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

**If you have sold or transferred** all your shares in China Glass Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected, for transmission to the purchaser or transferee.

CNG 中玻

# CHINA GLASS HOLDINGS LIMITED

# 中 國 玻 璃 控 股 有 限 公 司 *

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 3300)**

# CONNECTED TRANSACTIONS –
# (1) SHAANXI ENGINEERING CONTRACTS
# AND
# (2) JIANGSU ENGINEERING CONTRACT;
# AND
# CONTINUING CONNECTED TRANSACTION –
# CHINA GLASS PROCUREMENT FRAMEWORK AGREEMENT;
# AND
# NOTICE OF SPECIAL GENERAL MEETING

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

八方 金融有限公司
OCTAL Capital Limited

A notice convening the Special General Meeting of China Glass Holdings Limited to be held at Salons I & II, Mezzanine Level, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 20 December 2019 at 9:30 a.m. or at any adjournment thereof is set out on pages 54 to 57 of this circular. A form of proxy for use at the Special General Meeting is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (www.chinaglassholdings.com).

Whether or not shareholders are able to attend the Special General Meeting, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for the Special General Meeting (i.e. not later than 9:30 a.m. on Wednesday, 18 December 2019) or at any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the Special General Meeting or any adjournment thereof if they so wish.

References to times and dates in this circular are to Hong Kong times and dates.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

3 December 2019

* *For identification purpose only*

# CONTENTS

# DEFINITIONS

*In this circular and the appendix to it, the following expressions have the following meanings unless the context requires otherwise:*

| | |
|---|---|
| "Announcement" | the announcement of the Company dated 25 October 2019 in relation to, among other things, (1) Shaanxi Engineering Contracts, (2) Jiangsu Engineering Contract and (3) China Glass Procurement Framework Agreement |
| "Annual Caps" | the maximum aggregate annual value projected for the years ending 31 December 2020, 31 December 2021 and 31 December 2022 in respect of the transactions contemplated under the China Glass Procurement Framework Agreement |
| "Board" | the board of Directors |
| "Bye-Laws" | the bye-law(s) of the Company currently in force |
| "CBMIE Group" | China Building Materials International Engineering Group Co., Ltd.*（中國建材國際工程集團有限公司）, a limited liability company incorporated under the Laws of the PRC |
| "China Glass Investment" | China Glass Investment Limited*（中玻投資有限公司）, a limited liability company incorporated under the Laws of the PRC and an indirect wholly-owned subsidiary of the Company |
| "China Glass Procurement Framework Agreement" | the procurement framework agreement entered into between China Glass Investment and Huaguang Group on 25 October 2019 in relation to the procurement of Raw and Fuel Materials for the manufacturing of glass products carried out by the Group |
| "CNBM" | China National Building Material Company Limited*（中國建材股份有限公司）, a joint stock limited company incorporated in the PRC with limited liability of its members and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 3323) |
| "CNBM Group Corporation" | China National Building Material Group Co., Ltd.*（中國建材集團有限公司）, a limited liability company incorporated under the Laws of the PRC |

| | |
|---|---|
| "Company" | China Glass Holdings Limited (中國玻璃控股有限公司*), a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 3300) |
| "Director(s)" | the director(s) of the Company |
| "Engineering Contracts" | the Shaanxi Engineering Contracts and the Jiangsu Engineering Contract |
| "Group" | the Company and its subsidiaries |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | Hong Kong Special Administrative Region of the PRC |
| "Huaguang Group" | Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.* (安徽華光光電材料科技集團有限公司), a limited liability company incorporated under the Laws of the PRC |
| "Independent Board Committee" | an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the (1) Shaanxi Engineering Contracts, (2) Jiangsu Engineering Contract and (3) China Glass Procurement Framework Agreement and the Annual Caps |
| "Independent Financial Adviser" or "Octal Capital Limited" | Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the (1) Shaanxi Engineering Contracts, (2) Jiangsu Engineering Contract and (3) China Glass Procurement Framework Agreement and the Annual Caps |
| "Independent Shareholders" | Shareholders who are not required to abstain from voting on the resolutions to be proposed at the SGM under the Bye-Laws and the Listing Rules |

| | |
|---|---|
| "Independent Third Parties" | a party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and is/are third party independent of the Company and the connected persons (as defined in the Listing Rules) of the Company |
| "Jiangsu Engineering Contract" | the engineering contract entered into between Jiangsu SHD and CBMIE Group on 25 October 2019 in relation to the equipment and material procurement and installation work for the establishment of the new high-end automotive glass production line for Jiangsu SHD |
| "Jiangsu SHD" | Jiangsu SHD New Materials Company Limited* (江蘇蘇華達新材料有限公司), a limited liability company incorporated under the Laws of the PRC and an indirect wholly-owned subsidiary of the Company |
| "Latest Practicable Date" | 27 November 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "PRC" | the People's Republic of China (excluding, for the purpose of this circular, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan) |
| "Raw and Fuel Materials" | various types of raw and fuel materials which are commonly used and essential for the production of glass products, including silica sand and soda ash |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong as amended, supplemented or otherwise modified from time to time |
| "SGM" or "Special General Meeting" | the special general meeting of the Company to be held at Salons I & II, Mezzanine Level, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 20 December 2019 at 9:30 a.m. or at any adjournment thereof, for the Shareholders to consider and approve the resolutions set out in the SGM Notice |

| | |
|---|---|
| "SGM Notice" | the notice convening the SGM as set out on pages 54 to 57 of this circular |
| "Shaanxi CNG" | Shaanxi CNG New Technology Company Limited*(中玻(陝西)新技術有限公司), a limited liability company incorporated under the Laws of the PRC and an indirect non wholly-owned subsidiary of the Company |
| "Shaanxi Engineering Contracts" | the engineering contracts entered into between Shaanxi CNG and CBMIE Group on 25 October 2019 in relation to the design, procurement and installation work for the cold-repair and modification of the float glass production line for Shaanxi CNG |
| "Shareholder(s)" | the holder(s) of the Share(s) from time to time |
| "Share(s)" | ordinary share(s) of par value HK$0.05 each in the issued share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Triumph Group Company" | Triumph Science & Technology Group Co., Ltd.*(凱盛科技集團有限公司), a limited liability company incorporated under the Laws of the PRC and a substantial Shareholder |
| % | per cent. |

*In this circular, unless the context requires otherwise, the terms "associate(s)", "connected person(s)", "connected transaction(s)", "continuing connected transaction(s)", "percentage ratio(s)", "substantial shareholder(s)" and "subsidiary(ies)", shall have the meaning given to such terms in the Listing Rules.*

* *For identification purpose only*

# CHINA GLASS HOLDINGS LIMITED
# 中國玻璃控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 3300)**

**Directors:**
*Executive Director*
Mr. Cui Xiangdong *(Chief Executive Officer)*

*Non-executive Directors*
Mr. Peng Shou *(Chairman)*
Mr. Zhao John Huan
Mr. Zhou Cheng *(Honorary Chairman)*
Mr. Zhang Jinshu

*Independent Non-executive Directors*
Mr. Zhang Baiheng
Mr. Zhao Lihua
Mr. Chen Huachen

**Registered Office:**
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

**Principal Place of Business in Hong Kong:**
Unit 2608, 26/F, West Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

3 December 2019

*To the Shareholders*

Dear Sir or Madam,

## CONNECTED TRANSACTIONS – (1) SHAANXI ENGINEERING CONTRACTS AND (2) JIANGSU ENGINEERING CONTRACT; AND CONTINUING CONNECTED TRANSACTION – CHINA GLASS PROCUREMENT FRAMEWORK AGREEMENT; AND NOTICE OF SPECIAL GENERAL MEETING

## INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide the Shareholders with (a) further details of the Engineering Contracts and the China Glass Procurement Framework Agreement and the Annual Caps; (b) the advice from the Independent Board Committee in respect of the Engineering Contracts and the China Glass Procurement Framework Agreement and the Annual Caps; (c) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Engineering Contracts and the China Glass Procurement Framework Agreement and the Annual Caps; and (d) the SGM Notice.

* *For identification purpose only*

**THE SHAANXI ENGINEERING CONTRACTS**

**Date**

25 October 2019

**Parties**

(1) Shaanxi CNG, as the hirer

(2) CBMIE Group, as the principal contractor

**Scope of services**

Pursuant to the Shaanxi Engineering Contracts, CBMIE Group agrees to carry out design, procurement and installation work in relation to the cold-repair and modification of the float glass production line for Shaanxi CNG. Under the Shaanxi Engineering Contracts, the work engaged by CBMIE Group includes (i) the design and planning of the cold-repair and modification project; and (ii) the procurement and installation of systems, equipment and material for the cold-repair and modification project. The design of the cold-repair and modification project is expected to commence upon the Shaanxi Engineering Contracts becoming unconditional after the Group obtains the approval of the Independent Shareholders at the SGM and complete within seven months, and the installation work is expected to commence upon completion of the design work and complete within 120 days.

**Contract prices**

The contract prices under the Shaanxi Engineering Contracts for (i) the design and planning of the cold-repair and modification project is RMB1.98 million, and (ii) the procurement and installation of systems, equipment and material for the cold-repair and modification project is RMB89 million.

The contract prices were arrived at after arm's length negotiation between Shaanxi CNG and CBMIE Group having considered the expected cost for other independent contractors providing such services including, among other things, the cost of design, sourcing of equipment and material, labour and technical advice on similar cold-repair and modification of float glass production line. Having compared with two quotations obtained by Shaanxi CNG from other independent contractors for works of similar nature, the contract prices were no less favorable than the market prices for works of similar nature from other independent contractors.

**Payment terms**

Shaanxi CNG will make ten instalment payments to CBMIE Group (including a prepayment of 20% of the contract price upon the Shaanxi Engineering Contracts becoming unconditional) based on the progress of the works completed by CBMIE Group (such as the delivery of design plan, respective delivery dates of various main equipment, completion of installation, completion of testing and expiry of the 12-month warranty period), each of not more than RMB26.7 million, in accordance with the terms of the Shaanxi Engineering Contracts. The Shaanxi Engineering Contracts do not contain any adjustment mechanism on the consideration.

**THE JIANGSU ENGINEERING CONTRACT**

**Date**

25 October 2019

**Parties**

(1) Jiangsu SHD, as the hirer

(2) CBMIE Group, as the principal contractor

**Scope of services**

Pursuant to the Jiangsu Engineering Contract, CBMIE Group agrees to carry out equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line for Jiangsu SHD. Under the Jiangsu Engineering Contract, the work engaged by CBMIE Group includes (i) providing raw material systems, sourcing and supply of all materials and equipment which within the scope of the Jiangsu Engineering Contract, and (ii) installation, testing and quality checking for the new high-end automotive glass production line for Jiangsu SHD. The installation work is expected to commence upon the Jiangsu Engineering Contract becoming unconditional after the Group obtains the approval of the Independent Shareholders at the SGM and complete within 180 days.

**Contract price**

The contract price under the Jiangsu Engineering Contract for equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line is RMB286 million.

The contract price was arrived at after arm's length negotiation between Jiangsu SHD and CBMIE Group having considered the expected cost for other independent contractors providing such services including, among other things, the cost of sourcing of equipment and material, labour and technical advice on similar establishment of the new high-end automotive glass production line. Having compared with two quotations obtained by Jiangsu SHD from other independent contractors for works of similar nature, the contract price was no less favorable than the market prices for works of similar nature from other independent contractors.

**Payment terms**

Jiangsu SHD will make eight instalment payments to CBMIE Group (including a prepayment of 20% of the contract price upon the Jiangsu Engineering Contract becoming unconditional) based on the progress of the works completed by CBMIE Group (such as procurement date and delivery dates of equipment and material, inspection date, completion date and expiry of the 12-month warranty period), each of not more than RMB57.2 million, in accordance with the terms of the Jiangsu Engineering Contract. The Jiangsu Engineering Contract does not contain any adjustment mechanism on the consideration.

## THE CHINA GLASS PROCUREMENT FRAMEWORK AGREEMENT

**Date**

25 October 2019

**Parties**

(1) China Glass Investment, as the purchaser

(2) Huaguang Group, as the supplier

**Scope of services**

Pursuant to the China Glass Procurement Framework Agreement, Huaguang Group agrees to carry out procurement through tender of Raw and Fuel Materials for the manufacturing of glass products carried out by the Group. The service is for a term of three years, starting from 1 January 2020 to 31 December 2022.

The China Glass Procurement Framework Agreement provides the pricing principles, procurement and payment mechanism and terms and conditions for China Glass Investment's purchase of Raw and Fuel Materials from Huaguang Group. Individual purchase orders will be entered into between China Glass Investment and Huaguang Group for each individual purchase.

**Contract prices**

Pursuant to the China Glass Procurement Framework Agreement, Huaguang Group will procure Raw and Fuel Materials through tender and sell the Raw and Fuel Materials to China Glass Investment at cost price. Huaguang Group will provide China Glass Investment the tender results including but not limited to the tender price and quality of products for consideration. Accordingly, China Glass Investment can decide whether or not to procure the relevant products at the relevant prices after assessing and comparing the overall procurement costs (including interest) of procuring from Huaguang Group with the cost of procuring from Independent Third Parties.

**Payment terms**

The tender results provided by Huaguang Group to the Group will contain the deadline for Huaguang Group to pay its suppliers. China Glass Investment will separately agree with Huaguang Group on the payment deadline for each purchase order after considering the procurement plan and cashflow of the Group with an interest chargeable by Huaguang Group from the date of Huaguang Group's payment to its supplier(s) for such purchase of Raw and Fuel Materials as set out below:

| Credit period | Interest rate |
|---|---|
| Within 30 days | 1% |
| More than 30 days but within 60 days | 2% |
| More than 60 days but within 90 days | 3% |

**Annual Caps**

The Annual Caps including related fees and taxes of the China Glass Procurement Framework Agreement are set out below:

| | For the year ending 31 December 2020 *(million RMB)* | For the year ending 31 December 2021 *(million RMB)* | For the year ending 31 December 2022 *(million RMB)* |
|---|---|---|---|
| Annual Caps | 890 | 900 | 980 |

The Annual Caps are determined based on the following factors, including: (i) historical purchase amount of Raw and Fuel Materials from Independent Third Parties; (ii) the anticipated demand of the Group for the Raw and Fuel Materials under the China Glass Procurement Framework Agreement calculated based on the production plan of the Group (which takes into account the production output and long term cold repair plan of each production line of the Group) and the procurement plan of the Group (which takes into account factors such as the diversification of procurement sources and the geographical proximity of each production plant and its suppliers); and (iii) the forecasted costs of the Raw and Fuel Materials (which takes into account the Group's historical procurement price and recent pricing trend).

**Historical transaction amount for the purchase of Raw and Fuel Materials**

The historical transaction amount for the purchase of Raw and Fuel Materials from Independent Third Parties for each of the three years ended 31 December 2016, 2017 and 2018 respectively are set out below:

| **Transaction amount for the year ended 31 December** | | |
|---|---|---|
| **2016** | **2017** | **2018** |
| *(million RMB)* | *(million RMB)* | *(million RMB)* |
| 1,540 | 1,980 | 2,030 |

**INFORMATION ABOUT THE RELEVANT PARTIES**

**The Company and the Group**

The Company is an investment holding company. The Group is one of China's leading manufacturers of flat glass, specialised in the research and development, manufacturing and selling of a variety of building coated glass, energy-efficient and environmental-friendly glass and new-energy products, in which it occupies a leading technological position.

Shaanxi CNG is an indirect non wholly-owned subsidiary of the Company. Shaanxi CNG is a limited liability company incorporated in the PRC and is principally engaged in the business of the production, marketing and distribution of float glass and glass products.

Jiangsu SHD is an indirect wholly-owned subsidiary of the Company. Jiangsu SHD is a limited liability company incorporated in the PRC and is principally engaged in the business of the production, marketing and distribution of glass and glass products.

China Glass Investment is an indirect wholly-owned subsidiary of the Company. China Glass Investment is a limited liability company incorporated in the PRC and is principally engaged in investment holding, and the business of the procurement, marketing and distribution of glass products and raw materials.

**CBMIE Group**

CBMIE Group is directly owned as to 91% interest by CNBM, which in turn is directly and indirectly owned by CNBM Group Corporation through various entities as to a total of 41.55% of its interest. CNBM Group Corporation wholly owns Triumph Group Company, which is a substantial Shareholder holding approximately 23.01% of the Company's total issued Shares.

CBMIE Group is a national comprehensive Grade-A D & R unit, an international engineering group company, a key hi-tech enterprise of the PRC and an engineering technology platform of CNBM. CBMIE Group possesses foreign trade right and grade-A qualifications for design & general contracting, engineering consultation and engineering supervision in the respects of the building material industry, light textile (domestic silicate), civil engineering, new energy engineering and special engineering projects of environment pollution treatment.

**Huaguang Group**

Huaguang Group is an indirect wholly-owned subsidiary of Triumph Group Company, which is a substantial Shareholder holding approximately 23.01% of the Company's total issued Shares.

Huaguang Group is primarily engaged in the research and development, production and sales of photoelectricity materials; manufacturing and processing of glass; bulk purchase, deep processing and sales of glass raw materials. Huaguang Group has transformed from an ordinary flat glass manufacturer into a photovoltaic industry and resource platform which supplies quality raw materials for glass production and professional high strain point glass for solar battery.

## CONDITIONS PRECEDENT

Pursuant to the Engineering Contracts and the China Glass Procurement Framework Agreement, the Shaanxi Engineering Contracts, the Jiangsu Engineering Contract, the China Glass Procurement Framework Agreement and the Annual Caps are conditional upon, among other things, the approval of the Independent Shareholders at the SGM.

## REASONS FOR AND BENEFITS OF THE ENGINEERING CONTRACTS AND THE CHINA GLASS PROCUREMENT FRAMEWORK AGREEMENT

**The Engineering Contracts**

Automotive glass has been a market which the Group intends to expand into due to its high technological demand as well as high profit margin. The establishment of the new high-end automotive glass production line of Jiangsu SHD will create the first full automotive glass production line of the Group; and the cold-repair and modification of the float glass production line for Shaanxi CNG will allow the production line to produce both coated glass and automotive glass. The cold-repair and modification of the float glass production of Shaanxi CNG will also convert the production line from being powered by coal gas to natural gas which is in line with the Group's commitment to improve and enhance its environmental protection measures.

**The China Glass Procurement Framework Agreement**

Raw and Fuel Materials, including silica sand and soda ash are essential for the Group's production of glass products, and Huaguang Group also procures Raw and Fuel Materials in large scale. Whilst the Group has been able to lower its purchase prices due to large-scale procurement, by combining the procurement demand for Raw and Fuel Materials of the Group and Huaguang Group, the suppliers may potentially offer even more competitive raw material prices than those offered to the Group when the Group is purchasing alone. The Group has been continuously reviewing and exploring for methods to optimize its procurement strategy to manage its procurement costs and establishing a business relationship with Huaguang Group is one of the methods considered by the Group which became available after business discussions between Huaguang Group and the Group.

In respect of the procurement of Raw and Fuel Materials, the Group is not materially reliant on Huaguang Group as: (i) the Annual Caps for the years ending 31 December 2020, 2021 and 2022 are equal to less than 50% of the total purchase amount of Raw and Fuel Materials by the Group for the latest financial year ended 31 December 2018; (ii) the China Glass Procurement Framework Agreement does not contain any minimum purchase commitment and the Group can decide whether or not to procure Raw and Fuel Materials from Huaguang Group after assessing the procurement costs and other considerations such as the procurement strategy of the Group; (iii) the Raw and Fuel Materials are items that are readily available in the market and the Group will be able to purchase Raw and Fuel Materials from other suppliers if Huaguang Group ceases to supply to the Group; and (iv) the Group will continue to procure a substantial amount of Raw and Fuel Materials from various suppliers and maintain close business relationships with such suppliers.

The Group has existing internal policies in place to ensure the Group does not have any material reliance on a single supplier, such as requirements to maintain at least two to three sources of supply for each type of major fuel or raw materials. For example, during the year ended 31 December 2018, the Group had maintained business relationships with over five independent suppliers for soda ash and over ten independent suppliers for silica sand, both of which are major raw materials of the Group. The Group's strategic procurement department will continue to constantly review the procurement plan and procurement status of Group to ensure compliance with the Group's internal policies and long-term sustainability of the Group and avoid any reliance on a single supplier (such as Huaguang Group).

## INTERNAL CONTROL MEASURES

The Company has established internal control measures to ensure that the continuing connected transaction contemplated under the China Glass Procurement Framework Agreement is in accordance with the pricing policies and internal procedures adopted by the Group, and that the terms of agreement and the purchase price of the relevant products from Huaguang Group are on normal commercial terms and on terms no less favourable than those terms for similar products offered to the Group by Independent Third Parties. Such internal control measures employed by the Group include the following:

(i) all purchase orders under the China Glass Procurement Framework Agreement shall be reviewed and approved by strategic procurement department, financial audit department, office of the chief executive officer, vice president of the procurement department, chief financial officer and the chief executive officer of the Group to ensure the terms are in compliance with the China Glass Procurement Framework Agreement under which the transactions are entered into, and in this connection, the relevant departments must be satisfied that (1) the pricing policies and internal procedures adopted by the Group have been fully complied with; (2) each transaction thereunder is on normal commercial terms; (3) the purchase price of the relevant products from Huaguang Group are no less favourable than the prices at which such products are offered to the Group by Independent Third Parties; and (4) the Annual Caps of the China Glass Procurement Framework Agreement have not been and will not be exceeded taking into account the relevant purchase order;

(ii) before a new purchase order is placed, the strategic procurement department of the Group will obtain the prevailing market price of the Raw and Fuel Materials which is collected and recorded on a daily basis from various sources such as online public market information platforms (e.g. Oilchem, Chem99 and BaiInfo) and market intelligence exchange with suppliers and other glass manufacturers to compare with the price quoted by Huaguang Group;

(iii) in relation to the purchase of products from Huaguang Group under the China Glass Procurement Framework Agreement, the pricing is determined at an actual cost basis. The strategic procurement department shall request Huaguang Group to provide it with the relevant records of the purchase cost of the products incurred by Huaguang Group so as to ensure that the pricing mechanisms under the China Glass Procurement Framework Agreement have been properly complied with;

(iv) the strategic procurement department of the Group will prepare a quarterly report on the connected transaction to the continuing connected transaction monitoring committee of the Group (consisting the chief executive officer, chief financial officer, vice president of the procurement department and the head of each of the financial audit department, investment management department and office of the chief executive officer of the Group) to assess if the continuing connected transaction has been in compliance with the internal procedures regarding continuing connected transactions and the terms of the China Glass Procurement Framework Agreement; and

(v) the Independent Non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions contemplated under the China Glass Procurement Framework Agreement every year in accordance with the requirements of the Listing Rules.

The Board considers that such internal control procedures on pricing could effectively ensure that the pricing and terms of the transactions contemplated under the China Glass Procurement Framework Agreement are conducted on normal commercial terms and on terms no less favourable than those terms for similar products offered to the Group by Independent Third Parties, and in accordance with the pricing policy as agreed under the China Glass Procurement Framework Agreement.

**LISTING RULES IMPLICATIONS**

Triumph Group Company, a substantial Shareholder, is a connected person of the Company under the Listing Rules. CBMIE Group and Huaguang Group are associates of Triumph Group Company under the Listing Rules. Accordingly, the Engineering Contracts constitute connected transactions and the China Glass Procurement Framework Agreement constitutes continuing connected transaction of the Company respectively under Chapter 14A of the Listing Rules.

**The Engineering Contracts**

In addition to the Engineering Contracts, the Group had previously entered into a number of contracts with certain associates of Triumph Group Company on 22 November 2018 and 21 February 2019 (the "**Existing Triumph Group Contracts**"), further details of which are set out in the Company's announcement dated 21 February 2019.

As the Existing Triumph Group Contracts involve, *inter alia*, the provision of construction, design, installation and procurement services by certain associates of Triumph Group Company to the Group, the consideration of each of the Existing Triumph Group Contracts, together with the Engineering Contracts, are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules.

As the applicable percentage ratios in respect of the Engineering Contracts, when aggregated with each other and with the Existing Triumph Group Contracts, exceed 5%, the Engineering Contracts are subject to the announcement, Independent Shareholders' approval and annual reporting requirements under Chapter 14A of the Listing Rules. Hence, the Engineering Contracts are conditional on approval by the Independent Shareholders being obtained at the SGM.

**The China Glass Procurement Framework Agreement**

As the applicable percentage ratios in respect of the Annual Caps of the China Glass Procurement Framework Agreement exceed 5%, the China Glass Procurement Framework Agreement (including the Annual Caps) is subject to the announcement, Independent Shareholders' approval and annual reporting requirements under Chapter 14A of the Listing Rules. Hence, the China Glass Procurement Framework Agreement and the Annual Caps are also conditional on approval by the Independent Shareholders being obtained at the SGM.

## THE SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

The SGM will be convened by the Company with a view to seek approval of the Independent Shareholders for the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps in accordance with the requirements of the Listing Rules.

The Independent Board Committee has been established to, taking into account the recommendation of the Independent Financial Adviser, consider the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps, and advise the Independent Shareholders. Octal Capital Limited has been appointed by the Company as its Independent Financial Adviser to recommend the Independent Board Committee and the Independent Shareholders in respect of the above matters.

As CBMIE Group and Huaguang Group, being contracting parties to the Engineering Contracts and the China Glass Procurement Framework Agreement respectively, are associates of Triumph Group Company under the Listing Rules, Triumph Group Company and its associates will abstain from voting in the resolutions to be proposed at the SGM to be convened for approving the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps. As at the Latest Practicable Date, to the best knowledge of the Directors, Triumph Group Company and its associates together held 416,424,621 Shares, representing approximately 23.01% of the issued share capital of the Company.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolutions set out in the SGM Notice will be decided by poll. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under the Listing Rules. The SGM Notice is set out on pages 54 to 57 of this circular.

A form of proxy for use in connection with the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (www.chinaglassholdings.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority, at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for the SGM (i.e. not later than 9:30 a.m. on Wednesday, 18 December 2019) or at any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholder(s) from attending and voting at the SGM or any adjournment thereof if they wish so.

Shareholders whose names appear on the Register of Members of the Company on Friday, 20 December 2019 are entitled to attend and vote at the SGM. For ascertaining Shareholders' entitlement to attend and vote at the SGM, the Register of Members of the Company will be closed from Tuesday, 17 December 2019 to Friday, 20 December 2019, both days inclusive. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 16 December 2019.

## RECOMMENDATION

Mr. Peng Shou ("**Mr. Peng**"), the Chairman and a Non-executive Director of the Company, is the legal representative, chairman of the board, executive director and general manager of Triumph Group Company; and Mr. Zhang Jinshu ("**Mr. Zhang**"), a Non-executive Director of the Company, is the vice director of the development and investment department of Triumph Group Company. Although Mr. Peng and Mr. Zhang have no material interest in the Engineering Contracts and the China Glass Procurement Framework Agreement, they have abstained from voting in the relevant Board resolutions approving the above contracts for better corporate governance practice.

The Directors (excluding the Independent Non-executive Directors who have disclosed their views in the letter from the Independent Board Committee annexed herein, and excluding Mr. Peng and Mr. Zhang) are of the view that the entering into the Engineering Contracts and the China Glass Procurement Framework Agreement are in the ordinary course of business of the Group and in the interest of the Company and the Shareholders as a whole; and the terms and conditions of the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable.

Your attention is drawn to the letter from the Independent Board Committee containing its opinion on the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps, and its recommendation as set out on pages 18 to 19 of this circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out on pages 20 to 49 of this circular in connection with its opinion on the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps, the key assumptions made, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such recommendations.

The Independent Board Committee, having taken into account the recommendations of the Independent Financial Adviser, considers that the entering into the Engineering Contracts and the China Glass Procurement Framework Agreement are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and the terms and conditions of the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps.

## ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in Appendix I to this circular.

Yours faithfully,
For and on behalf of the Board
**China Glass Holdings Limited**
**Peng Shou**
*Chairman*

# CHINA GLASS HOLDINGS LIMITED
# 中 國 玻 璃 控 股 有 限 公 司 *

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 3300)**

**Registered Office:**
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

**Principal Place of Business in Hong Kong:**
Unit 2608, 26/F., West Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

3 December 2019

*To the Independent Shareholders*

Dear Sir or Madam,

## CONNECTED TRANSACTIONS – (1) SHAANXI ENGINEERING CONTRACTS AND (2) JIANGSU ENGINEERING CONTRACT; AND CONTINUING CONNECTED TRANSACTION – CHINA GLASS PROCUREMENT FRAMEWORK AGREEMENT

We refer to the circular issued by the Company to the Shareholders dated 3 December 2019 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the Engineering Contracts and the China Glass Procurement Framework Agreement are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms and conditions of the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable.

Octal Capital Limited has been appointed to act as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps. The text of the letter from the Independent Financial Adviser containing their opinion and recommendations, the reasons for their opinion, the key assumptions made and the principal factors that they have taken into consideration in arriving at their recommendations are set out from pages 20 to 49 of the Circular.

Having considered the terms and conditions of the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps, as well as the opinion and recommendations of the Independent Financial Adviser, we are of the opinion that the Engineering Contracts and the China Glass Procurement Framework Agreement are entered into in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and the terms and conditions of the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps.

Yours faithfully,
For and on behalf of the Independent Board Committee

**Mr. Zhang Baiheng** **Mr. Zhao Lihua** **Mr. Chen Huachen**

*Independent Non-executive Directors*

* *For identification purpose only*

*The following is the letter of advice from Octal Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*

金融有限公司
OCTAL Capital Limited

801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

3 December 2019

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

## CONNECTED TRANSACTIONS – (1) SHAANXI ENGINEERING CONTRACTS; AND (2) JIANGSU ENGINEERING CONTRACTS; AND CONTINUING CONNECTED TRANSACTION – CHINA GLASS PROCUREMENT FRAMEWORK AGREEMENT

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Engineering Contracts and the China Glass Procurement Framework Agreement, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 3 December 2019 (the "**Circular**"), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

The Board announced that, on 25 October 2019, Shaanxi CNG entered into the Shaanxi Engineering Contracts with CBMIE Group, pursuant to which Shaanxi CNG engaged CBMIE Group to carry out design, procurement and installation work in relation to the cold-repair and modification of the float glass production line for Shaanxi CNG. On the same day, Jiangsu SHD entered into the Jiangsu Engineering Contract with CBMIE Group, pursuant to which Jiangsu SHD engaged CBMIE Group to carry out equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line for Jiangsu SHD.

In addition, on 25 October 2019, China Glass Investment entered into the China Glass Procurement Framework Agreement with Huaguang Group, pursuant to which China Glass Investment engaged Huaguang Group to procure Combustible Raw and Fuel Materials for the manufacturing of glass products carried out by the Group.

As at the Latest Practicable Date, Triumph Group Company, a substantial Shareholder, is a connected person of the Company under the Listing Rules. CBMIE Group and Huaguang Group are associates of Triumph Group Company under the Listing Rules. Accordingly, the Engineering Contracts constitute connected transactions of the Company and the China Glass Procurement Framework Agreement constitutes continuing connected transactions of the Company respectively under Chapter 14A of the Listing Rules. In addition to the Engineering Contracts and the China Glass Procurement Framework Agreement, the Group also entered into the Existing Triumph Group Contracts with certain associates of Triumph Group Company on 22 November 2018 and 21 February 2019.

As the Existing Triumph Group Contracts involve, *inter alia*, the provision of construction, design, installation and procurement services by certain associates of Triumph Group Company to the Group, the consideration of each of the Existing Triumph Group Contracts, together with the Engineering Contracts, are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules.

As the applicable percentage ratios in respect of the Engineering Contracts, when aggregated with each other and with the Existing Triumph Group Contracts, exceed 5%, the Engineering Contracts are subject to the announcement, Independent Shareholders' approval and annual reporting requirements under Chapter 14A of the Listing Rules. Hence, the Engineering Contracts are conditional on approval by the Independent Shareholders being obtained at the SGM. In addition, as the applicable percentage ratios in respect of the Annual Caps of the China Glass Procurement Framework Agreement, exceed 5% on an annual basis and exceeds HK$10 million, the China Glass Procurement Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Hence, the China Glass Procurement Framework Agreement and the Annual Caps are also conditional on approval by the Independent Shareholders being obtained at the SGM.

Mr. Peng, the Chairman and a Non-executive Director of the Company, is the legal representative, chairman of the board, executive director and general manager of Triumph Group Company; and Mr. Zhang, a Non-executive Director of the Company, is the vice director of the development and investment department of Triumph Group Company. Although Mr. Peng and Mr. Zhang have no material interest in the Engineering Contracts and the China Glass Procurement Framework Agreement, they have abstained from voting in the relevant Board resolutions approving the above contracts for better corporate governance practice.

An independent board committee comprising the Independent Non-executive Directors of the Company, namely Mr. Zhang Baiheng, Mr. Zhao Lihua, and Mr. Chen Huachen, has been established to advise the Independent Shareholders as to whether the terms of the Engineering Contracts, the China Glass Procurement Framework Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the SGM.

We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Engineering Contracts and the China Glass Procurement Framework Agreement in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Group or CBMIE Group or Huaguang Group or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, 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 as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, there was no engagement between the Group or CBMIE Group or Huaguang Group and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Group or CBMIE Group or Huaguang Group or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Engineering Contracts and the China Glass Procurement Framework Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, CBMIE Group, Huaguang Group and their respective associates, nor have we carried out any independent verification of the information supplied to us.

## A. THE SHAANXI ENGINEERING CONTRACTS

**Principal factors and reasons considered**

In arriving at our opinion in respect of the Shaanxi Engineering Contracts, we have considered the following principal factors and reasons:

### *1. Background of and reasons for entering into the Shaanxi Engineering Contracts*

*Background of the Company, Shaanxi CNG and CBMIE Group*

The Company is an investment holding company. The Group is one of China's leading manufacturers of flat glass, specialised in the research and development, manufacturing and selling of a variety of building coated glass, energy-efficient and environmental friendly glass and new-energy products, in which it occupies a leading technological position.

Set out below is a summary of the consolidated financial information of the Company for the years ended 31 December 2017 and 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**") and the Company's interim report for the six months ended 30 June 2019 (the "**2019 Interim Report**"):

| | **For the year ended 31 December** | | **For the six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2019** | **2018** |
| | Audited | Audited | Unaudited | Unaudited |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | 2,617,725 | 2,556,418 | 970,572 | 1,193,487 |
| – Clear glass products | 998,856 | 1,107,106 | 330,757 | 476,744 |
| – Painted glass products | 356,539 | 361,594 | 136,226 | 159,284 |
| – Coated glass products | 673,396 | 597,720 | 250,888 | 302,965 |
| – Energy saving and new energy glass products | 552,289 | 489,998 | 192,432 | 254,494 |
| – Design and installation services | 36,645 | – | 60,269 | – |
| Gross profit | 410,095 | 321,576 | 75,857 | 218,903 |
| Profit for the year/period attributable to the owners of the Company | 93,488 | 64,965 | 57,991 | 46,191 |
| Net cash (used in)/generated from operating activities | 340,072 | 262,509 | (55,479) | 161,441 |
| Net increase in cash and cash equivalent | 19,801 | 67,033 | 152,848 | 27,152 |
| Cash on hand and in bank | 570,832 | 541,514 | 729,850 | 606,832 |

With reference to 2018 Annual Report, the Group recorded total revenue of approximately RMB2,617.7 million, representing an increase of approximately 2.4% as compared to the same period of last year. The increase was mainly caused by the combined effect of rising selling prices of glass products, a decline in sales volume as well as income from design, equipment procurement and installation of neutral pharmaceutical glass production lines of an Italian company that the Group acquired which was mainly engaged in technical services. In particular, revenue contribution from sale of coated glass products and energy saving and new energy glass products increased while the revenue contribution from sale of clear and painted glass products decreased were mainly attributable to 1) the Group's intensified efforts in selling the energy-saving and new energy glass product; and 2) the Group actively geared the product structure to the market demand by shifting focus from the clear glass products and painted glass products to the coated glass products with higher gross margin. In 2018, the Group produced an aggregate amount of 33.38 million weight cases of glass with sales volume of 33.65 million weight cases, representing a year-on-year decrease of 6% and 9% respectively. The average selling price of the Group's glass products increased to RMB77 per weight case in 2018, representing an increase of 11.6% as compared to RMB69 per weight case in 2017.

With reference to the 2019 Interim Report, the Group recorded revenue of approximately RMB970.6 million, representing a decrease of 18.7% as compared to the same period of last year. The decrease in revenue in the first half of the year was mainly attributable to the decrease in average unit selling price and sales volume of glass products. In the first half of 2019, the Group sold 12.2 million weight cases of major float glass products, and the integrated average selling price of the Group's products was approximately RMB75 per weight case, representing a decrease of 4% as compared to the same period of last year.

Shaanxi CNG is an indirect non wholly-owned subsidiary of the Company. Shaanxi CNG is a limited liability company incorporated in the PRC and is principally engaged in the business of the production, marketing and distribution of float glass and glass products. As at the Latest Practicable Date, Shaanxi CNG owned and operated two float glass production lines in the Group's production base located in Shaanxi province which primarily produce clear glass and low-emissivity ("**Low-E**") coated glass products with various features, with an annual production capacity of glass products of approximately 5.5 million weight cases.

As stated in the Letter from the Board, CBMIE Group is directly owned as to 91% interest by CNBM, which in turn is directly and indirectly owned by CNBM Group Corporation through various entities as to a total of 41.55% of its interest. CNBM Group Corporation wholly owns Triumph Group Company, which is a substantial Shareholder holding approximately 23.01% of the Company's total issued Shares.

CBMIE Group is a national comprehensive Grade-A D & R unit, an international engineering group company, a key hi-tech enterprise of the PRC and an engineering technology platform of CNBM. CBMIE Group possesses foreign trade right and grade-A qualifications for design & general contracting, engineering consultation and engineering supervision in the respects of the building material industry, light textile (domestic silicate), civil engineering, and new energy engineering and special engineering projects of environment pollution treatment.

*Reasons for entering into the Shaanxi Engineering Contracts*

With reference to the annual reports of the Company, clear glass products of the Group contributed the largest revenue during the past few years and shall remain as the Company's major business focus, its sales are significantly driven by the real estate market in the PRC. As the real estate market has been continuously and deeply affected by the regulatory policies, and structural contradictions such as overcapacity still exists, it has been highlighted as one of the Group's on-going strategies to actively expand and adjust the product mix to strengthen the sales of other business segments such as the coated glass, energy saving and new energy glass products. In particular, it is the Company's strategy to upgrade ordinary float glass (the original type of glass which can be further processed into various glass products) to high-end glass for the construction industry, industrial glass, automotive glass and electronic glass products. As stated in the Letter from the Board, automotive glass has been a market which the Group intends to expand into due to its high technological demand as well as high profit margin. The cold-repair and modification of the float glass production line for Shaanxi CNG will allow the production line to produce both coated glass and automotive glass. Based on our discussion with the Company, we understand that the Company has an industrial layout covering the domestic provinces, cities and autonomous regions such as Beijing, Jiangsu province, Shandong province, Shaanxi province, Zhejiang province and Inner Mongolia Autonomous Region, and it has six production bases, one research and development center and 13 glass production lines, most of which are for producing building and construction glass products. As at the Latest Practicable Date, the Group has no automotive glass production line.

To assess the future prospect of the overall automotive glass market in China, particularly Shaanxi province, we have researched and reviewed the relevant economic statistics and government policies in China. In a nutshell, automotive glass are installed in vehicles as windshields or the surrounding windows, therefore the demand for automotive glass is directly correlated to the demand of automotives. According to the Yearbook of Regional Economic Development, China's urban population increased from approximately 813 million in 2017 to 831 million in 2018. It is expected that the continuously increase in urban population will possibly stimulate domestic demand, and will continuously increase automotive sales in China, particularly in the second and third tier cities. Based on National Bureau of Statistics of China, the total vehicles production in the Shaanxi province increased from approximately 375,000 vehicles in 2014 to approximately 621,300 vehicles in 2018, representing a CAGR of 9.6%. Such growth was mainly driven by increasing disposable income and urbanization. Based on our further due diligence, we noted that strategic notices namely "搶抓機遇加快發展形成300萬輛汽車產業實施意見" and "推動汽車產業加快發展的支持措施" were released by the People's Government of Shaanxi Province in 2018, which indicated the government's initiative in building Shaanxi province into a main automobile industry base and vehicle export base of China. In particular, an annual target of producing more than 2,000,000 finished vehicles with output value of the automobile industry reaching more than RMB600 billion by 2021 was emphasized by the Shaanxi provincial government. The ultimate targeted scale of production under such initiative would be an annual production of more than 3,000,000 vehicles, including 1,400,000 traditional fuel vehicles and 1,600,000 new energy vehicles. Based on the above, we consider there is a substantial potential for growth in the automotive industry which may derive the demand in automotive glass supplied by the Group.

Under such government initiatives, the Shaanxi provincial government intends to support development of the automotive industry mainly by (i) providing incentives to each local distinct for the additional output of vehicles and the introduction of more high-end automobile enterprises and world-renowned brands to Shaanxi province; (ii) increasing the financial support to the automotive industry by establishing more provincial funds to invest in this industry; and (iii) supporting the automobile enterprises with preferential tax policies. Based on our further enquiry with the Company, we understand that Shaanxi CNG will (i) continue to maintain the business relationship with its existing customers in the coated glass business; and (ii) develop new business relationship with new customers in automotive business in Shaanxi province and the area nearby. Based on the above, we consider the development of the automobile industry in Shaanxi province as supported by favourable national-wide and provincial government initiatives may drive up demand for automotive glass, which presents new business opportunities for the Group to expand its client base and revenue stream.

As advised by the Company, the production of glass products requires the continuous operation of furnaces for melting of raw materials into molten glass which shall operate under stringent temperature control in order to ensure the quality of the glass products. Any discontinuity or temporary suspension in operation of a glass production line will incur high cost in restoring the furnaces into its former workable temperature. As such, the glass production lines of the Group are generally operated in their full capacity during their operation in order to maximize the output volume. Depending on the operation and maintenance of the glass production line, the glass production lines (including the furnaces) of the Group shall temporary halt their operations for technical upgrades due to cold-repair every six to eight years as an ordinary course of operation by the Group. In 2019, one of the operating glass production lines of Shaanxi CNG is scheduled for cold-repair. Therefore, the entering into of the Shaanxi Engineering Contracts will allow the Group to take advantage of the time gap during the production suspension and cold-repair of such glass production line for further modification.

As advised by the Company, upon completion of the cold-repair and modification under the Shaanxi Engineering Contracts, the modified production line will adopt the advanced float glass technology to produce high-quality float glass products, which can be used for the secondary processing and composite processing such as tempering, insulating, laminating and coating into energy-saving coated glass products, photovoltaic coated glass products and automotive glass products. Such products shall also meet the latest relevant energy-saving and environmental requirements in the PRC. Further, the modified production line is able to produce automotive and functional coated glasses products with wider range of thickness of 1.5 to 12 mm (as compared to the glass products with thickness of 4 to 8 mm prior to the modification), the quality features and specifications of the automotive glass produced shall meet the industry and environmental requirements. Further, the widened range of glass product thickness can cater for more business usages and attend to more specification needs. The daily melting capacity of the modified production line of Shaanxi CNG will also increase from 350 ton per day ("**t/d**") to 400t/d, and the annual production output will increase from approximately 2.17 million weight cases to approximately 2.4 million weight cases. Based on the above, we consider that the enhanced production capacity and the broaden production specifications of the modified production line upon completion of the Shaanxi Engineering Contracts would expand the Group's product portfolio and allow the Group to better capture the market demand for automotive glass and energy-saving glass in the future.

In addition, as set out in the 2018 Annual report, in 2018, various manufacturing bases of the Group conscientiously implemented the Emission Standards of Air Pollutants for Flat Glass Industry "平板玻璃工業大氣污染物排放標準" as well as local emission standards of air pollutants, and also continuously strengthened the management of environmental protection process and equipment. Under the Shaanxi Engineering Contracts, the cold-repair and modification of the existing glass production line of Shaanxi CNG will also convert the production line from being powered by coal gas to natural gas. Natural gas is generally considered to be more environmentally friendly and cost-effective than coal. Based on our discussion with the Company, with the more stringent requirements on the emission standards in this industry, it is the Company's intention to continuously upgrade their production facilities and systems and minimize the exhaust pollutants. The entering into of the Shaanxi Engineering Contracts therefore also coincides with the Group's commitment to improve and enhance its environmental protection measures in the course of its business operations.

As part of our due diligence, we have obtained and reviewed the historical sales data of Shaanxi CNG for the latest financial year ended 31 December 2018 and the forecasted sales margin analysis prepared by the Company setting out the estimated product cost structure upon the completion of Shaanxi Engineering Contracts, we noted that there will be an increase in estimated production costs for the energy-saving coated glass products, photovoltaic coated glass products and automotive glass products to be produced upon completion of the production line modification, mainly due to: 1) the increase in utility expenses associated with the use of natural gas as the primary source of power supply; and 2) the increase in raw material costs associated with various secondary processing and composite processing into higher quality products. However, the estimated selling prices of such products which the Company has taken into consideration the prevailing market price of similar products and subsequently the gross margins are higher than that of the existing products based on the historical sales data of Shaanxi CNG. Due to the introduction of automotive glass products upon completion, which has a higher estimated selling price among other products, the weighted average gross margin of the glass products produced by Shaanxi CNG is expected to improve.

Based on the above, we consider that there is a strong commercial rationale for the Company to enter into the Shaanxi Engineering Contracts, which is in line with ordinary course of operation by the Group during its production cycle, the industry's technological progress and the relevant requirements and prospects as suggested by various government policies and initiatives. Besides, we are of the view that the modified production line of Shaanxi CNG will (i) improve the market competitiveness of the Group's existing coated glass products in terms of quality and specifications in the PRC; (ii) broaden the Group's revenue stream and enrich its product portfolio with the introduction of automotive glass products which has a high gross margin among other existing products; and (iii) allow the Group to enjoy government support such as preferential tax policies and benefit from the potential growth of the automobile industry in the Shaanxi province and nearby regions.

### 2. *Principal terms of the Shaanxi Engineering Contracts*

*Scope of services and period until completion*

Pursuant to the Shaanxi Engineering Contracts, CBMIE Group agrees to carry out design, procurement and installation work in relation to the cold-repair and modification of the float glass production line for Shaanxi CNG. Under the Shaanxi Engineering Contracts, the work engaged by CBMIE Group includes (i) the design and planning of the cold-repair and modification project; and (ii) the procurement and installation of systems, equipment and material for the cold-repair and modification project. The design of the cold-repair and modification project are expected to commence upon the Shaanxi Engineering Contracts becoming unconditional after the Group obtains the approval of the Independent Shareholders at the SGM and complete within seven months, and installation work is expected to commence upon completion of the design work and complete within 120 days.

*Consideration and payment term*

The contract prices under the Shaanxi Engineering Contracts for (i) the design and planning of the cold-repair and modification project is RMB1.98 million, and (ii) the procurement and installation of systems, equipment and material for the cold-repair and modification project is RMB89.0 million. The contract prices were arrived at after arm's length negotiation between Shaanxi CNG and CBMIE Group having considered the expected cost for other independent contractors providing such services including, among other things, the cost of design, sourcing of equipment and material, labour and technical advice on similar cold-repair and modification of float glass production line. Having compared with two quotations obtained by Shaanxi CNG from other independent contractors for works of similar nature, the contract prices were no less favourable than the market prices for works of similar nature from other independent contractors. Shaanxi CNG will make ten instalment payments to CBMIE Group including a prepayment of 20% of the contract value upon the Shaanxi Engineering Contracts becoming unconditional and subsequently based on the progress of the works completed by CBMIE Group (including upon the delivery of design plan, the respective delivery dates of various main equipment, the completion of installation, the completion of testing and the expiry of the 12-month warranty period), each of not more than RMB26.7 million, in accordance with the terms of the Shaanxi Engineering Contracts. The Shaanxi Engineering Contracts do not contain any adjustment mechanism on the consideration.

As discussed with the Company, we understand that all types of connected transactions including the selection process of contractor are usually governed by the internal control policies of the Group. In this relation, we have (1) obtained and reviewed the relevant internal control policies and the relevant assessment conducted by the Group; and (2) discussed with the Company regarding the tender procedures employed by the Group for the transaction under the Shaanxi Engineering Contracts. We understand that the selection of contractor for such transaction was not conducted by way of an open tender but was conducted through negotiated tender in accordance with existing guidance of the internal control policy of the Group, as suggested by the tender committee team comprising the general manager, chief financial officer and other senior management in production, operation, legal and technical department. Such approach was determined after considering: (i) the cold-repair and modification project can only be entrusted to specific contractors due to technical needs; (ii) the Company is unable to determine the technical details and quantity of work required due to the complexity of the project in terms of the demolition, re-use and modification of existing structures; (iii) the project requires contractors with specialized experience, equipment and technology; and (iv) the Company prefers to engage contractors and/or manufacturers of sufficient technical experience with satisfactory track records in conducting projects in similar nature with the Group. Based on the above criteria, CBMIE Group and two independent contractors were chosen by Shaanxi CNG and their respective price quotations in relation to the transaction were received.

We have obtained and compared the price quotations from CBMIE Group and the two identified independent contractors and we noted that the contract price proposed from CBMIE Group is lower than that from the Independent Third Party. Based on our discussion with the Company, we also noted that the settlement method offered by the independent contractors required 30% of the contract value as a prepayment, and the remaining contract value be settled in comparable instalment payments based on the progress of the work completed, whereas prepayment on 20% of the contract value is required from CBMIE Group. In addition, we note that expected completion of the installation work as suggested by the independent contractors are 180 days from the commencement of this project, which are 60 days longer than that suggested by CBMIE Group. As further advised by the Company, it is normal market practice for projects of similar nature to be settled in seven instalment payments based on the progress of the works completed (including prepayment prior to commencement, prior to installation of major structural equipments, the completion of installation, the completion of refractory construction, upon the first ignition of furnace, the completion inspection and acceptance and the expiry of the 12-month warranty period). Payment schedule offered by CBMIE Group under the Shaanxi Engineering Contracts consist of ten instalment payment terms which split payments under similar stages as mentioned above in parts and lower the payment burden under each settlement term for the Group. Based on the above, we concur with the Company that terms offered by CBMIE Group is more favourable than that offered by the independent contractors.

As further enquired with the Company and based on our independent searches, we understand that CBMIE Group is one of the leaders in glass technology and equipment in the PRC and has occupied majority share of the domestic high-end glass engineering projects. It also possesses leading technologies in the fields of high-end automotive glass, photovoltaic glass and energy-saving glass. Moreover, it has applied the packaged technology to the construction and modification of more than 60 domestic glass production lines and exported such technology to many overseas countries such as India, Iran and Indonesia. Furthermore, we understand that the Group has engaged CBMIE Group to carry out similar construction projects in the past which included Xiangyang Flue Gas Treatment Contract and the Weihai Engineering Contracts as stated in the Company's announcement dated 21 February 2019, and all of the undertaken projects were successful completed. Among all of the previous engagements, CBMIE Group has been able to meet timelines of construction projects and have not involved in any dispute with the Group with regard to settlement, contraction progress and construction work, such that the Group and CBMIE Group have been able to work effectively and efficiently.

After taking into account: (i) the quotation and the payment schedule of CBMIE Group is more favourable as compared to the other independent contractors; (ii) the expected completion time proposed by CBMIE Group is shorter than that proposed by the other independent contractors; (iii) the solid experience and expertise and the historical transactions with CBMIE Group in similar construction projects; and (iv) the contractor selection process was governed by the Group's internal control policy and the tender committee team, we consider that the contracting proposal provided by CBMIE Group is, as a whole, more favourable than the other proposal provided by the independent contractors. Therefore, we concur with the Company that the terms and conditions of the Shaanxi Engineering Contracts are fair and reasonable.

## RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the Shaanxi Engineering Contracts will be conducted in the ordinary and usual course of business of the Company, are on normal commercial terms which are fair and reasonable and the entering into of the Shaanxi Engineering Contracts are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Shaanxi Engineering Contracts and the transactions contemplated thereunder at the upcoming SGM.

## B. THE JIANGSU ENGINEERING CONTRACT

### 1. Background of and reasons for entering into the Jiangsu Engineering Contract

***Background of Jiangsu SHD***

Jiangsu SHD is an indirect wholly-owned subsidiary of the Company. Jiangsu SHD is a limited liability company incorporated in the PRC and is principally engaged in the business of the production, marketing and distribution of glass and glass products. As at the Latest Practicable Date, Jiangsu SHD owned and operated two float glass production lines in the Group's production base located in Suqian, Jiangsu province which primarily produce clear glass and energy-saving coated glass products with various features, with total daily melting capacity of approximately 1,500t/d.

***Reasons for entering into the Jiangsu Engineering Contract***

Further to the national development initiatives in relation to the automotive industry as set out in the sub-section headed "Reasons for entering into the Shaanxi Engineering Contracts" above, pursuant to the a strategic plan namely "關於實創新驅動戰略加快工業綠色發展的實施方案" released by the Suqian People's Government in 2017, the government strived to accelerate the upgrade of the traditional material industries structure by encouraging the production lines of high-end and green materials. The local government intends to promote the industrial development mainly by (i) providing subsidies partially to cover the expenses on logistics and cost incurred on fixed asset; (ii) increasing the financial support to the targeted enterprises; and (iii) supporting the targeted enterprises with preferential tax policies.

As set out in the Letter from the Board, the establishment of the new high-end automotive glass production line of Jiangsu SHD will create the first full automotive glass production line of the Group. Based on our enquiry with the Company, we understand that upon the completion of Jiangsu Engineering Contract, the new production line will be located at the current production base of Jiangsu SHD in the Suqian High-tech Industrial development Zone, Jiangsu province. The target customers will mainly be automotive glass processing manufacturers, located in area near Jiangsu province, South China and East China area. The daily melting capacity of the new automotive production line under the Jiangsu Engineering Contract will be 600t/d and the annual production capacity will be approximately 3.4 million weight cases of glass products, representing approximately 10.3% of the total production capacity of the Group in 2018. Similar to that under the Shaanxi Engineering Contracts, the automotive glass production line adopts an advanced float glass production technology to produce the automotive and functional float glasses with the thickness of 2 – 12 mm, the quality features and specifications of the automotive glass produced shall meet the industry and environmental requirements.

To assess the reasonableness of constructing an automotive glass production line in Jiangsu province, we have researched and reviewed on the geographic advantage of Suqian. We note that Suqian is surrounded by the major cities/provinces in Jiangsu province such as Xuzhou, Huai'an and Anhui province. It also has a comprehensive expressway network connecting with other major cities such as the Huaixu Expressway. Suqian is approximately 50 kilometers away from Xuzhou Guanyin International Airport, and the General Airport of SuQian is currently under construction which is expected to be developed into a commercial transportation airport in the future and improve the cargo transportation capacity of Suqian. As further enquired with the Company, we understand that the glass products of the new automotive production line will be distributed to the entire China with major focus on the eastern-central area. Under such circumstance, we concur with the Company that the geographical advantages and logistics infrastructures of Suqian may allow the Company to potentially lower the overall logistic and distribution costs when catering for the demand of automotive glass in the central-eastern areas of China.

Based on the above, we are of the view that it is reasonable and commercially justified in building a new automotive glass production line in Suqian, Jiangsu province in order to optimize the structure of distribution for automotive glass in the central-eastern areas of China. Besides, similar to that of Shaanxi CNG, such new automotive glass production line of Jiangsu SHD will (i) improve the market competitiveness of the Group's existing coated glass products in terms of quality and specifications in the PRC; (ii) broaden the Group's revenue stream and enrich its product portfolio with the introduction of automotive glass products which has a high gross margin among other existing products; and (iii) allow the Group to enjoy government support such as preferential tax policies and benefit from the potential growth of the automobile industry in the Jiangsu province and the surrounding cities.

## 2. Principal terms of the Jiangsu Engineering Contract

***Scope of services and period until completion***

Pursuant to the Jiangsu Engineering Contract, CBMIE Group agrees to carry out equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line for Jiangsu SHD. Under the Jiangsu Engineering Contract, the work engaged by CBMIE Group includes (i) providing raw material systems, sourcing and supply of all materials and equipment which within the scope of the Jiangsu Engineering Contract, and (ii) installation, testing and quality checking for the new high-end automotive glass production line for Jiangsu SHD. The installation work is expected to commence upon the Jiangsu Engineering Contract becoming unconditional after the Group obtains the approval of the Independent Shareholders at the SGM and complete within 180 days.

***Consideration and payment term***

The contract price under the Jiangsu Engineering Contract for equipment and material procurement and installation work in relation to the establishment of the new high-end automotive glass production line is RMB286 million. The contract price was arrived at after arm's length negotiation between Jiangsu SHD and CBMIE Group having considered the expected cost for other independent contractors providing such services including, among other things, the cost of sourcing of equipment and material, labour and technical advice on similar establishment of the new high-end automotive glass production line. Having compared with two quotations obtained by Jiangsu SHD from other independent contractors for works of similar nature, the contract price was no less favourable than the market prices for works of similar nature from other independent contractors. Jiangsu SHD will make eight instalment payments to CBMIE Group including a prepayment of 20% of the contract value upon the Jiangsu Engineering Contract becoming unconditional and subsequently based on the progress of the works completed by CBMIE Group (including upon the procurement date and delivery dates of equipment and material, the inspection date, the completion date and the expiry of the 12-month warranty period), each of not more than RMB57.2 million, in accordance with the terms of the Jiangsu Engineering Contract. The Jiangsu Engineering Contract does not contain any adjustment mechanism on the consideration.

In assessing the fairness and reasonableness of the consideration of the Jiangsu Engineering Contract, we understand from the Company that Jiangsu SHD did not select the contractor for the construction of the new automotive glass production line by the way of open tender for the similar reasons as set out in the section headed "Principal terms of the Shaanxi Engineering Contracts" above. In particular, after considering: (i) the availability of contractor who has the capability to solely undertake the whole construction project due to technical requirements and specifications in relation to the design, sourcing of eligible equipment and materials, construction and assembly of furnace; (ii) the majority of the design and construction projects in relation to domestic high-end glass production line has been undertaken by CNBM Group Corporation and its subsidiaries which are equipped with sufficient technical experience and resources; (iii) the project requires contractors with specialized experience, equipment and technology; and (iv) the Company prefers to engage contractors and/or manufacturers of sufficient technical experience with satisfactory track records in conducting projects in similar nature with the Group. Based on the above criteria, CBMIE Group and two independent contractors were chosen by Jiangsu SHD for the negotiable targets under such transaction.

We have compared the quotation from CBMIE Group and the quotations from the two identified independent contractors obtained by Jiangsu SHD. Based on our discussion with the Company, we also noted that the settlement methods offered by the independent contractors required 30% of the contract value as a prepayment, and the remaining contract value be settled in comparable instalment payments based on the progress of the work completed, whereas prepayment on 20% of the contract value is required from CBMIE Group. In addition, we noted that the completion of installation works as suggested by the independent contractors were within 240 days and 270 days from the commencement of this project which are 60 to 90 days longer than that suggested by CBMIE Group. As further advised by the Company, it is normal market practice for projects of similar nature to be settled in five instalment payments based on the progress of the works completed (including prepayment prior to commencement, delivery of equipment and materials, the completion inspection and acceptance, upon the first ignition of furnace and the expiry of the 12-month warranty period). Payment schedule offered by CBMIE Group under the Jiangsu Engineering Contract consist of eight instalment payment terms which split payments under similar stages as mentioned above in parts and lower the payment burden under each settlement term for the Group. Based on the above, we concur with the Company that terms offered by CBMIE Group is more favourable than that offered by the independent contractors.

After taking into account: (i) the quotation and the payment schedule of CBMIE Group is more favourable as compared to the other independent contractors; (ii) the expected completion time proposed by CBMIE Group is shorter than that proposed by the other independent contractors; (iii) the solid experience and expertise and the historical transactions with CBMIE Group in similar construction projects; and (iv) the contractor selection process was governed by the Group's internal control policy and the tender committee team, we consider that the contracting proposal provided by CBMIE Group is, as a whole, more favourable than the other proposal provided by the independent contractors. Therefore, we concur with the Company that the terms and conditions of the Jiangsu Engineering Contract are fair and reasonable.

## RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the Jiangsu Engineering Contract will be conducted in the ordinary and usual course of business of the Company, is on normal commercial terms which are fair and reasonable and the entering into of the Jiangsu Engineering Contract is 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 advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Jiangsu Engineering Contract and the transactions contemplated thereunder at the upcoming SGM.

**THE CONTINUING CONNECTED TRANSACTIONS**

**1. Background of and reasons for entering into the China Glass Procurement Framework Agreement and the Annual Caps**

***Background of China Glass Investment and Huaguang Group***

China Glass Investment is an indirect wholly-owned subsidiary of the Company. China Glass Investment is a limited liability company incorporated in the PRC and is principally engaged in investment holding and the business of the procurement, marketing and distribution of glass products and raw materials.

As set out in the Letter from the Board, Huaguang Group is an indirect wholly-owned subsidiary of Triumph Group Company, which is a substantial Shareholder holding approximately 23.01% of the Company's total issued Shares. Huaguang Group is primarily engaged in the research and development, production and sales of photoelectric materials; manufacturing and processing of glass; bulk purchase, deep processing and sales of glass raw materials. Huaguang Group has transformed from an ordinary flat glass manufacturer into a photovoltaic industry and resource platform which supplies quality raw materials for glass production and professional high strain point glass for solar battery.

***Principal terms under the China Glass Procurement Framework Agreement***

The China Glass Procurement Framework Agreement provides the pricing principles, procurement and payment mechanism and terms and conditions for China Glass Investment's purchase of Raw and Fuel Materials from Huaguang Group. Pursuant to the China Glass Procurement Framework Agreement, Huaguang Group agrees to carry out procurement through tender of Raw and Fuel Materials (including soda ash and silica sand and other relevant materials) for the manufacturing of glass products carried out by the Group. The service is for a term of three years, starting from 1 January 2020 to 31 December 2022. In particular, Huaguang Group will, from time to time, invite various suppliers to submit tenders for the supply of Raw and Fuel Materials. Huaguang Group will then provide China Glass Investment the tender results including but not limited to the tender price and quality of products from the winning tender for consideration. At the sole discretion of China Glass Investment, China Glass Investment will determine whether to place an order of Raw and Fuel Materials after assessing and comparing the overall procurement costs (including interest) of procuring from Huaguang Group to the cost of procuring from other Independent Third Parties. Individual purchase orders will be entered into between China Glass Investment and Huaguang Group for each purchase from time to time which will specify the amount, price, delivery arrangements and any other terms which may be relevant to the purchase of Raw and Fuel Materials. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the China Glass Procurement Framework Agreement.

According to the China Glass Procurement Framework Agreement, the prices for each purchase of Raw and Fuel Materials shall be determined at an actual cost basis with reference to (i) the final purchase prices provided from the winning tenders under the open tenders as organised by Huaguang Group from time to time and (ii) an additional 1% to 3% of the purchase price as interest to be charged by Huaguang Group based on the length of the credit period granted from one to three months, respectively, under each purchase order placed by China Glass Investment. The tender results provided by Huaguang Group to the Group will contain the deadline for Huaguang Group to pay its suppliers of the winning tenders and China Glass Investment will separately agree with Huaguang Group on the payment deadline for each purchase order after considering the procurement plan and cashflow of the Group. In this relation, we have obtained from the Company a list of estimated purchase of Raw and Fuel Materials which sum up to the Annual Caps and we noted that it comprised of the estimated procurement of soda ash and silica sand by the Group for the three years ending 31 December 2022. As part of our due diligence, we have further obtained the procurement contracts and relevant invoices in relation to the procurement of soda ash and silica sand by the operating subsidiaries of the Group in the latest financial year ended 31 December 2018, we noted that the average credit period provided by the existing soda ash and silica sand suppliers of the Group were generally within one month, as such the credit period granted under the China Glass Procurement Framework Agreement is longer than those granted by other existing independent suppliers.

***Reasons for entering into the China Glass Procurement Framework Agreement***

As set out in the Letter from the Board, Raw and Fuel Materials, including soda ash and silica sand, are essential for the Group's production of glass products, and Huaguang Group also procures Raw and Fuel Materials in large scale. Whilst the Group has been able to control its purchase prices lower than the industry average due to large-scale procurement, the Group has been continuously reviewing and exploring methods to optimize its procurement strategy to manage its procurement costs. Through establishing a continuing business relationship with Huaguang Group which became available after business discussions between the Group and Huaguang Group, the Group can indirectly take advantage of the competitive raw material price offered to Huaguang Group from its suppliers due to its large-scale procurements.

It is also the Company's strategy to select and engage quality suppliers and to establish a long-term and stable strategic partnership for the procurement of Raw and Fuel Materials including soda ash and silica sand, which are two of the core raw materials in the production of glass products. As advised by the Company, the arrangement for the bulk procurement of the Raw and Fuel Materials, in particular on soda ash, has been long established between China Glass Investment and the operating subsidiaries for the use of their production of various glass products. Meanwhile, the procurement for silica sand has been conducted separately by each operating subsidiary with various independent suppliers with close proximity between their factories and the respective manufacturing bases of the Group's operating subsidiaries located in Shandong province, Jiangsu province, Shaanxi province and Inner Mongolia Autonomous Region. By entering into of the China Glass Procurement Framework Agreement between China Glass Investment and Huaguang Group, the bulk procurement of soda ash and silica sand by the Group's operating subsidiaries can be consolidated by China Glass Investment and will assist in minimizing the management and operational costs of the Group.

Based on our discussion with the Company, we understand that Huaguang Group has been primarily engaged in bulk procurement of Raw and Fuel Materials for the use by various subsidiaries of CNBM Group Corporation for years and has acquired in-depth market experience and extensive connections with the Raw and Fuel Materials suppliers in the PRC. The bulk procurement arrangement under China Glass Procurement Framework Agreement will also enhance the bargaining power of Huaguang Group in negotiating with suppliers for better procurement prices and consistent quality materials and hence position the Group with competitive advantages in the procurement of soda ash and silica sand over other glass material suppliers in the industry in the PRC, which in turn is also economically beneficial to Huaguang Group. Further, the Directors consider that Huaguang Group, with its extensive experience in the bulk procurement of Raw and Fuel Materials, understands the Group's planning of business operations, quality control as well as certain specific requirements as needed in the procurement of the soda ash and silica sand.

Since there is no exclusivity term which restrict the Group from purchasing Raw and Fuel Materials (including but not limited to soda ash and silica sand) from suppliers other than Huaguang Group nor minimum purchase volume as required under the China Glass Procurement Framework Agreement, the entering into of the China Glass Procurement Framework Agreement between China Glass Investment and Huaguang Group will further broaden the supplier base of Raw and Fuel Materials for the Group and provide flexibility for the Group to decide the most cost-effective way for procuring the same based on the respective production need of the Group's operating subsidiaries.

Having considered the above, we consider the entering into the China Glass Procurement Framework Agreement is beneficial to the Group and in the interests of the Company and the Shareholders as a whole.

### 2. The Annual Caps

Based on information provided by the Company, we summarise in the following table i) the Annual Caps in respect of the estimated procurement of soda ash and silica sand under the China Glass Procurement Framework Agreement for the three years ending 31 December 2022 (the "**Review Period**"); ii) the maximum estimated procurement amount of soda ash and silica sand for the three years ending 31 December 2022 and iii) the historical transaction amount for the purchase of Raw and Fuel Materials (including soda ash and silica sand and other materials) for the three years ended 31 December 2018:

| | **For the years ending 31 December** | | |
|---|---|---|---|
| | **2020** | **2021** | **2022** |
| | **Proposed annual cap** | **Proposed annual cap** | **Proposed annual cap** |
| | *(RMB million)* | *(RMB million)* | *(RMB million)* |
| Maximum fees payable by China Glass Investment to Huaguang Group under the China Glass Procurement Framework Agreement | 890 | 900 | 980 |
| Maximum estimated transaction amount of soda ash | 734 | 744 | 822 |
| Maximum estimated transaction amount of silica sand | 156 | 156 | 158 |
| | **2016** | **2017** | **2018** |
| | *(RMB million)* | *(RMB million)* | *(RMB million)* |
| Historical transaction amount for the purchase of Raw and Fuel Materials (including soda ash and silica sand and other materials) | 1,540 | 1,980 | 2,030 |

The Annual Caps for each of the three years ending 31 December 2022 were determined by the Directors primarily based on the followings:-

(i) historical purchase amount of Raw and Fuel Materials (including soda ash and silica sand) from Independent Third Parties;

(ii) the anticipated demand of the Group for Raw and Fuel Materials (in particular soda ash and silica sand) under the China Glass Procurement Framework Agreement calculated based on the production plan and procurement plan of the Group; and

(iii) the forecasted costs of Raw and Fuel Materials (in particular soda ash and silica sand).

As regards the Annual Caps to be sought for the Review Period of approximately RMB890.0 million, RMB900.0 million and RMB980.0 million respectively, we have obtained from the Company a list of estimated purchase of soda ash and silica sand which sum up to the Annual Caps. We understand from the Company that such list of estimate was prepared on the basis of multiplying (i) the estimated annual production capacity (by tons) of the Group upon considering the expected operating schedule of all glass production lines during each of the three years ending 31 December 2022; (ii) the estimated unit consumption of soda ash and silica sand in producing each ton of glass product; and (iii) the estimated unit price of soda ash and silica sand (per ton) during the Review Period.

Based on the list of estimate, we noted from the above that the estimated transaction amounts for the procurement of soda ash are on an increasing trend while that of silica sand are expected to remain stable during the Review Period. Based on our discussion with the Company, we understand that the estimated transaction amounts for the procurement of soda ash were determined with reference to the required amount of soda ash for the estimated annual production volume of the Group and assuming substantially all of the soda ash would be procured from Huaguang Group. On the other hand, the Group assumes that only part of the total procurement volume as determined with reference to the estimated annual production volume of the Group are to be procured from Huaguang Group for certain manufacturing bases of the Group which are of closer proximity to the manufacturing bases of CNBM Group Corporation that also procure soda ash and silica sand for production from Huaguang Group. The remaining portion of the total procurement volume of silica sand will be procured separately by the operating subsidiaries from other independent suppliers with closer proximity between their factories and the manufacturing bases of the Group.

As we further enquired with the Company, we understand that the overall procurement cost of soda ash and silica sand comprise of the unit procurement price (per ton) of soda ash and silica sand and the logistics expenses associated with the delivery of such raw materials to the designated manufacturing bases of the Group, which vary among different manufacturing bases of the Group based on the proximity of the manufacturing bases to the source of raw material or the relevant suppliers. Since the unit procurement price (per ton) of soda ash is high and its relevant logistics expenses constitute small proportion of the overall procurement cost, the overall procurement costs among different manufacturing bases of the Group were comparable during the past few years. Therefore, in order to maximize the potential price advantage under the bulk procurement arrangement, the Company assumes all of the soda ash as required by the Group during the Review Period to be procured from Huaguang Group. On the other hand, the unit procurement price (per ton) of silica sand is low and its relevant logistics expenses constitute considerable proportion of the overall procurement cost depending on their proximity with the source of raw material and relevant suppliers, the overall procurement costs varied among different manufacturing bases of the Group during the past few years. Therefore, the Company assumes certain manufacturing bases which are subject to persistently higher overall procurement costs over the past few years to enter into bulk procurement with Huaguang Group.

We noted that the Annual Caps represent a substantial portion of the Company's total procurement volume of Raw and Fuel Materials (which include other raw materials such as dolomite, limestone, feldspar and mirabilite, etc.) from Independent Third Parties for the year ended 31 December 2018. However, as set out in the Letter from the Board, the Group is not materially reliant on Huaguang Group in respect of the procurement of soda ash and silica sand as: (i) the China Glass Procurement Framework Agreement does not contain any minimum purchase commitment and the Group can decide whether or not to procure soda ash and silica sand from Huaguang Group after accessing the procurement costs and other considerations such as the procurement strategy of the Group; (ii) soda ash and silica sand are raw materials that are readily available in the market and the Group will be able to purchase from other suppliers if Huaguang Group ceases to supply the same to the Group; and (iii) the Group will continue to procure a substantial amount of soda ash and silica sand from various suppliers and maintain close business relationships with such suppliers.

We also understand that the Group has internal policies in place to ensure there is no material reliance on a single supplier by the Group, which include requirements to maintain at least two to three sources of supply for each type of major fuel or raw materials. Based on our further enquiry with the Company, we understand that as at the Latest Practicable Date, the Group has maintained business relationships with over five independent suppliers for soda ash and over ten independent suppliers for silica sand. Moreover, the Group has maintained a grading assessment system to categorise its existing suppliers into A-class suppliers, B-class suppliers and C-class suppliers based on criterias such as the product acceptance rates upon receipt of raw materials, the reasonableness on the procurement price provided by the supplier as compared to the prevailing market price, the timeliness on delivery and return of raw materials, etc. Based on the assessment results, the Group will establish stable strategic partnership with A-class suppliers, enhance daily monitoring on the procurement from B-class suppliers and eliminate C-class suppliers from the procurement roster. Further, the strategic procurement department of the Group will constantly monitor the overall procurement plan and procurement status of the Group to ensure compliance with the Group's internal policies and long-term sustainability of the Group and avoid any reliance on a single supplier (such as Huaguang Group).

In order to assess the fairness and reasonableness of the estimated volume and estimated prices of the continuing connected transactions, we have performed the following analysis.

***Regarding the estimated volume for the procurement of soda ash and silica sand***

As set out in the sub-section headed "Reasons for entering into the Shaanxi Engineering Contracts" above, the production of glass products requires the continuous operation of furnaces under stringent temperature control in order to ensure the quality of the glass products, accordingly the glass production lines of the Group are generally operated in their full capacity during their operation in order to maximize the output volume. Since soda ash and silica sand are the core raw materials for the production of glass products, the estimated quantity of the continuing connected transactions under the China Glass Procurement Framework Agreement during the Review Period were primarily determined based on the expected production volume of glass production lines of the Group, which are affected by their estimated operating schedules, during the same period.

In this relation, we have obtained from the Company the estimated operating schedule of the glass production lines of the Group during the Review Period and compared their respective production capacities with the historical production capacity of the Group for the three years ended 31 December 2018. We noted that the estimated production volume of the Group during the Review Period, despite on an increasing trend, were relatively lower than that for the year ended 31 December 2018. We understand from the Company that it is primarily due to the scheduled suspension in glass production for different glass production lines of the Group due to scheduled cold-repair during the Review Period, which will require suspension in production for the glass production line for a period ranging from four to six months during the year.

In particular, we noted that out of the 13 existing glass production lines in operation during 2018, three of which are expected to halt operation for certain months in 2020 due to cold-repair (including the existing glass production line of Shaanxi CNG as mentioned above), and one of the production lines has been disassembled in 2019 in anticipation of the new automotive glass production line of Jiangsu SHD. In 2021, the annual production volume are expected to increase as the three production lines undergoing cold-repair in 2020 are expected to return to full operation combined with the full year effect of the operation for the new automotive glass production line of Jiangsu SHD, which outweigh the effect of the scheduled cold-repair for another three existing glass production line during the same year In 2022, the annual production volume are expected to further increase as the three production lines undergoing cold-repair in 2021 are expected to return to full operation, which outweigh the effect of the scheduled cold-repair for one existing glass production line during the same year

Furthermore, we have further obtained the unit consumption estimate of soda ash and silica sand for the production of each ton of glass products which is determined based on the historical production data and management experience. We noted that the estimated consumption volume of soda ash (which in turn is the estimated procurement volume) during the Review Period are proportional to the expected annual production volume of the Group as determined by the aforementioned estimated operating schedule.

As for the estimated procurement volume of silica sand, as mentioned above, are determined based on the estimated production volume of certain manufacturing bases of the Group which are of closer proximity to the manufacturing bases of CNBM Group Corporation that also procure soda ash and silica sand for production from Huaguang Group during the Review Period. As mentioned above, we understand that due to the relevant logistics expenses constitute considerable proportion in the overall procurement cost of silica sand, such overall procurement cost vary among different manufacturing bases of the Group. In this relation, we have compared the procurement contracts and relevant invoices in relation to the procurement costs of silica sand by the six existing manufacturing bases of the Group in the latest financial year ended 31 December 2018, we noted that the procurement costs of the manufacturing bases of the Group located in Shaanxi province, Suqian city and Weihai city were higher while those located in Dongtai city, Linyi city and Inner Mongolia Autonomous Region were relatively lower. Based on our further discussion with the Company, we understand that manufacturing bases with higher procurement costs are located in further distance from the source of silica sand or their existing silica sand suppliers. Further, while the procurement costs in Dongtai city, Linyi city and Inner Mongolia Autonomous Region were relatively lower, considering the logistics expenses and lead time required in delivering such raw materials across provinces and cities in the PRC and to avoid the delay in response to the production needs of the glass production lines during their full operating periods, the manufacturing bases of the Group have been procuring silica sand from independent suppliers in close proximity during the past few years and it is not cost-effective to procure silica sand in the aforementioned cities and provinces and deliver to the manufacturing bases of the Group with higher procurement costs.

In order to minimize the overall average procurement cost of silica sand of the Group after considering the unit procurement prices and relevant logistics expenses among different manufacturing bases, the operating subsidiaries of the Group with their manufacturing bases in close proximity to the source of silica sand or their existing silica sand suppliers are expected to continue to procure silica sand from their existing independent suppliers (including the manufacturing bases of the Group, located in Dongtai city, Linyi city and Inner Mongolia Autonomous Region), whereas those located in further distance from the source of silica sand or their existing silica sand suppliers (including the manufacturing bases of the Group located in Shaanxi province, Suqian city and Weihai city) will consider to procure from Huaguang Group under the bulk procurement arrangement set out in the China Glass Procurement Framework Agreement if the relevant procurement prices and terms are more favourable as compared to other independent suppliers.

We further compared the estimated procurement volume of silica sand during the Review Period with the historical procurement volume of the manufacturing bases located in Shaanxi province, Suqian city and Weihai city which the respective glass production lines were in full operation for the year ended 31 December 2018, we noted that the estimated procurement volume of silica sand during the Review Period are proportional to the expected annual production volume of those manufacturing bases taking into account their respective estimated operating schedule during the same period and the unit consumption estimate of silica sand.

Based on the above, we consider the expected procurement volumes of soda ash and silica sand during the Review Period are reasonable.

***Regarding the estimated prices for the procurement of soda ash and silica sand***

As set out in the annual report of the Company for the year ended 31 December 2017, both the domestic prices of soda ash and silica sand experienced a substantial growth during the year as compared to 2016 due to the increase in demand from environmental protection and the intensified elimination of overcapacities. As further disclosed in the 2018 Annual Report, the domestic soda ash price has been fluctuating during 2018 with an increasing trend during the first half of 2018 due to the halt in production activities by a number of soda ash producers for maintenance subject to environmental protection policies, which followed by a decline in price during the second half of 2018 as production capacity recovered, and the price of soda ash rose again around the end of the year as the inventory level reduced. During the same year, the price of silica sand surged due to environmental protection policies. As further disclosed in the 2019 Interim Report, the domestic soda ash price has continued to fluctuate during the first half of 2019. With the increase in production volume, the average prices of soda ash were slightly lower as compared to the same period of last year. Meanwhile, the increasing trend in the price of silica sand continued during the same period was due to the effects of environmental policies and also experienced a tight supply.

As part of our due diligence, we have obtained from the Company the list of actual purchases of soda ash and silica sand by the operating subsidiaries during the three years ended 31 December 2018 and compared with the estimated procurement price of soda ash and silica sand used in the Annual Caps. We noted that the actual average procurement price of soda ash of the Group increased substantially from 2016 to 2017 and remained comparable in 2018. Meanwhile, the actual average procurement price of silica sand of the Group was on a modest increasing trend during the three years ended 31 December 2018. Considering the actual average procurement prices of soda ash and silica sand did not experience further substantial growth in 2018, we are of the view that it is more reasonable to take into consideration the more recent development in the domestic soda ash and silica sand market and therefore exclude the actual average procurement prices of soda ash and silica sand in 2016 and consider such prices for the year ended 31 December 2018.

Based on our discussion with the Company, we understand that the estimated procurement price of soda ash is determined based on i) the historical price range of soda ash in the latest financial year ended 31 December 2018. Due to the fluctuation in domestic soda ash price during 2018, the estimated procurement price of soda ash under the Annual Caps is set towards the lower end of the range of historical monthly procurement prices of the Group in 2018 taking into account the more competitive procurement price which may be offered to Huaguang Group by its suppliers due to its large-scale procurements under the China Glass Procurement Framework Agreement; and ii) the Company's current estimation of the expected market price of soda ash to remain stable during the Review Period. Based on the above, we consider the basis in determining the estimated procurement price of soda ash during the Review Period is reasonable.

Meanwhile, the estimated procurement price of silica sand under the Annual Caps is determined based on the average procurement price of silica sand of the existing manufacturing bases of the Group for the year ended 31 December 2018. We noted from the list of actual purchase of silica sand of the operating subsidiaries of the Group in 2018 that the average procurement price is comparable to the estimated procurement price under the Annual Caps. At the same time, despite the price of domestic silica sand was in a modest increasing trend during the past few years, we understand from the Company that its does not expect substantial fluctuation in the price and assumes such price to remain stable during the Review Period. Based on the above, we consider the basis in determining the estimated procurement price of silica sand during the Review Period is reasonable.

Given the above, we consider the estimated transaction prices of soda ash and silica sand under the Annual Caps are reasonable.

On the above basis, we consider that the bases on which the Annual Caps were determined are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

***Regarding the internal control measures governing the transactions under the China Glass Procurement Framework Agreement***

As set out in the Letter from the Board, the Company has established internal control measures to ensure that the continuing connected transaction contemplated under the China Glass Procurement Framework Agreement is in accordance with the pricing policies and internal procedures adopted by the Group, and that the terms of agreement and the purchase price of the relevant products from Huaguang Group are on normal commercial terms and on terms no less favourable than those terms for similar products offered to the Group by Independent Third Parties. Such internal control measures employed by the Group include the following:

(i) all purchase orders under the China Glass Procurement Framework Agreement shall be reviewed and approved by strategic procurement department, financial audit department and chief executive officer of the Group to ensure the terms are in compliance with the China Glass Procurement Framework Agreement under which the transactions are entered into, and in this connection, the relevant departments must be satisfied that (1) the pricing policies and internal procedures adopted by the Group have been fully complied with; (2) each transaction thereunder is on normal commercial terms; (3) the purchase price of the relevant products from Huaguang Group are no less favourable than the prices at which such products are offered to the Group by Independent Third Parties; and (4) the Annual Caps of the China Glass Procurement Framework Agreement have not been and will not be exceeded taking into account the relevant purchase order;

(ii) before a new purchase order is placed, the strategic procurement department of the Group will obtain the prevailing market price of Raw and Fuel Materials (including soda ash and silica sand) from various sources such as online public market information platforms (e.g. Oilchem, Chem99 and BaiInfo) and market intelligence, to compare with the price quoted by Huaguang Group;

(iii) in relation to the purchase of products from Huaguang Group under the China Glass Procurement Framework Agreement, the pricing is determined at an actual cost basis. The strategic procurement department shall request Huaguang Group to provide it with the relevant records of the purchase cost of the projects incurred by Huaguang Group so as to ensure that the pricing mechanisms under the China Glass Procurement Framework Agreement have been properly complied with;

(iv) the strategic procurement department of the Group will prepare a quarterly report on the connected transaction to the continuing connected transaction monitoring committee of the Group (consisting the chief executive officer, chief financial officer and vice president of the procurement department and head of each of the financial audit department, investment management department and office of the chief executive officer of the Group) to assess if the continuing connected transaction has been in compliance with the internal procedures regarding continuing connected transactions and the terms of the China Glass Procurement Framework Agreement; and

(v) the Independent Non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions contemplated under the China Glass Procurement Framework Agreement every year in accordance with the requirements of the Listing Rules.

Based on the above, we consider that the internal control measures adopted by the Group in governing the continuing connected transactions contemplated under the China Glass Procurement Framework Agreement is fairly structured and reasonable. In conjunction with the internal control measures employed by Huaguang Group governing the bulk purchase arrangement under the tender process, we concur with the Board that there are sufficient and effective procedures and hierarchy to monitor and ensure that the pricing and terms of the transactions contemplated under the China Glass Procurement Framework Agreement are on normal commercial terms and no less favourable than those terms for similar products offered to the Group by Independent Third Parties, and such transactions are conducted in accordance with the pricing policy as agreed under the China Glass Procurement Framework Agreement.

## RECOMMENDATION

Having considered the above, we are of the opinion that (i) the continuing connected transactions under the China Glass Procurement Framework Agreement are in the ordinary and usual course of business of the Group; and (ii) the terms of the China Glass Procurement Framework Agreement and the respective Annual Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM for approving the terms of the continuing connected transactions and the China Glass Procurement Framework Agreement (including the respective Annual Caps).

Yours faithfully,
For and on behalf of
**Octal Capital Limited**

| **Alan Fung** | **Louis Chan** |
|---|---|
| *Managing Director* | *Director* |

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 24 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 16 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

## 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 and/or short positions of Directors and chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and/or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

| Name of Directors | Company/Name of Associated Corporation | Capacity | Total Number of Ordinary Shares (1) | Approximate Percentage of Shareholding (3) |
|---|---|---|---|---|
| Mr. Cui Xiangdong | the Company | Beneficial owner/ Interest of a controlled corporation | 19,532,000(L) (2) | 1.08% |
| Mr. Zhou Cheng | the Company | Beneficial owner | 22,672,633(L) | 1.25% |

*Notes:*

(1) The letter "L" denotes the Director's long position in such securities.

(2) It included Mr. Cui Xiangdong's interests in 12,000,000 Shares, share options to subscribe for 4,800,000 Shares under the share option scheme of the Company, and 2,732,000 Shares acquired by Twinkle Fame Limited, which Mr. Cui has 100% direct interest, under the share award scheme of the Company.

(3) As at the Latest Practicable Date, the total number of issued Shares of the Company is 1,810,147,058.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (ii) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Directors' position in substantial shareholders**

As at the Latest Practicable Date, as disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, (1) Legend Holdings Corporation was interested in 412,676,740 Shares, representing approximately 22.80% of the total number of Shares in issue; (2) each of Hony International Limited and First Fortune Enterprises Limited was interested in 272,926,000 Shares, representing approximately 15.08% of the total number of Shares in issue; and (3) Triumph Group Company was interested in 416,424,621 Shares, representing approximately 23.01% of the total number of Shares in issue.

As at the Latest Practicable Date, (1) Mr. Zhao John Huan is an executive director and executive vice president of Legend Holdings Corporation; (2) Mr. Zhao John Huan is a director of Hony International Limited; (3) Mr. Zhao John Huan and Mr. Zhou Cheng are directors of First Fortune Enterprises Limited; (4) Mr. Peng Shou is the legal representative, chairman of the board, executive director and general manager of Triumph Group Company; and (5) Mr. Zhang Jinshu is the vice director of the development and investment department of Triumph Group Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed director of the Company was a director or employee of a company which had an interest and/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.

**(c) Competing interests**

As at the Latest Practicable Date, none of the Directors and their respective close associates (as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

**(d) Directors' interests in assets of the Group**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**(e) Directors' interests in contracts or arrangements of the Group**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, which was significant in relation to the business of the Group.

## 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group which will not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

## 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 5. EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given its opinion or recommendations which is contained in this circular.

| Name | Qualification |
|---|---|
| Octal Capital Limited | a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

As at the Latest Practicable Date, Octal Capital Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Octal Capital Limited did not have any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Octal Capital Limited has given and has not withdrawn its consent to the issue of this circular with the inclusion herein of its letter and references to its names and its recommendations in the form and context in which they appear.

## 6. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.

## 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company at Unit 2608, 26/F., West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong from the date of this circular up to and including the date of SGM (excluding Saturdays and public holidays):

(a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 18 to 19 of this circular;

(b) the letter issued by Octal Capital Limited, the text of which is set out on pages 20 to 49 of this circular;

(c) the Shaanxi Engineering Contracts;

(d) the Jiangsu Engineering Contract;

(e) the China Glass Procurement Framework Agreement;

(f) the written consent referred to in paragraph headed "Expert and Consent" in this Appendix; and

(g) this circular.

# CHINA GLASS HOLDINGS LIMITED
# 中國玻璃控股有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 3300)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Special General Meeting of China Glass Holdings Limited (the "**Company**") will be held at Salons I & II, Mezzanine Level, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 20 December 2019 at 9:30 a.m. for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions as **ordinary resolutions** of the Company:

### ORDINARY RESOLUTIONS

1. "**THAT**:

(a) the engineering contracts dated 25 October 2019 entered into between Shaanxi CNG New Technology Company Limited*（中玻(陝西)新技術有限公司）and China Building Materials International Engineering Group Co., Ltd.*（中國建材國際工程集團有限公司）("**CBMIE Group**") and the transactions contemplated thereunder (collectively, the "**Shaanxi Engineering Contracts**") and any other arrangements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and

(b) any one of the directors of the Company (the "**Directors**" and each, a "**Director**") or the company secretary of the Company (the "**Company Secretary**") be and is hereby authorised to do all such acts and things, make all necessary filings and negotiate, approve, agree, sign, initial, ratify and/or execute for and on behalf of the Company any other letters, notices, acknowledgements, consents, waivers, agreements or other documents in which the Company is a party or is otherwise interested as such Director or the Company Secretary may consider necessary or desirable in connection with the Shaanxi Engineering Contracts. To the extent that any such other document requires execution as a deed, the seal of the Company be affixed to any such document and such document be signed by a Director and the Company Secretary or any two Directors."

2. "**THAT**:

(a) the engineering contract dated 25 October 2019 entered into between Jiangsu SHD New Materials Company Limited*（江蘇蘇華達新材料有限公司）and CBMIE Group and the transactions contemplated thereunder (collectively, the "**Jiangsu Engineering Contract**") and any other arrangements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and

(b) any one of the Directors or the Company Secretary be and is hereby authorised to do all such acts and things, make all necessary filings and negotiate, approve, agree, sign, initial, ratify and/or execute for and on behalf of the Company any other letters, notices, acknowledgements, consents, waivers, agreements or other documents in which the Company is a party or is otherwise interested as such Director or the Company Secretary may consider necessary or desirable in connection with the Jiangsu Engineering Contract. To the extent that any such other document requires execution as a deed, the seal of the Company be affixed to any such document and such document be signed by a Director and the Company Secretary or any two Directors."

3. "**THAT**:

(a) the procurement framework agreement dated 25 October 2019 entered into between China Glass Investment Limited*（中玻投資有限公司）and Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.*（安徽華光光電材料科技集團有限公司）, its proposed annual caps amounts and the transactions contemplated thereunder (collectively, the "**China Glass Procurement Framework Agreement**") and any other arrangements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and

(b) any one of the Directors or the Company Secretary be and is hereby authorised to do all such acts and things, make all necessary filings and negotiate, approve, agree, sign, initial, ratify and/or execute for and on behalf of the Company any other letters, notices, acknowledgements, consents, waivers, agreements or other documents in which the Company is a party or is otherwise interested as such Director or the Company Secretary may consider necessary or desirable in connection with the China Glass Procurement Framework Agreement. To the extent that any such other document requires execution as a deed, the seal of the Company be affixed to any such document and such document be signed by a Director and the Company Secretary or any two Directors."

By Order of the Board
**China Glass Holdings Limited**
**Peng Shou**
*Chairman*

Hong Kong, 3 December 2019

* *For identification purpose only*

*Notes:*

(1) All resolutions at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

(2) Any shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy or, if he holds two or more shares, may appoint more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.

(3) The form of proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised to sign the same.

(4) The form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for the meeting (i.e. not later than 9:30 a.m. on Wednesday, 18 December 2019) or at any adjournment thereof.

(5) Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and in such event, the form of proxy shall be deemed to be revoked.

(6) In the case of joint registered holders of any share, any one of such joint holders may vote at the above meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the Register of Members of the Company in respect of the relevant joint holding.

(7) Shareholders whose names appear on the Register of Members of the Company on Friday, 20 December 2019 are entitled to attend and vote at the above meeting. For determining the entitlement to attend and vote at the above meeting, the Register of Members of the Company will be closed from Tuesday, 17 December 2019 to Friday, 20 December 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the above meeting, unregistered holders of shares of the Company shall ensure that all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 16 December 2019.

(8) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

(9) As at the date of this notice, the board of Directors comprises Mr. Cui Xiangdong as executive Director; Mr. Peng Shou, Mr. Zhao John Huan, Mr. Zhou Cheng and Mr. Zhang Jinshu as non-executive Directors; and Mr. Zhang Baiheng, Mr. Zhao Lihua and Mr. Chen Huachen as independent non-executive Directors.