2026 Financial Services Framework Agreement to confirm the transaction amount are within the annual caps and the transactions are entered into in accordance with the terms set out in the 2024–2026 Financial Services Framework Agreement in all material respects.

As advised by the Company, the Group will only give priority to using the deposit services of CNBMG Finance if such terms and conditions offered by CNBMG Finance are equivalent to the PRC general commercial banks' offers. The Group has discretion to engage other PRC general commercial banks as its financial service providers as it thinks fit and beneficial to the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we have obtained a comparison table (the “**Deposit Comparison**”) provided by the Company which summarised the proposed interest rates and other principal terms to be offered to the Group by 10 parties as at 30 November 2023, including CNBMG Finance and other independent third-party banks including but not limited to the PBOC. The Deposit Comparison shows the different categories or types of deposit services such as demand deposit and fixed deposit with a variety of deposit periods ranged from one day to five years. We were given to understand that the interest rates and other principal terms to be offered by the PBOC were obtained through its website (<http://www.pbc.gov.cn/>) while those to be offered by CNBMG Finance and other independent third-party banks were obtained through arm’s length negotiations between the management of the Group and the representatives of the respective banks. We noted from the Deposit Comparison that for each category or type of deposit service, the interest rates and terms to be offered by CNBMG Finance are not less favourable to the Group than those to be offered by other banks including the PBOC.

Having considered that the interest rates and terms to be offered by CNBMG Finance are not less favourable to the Group than those to be offered by other independent third-party banks including the PBOC based on the results of the Deposit Comparison, we consider that the terms of the deposit services under the 2024–2026 Financial Services Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for entering into the Non-exempt 2024–2026 CCT Agreements and the basis for determining the respective Proposed Annual Caps

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

As the 2021–2023 CCT Agreements will expire on 31 December 2023, the renewal of the 2021–2023 CCT Agreements on 27 December 2023 is for the purposes of (i) assurance of continuous provision of goods and services to and by the Group; (ii) coping with the operation needs and business development of the Group; and (iii) fulfilling the needs in relation to the expansion of the Company’s production scale and business development in the next three years, improving the intelligent manufacturing level of the production line to ensure continuous access to raw materials, products and technical services, and to meet the construction requirements of new and rebuilt projects.

The Company has recently completed a series of in-depth integrations to, among other things, transform its main business into the field of new energy materials. It has successively established seven intelligent photovoltaic glass production bases in the PRC (the “**Production Bases**”) that will produce photovoltaic glass products for the Group. We noted from the Company’s financial reports that the production capacity has been increasing and as of the end of 2022, the Group’s production capacity of raw photovoltaic glass reached 4,650 tonnes/day, representing a year-on-year growth of approximately 116.28% and its cumulative annual sales of photovoltaic glass had exceeded 200 million square meters, representing a year-on-year increase of more than 80%.

In light of the rising enthusiasm for investment in the photovoltaic industry industrial chain and the favorable development trend of the PRC’s photovoltaic industry, the Company is expected to, among other things, increase its production volume and sales volume to meet its annual steady growth target while also to give full play to its advantages in ultra-thin photovoltaic glass production technology to lead the development trend of thin-type glass in the industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Company, the Company was generally satisfied with quality of the products and services rendered by Triumph Technology Group and CNBMG Group under the 2021–2023 CCT Agreements. Over the years, Triumph Technology and CNBMG have proven to the Group as reliable business partners. The Company maintains well business communications with the representatives of the members of Triumph Technology Group and CNBMG Group and have been familiar with the products and services they provided to and received from the Group. The entering into of the Non-exempt 2024–2026 CCT Agreements are expected to provide the Group stable source of revenue, supplies and services that it currently enjoys. The parties have optimized the photovoltaic industry chain of upstream raw materials, midstream photovoltaic components and downstream engineering applications and the business cooperations among them could generate positive synergy effect that support the achieving of immediate economic benefits and successive business development.

Accordingly, having considered (i) the entering into of the Non-exempt 2024–2026 CCT Agreements will assure the continuous provision of goods and services to and by the Group which cope with the intention of the Group to increase its production scale; (ii) the existing business partnerships of the Company with the members of the Triumph Technology and CNBMG and the corresponding advantages resulted from well-established and mutual business relationship in terms of products/services knowledge, communications and understandings; (iii) the business profile of Triumph Technology and CNBMG and the resources and experience they possessed of relating to the PRC photovoltaic industry; and (iv) the entering into of the Non-exempt 2024–2026 CCT Agreements will also provide the Group an additional option that may possibly offer more favorable terms to consider with in selecting the relevant demanded services or purchasers, we are of the view that the entering of the Non-exempt 2024–2026 CCT Agreements are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Outlook of the PRC photovoltaic industry

According to the information obtained from the website of the International Energy Agency (“IEA”) in relation to solar photovoltaic, solar photovoltaic is one of the largest renewable electricity technologies along with hydropower and wind. Solar photovoltaic which comprised almost 45% total global electricity generation investment, is the leading power generation technology with the most investment in 2022. The PRC, leading in terms of solar photovoltaic capacity, is responsible for about 38% of solar photovoltaic generation growth in 2022. From the report “Renewables 2022” published under IEA in December 2022, it anticipated that the total investment in solar photovoltaic manufacturing capacity of the PRC will increase to US\$89.0 billion under the period 2022 to 2027 from US\$47.2 billion during the period 2016 to 2021 driven by the policy guidelines and targets imposed under the PRC’s 14th Five-Year Plan on renewable energy (the “**14th Five-Year Plan**”), a comprehensive blueprint for the development of renewable energy covering the period from 2021 to 2025 in the PRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

National Energy Administration (“NEA”) (www.nea.gov.cn) published “National Electric Power Industry Statistic (全國電力工業統計資料)” in November 2023 that for the first ten months of 2023, (i) the national power generation capacity of solar photovoltaic recorded a year-on-year increase of approximately 47%; and (ii) the total investment in power generation projects completed by major power generation companies across the nation also recorded a year-on-year increase of approximately 71%.

In contributing to the global low-carbon energy transition and energy security, the PRC has been stepping up the development of renewable energy with massive achievements in the sector as it aims to achieve carbon neutrality by 2060. It is expected that the growth and development of power generation by renewable energies, such as solar photovoltaic, will continue to accelerate under the 14th Five-Year Plan, other than photovoltaic capacity as mentioned previously, will also promote the integration and utilization of photovoltaic development into industrial parks, economic development zones, public buildings and new factories that will allow the PRC to reach a 50% increase in renewable energy generation by 2025.

A. 2024–2026 Procurement of Raw Materials Framework Agreement

The entering of the 2024–2026 Procurement of Raw Materials Framework Agreement will facilitate the Group to acquire the essential raw materials that will be then be used in its photovoltaic glass productions, such as silkscreen glaze, silicon powder and sodium carbonate from the members of the Triumph Technology Group.

Historical figures and the proposed annual caps in relation to the 2024–2026 Sale and Procurement of Raw Materials Framework Agreement

Below (i) the annual cap amounts for the three financial years ended 31 December 2023; and (ii) the historical transaction amounts for the two financial years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement.

	For the financial years ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Historical annual caps (inclusive of VAT)	601,000	1,200,000	2,000,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the financial years		For eleven
	ended 31 December		months ended
	2021	2022	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	2023
			<i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	421,470	930,691	1,428,927
Utilization Rates (%)	70.13	77.56	71.45

As shown in the above, the Group has been able to maintain utilization rates with 70% and more for each of the financial years under the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement.

Proposed annual caps

Below the proposed annual caps under the 2024–2026 Procurement of Raw Materials Framework Agreement for each of the financial years ending 31 December 2026 (the “**Raw Materials Caps**”).

	For the financial years ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps (inclusive of VAT)	2,400,000	5,200,000	6,200,000

As set out in the Board Letter, the proposed annual caps under the 2024–2026 Procurement of Raw Materials Framework Agreement are determined mainly based on the estimated demand of silkscreen glaze, silicon powder and sodium carbonate after taking into account:

- (i) the historical transaction amounts in 2021 and 2022 and the expected transaction amounts for the year ended 31 December 2023 between the Group and CNBMG;
- (ii) the increase in the consumption of silkscreen glaze, silicon powder and sodium carbonate mainly due to the increase in the existing production capacity and the planned operation of new production lines, resulting in an expected increase in the production capacity of the photovoltaic glass for the Group in the next three years; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the expected unit price of such raw materials with reference to the average market price of the same or similar raw materials and market trend.

In light of the calculations of the Raw Materials Caps, we have obtained from the Company a production schedule prepared in November 2023 provided from the Company containing the estimations of the Group's production for the period covering 2024–2026 (the “**Production Schedule**”). The information contained in the Production Schedule was reviewed and approved by the general manager of the Company and has provided us the basis on how the Raw Materials Caps and the other proposed annual caps under the Non-exempt 2024–2026 CCT Agreements.

The Raw Materials Caps have comprised of the total estimated amount of silicon powder, sodium carbonate and silkscreen glaze the Group may purchase from the members of the Triumph Technology Group for each of the three upcoming financial years. As advised by the Company, the silicon powder and sodium carbonate are some of the main raw materials that were used for original glass productions while the silkscreen glazes were coating materials used to form a thin protective layer on the surface of photovoltaic glass to increase power generation efficiency of photovoltaic modules, which is one of the key steps in the deep processing of photovoltaic glasses. We noted that in determining the volume of the raw materials, the Company has relied on its current available production information and records such as the number of kilns, the designed annual production capacity, effective production period and consumption rates of the raw materials in arrive the proposed volume to be required. Then multiplying the proposed volume with the expected market price for each raw materials in estimating the Raw Materials Caps.

As for the Raw Materials Cap for the financial year ending 31 December 2024, according to the Production Schedule, we noted the Company is expected to establish another four photovoltaic glass production lines that will consume more silicon powders and sodium carbonate in its operations in 2024 that would increase the production capacity by approximately 105.5% as compared to the production capacity of the previous year (a combined results of utilizing new kilns while more kilns reaching their full capacities over time). Aside from operating more production lines, the Company is intended to and has been exploring the possibilities with potential business partners to acquire more photovoltaic production lines in the foreseeable future to increase its market shares in the photovoltaic market in the PRC. Adding to the potential demands of silkscreen glaze which the Company calculated based on its latest total consumption rate on a monthly basis plus the expected increment in consumption due to new projects commenced in late 2023 and in October 2024, the Directors proposed for an annual cap of RMB2,400 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In estimating the Raw Materials Cap for the financial year ending 31 December 2025, the Company is expected to utilize another 4 more kilns in 2025 that will further increase the production capacity by approximately 46.4% as compared to the theoretical enlarged production capacity in 2024. The Company expected that there will be an increment of around 5% in the average price for silicon powders per unit in 2025 and an increment of approximately 11% in the average price of sodium carbonate in 2025 mainly due to, among other reasons, strong growing demands of the raw materials as a result of the rapid development on the implementation of photovoltaic technology and products and as buffer for inflation as the general market in the PRC continues to improve. Respectively, the consumption of silkscreen glazes is also expected to increase by 60% as compared to 2024 as production increases to cope with the kicking off of two new deep processing projects in relation to photovoltaic battery. The average price for silkscreen glaze per unit remained the same as the ones used in the previous year in the calculations since the respective prices on average were not subject to high fluctuations historically.

As for the Raw Materials Cap for the financial year ending 31 December 2026, the Company is currently scheduled to utilize 1 more kiln in 2026 that will add on an additional of around 6.7% to the then production capacity. The average price for silicon powder per unit is expected to further increased by approximately 5% as its prices traditionally endure smaller fluctuations but over longer timeframe as buffer for inflation while the average price for silicon powders per unit remained the same as the previous year. The consumption of silkscreen glazes is expected to increase by approximately 9.93% correspondingly to the anticipated increased production of the Group, the average price for silkscreen glaze per unit (varied immaterially due to differences in the location of the production sites of the Group and the Group's bidding arrangement in purchasing silkscreen glazes) is similar to the ones used in the previous year in the calculations.

In summary, the significant increases in the Raw Material Caps for the financial years ending 31 December 2025 and 2026 are designed to cater the anticipated increase in the Group's total production capacity (as numbers of kilns will increase and the kilns will operate at full-capacity over time) where the Group will consume the subject raw materials on a daily basis for its operations. Moreover, having considered the Company's reasons, we consider the expected increase in the average prices of silicon powders and sodium carbonate that were used in estimating the Raw Material Caps to be reasonable and understandable that could provide flexibility to the Group to not exceed the Raw Material Caps for each of the three financial years of the 2024–2026 Procurement of Raw Materials Framework Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Breakdown of the Raw Material Caps

	For the financial years ending 31 December		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Silicon Powder	949,387	2,087,639	2,526,077
Sodium Carbonate	1,310,031	2,880,671	3,485,659
Silkscreen Glaze	94,924	151,879	166,955
	<hr/>	<hr/>	<hr/>
Total	2,354,342	5,120,190	6,178,691
Raw Materials Cap	2,400,000	5,200,000	6,200,000

B. 2024–2026 Sale of Products Framework Agreement

The entering of the 2024–2026 Sale of Products Framework Agreement will facilitate the Group to generate revenue from selling high-quality glass products to the members of the Triumph Technology Group.

Historical figures and the proposed annual caps in relation to the 2024–2026 Sale of Products Framework Agreement

Below (i) the annual cap amounts for the three financial years ended 31 December 2023; and (ii) the historical transaction amounts for the two financial years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Sale and Purchase of Glass Products Framework Agreement.

	For the financial years ended 31 December		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Historical annual caps (inclusive of VAT)	710,000	810,000	870,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the financial years		For eleven
	ended 31 December		months ended
	2021	2022	30 November
	<i>RMB'000</i>	<i>RMB'000</i>	2023
			<i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	397,580	294,718	47,073
Utilization Rates (%)	56.00	36.38	5.41

As shown in the above, save for the financial year ended 31 December 2021, the Group recorded noticeable lower utilization rates under the 2021–2023 Sale and Purchase of Glass Products Framework Agreement in particular for the financial years in 2022 and 2023. As advised by the Company, being intervened by the changes in the market environment and increased competitions within the photovoltaic industry over the previous years, the number of photovoltaic module production orders and projects undertaken by the members of the Triumph Group had been notably decreased which resulted in the above low transactions amounts. Factoring in the declined historical transactions with the Triumph Technology Group but also the expansion production scale of the Group, the Directors have made relevant adjustment and reduced the proposed annual caps under the 2024–2026 Sale of Products Framework Agreement accordingly.

Proposed annual caps

Below the proposed annual caps under the 2024–2026 Sale of Products Framework Agreement for each of the financial years ending 31 December 2026 (the “**Sale Products Caps**”).

	For the financial years ending 31 December		
	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps (inclusive of VAT)	280,000	350,000	360,000

As set out in the Board Letter, the proposed annual caps under the 2024–2026 Sale of Products Framework Agreement are determined based on the estimated amounts of relevant products to be sold to Triumph Technology Group by the Group after taking into account:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) the historical transaction amounts between the Group and CNBMG Group in the past three years;
- (ii) the estimated demand for the Group's products by Triumph Technology Group for the period from 2024 to 2026; and
- (iii) the historical transactions between the Group and Triumph Technology Group and the estimated prevailing market price for the such products.

Further to the above, based on the Production Schedule, we noticed that the increase in Sale Products Caps for the financial years ending 31 December 2025 and 2026 were mainly due to the increased in the estimated demands of the Group's photovoltaic glass products and photovoltaic agricultural glass products. The glass products are expected to be produced by the Production Bases located in the provinces of Hefei and Tongcheng due to lower transportation costs. Based on latest production records provided by the Company, the total annual production capacities for the Production Base in Hefei and in Tongcheng are 69 million square meters and 80 million square meters respectively.

As previously stated, the decreased in the transaction amounts in the recent years were due to external market reasons that were considered as temporarily and, as confirmed by the Directors, were not due to any dissatisfactory experience from transacting with the Group or purchase of any defected quality glass products from the Group. Based on feedbacks from the members of the Triumph Technology Group, they have been satisfied with the quality of the glass products supplied by the Group and have indicated to the senior management of the Company that it intends to resume and/or increase its purchases of the Group's glass products (which supported the rationale of the renewal of the 2024–2026 Sale of Products Framework Agreement). As set out in the Production Schedule, the Group has reserved to produce a total of 11.14 million square meters of photovoltaic glass products and 1.45 million square meters of photovoltaic agricultural glass products for the members of the Triumph Technology Group that will result in a total transaction amount of approximately RMB276.33 million as compared to the Sale Products Cap of RMB280.00 million for the financial year ending 31 December 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering that (i) the Group is favor of establish stronger business relationships with the members of the Triumph Technology Group; (ii) the Group's strategy to develop its business in the photovoltaic industry in the PRC and has been developing better quality glass products for customers to increase their sales orders; (iii) the PRC government implemented policies that support the usages and development of photovoltaic related products and technologies; and (iv) the general economy and operational environment for enterprises in the PRC has been and shall continue to improve over time that might promote more orders from the Triumph Technology Group, the Group has reserved to produce a total of 14.05 million square meters of photovoltaic glass products (approximately 26.12% year-on-year increase) and 1.81 million square meters of photovoltaic agricultural glass products (approximately 24.83% year-on-year increase) for the Triumph Technology Group in 2025 that will result in a total transaction amount of approximately RMB347.79 million as compared to the Sale Products Cap of RMB350.00 million for the financial year ending 31 December 2025. Based on similar reasons but on a less aggressive scale given that most transactions between the Group and the Triumph Technology Group are expected to be resumed in 2025, the Company currently reserves to produce a total of 14.56 million square meters of photovoltaic glass products (approximately 3.63% year-on-year increase) and maintain 1.81 million square meters of photovoltaic agricultural glass products for the Triumph Technology Group in 2026 that will result in a total transaction amount of approximately RMB357.74 million as compared to the Sale Products Cap of RMB360.00 million for the financial year ending 31 December 2026. The selling prices for the subject glass products remained the same for 2024–2026 in calculating the Sale Products Caps since the respective prices on average were not subject to high fluctuations historically.

C. 2024–2026 Supply of Products Framework Agreement

The entering of the 2024–2026 Supply of Products Framework Agreement will facilitate the Group to acquire products that will be required and used in its photovoltaic glass operations from the members of the Triumph Technology Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical figures and the proposed annual caps in relation to the 2024–2026 Supply of Products Framework Agreement

Below (i) the annual cap amounts for the three financial years ended 31 December 2023; and (ii) the historical transaction amounts for the two financial years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Sale and Purchase of Products Framework Agreement.

	For the financial years ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical annual caps (inclusive of VAT)	561,000	740,000	920,000
			For eleven
	For the financial years		months ended
	ended 31 December		30 November
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	32,350	13,452	41,437
Utilization Rate (%)	5.77	1.82	4.50

As shown in the above, the Group utilized only around 6% or less of the proposed annual caps under the 2021–2023 Sale and Purchase of Products Framework Agreement. As advised by the Company, instead of purchasing the products under the subject agreement from the members of the Triumph Technology Group, it could also produce its original glasses from the raw materials or purchase such products from other glass producers. In general, the original glasses were required when the Company could not sufficiently supply such products internally resulting in unutilized production lines for further processing. During the periods between 2021 to 2023, among other reasons, the Company had (i) relied more on internal resources for original glass productions (using raw materials); (ii) delayed the establishment of new deep processed production lines thus reduced the desire to purchase original glasses; and (iii) also purchased the subject products from other suppliers, and resulted in such low utilization rates. The Directors have made relevant adjustment and reduced the proposed annual caps under the 2024–2026 Sale of Products Framework Agreement accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps

Below the proposed annual caps under the 2024–2026 Supply of Products Framework Agreement for each of the financial years ending 31 December 2026 (the “**Supply Products Caps**”).

	For the financial years ending 31 December		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Proposed annual caps (inclusive of VAT)	510,000	540,000	570,000

The proposed annual caps under the 2024–2026 Supply of Products Framework Agreement are determined based on the expected consumption on the glass products, packaging box products and various packaging materials (the “**Supply Products**”) after taking into account:

- (i) the anticipated increase in demand for original glass due to the increase in the number of the Group’s photovoltaic glass deep processing production lines and increased capacity utilization during the period from 2024 to 2026; and the increase in planned procurement of glass deep processed products to meet the demand of downstream customers;
- (ii) the corresponding increase in the consumption of packaging boxes and various packaging materials required for the sales and warehousing of the products based on the anticipated increase in the sales volume of the Group’s products; and
- (iii) the anticipated transaction prices of original glass, deep processed products, packaging boxes and various packaging materials are referred to the historical transactions between the Group and Triumph Technology Group and the prevailing market price of the relevant products.

To cope with the development of the Group in, among others, increasing the production and sales of its glass products, investing in new product lines and establishing the Production Bases, the Group therefore anticipates an increase in consumption of the Supply Products for the operations of its Production Bases.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Production Schedule, the Supply Products Cap for the financial year ending 31 December 2024 is contributed mostly by the purchasing of original glasses, then followed by the procurement of photovoltaic glass deep processed products and in total contributed more than half of the anticipated transaction amounts for each of the Supply Products Caps. As the Company is expected to install more production lines, the original glass produced by the Company will not be sufficient to satisfy the production capacities of the production lines and thus the Company is expected to purchase such products from the Triumph Technology Group or other suppliers with more beneficial offers. The expected quantity of the Supply Products to be purchased by the Group has therefore factored in the full-utilization and expansion of the Group's production lines.

The Company uses same average prices for each of the Supply Products for each of the three financial years ending 31 December 2026 in estimating each of the Supply Products Caps and saved for the increases in the quantities of packaging materials for the Production Bases in Hefei and Tongcheng (since packaging materials are comparatively consumables that can be easily damaged), the Company expects to purchase the same quantity of the Supply Products for each of the three financial years ending 31 December 2026. Accordingly, the increments illustrated in the Supply Products Caps in 2025 and 2026 are principally due to the increase in the packaging materials which are in correspondences to the increases in production relating to the two new deep processing projects as mentioned previously in arriving the estimations of the Raw Material Caps. The increments are estimated to contribute an additional of approximately 6% to 2025 and approximately 5% to 2026 to the Supply Products Caps respectively.

D. 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement

The entering of the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement will facilitate the Group to enjoy the required equipment, materials and construction and installation services provided by the members of CNBMG Group that serve essential to the Group's engineering and construction projects.

Historical figures and the proposed annual caps in relation to the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Below (i) the annual cap amounts for the three financial years ended 31 December 2023; and (ii) the historical transaction amounts for the two financial years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement.

	For the financial years ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical annual caps (inclusive of VAT)	2,300,000	3,300,000	3,700,000
			For eleven
	For the financial years		months ended
	ended 31 December		30 November
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts (inclusive of VAT)	2,001,170	3,165,413	139,505
Utilization rates (%)	87.01	95.92	3.77

As advised by the Company, the engineering and construction related services initially scheduled to be performed in 2023 were postponed so that the annual cap for the financial year ended 31 December 2023 were not utilized as intended. As previously mentioned, riding the recovery of the market, the Group is prepared to increase the number of its production lines that will help to facilitate its business development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps

Below the proposed annual caps under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement for each of the financial years ending 31 December 2026 (the “EC Caps”).

	For the financial years ending 31 December		
	2024	2025	2026
	RMB'000	RMB'000	RMB'000
Proposed annual caps (inclusive of VAT)	6,010,000	5,800,000	4,500,000

The proposed annual caps under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement are determined based on the estimated amounts of the equipment material, construction services and installation services to be required for future engineering projects after taking into account:

- (i) the projected schedule of construction projects for the new projects and technological upgrading projects proposed to be implemented by the Group for the period of 2024–2026;
- (ii) the estimated demand of equipment material, construction services and installation services based on the complexity of the construction work and installation work for future projects; and
- (iii) the estimated price and fees for the equipment material, construction services and installation services based on the historical transactions between the Group and CNBMG Group.

The Company is expected to accelerate production capacity enhancement through new construction, renovation and expansion, acquisition and other means to further narrow the gap with the industry’s leading manufacturers, better utilize the economies of scale and synergies, reduce the production cost per unit of product and enhance the competitiveness of its products.

According to the Production Schedule, the EC Caps will cover the total transactions amounts, representing the estimated construction costs, of 16 engineering projects of the Group (the “**Projects**”) over the financial years for the periods ending 31 December 2024, 2025 and 2026. The transaction costs for each of the Projects are estimated based on either (i) respective reports prepared by members of the CNBMG Group; or (ii) the construction costs from the Group’s previous similar construction projects as references. These members of the CNBMG Group have leading technologies and knowledge in respect of glass production and is well recognized by the PRC government and among the peers in the photovoltaic and glass industries in the PRC as one of the leaders in this respect. The Directors have also confirmed that they are generally satisfied with the quality of, the feasibility reports, products and services rendered by the CNBMG Group in their previous cooperations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the Company, the Projects required specific parts, requirement and know-how to perform the necessary engineering services the Group required and the skills and information involved are considered as confidential information of the Group and its connected persons. Due to years of cooperations between the Group and the CNBMG Group, members of the CNBMG Group have the required knowledge and equipment that will match the Group's operations and needs for producing high quality glass products.

Despite of the above, we noted from the Production Schedule that the Projects mainly involve, among others, the photovoltaic battery projects, installation of equipment parts, photovoltaic glass production lines and power engineering system services that are, as confirmed by the Directors, expected to accelerate the production capacity or to enhance the quality of the glass products for the purposes of the Group's business development. The construction costs of the Projects are estimated to be ranging from RMB4 million to RMB2 billion. The Company is planning to commence 9 Projects and thus has allocated more construction costs in 2024. The Company is planning to commence a total of 7 to 8 Projects throughout 2025 and 2026 and that the same amount of construction costs for five Projects are allocated in both 2025 and 2026. We have been given to understand that it is common to re-schedule the timetable for the Projects and thus, the Group may not be able to incur the construction costs of certain Projects according to its current best estimations. As a result, the same costs may have to be accounted in each of the two financial years in the EC Caps to cater for unanticipated delays.

To better understand how the EC Caps were estimated by the Directors, we have summarized the Projects and their respective construction costs and time in the following table according to the Project Schedule.

	Total Estimated Construction Costs for the financial		
	years ending 31 December		
	2024	2025	2026
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Projects #1–8	5,595.75	–	–
Project #9	410.00	410.00	–
Project #10	–	1,967.28	–
Projects #11–15	–	3,359.33	3,359.33
Projects #16	–	–	1,100.00
	<hr/>	<hr/>	<hr/>
Total	6,005.75	5,736.61	4,459.33
The EC Caps	6,010.00	5,800.00	4,500.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the Non-exempt 2024–2026 CCT Agreements (other than the deposit services under the 2024–2026 Financial Services Framework Agreement)

Having considered that,

- (i) the Group is intended to expand its production scale through increasing production lines and production capacity in the upcoming years;
- (ii) the estimations in the Production Schedule relied on the Group's existing production information and record;
- (iii) the Raw Material Caps assures the Group in purchasing the required raw materials for its production;
- (iv) the increments in the Raw Material Caps cope with the needs of the Company's expansion in production capacity;
- (v) on the basis that the Triumph Technology Group has been satisfied with the quality of the glass products supplied by the Group and that the Sale Products Caps accounted a small portion of the Group's total glass production capacity;
- (vi) the increments in the Sale Products Caps, as a result of the Company's expansion, allow the Group to sell more products to the Triumph Technology Group and generate more revenue should members of the Triumph Technology Group increase their sales orders;
- (vii) the Supply Products Caps provide the Group with alternative options in purchasing original glasses that can be further process into photovoltaic and functional glass products should the growth and orders of these products exceeded the Group's anticipation;
- (viii) the Supply Products Caps facilitate the Group to occupy new and unutilized production lines;
- (ix) the EC Caps and the Projects indicated in the Production Schedule are expected to, upon completions of the relevant constructions/installations, facilitate the production process of and the quality of products for the Group;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (x) the construction costs of the EC Caps are estimated to be highly utilized and such costs are prepared by an experienced industry leader with well knowledge and understanding of the needs of the Group and then also reviewed and approved by the Group; and
- (xi) the reasons for and benefits of entering into the Non-exempt 2024–2026 CCT Agreements together with the outlook of the PRC’s photovoltaic industry which appears to be prosperous with government policies’ supports as stated in the previous section,

we are of the view that each of the Raw Materials Caps, the Sale Products Caps, the Supply Products Caps and the EC Caps is justifiable, fair and reasonably determined by the Directors.

E. 2024–2026 Financial Services Framework Agreement

As stated in the Board Letter, to ensure a better planning of capital and cash flow management in different stages of various projects and business development of the Group, on 21 December 2023, the Company and CNBMG Finance entered into the 2024–2026 Financial Services Framework Agreement, pursuant to which CNBMG Finance has agreed to provide the Group, on a non-exclusive basis, with deposit services, loan services and other financial services approved by the CBIRC subject to the terms and conditions therein.

The Group expects that the engagement with CNBMG Finance will (i) provide an alternative of a stable source of financial services provider which CNBMG Finance can offer more favourable, diversified and flexible financial service than other third party commercial banks; and (ii) encourage the cooperating financial services providers of the Group to offer more competitive terms to the Group.

On the basis of the reasons for and benefits of entering the Non-exempt 2024–2026 CCT Agreement 2024–2026 as mentioned previously in this letter, while also valuing that (i) the entering into of the 2024–2026 Financial Services Framework Agreement is in substance the renewal of the existing agreement of the Company; (ii) the existing business relationship between the Group and CNBMG Finance to maintain CNBMG Finance, licensed and regulated by the CBIRC, as one of its financial services providers; and (iii) CNBMG Finance’s financial services could provide enhancement to the Group’s development in terms of, among other things, financial planning, we are of the view that the deposit services offered to the Group as a result of entering of the 2024–2026 Financial Services Framework Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical figures and the proposed annual caps in relation to the deposit services (maximum daily deposit balance including the corresponding interests) under the 2024–2026 Financial Services Framework Agreement

Below (i) the annual cap amounts for the three financial years ended 31 December 2023; and (ii) the historical transaction amounts for the two financial years ended 31 December 2022 and eleven months ended 30 November 2023 in respect of the deposit services under the 2021–2023 Financial Service Framework Agreement.

	For the financial years ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical annual caps – maximum daily deposit balance (including corresponding interest)	500,000	600,000	700,000
		For eleven	months ended
	For the financial years	ended 31 December	30 November
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Historical transaction amounts – maximum daily deposit balance (including corresponding interest)	100,000	357,141	290,464
Utilization Rates (%)	20.00	59.52	41.49

As set out in the Board Letter, the decrease in the Group's deposits as at 31 October 2023 as compared to that as at 31 December 2022 was mainly due to the fact that the Company officially completed the disposal of its former wholly-owned subsidiary, Puyang China National Building Materials Photovoltaic Materials Company Limited, and the completion of transfer of its equity interests on 3 January 2023, and as a result, the Company no longer holds any interest in it and its assets are no longer consolidated in the Group's consolidated financial statements and are no longer classified in the Group's deposits.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps

Below the proposed annual caps under the 2024–2026 Procurement of Raw Materials Framework Agreement for each of the financial years ending 31 December 2026.

	For the financial years ended 31 December		
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Proposed annual caps – maximum daily deposit balance (including corresponding interest)	800,000	900,000	1,000,000

The above proposed annual caps are determined based on (i) the estimated collected funds from operations and expected cash and cash equivalent of the Group as at 31 December 2023; (ii) the expectation on the capital needs and financing requirement in relation to the business development of the Group between 2024 and 2026; (iii) the consideration of financial ability of CNBMG Finance in relation to its recent financial position and financial performance in 2023, including the scale of deposits accepted; and (iv) the financial ability of and the expected interest rate of deposit to be offered by CNBMG Finance.

The Group's monetary capital has been increasing year by year (i.e. from approximately RMB689.0 million for the year ended 31 December 2022 to approximately RMB878.3 million for the nine months ended 30 September 2023). As advised by the Directors, the deposit account held by the Group under the deposit services under the 2024–2026 Financial Services Framework Agreement is the main working capital account of the Company for the payment of, among other things, the fees and consideration for the projects under the expansion of the Group's business. As mentioned under the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement, the Group is expected to require substantial amount of monetary funds from 2024 to 2026 to finance the commencement of operation and acquisition of new production lines, as well as the implementation of new projects and technological upgrading projects. Accordingly, the Group is proposing to increase the maximum daily deposit balance to cater for the corresponding (single or consecutive) transactions with large amount.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, in accordance with CNBMG's Notice on Further Enhancing the Group's Internal Financing and Improving the Capital Usage Efficiency (CNBMG Fa Cai Wu [2020] No. 147 (中國建材《關於進一步提升集團內部資金融通提高資金使用效率的通知》(中國建材發財務(2020)147號)), as well as the specific requirements of the State-owned Assets Supervision and Administration Commission of the State Council and CNBMG Group in respect of the construction of treasury of its members, the members shall further strengthen the business cooperation with finance companies within the Group in respect of account opening, deposits and settlement. CNBMG Group and Triumph Technology Group have also requested their respective members to further increase their capital concentration. Catering to and in response to the aforesaid policies of the State-owned Assets Supervision and Administration Commission of the State Council and CNBMG, the Group intends to further strengthen its cooperation with CNBMG Finance from 2024 to 2026 by centralizing and adopting the financial services provided by CNBMG Finance to the Group, hence the increase in the Proposed Annual Caps.

In addition to the above, we have reviewed the latest audited financial statements for the year ended 31 December 2022 and latest unaudited financial statements for the nine months ended 30 September 2023 of CNBMG Finance which were provided by the Company for our assessment of the financial ability of CNBMG Finance. We noted that the business scale of CNBMG Finance, such as, its asset scale, amounts of deposits accepted loan granted and its financial performance and are of the view that the financial ability of CNBMG Finance is sufficient for CNBMG Finance to provide the deposit services within the amount of the Deposit Caps to the Group.

As a result, other than the latest balances of cash and equivalents of the Group as stated in the above, we also considered that (i) the financial capability of the CNBMG Finance; (ii) the Deposit Caps are sufficient for the Group to utilize the deposit services of the CNBMG Finance; (iii) the Group recorded net profits for the financial year ended 31 December 2022 and for the six months ended 30 June 2023 as mentioned in the financial information of the Group under the sub-section headed "The Group" in this letter; and (iv) the Group is expected to generate more sales from its increased production scale with a positive outlook in the PRC's photovoltaic industry, and so we are of the view that the Deposit Caps and the increment in the Deposit Caps are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration of the principal factors and reasons as stated above in this letter, we are of the opinion that (i) the terms of the Non-exempt 2024–2026 CCT Agreements and the respective Proposed Annual Caps are on normal commercial terms; and (ii) the entering into of the Non-exempt 2024–2026 CCT Agreements, the transactions contemplated thereunder and the respective Proposed Annual Caps are fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favor of the relevant resolutions to approve the Non-exempt 2024–2026 CCT Agreements and the respective Proposed Annual Caps to be proposed at the EGM.

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 27 years of experience in corporate finance industry.

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 executives 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 or debentures of the Company or any associated corporations (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 was 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.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or 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.

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates were considered to have interest in any business which competes or may compete with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

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 Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the 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 executives 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 is, 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 general meetings of any members of the Group.

Name of shareholders	Capacity	Number of Shares Held ¹	Number of underlying Shares held under equity derivatives ¹	Total number of Shares interested ¹	Percentage of the relevant issued class of share capital	Percentage	Type of Share
						of the total issued share capital of the Company	
					(%)	(%)	
CNBMG ²	Interest in controlled corporation	204,932,781(L)	/	204,932,781(L)	51.80	31.74	A Share
Triumph Technology ³	Beneficial owner/interest in controlled corporation	204,932,781(L)	/	204,932,781(L)	51.80	31.74	A Share
CLFG	Beneficial owner	111,195,912 (L)	/	111,195,912 (L)	28.10	17.22	A Share
CNBM Research Institute	Beneficial owner	63,835,499 (L)	/	63,835,499 (L)	16.13	9.87	A Share
Triumph Resources	Beneficial owner	3,477,327 (L)	/	3,477,327 (L)	0.88	0.54	A Share
International Engineering	Beneficial owner	386,370 (L)	/	386,370 (L)	0.10	0.06	A Share

Note 1: (L) – Long position

Note 2: Triumph Technology is a wholly-owned subsidiary of CNBMG. Therefore, CNBMG is deemed to be interested in the shares held by Triumph Technology by virtue of Part XV of the SFO.

Note 3: CLFG is a non-wholly-owned subsidiary of Triumph Technology, CNBM Research Institute is a non-wholly owned subsidiary of Triumph Technology, International Engineering is a wholly-owned subsidiary of Triumph Technology and Triumph Resources is a wholly-owned subsidiary of Triumph Technology; and Triumph Technology directly holds 29,515,000 A shares of the Company. Therefore, Triumph Technology is deemed to be interested in the shares held by CLFG, CNBM Research Institute, International Engineering and Triumph Resources by virtue of Part XV of the SFO.

3. MATERIAL CONTRACTS

The members of the Group have not entered into contracts which are or may be material (being contracts not entered into in the ordinary course of business) within the two years up to the Latest Practicable Date.

4. LITIGATION

As at the Latest Practicable Date, no member of the 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 Group.

5. SERVICE CONTRACTS

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 Group which does not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. QUALIFICATION OF EXPERT

The following is the qualification of the expert whose letter is contained in this circular:

Name	Qualification
Veda Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

8. CONSENT OF EXPERT

The letter from the Independent Financial Adviser and its recommendation are given as of the Latest Practicable Date for incorporation herein.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which they appear.

9. INTERESTS OF EXPERT

As at the Latest Practicable Date, the Independent Financial Adviser 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 which had been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. OTHER INFORMATION

- (a) The company secretary of the Company is Mr. Ip Pui Sum. Mr. Ip is a certified public accountant in Hong Kong, a fellow member of the Association of Chartered Certified Accountants, and a member of the Hong Kong Institute of Certified Public Accountants, Chartered Institute of Management Accountants, Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (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 registrar of the Company's H Shares in Hong Kong is Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

11. DOCUMENTS ON DISPLAY

The following documents will be available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.zhglb.com/>) for a period of 14 days from the date of this circular:

- (a) 2021–2023 Sale and Purchase of Raw Materials Framework Agreement;
- (b) 2021–2023 Sale and Purchase of Glass Products Framework Agreement;
- (c) 2021–2023 Sale and Purchase of Products Framework Agreement;
- (d) 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement;
- (e) 2021–2023 Technical Services Framework Agreement;
- (f) 2021–2023 Sale and Purchase of Spare Parts Framework Agreement;
- (g) 2021–2023 Financial Services Framework Agreement;
- (h) Supplemental Agreement for the 2021–2023 Sale and Purchase of Raw Materials Framework Agreement;
- (i) Supplemental Agreement for the 2021–2023 Engineering Construction Equipment Procurement and Installation Framework Agreement;
- (j) Supplemental Agreement for the 2021–2023 Technical Services Framework Agreement;
- (k) 2024–2026 Procurement of Raw Materials Framework Agreement;
- (l) 2024–2026 Sale of Products Framework Agreement;
- (m) 2024–2026 Supply of Products Framework Agreement;
- (n) 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement;

- (o) 2024–2026 Technical Services Framework Agreement;
- (p) 2024–2026 Supply of Spare Parts Framework Agreement;
- (q) 2024–2026 Financial Services Framework Agreement;
- (r) the letter from the Board, the text of which is set out on pages 1 to 50 of this circular;
- (s) the letter from the Independent Board Committee, the text of which is set out on pages 51 to 52 of this circular;
- (t) the letter from the Independent Financial Adviser, the text of which is set out on pages 53 to 96 of this circular;
- (u) the written consent of the Independent Financial Adviser mentioned in the section headed “8. CONSENT OF EXPERT” in this appendix; and
- (v) this circular.

NOTICE OF EGM



凯盛新能源股份有限公司

Triumph New Energy Company Limited

*(Formerly known as “LUOYANG GLASS COMPANY LIMITED 洛陽玻璃股份有限公司”
(a joint stock limited company incorporated in the People’s Republic of China with limited liability))*

(Stock code: 01108)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING 2024

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting 2024 (the “**EGM**”) of Triumph New Energy 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 a.m. on Monday, 5 February 2024 for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the 2024–2026 Procurement of Raw Materials Framework Agreement (a copy of which has been proposed to the EGM marked “**1**” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof;
2. To consider and approve the 2024–2026 Sale of Products Framework Agreement (a copy of which has been proposed to the EGM marked “**2**” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof;
3. To consider and approve the 2024–2026 Supply of Products Framework Agreement (a copy of which has been proposed to the EGM marked “**3**” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof;

NOTICE OF EGM

4. To consider and approve the 2024–2026 Engineering Construction Equipment Procurement and Installation Framework Agreement (a copy of which has been proposed to the EGM marked “4” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof;
5. To consider and approve the 2024–2026 Technical Services Framework Agreement (a copy of which has been proposed to the EGM marked “5” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof;
6. To consider and approve the 2024–2026 Supply of Spare Parts Framework Agreement (a copy of which has been proposed to the EGM marked “6” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof;
7. To consider and approve the 2024–2026 Financial Services Framework Agreement (a copy of which has been proposed to the EGM marked “7” and signed by the chairman of the EGM for the purpose of identification), the terms and conditions thereof, its proposed annual caps, the transactions contemplated thereunder and the implementation thereof; and
8. To approve, ratify and confirm any one of the Directors for and on behalf of the Company, among other matters, to sign, execute, complete, deliver or to authorize signing, executing, completing 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 2024–2026 CCT Agreements.

(For details of the above resolutions, please refer to the announcements of the Company dated 27 December 2023 in relation to 2024–2026 CCT Agreements and the Proposed Annual Caps for the continuing connected transactions contemplated under the respective agreements for each of the three years ending 31 December 2026 (the “**Announcement**”). Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Announcement.)

By order of the Board
Triumph New Energy Company Limited
Xie Jun
Chairman

Luoyang, the PRC
18 January 2024

As at the date of this notice, the Board comprises four executive Directors: Mr. Xie Jun, Mr. Zhang Rong, Mr. He Qingbo and Ms. Wang Leilei; three non-executive Directors: Mr. Zhang Chong, Mr. Sun Shizhong and Dr. Pan Jingong; and four independent non-executive Directors: Ms. Zhang Yajuan, Mr. Chen Qisuo, Mr. Zhao Hulin and Mr. Fan Baoqun.

NOTICE OF EGM

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 4:30 p.m. on 31 January 2024, are entitled to attend and vote at the EGM. The register of members of the Company's H Shares will be closed from 1 February 2024 to 5 February 2024 (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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 31 January 2024.
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 case that the proxy form is signed by the attorney of the principal, the power of attorney or other authorisation documents 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 must be lodged at the Company's share registrar in Hong Kong Registrars Limited, at 17M Floor, 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 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.
5. 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 traveling and accommodation expenses.
6. The Company's registered address is as follows:

No. 9 Tang Gong Zhong Lu, Xigong District
Luoyang Municipal, Henan Province
the People's Republic of China
Postal Code: 471009
Tel: 86-379-6390 8961
Fax: 86-379-6325 1984
7. Completion and return of the proxy form will not preclude Shareholders of the Company from attending and voting in person at the EGM or any adjournment thereof should he/she so wish.