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福耀玻璃工業集團股份有限公司
Fuyao Glass Industry Group Co., Ltd.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3606)

**FURTHER ANNOUNCEMENT ON
THE CONTINUING CONNECTED TRANSACTIONS UNDER THE
FUZHOU MOLD SUPPLY OF GOODS
FRAMEWORK AGREEMENT
AND
THE TRIPLEX AUTO SERVICES MASTER DISTRIBUTION
FRAMEWORK AGREEMENT**

Reference is made to the announcement of the Company dated March 21, 2016 in relation to the continuing connected transactions under the Fuzhou Mold Supply of Goods Framework Agreement and the Triplex Auto Services Master Distribution Framework Agreement.

This announcement is to provide the shareholders and potential investors of the Company with further information in relation to:

- (1) the basis for determining the annual cap of the continuing connected transactions under the Fuzhou Mold Supply of Goods Framework Agreement for 2016; and
- (2) the distribution business model, major terms and pricing policy of the Triplex Auto Services Master Distribution Framework Agreement, and the basis for determining the annual cap of the continuing connected transactions thereunder.

Reference is made to the announcement of Fuyao Glass Industry Group Co., Ltd. (the “**Company**”) dated March 21, 2016 (the “**Announcement**”) in relation to the continuing connected transactions under the Fuzhou Mold Supply of Goods Framework Agreement and the Triplex Auto Services Master Distribution Framework Agreement (the “**Transactions**”). Unless otherwise defined, capitalized terms used herein shall have the same meanings as defined in the Announcement.

This announcement is to provide the shareholders and potential investors of the Company with further information in relation to the Transactions.

I. CONTINUING CONNECTED TRANSACTIONS UNDER THE FUZHOU MOLD SUPPLY OF GOODS FRAMEWORK AGREEMENT

As disclosed in the Announcement, the annual cap of the continuing connected transactions under the Fuzhou Mold Supply of Goods Framework Agreement for 2016 is RMB200 million. Such annual cap is determined on the following basis:

- 1. Historical procurement amount and the procurement and sales plans of the Company:** the Company needs both molding and testing equipment for its automotive glass production. The costs of molding and testing equipment procurement of the Company in 2015 was approximately RMB151.0 million, of which approximately RMB64.4 million was paid to Fuzhou Mold for procurement of molding equipment and approximately RMB86.6 million was paid to suppliers other than Fuzhou Mold for procurement of molding and testing equipment. According to the estimation by the sales department of the Company, it is expected that the volume of research and development of new products for 2016 will increase by approximately 30% as compared to that for 2015, with the estimated demand for molding and test equipment of approximately RMB200 million.
- 2. Development and increased production capacity of Fuzhou Mold:** Fuzhou Mold was in the trial production phase in the past two years and its production volume could only satisfy part of the Group's need. After two years' of development, Fuzhou Mold is well equipped for production of both molding and testing equipment, and it is expected to enter into mass production phase in 2016.
- 3. The Company's equipment procurement plan:** The Company believes that entering into the Fuzhou Mold Supply of Goods Framework Agreement and carrying on the relevant continuing connected transactions with Fuzhou Mold could better coordinate the Company's demand for molding and testing equipment during its daily business operation, enhance the efficiency of development of molding and testing equipment of the Company and enable the Company to obtain high-quality molding and testing equipment supply and relevant services. Therefore, the Company plans to centralize its molding and testing equipment supplies and to purchase all or substantially all its molding and testing equipment from Fuzhou Mold from 2016 onwards if the molding and testing equipment supplied by Fuzhou Mold can meet the Company's production requirements and the terms offered by Fuzhou Mold are no less favorable than those offered by independent suppliers.

The Company will closely monitor the production capacity and equipment quality of Fuzhou Mold and the market price for similar molding and testing products. If the Company considers that Fuzhou Mold is not able to supply all equipment as the Company requires, or the terms offered by Fuzhou Mold is less favorable than those offered by an independent third party, the Company will source its equipment supplies from other suppliers.

Based on the above, the Company considers that the annual cap of the continuing connected transaction with Fuzhou Mold is fair and reasonable and in the interests of the Company and its shareholders as a whole.

II. CONTINUING CONNECTED TRANSACTIONS UNDER THE TRIPLEX AUTO SERVICES MASTER DISTRIBUTION FRAMEWORK AGREEMENT

Distribution Model under the Triplex Auto Services Master Distribution Framework Agreement

Reasons for changing the distribution model of the Company

Prior to entering into the Triplex Auto Services Master Distribution Framework Agreement, the Company entered into distribution agreements with various regional distributors in the PRC under which the regional distributors were authorized to distribute the Company's aftermarket repairing glass (“ARG”) products in after-sale market within specific geographic territories. The sales revenue of ARG products attributed to a relatively small proportion of the total revenue of the Company in the past few years.

As (i) the Company intends to enhance the distribution network of its ARG products and increase its market shares in an efficient and more cost-effective manner; and (ii) Triplex Auto Services is dedicated to development of automotive after-sale market and sales of automotive repairing products, and is committed to the development of branding and e-commerce of automotive after-sale market, the Company decided to engage Triplex Auto Services as its exclusive distributor in the domestic after-sale market.

Relationship between the Company and Triplex Auto Services

Under the Triplex Auto Services Master Distribution Framework Agreement, Triplex Auto Services is authorized to serve as the “exclusive distributor” for the Company’s products in domestic after-sale market, and Triplex Auto Services is in turn responsible for distributing the Company’s products in domestic after-sale market either by itself or through its authorized sub-distributors, which have no contractual arrangement with the Company. The relationship between Triplex Auto Services and the Company is that of a seller/buyer relationship in substance.

Revenue recognition and goods return arrangement

According to its accounting policy, the Company recognizes its revenue when the risk and profit of the goods have been transferred to the customer, which is usually at the time when the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. The Company will follow its practice and record revenue when the goods are delivered to the destination as stipulated in the individual supply agreements and are accepted by Triplex Auto Services.

Under the Triplex Auto Services Master Distribution Framework Agreement, Triplex Auto Services shall purchase products from the Group prior to reselling the same products. The Company does not accept returned goods from Triplex Auto Services except that:

- (a) the products sold have quality or functional defects; or
- (b) the products sold does not match the specifications required by Triplex Auto Services or wrongly delivered due to the Company’s faults.

Major Terms and Pricing Policy

The terms of the Triplex Auto Services Master Distribution Framework Agreement between the Company and Triplex Auto Services are determined by the Company with reference to the prior contractual arrangements with the Company’s district authorized distributors. The Company sets forth below the basis for considering the key terms to the Triplex Auto Services Master Distribution Framework Agreement, which the Company considers, are on normal commercial terms, and are fair and reasonable:

Authorization to use the Company's trademarks and brand name at nil consideration

The Company authorizes Triplex Auto Services to use the trademarks and brand name of the Company at nil consideration, so that Triplex Auto Services and its authorized distributors can use the Company's trademarks and brand name for marketing and promotion of the Company's products. This is consistent with the Company's past practice in granting the regional distributors the right to use the trademarks and brand name of the Company at nil consideration.

Pricing policy

Before entering into the Triplex Auto Services Master Distribution Framework Agreement, the Company sold products to its district authorized distributors at the prices determined by the Company with reference to the market prices of the same or similar products in the domestic after-sale market. In order to follow such previous practice, the Company will adopt the following specific measures to ensure that the prices offered to Triplex Auto Services are on normal commercial terms and are fair and reasonable:

- a. the selling prices will be determined by the sales department of the Company (the "**Base Price**") in accordance with the product costs and with reference to the information collected by the Company's sales department in relation to market prices of the same or similar products;
- b. the Company's sales department will make adjustment to the Base Price (the "**Adjusted Price**") in accordance with the market competitions on sales of similar ARG products; and
- c. the Adjusted Price will constitute the basis for the Company's negotiation of the selling prices with Triplex Auto Services and based on such negotiation, the "Price List of Supply Goods" will then be formulated.

Based on the procedures above, the Company will ensure that the average selling prices offered to Triplex Auto Services shall not be lower than the market prices of the same or similar products in the domestic after-sale market based on the market information collected by the Company and, therefore, are fair and reasonable.

In addition to the above pricing mechanisms, the Company's sales department will closely monitor the market sales of its ARG products. The prices agreed between the Company and Triplex Auto Services shall be submitted to the director of the sales department for review and subsequently to the general manager of the Company for approval. The Company believes that such multi-layer pricing review and approval procedures can also serve as the safeguard to ensure that the prices offered to Triplex Auto Services are determined on normal commercial terms and are fair and reasonable.

Settlement

The Company grants Triplex Auto Services a three-month credit period, and agrees that the payment of Triplex Auto Services shall be settled in cash or by wire transfer on the following basis:

- a. to the best knowledge of the Company, the Company's competitors usually grant their customers at least a three-month credit period;
- b. after the Company deliver its products, Triplex Auto Services will distribute the products to ultimate customers. The Company reasonably estimates that it takes at least three months from Triplex Auto Services' receipt of the products delivered by the Company, to Triplex Auto Services' delivering goods to ultimate customers and collecting payments from ultimate customers; and
- c. settlement in cash or by wire transfer is in line with the general market practice.

Annual cap

As disclosed in the Announcement, the annual cap on the continuing connected transactions under the Triplex Auto Services Master Distribution Framework Agreement for 2016 is RMB500 million, which was determined based on the historical sales revenue in 2015 and the sales plans of Triplex Auto Services and the Company for 2016:

- a. **Historical sales revenue of the Company in 2015:** the total domestic sales revenue of the ARG products of the Company in 2015 was approximately RMB371 million, representing approximately 2.73% of the total revenue of the Company in 2015; and
- b. **Sales plans of Triplex Auto Services and the Company for 2016:** by entering into the Triplex Auto Services Master Distribution Framework Agreement, the Company plans to cease the prior cooperation with regional distributors and authorize Triplex Auto Services as the exclusive distributor for the Company's products in domestic after-sale market in 2016. Based on the sales plans of Triplex Auto Services and the Company for 2016, the Company also expects a growth of 30% in the market demand for the Company's products in domestic after-sale market in 2016.

Based on the above, the Company considers that the Triplex Auto Services Master Distribution Framework Agreement is entered into on normal commercial terms and the terms of the transactions (including its annual cap) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Except as disclosed above, all other information in the Announcement remains unchanged.

By order of the Board
Fuyao Glass Industry Group Co., Ltd.
Cho Tak Wong
Chairman

Fuzhou, Fujian, the PRC
April 19, 2016

As at the date of this announcement, the Board of the Company comprises Mr. Cho Tak Wong, Mr. Chen Xiangming and Mr. Chen Jicheng, as executive directors; Mr. Tso Fai, Mr. Wu Shinong and Ms. Zhu Dezhen, as non-executive directors; Ms. Cheng Yan, Ms. Liu Xiaozhi and Mr. Wu Yuhui, as independent non-executive directors.