洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 01108)

ANNOUNCEMENT ON LEVEL OF FULFILLMENT OF THE PERFORMANCE COMMITMENT FOR 2019 UNDER THE SIGNIFICANT ASSETS RESTRUCTURING

All members of the board (the "**Board**") of directors (the "**Directors**") of Luoyang Glass Company Limited* (the "**Company**") hereby warrant the truthfulness, accuracy and completeness of the contents of this announcement, and accept several and joint responsibilities for any false information, misleading statements or material omissions in this announcement.

This announcement is made by the Company pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the circular of the Company dated 11 October 2017 in relation to, among other things, its (a) very substantial acquisitions and connected transactions; (b) proposed issuance and placing of A share; and (c) application for whitewash waiver (the "**Circular**"); (ii) the announcement of the Company dated 13 April 2018 in relation to the update in relation to the significant assets restructuring of the Company; and (iii) the announcement of the Company dated 29 March 2019 in relation to the level of fulfillment of the performance commitment for 2018 under the significant assets restructuring. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the Circular.

I. SIGNIFICANT ASSETS RESTRUCTURING

As approved by the CSRC with the "Approval on Purchase of Assets by Share Issue to China Luoyang Float Glass (Group) Company Limited* (中國洛陽浮法玻璃集團有限責任公司), etc. and Raising of Supporting Funds by Luoyang Glass Company Limited* (《關於核准洛陽玻璃股份有限公司向中國洛陽浮法玻璃集團有限責任公司等發行股份購買資產並募集配套資金的批覆》)" (Zheng Jian Xu Ke [2018] No. 475), the Company acquired 100% equity interest in Hefei New Energy from CLFG and Hefei High-Tech, 100% equity interest in Tongcheng New Energy from Huaguang Group, Bengbu Institute, International Engineering and 70.99% equity interest in Yixing New Energy from Triumph Group, Yixing Environmental Technology, GCL System Integration by way of issuance of shares. The abovementioned transactions constitute a significant assets restructuring.

As at 18 April 2018, the transfer of ownership of the target assets and registration of issuance of the additional shares in relation to the significant assets restructuring had been successively completed.

II. PERFORMANCE COMMITMENT AND COMPLETION THEREOF

Pursuant to the Profit Guarantee Indemnity Agreements and the relevant supplemental agreements entered into by the Company with CLFG, Hefei High-Tech, Huaguang Group, Bengbu Institute, International Engineering, Triumph Group, Yixing Environmental Technology and GCL System Integration (the "**Guarantors**"), respectively, the profit compensation period shall be 2018, 2019 and 2020. The Guarantors undertook that the Actual Net Profit of the Target Companies for the profit compensation period shall not be lower than the net profit as undertaken by the Guarantors to be achieved by the Target Companies in the profit compensation period. If the Target Companies fail to achieve the net profit under the commitment, the Guarantors will calculate the annual compensation amount and the number of compensation shares according to the "determination of compensation amount" under the Profit Guarantee Indemnity Agreements. The Company will repurchase the compensation shares at a total consideration of RMB1.00; if the shares of the Company held by the Guarantors obtained through the restructuring are insufficient to make up the compensation amount for the current period, the difference shall be compensated by the Guarantors with its own or self-raised cash.

In 2019, the audited net profit after deducting non-recurring profit or loss under the commitment of the Guarantors: not less than RMB69,394,900 for Hefei New Energy, not less than RMB26,719,900 for Tongcheng New Energy, and not less than RMB41,245,000 for Yixing New Energy. According to the 2019 annual audit reports issued by WUYIGE Certified Public Accountants LLP* (大信會計師事務所(特殊普通合夥)) for the three Target Companies, the audited net profit after deducting non-recurring profit or loss of Hefei New Energy, Tongcheng New Energy and Yixing New Energy for 2019 are RMB40,554,200, RMB9,662,200, and RMB47,912,600, respectively, of which Hefei New Energy and Tongcheng New Energy failed to fulfill the performance commitment with the differences of RMB28,840,700 and RMB17,057,700, respectively; Yixing New Energy fulfilled its performance commitment for 2019.

III. REASONS FOR FAILURE IN FULFILLMENT OF THE PERFORMANCE COMMITMENT

As affected by a number of factors, profit growth of Hefei New Energy and Tongcheng New Energy in 2019 fell short of expectations. Specific reasons are set out as follows:

1. Hefei New Energy and Tongcheng New Energy are both engaged mainly in the manufacturing and sales of photovoltaic original glass and its further processed products. Under the continuing impact of the "531 PV Policy" promulgated in 2018, the domestic photovoltaic glass market underperformed in 2019, albeit the upturn as compared to the second half of 2018, which resulted in certain adverse impact on the operating results of Hefei New Energy and Tongcheng New Energy, with both market demand and selling price of products falling short of expectations;

2. The photovoltaic original glass production line of Tongcheng New Energy underwent technological renovation in March 2019 and was ignited for production on 20 June 2019, which affected the supply of original glass during the reporting period, resulted in the decline in manufacture and sales volume, and in turn prejudiced the revenue and profitability;

3. Costs for raw materials and energy power used in the production of photovoltaic glass accounted for a large proportion of the production costs. Cost control was under pressure due to continuous increase in prices of raw materials and fuels, such as silica sand and natural gas, during the reporting period;

4. Given the capital chain rupture or even bankruptcy of certain downstream customers under the impact of the "531 PV Policy", provision for credit impairment losses was made for the relevant receivables based on the prudence principle. In particular, the provision for credit impairment losses of each of Hefei New Energy and Tongcheng New Energy was RMB15,800,000 and RMB3,840,000 respectively, which affected the net profit of the two companies during the reporting period.

IV. MEASURES TO BE TAKEN BY THE COMPANY

1. To boost production efficiency and capacity through project renovation and expansion. Following the technical revamp of the production lines of Tongcheng New Energy, Hefei New Energy will upgrade and remold its production lines step by step to optimize and boost production capacity and technical performance, with a view to further improve product quality and reduce energy consumption and product costs. Hefei New Energy and Tongcheng New Energy have respectively commenced the construction of their production lines for further processing of solar backsheet glass, which, upon completion, will enable them to produce products of multiple specifications, enrich product mix and enhance profitability;

2. To effectively capitalize on the centralized procurement platform of Triumph Group while continuing to expand the scope of centralized procurement company-wide, so as to improve the quality of material procurement and lower procurement costs;

3. To further strengthen customer management through enhancing customer-credit rating and risk control, and increase efforts in collecting accounts receivable to avoid credit impairment losses to the greatest extent possible.

V. APOLOGIES

The Chairman and General Manager of the Company are deeply regretful and sincerely apologize to the investors.

In the future, the Company will continue to strengthen the management of its subsidiaries and further improve its profitability through quality and efficiency enhancement, costs reduction and development of new market businesses, to repay all Shareholders with better performance.

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

Luoyang, the PRC
29 April 2020

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

* *For identification purposes only*