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If you have sold or transferred all your shares in **CHINA GLASS HOLDINGS LIMITED**, you should at once hand this Response Document to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

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CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

**RESPONSE DOCUMENT
VOLUNTARY CONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED AND DBS ASIA CAPITAL LIMITED
FOR AND ON BEHALF OF
UNIFIED GROUP INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
ALL THE OUTSTANDING CONVERTIBLE BONDS OF
CHINA GLASS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR) AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHINA GLASS HOLDINGS LIMITED**

Independent Financial Adviser to the Independent Board Committee



Capitalised terms used on this cover page shall have the same meanings as those defined in this Response Document.

A letter from the Board is set out on pages 7 to 27 of this Response Document. A letter from the Independent Board Committee to the Independent Shareholders and Optionholders containing its recommendation is set out on pages 28 to 29 of this Response Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 30 to 65 of this Response Document.

7 January 2021

* For identification purpose only

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DEFINITIONS

In this Response Document, unless the context requires otherwise, the following expressions have the following meanings:

“acting in concert”	has the meaning given to it in the Takeovers Code, and "persons acting in concert" and "concert parties" should be construed accordingly
“associate(s)”	has the meaning given to it in the Takeovers Code
“Board”	the board of Directors
“Bondholder”	the holder of the Convertible Bonds
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	the First Closing Date of the Offers or any subsequent closing date as may be announced by the Offeror and approved by Executive
“Company”	China Glass Holdings Limited (中國玻璃控股有限公司)*, an exempted 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)
“Convertible Bond Offer”	the offer by Lego Securities and DBSAC for and on behalf of the Offeror in accordance with the Takeovers Code to acquire the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror) in accordance with the terms and conditions described in the Offer Document

DEFINITIONS

“Convertible Bonds”	the convertible bonds issued by the Company on 4 February 2016, which had been fully redeemed by the Company on 2 January 2021
“DBSAC”	DBS Asia Capital Limited, one of the joint financial advisers to the Offeror, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has made the Offers for and on behalf of the Offeror
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“First Closing Date”	10 February 2021, being the first closing date of the Offers (or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code)
“Form(s) of Acceptance”	(i) the WHITE form of acceptance and transfer of the Offer Shares in respect of the Share Offer, (ii) the BLUE form of acceptance and transfer of the Convertible Bonds in respect of the Convertible Bond Offer, and (iii) the YELLOW form of acceptance and cancellation of the Share Options in respect of the Option Offer, accompanying the Offer Document
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited including, where the context so requires, its agents, nominees, representatives, officers and employees
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board, comprising all the non-executive Directors, namely Mr. Peng Shou, Mr. Zhao John Huan, Mr. Zhou Cheng, Mr. Zhang Jinshu, and all the independent non-executive Directors, namely Mr. Zhang Baiheng and Mr. Chen Huachen, formed for the purpose to advise the Independent Shareholders and Optionholders in respect of the Offers
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed 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 by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Offers
“Independent Shareholder(s)”	Shareholders other than the Offeror
“Last Trading Day”	2 December 2020, being the last trading day of the Shares immediately preceding the date of the Offer Announcement
“Latest Practicable Date”	4 January 2021, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
“Lego Securities”	Lego Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO, which has made the Offers for and on behalf of the Offeror
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offeror”	Unified Group Investments Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Xinyi Glass
“Offers”	the Share Offer, the Convertible Bond Offer and the Option Offer

DEFINITIONS

“Offer Announcement”	the joint announcement of the Offeror and Xinyi Glass dated 3 December 2020 in relation to the Offers
“Offer Document”	the offer document jointly issued by the Offeror and Xinyi Glass on 24 December 2020 which sets out, among other things, details of the Offers in accordance with the Takeovers Code
“Offer Document LPD”	21 December 2020, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document for ascertaining certain information contained therein
“Offer Period”	has the meaning ascribed to it in the Takeovers Code, being the period commencing from 3 December 2020 (being the date of the Offer Announcement) and ending on the later of (i) the date when the Offers close for acceptances; and (ii) the date when the Offers lapse
“Offer Share(s)”	all the Shares in issue, other than those already owned by or to be acquired by the Offeror and “Offer Share” means any of them
“Optionholder(s)”	the holder(s) of the Share Options
“Option Offer”	the offer by Lego Securities and DBSAC for and on behalf of the Offeror in accordance with the Takeovers Code to cancel all outstanding Share Options in exchange for cash, in accordance with the terms and conditions described in the Offer Document
“PRC”	the People’s Republic of China (for the purpose of this Response Document, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, with its address at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

DEFINITIONS

“Relevant Period”	the period commencing on 3 June 2020, being the date falling six months preceding the date of commencement of the Offer Period, up to and including the Latest Practicable Date
“Relevant Securities”	has the meaning given to it in Note 4 to Rule 22 of the Takeovers Code
“RMB”	Renminbi, the lawful currency of the PRC
“SAMR”	the State Administration for Market Regulation of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong as amended, supplemented or otherwise modified from time to time
“Share(s)”	the existing issued ordinary share(s) of par value HK\$0.05 each in the share capital of the Company at the date hereof and any such further shares which are unconditionally allotted or issued after the date hereof and before the date on which the Offers close
“Share Offer”	the voluntary conditional cash offer by the Offeror to acquire all of the outstanding Shares (other than those already owned or agreed to be acquired by the Offeror) in accordance with the terms and conditions described in the Offer Document
“Share Offer Price”	the price at which the Share Offer will be made, being HK\$0.9 per Offer Share
“Share Option(s)”	share option(s) granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 30 May 2005
“Shareholder(s)”	the registered holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as in force from time to time
“Triumph Group Company”	Triumph Science & Technology Group Company Limited* (凱盛科技集團有限公司), a limited liability company incorporated under the Laws of the PRC, a substantial Shareholder
“Twinkle Fame”	Twinkle Fame Limited, a company which Mr. Cui Xiangdong (Executive Director of the Company) has 100% direct interest
“Unconditional Date”	the date on which the Offers become or are declared unconditional in all respects, the latest time on which the Offeror can declare the Offers unconditional as to acceptances is 7:00 p.m. on the 60th day after the posting of the Offer Document, or such later date to which the Executive may consent
“US\$”	United States dollars, the lawful currency of the United States of America
“Xinyi Glass”	Xinyi Glass Holdings Limited (信義玻璃控股有限公司), a company incorporated in the Cayman Islands with limited liability, all the shares of which are listed on the Main Board of the Stock Exchange (stock code: 868)
“%”	per cent

For the purpose of this Response Document, unless the context otherwise requires, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1 to HK\$1.1899. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such or any other rate or at all.

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LETTER FROM THE BOARD



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

Non-executive Directors

Mr. Peng Shou (*Chairman*)

Mr. Zhou Cheng (*Honorary Chairman*)

Mr. Zhao John Huan

Mr. Zhang Jinshu

Independent Non-executive Directors

Mr. Zhang Baiheng

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

7 January 2021

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED AND DBS ASIA CAPITAL LIMITED
FOR AND ON BEHALF OF
UNIFIED GROUP INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
ALL THE OUTSTANDING CONVERTIBLE BONDS OF
CHINA GLASS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR) AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHINA GLASS HOLDINGS LIMITED**

INTRODUCTION

On 2 December 2020 (after trading hours), the Board received a letter dated 2 December 2020 from Lego Securities and DBSAC notifying the Board that the Offeror has a firm intention to make, through Lego Securities and DBSAC, a voluntary conditional cash offers, in compliance

* *For identification purpose only*

LETTER FROM THE BOARD

with the Takeovers Code, to (i) acquire all the Shares (other than those already owned or agreed to be acquired by the Offeror); (ii) acquire all the outstanding Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror); and (iii) cancel all outstanding Share Options.

On 3 December 2020, the Offeror published the Offer Announcement setting out details of the Offers and the information and intention of the Offeror.

On 7 December 2020, the Company published the announcement pursuant to Rules 3.2 and 3.8 of the Takeovers Code in relation to the Offers.

On 24 December 2020, the Offeror despatched the Offer Document, accompanied with the Forms of Acceptance.

On 4 January 2021, the Company published the announcement relating to the full redemption of Convertible Bonds and pursuant to Rule 3.8 of the Takeovers Code.

The purpose of this Response Document is to provide you with, among other things, information regarding the Group and the Offers, the recommendation of the Independent Board Committee to the Independent Shareholders and Optionholders in respect of the Offers and the advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Offers.

You are advised to read this Response Document, the recommendation of the Independent Board Committee and the letter from the Independent Financial Adviser in conjunction with the Offer Document carefully before taking any action in respect of the Offers.

The Offers are subject to certain conditions, which include the valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and the parties acting in concert with it holding more than 51% of the voting rights in the Company as at the Closing Date. Independent Shareholders, Optionholders and potential investors of the Company are reminded that a number of Shareholders of the Company with the aggregate shareholding of approximately 56.65% of the total Shares of the Company as at the Latest Practicable Date had on 31 December 2020 indicated and irrevocably undertaken that they would not accept the Share Offer or take no action in respect of the Share Offer. Accordingly, Shareholders, Optionholders and potential investors of the Company are reminded that the Offers may or may not become unconditional.

LETTER FROM THE BOARD

Shareholders, Optionholders and potential investors of the Company are advised to exercise extreme caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

THE OFFERS

The terms of the Offers as set out below are based on the Offer Document. You are recommended to refer to the Offer Document and the Forms of Acceptance for further details.

The Share Offer

Lego Securities and DBSAC, for and on behalf of the Offeror and in compliance with the Takeovers Code, has made a voluntary conditional cash offer to acquire all the Offer Shares on the following terms:

For each Offer Share HK\$0.9 in cash

As disclosed in the Offer Document, all the Offer Shares to be acquired under the Share Offer shall be (i) fully-paid; (ii) free from any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same; and (iii) with all rights attached to the Shares including all rights to any dividends and other distributions hereafter declared, paid or made in respect thereof on or after the date of despatch of the Offer Document.

Save as the distribution of HK\$0.02 per Share declared on 11 September 2019 and paid on 31 October 2019, there has been no dividend or distribution declared by the Company for the year ended 31 December 2019, for the six months ended 30 June 2020 and up to the Latest Practicable Date. In the event that any dividends or distributions are declared after the date of despatch of the Offer Document, paid or made in respect thereof until the close of the Offers, the amount of such dividends or other distributions will be deducted from the Share Offer Price after consultation with the Executive.

The Convertible Bond Offer

Lego Securities and DBSAC, for and on behalf of the Offeror and in compliance with the Takeovers Code, has made a voluntary conditional cash offer to acquire all the outstanding Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror) on the following terms:

For every US\$10,000 face value of the Convertible Bonds HK\$54,499.22 in cash

LETTER FROM THE BOARD

As disclosed in the Offer Document, the Convertible Bonds shall be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights as at the date of despatch of the Offer Document and thereafter attaching or accruing to them, including the right to all dividends and other distributions (if any) declared, made or paid after the date of despatch of the Offer Document. In the event that any dividends or distributions are declared after the date of despatch of the Offer Document, paid or made in respect thereof until the close of the Offers, the amount of such dividends or other distributions to be deducted from the offer price for the Convertible Bonds after consultation with the Executive.

As disclosed in the Offer Document, the Convertible Bond Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

As disclosed in the Offer Document, the Convertible Bond Offer will apply to all outstanding Convertible Bonds in issue on the date the Convertible Bond Offer is made (other than those already owned or agreed to be acquired by the Offeror) and will not apply to any Convertible Bonds which are or have been redeemed or converted into Shares prior to the close of the Offers. In the event that the Convertible Bonds or part thereof are converted after the Offer Document LPD and new Shares are issued pursuant to such conversion, such Shares will form part of the Share Offer.

As disclosed in the Offer Document, the offer price for the Convertible Bonds is HK\$54,499.22 for every US\$10,000 face value of the Convertible Bonds, determined in accordance with Practice Note 6 to the Takeovers Code as the “see-through” consideration for each Convertible Bond, being the number of Shares into which the Convertible Bonds is convertible (being 15,138,671 Shares) multiplied by the Share Offer Price (HK\$0.9 per Share).

As all of the Convertible Bonds had been redeemed by the Company on 2 January 2021, there are no outstanding Convertible Bonds in issue as at the Latest Practicable Date and accordingly, the Convertible Bond Offer is no longer applicable.

The Option Offer

Lego Securities and DBSAC, for and on behalf of the Offeror and in compliance with the Takeovers Code, has made an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all the outstanding Share Options on the following terms:

For cancellation of each Share OptionHK\$0.0001 in cash

LETTER FROM THE BOARD

Pursuant to the Share Option Scheme, if a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all Shareholders (or all holders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the option period of an outstanding option, the Optionholder (or his legal personal representative) shall be entitled to exercise the Share Option (to the extent not already exercised) at any time before the expiry of the period of ten business days following the date on which the offer becomes or is declared unconditional. Following the expiry of the period, the Share Option shall automatically lapse thereafter.

As at the Latest Practicable Date, the Company had 30,060,000 outstanding Share Options conferring the rights to the Optionholders to subscribe for an aggregate of 30,060,000 Shares at an exercise price of HK\$1.25 per Share on or before 12 May 2022. As disclosed in the Offer Document, since the exercise price of the outstanding Share Options is above the Share Offer Price, the outstanding Share Options are out of the money and the offer price for the cancellation of each Share Option is set at a nominal value of HK\$0.0001.

As disclosed in the Offer Document, the Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects. Subject to the Share Offer becoming unconditional in all respects, following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

As at the Latest Practicable Date, the Company had (i) 1,810,147,058 Shares in issue; and (ii) 30,060,000 outstanding Share Options with rights to subscribe for a total of 30,060,000 new Shares, and all of the Convertible Bonds had been redeemed by the Company on 2 January 2021. Save as disclosed, the Company did not have any outstanding options, warrants, convertible rights affecting the Shares as at the Latest Practicable Date.

CONDITIONS OF THE OFFERS

Please refer to the Offer Document for the conditions of the Offers.

If any of the conditions cannot be fulfilled or waived by the Closing Date (unless otherwise extended and announced by the Offeror), the Share Offer will lapse.

LETTER FROM THE BOARD

Shareholders, Optionholders and potential investors of the Company should be aware that the Offers are subject to certain conditions, which includes the valid acceptances of the Share Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on the Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) in respect of such number of Offer Shares which, together with Shares already owned or agreed to be acquired before or during the Offers, would result in the Offeror and the parties acting in concert with it holding more than 51% of the voting rights in the Company as at the Closing Date. Independent Shareholders, Optionholders and potential investors of the Company are reminded that a number of Shareholders of the Company with the aggregate shareholding of approximately 56.65% of the total Shares of the Company as at the Latest Practicable Date had on 31 December 2020 indicated and irrevocably undertaken that they would not accept the Share Offer or take no action in respect of the Share Offer. Accordingly, Shareholders, Optionholders and potential investors of the Company are reminded that the Offers may or may not become unconditional.

FURTHER DETAILS OF THE OFFERS

Further details of the Offers including, among others, the expected timetable, the conditions, terms and procedures of acceptance of the Offers, are set out in the Offer Document and the Forms of Acceptance.

NON-ACCEPTANCE OF THE OFFERS BY CERTAIN SHAREHOLDERS AND DIRECTORS

As published in the Company's announcement dated 31 December 2020, the Company has received indications and irrevocable undertakings to the Company (the "Undertakings") from each of Triumph Science & Technology Group Company Limited* (凱盛科技集團有限公司), China Triumph International Investment Company Limited, First Fortune Enterprises Limited, Mei Long Developments Limited, Elite World Investments Limited, Mr. Cui Xiangdong (an executive Director), Twinkle Fame Limited, Mr. Zhou Cheng (a non-executive Director) and Mr. Lyu Guo (the chief executive officer of the Company), pursuant to which such Shareholder has confirmed and undertaken to the Company, among other things, that (i) it/he will not accept the Share Offer and/or Option Offer (as the case may be) for the Shares and/or the Share Options that it/he is interested with respect to the current Share Offer Price of HK\$0.9 per Offer Share; and (ii) it/he will not sell, transfer or encumber any Shares beneficially owned by it/him at any price prior to the closing of or lapsing of the Offers or its withdrawal. The obligations of the Shareholders under the Undertakings shall cease to be binding on the respective Shareholders if there is any change to the Share Offer Price by the Offeror. Further, in accordance with the terms of the trust deed relating to the share award scheme adopted by the Company, an instruction was given by the Board to Bank of Communications Trustee Limited (as trustee of the share award scheme of the Company) to take no action in respect of the Share Offer. As at the Latest Practicable Date, the above Shareholders of the Company that provided the Undertakings in aggregate hold a total of 1,025,518,090 Shares, representing approximately 56.65% of the total Shares of the Company as at the Latest Practicable Date.

LETTER FROM THE BOARD

INFORMATION OF THE OFFEROR

Please refer to the Offer Document for the information on the Offeror.

INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is one of China's leading manufacturers of flat glass, specialized 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.

Your attention is drawn to Appendices I and II to this Response Document which contain further financial and general information of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date:

Name of Shareholder	Shareholding as at the Latest Practicable Date	
	Number of issued Shares	Approximate percentage of the Company's issued Share capital
Triumph Group Company ^(Note 1)	260,000,000	14.36%
China Triumph International Investment Company Limited ^(Note 1)	156,424,621	8.64%
First Fortune Enterprises Limited ^(Note 2)	272,926,000	15.08%
Mei Long Developments Limited ^(Note 2)	104,750,740	5.79%
Elite World Investments Limited ^(Note 2)	35,000,000	1.93%
Mr. Cui Xiangdong ^(Note 3)	12,000,000	0.66%
Twinkle Fame ^(Note 4)	2,732,000	0.15%
Mr. Zhou Cheng ^(Note 5)	22,672,633	1.25%
Mr. Lyu Guo ^(Note 6)	7,012,096	0.39%
Bank of Communications Trustee Limited (as trustee of the share award scheme of the Company) ^(Note 7)	152,000,000	8.40%
Other Shareholders	<u>784,628,968</u>	<u>43.35%</u>
Total	<u>1,810,147,058</u>	<u>100.00%</u>

LETTER FROM THE BOARD

Notes:

- (1) China Triumph International Investment Company Limited is a wholly-owned subsidiary of Triumph Group Company, which is wholly-owned by China National Building Material Group Co., Ltd.* (中國建材集團有限公司).
- (2) First Fortune Enterprises Limited is a wholly-owned subsidiary of Hony International Limited which is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited. Mei Long Developments Limited is owned as to 60% by Easylead Management Limited and 40% by Right Lane Limited. Elite World Investments Limited is wholly-owned by Cheer Elite Holdings Limited, which is wholly-owned by Right Lane Limited. Right Lane Limited is a direct wholly-owned subsidiary of Legend Holdings Corporation* (聯想控股股份有限公司), a company which H shares are listed on the Stock Exchange (stock code: 3396). Easylead Management Limited is owned as to one-third by each of Mr. Cao Zhijiang, Mr. Liu Jinduo and Mr. Zhang Zuxiang.
- (3) Mr. Cui Xiangdong is an executive Director.
- (4) Twinkle Fame is a company wholly-owned by Mr. Cui Xiangdong.
- (5) Mr. Zhou Cheng is a non-executive Director.
- (6) Mr. Lyu Guo is the chief executive officer of the Company.
- (7) Bank of Communications Trustee Limited (the “**Trustee**”) has been appointed as the trustee of the share award scheme adopted by the Company. Pursuant to the scheme rules and the trust deed entered into with the Trustee, existing Shares of the Company have been purchased by the Trustee on the market out of cash contributed by the Company and be held in trust for the employees of the Company and its subsidiaries until such Shares are vested with the relevant employees selected by the Board pursuant to the scheme rules to participate in the share award scheme of the Company in accordance with the scheme rules.

Other than the Shares in issue, as at the Latest Practicable Date, the Company has 30,060,000 outstanding Share Options with rights to subscribe for a total of 30,060,000 new Shares. Save as disclosed above, the Company did not have any outstanding options, warrants, convertible rights affecting the Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The information set out below is reproduced from the Offer Document:

“It is the Offeror’s intention to acquire a majority interest in the Company pursuant to the Offers. The intention of the Offeror is that the Group’s existing principal activities will be maintained, and at the same time after completion of the Offers, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules. The Offeror had not identified any investment or business opportunities for the Company nor had the Offeror entered into any related agreement, arrangements, understandings or negotiation and there is no plan on any injection or disposal of any assets or businesses into/of the Group as at the Offer Document LPD.

The Offeror may consider convening a general meeting to appoint new member(s) to the Board if such appointment is considered to be beneficial to the future development of the Group as permitted under the Takeovers Code. Any change to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules.

The Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. Save for the potential change(s) to the composition of the Board, the Offeror has no existing plan or contemplation to terminate the employment of any other employees or other personnel of the Group. However, after the close of the Offers, the Offeror will continuously review the operation of the Group and the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s businesses and operations to optimise the value of the Group.”

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

The information set out below is reproduced from the Offer Document:

“The Offeror intends the issued Shares to remain listed on the Stock Exchange after the close of the Offers. According to the Listing Rules, if, at the close of the Offers, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

In such case that at the close of the Offers, less than 25% of the issued Shares are held by the public, the Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offers.”

VIEWS OF THE EXECUTIVE DIRECTOR

The Executive Director is of the view that the Independent Shareholders and the Optionholders should **NOT ACCEPT** the Share Offer and the Option Offer for the reasons set out below, and also that the Convertible Bond Offer is **NO LONGER APPLICABLE** as all the Convertible Bonds had been redeemed by the Company on 2 January 2021 and there are no outstanding Convertible Bonds in issue as at the Latest Practicable Date.

(i) The Company is significantly undervalued based on the Share Offer Price

The Executive Director disagrees that the Share Offer Price is fair and reasonable based on the following analysis.

As at 30 June 2020, the net asset value (“NAV”) of the Group was approximately RMB1,956.91 million (equivalent to approximately HK\$2,328.5 million), amounting to approximately HK\$1.29 per Share based on the total issued Shares as of the Latest Practicable Date. The Share Offer Price of HK\$0.90 per Share represents a discount of approximately 30.2% to the NAV per Share. In other words, it is expected that Shareholders will receive an amount per Share higher than the Share Offer Price if the Group were to realise its net assets and distribute the proceeds to the Shareholders as dividends. The NAV of the Group as at 30 June 2020 included allowances for trade and other receivables amounting to approximately RMB290.6 million as at 30 June 2020, which had increased as compared to the allowances for trade and other receivables as at 31 December 2019 of approximately RMB118.4 million mainly due to the conservative assessment of the recoverability of trade and other receivables by the Board based on discussions with the Company’s external auditors (KPMG) in light of the uncertain economic conditions brought by the outbreak of the COVID-19. The Board has taken various measures, such as follow up liaisons with and sending reminders to relevant creditors, to recover the outstanding balances of the trade and other receivables notwithstanding the significant amount of provision made for the first half of 2020, and the balances subsequently recovered amounted to approximately RMB20.9 million as of 29 February 2020 and RMB29.3 million as of 31 July 2020 for the trade and other receivables as at 31 December 2019 and 30 June 2020, respectively.

LETTER FROM THE BOARD

In addition, due to a combination effect of (i) PRC government policies to limit the overall production capacity of the float glass industry in the PRC and that glass manufacturers can only expand its production volume subject to availability of capacity for float glass production line; and (ii) the overall increase in the prospect of the float glass industry in the PRC, float glass production capacity have achieved record prices in the recent auctions hosted by PRC local governments and recently achieved a bid price for daily production capacity of approximately RMB142,100 per tonne and RMB166,100 per tonne based on the successful bids of Jia Jing Glass Company Limited* (嘉晶玻璃有限公司) and Xinyi Glass (Ying Kou) Company Limited* (信義玻璃(營口)有限公司), respectively, at separate and independent auctions hosted by the relevant PRC local governments in September 2020. The Board considers that such recent bid prices for daily production capacity and the daily production rate of the float glass production lines of the Group of approximately 6,650 tonnes per day are supportive that the Group's float glass production lines are essential to the future development of the Group.

Further, the price-to-earnings ratio (“**P/E Ratio**”, calculated by dividing the market capitalisation of the company by the net profit attributable to its shareholders, based on the latest published annual financial information of the Group) and price-to-book ratio (“**P/B Ratio**”, calculated by dividing the market capitalisation of the company by the net assets attributable to its shareholders, based on the latest published interim financial information of the Group) implied by the Share Offer Price is approximately 15.8 and 0.7, respectively. In assessing the fairness and reasonableness of the Share Offer Price, the Executive Director has, on a best effort basis, identified an exhaustive list of 4 companies (the “**Comparable Companies**”) listed on the Main Board of the Stock Exchange, which (i) are principally engaged in the same sector on glass production and sales and of similar business model to that of the Group where more than 50% of its revenue are derived from such business; and (ii) has business presence covering the PRC according to their latest published annual financial results. Set out below are the analysis of the Comparable Companies:

Company name	Stock code	Closing share price as at the Latest Practicable Date (HK\$)	Approximate market capitalisation as at the Latest Practicable Date (HK\$ million) <i>Note 1</i>	Latest published earnings per share before the Last Trading Day (HK\$)	Latest published net asset value per Share (HK\$)	P/E	P/B
						Ratio as at the Latest Practicable Date <i>Note 2</i> (times)	Ratio as at the Latest Practicable Date <i>Note 3</i> (times)
Xinyi Glass Holdings Limited	868	22.40	90,465.17	1.12	5.18	20.0	4.3
Luoyang Glass Company Limited	1108	8.67	2,167.50	0.11	6.59	77.1	1.3
Fuyao Glass Industry Group Co., Ltd.	3606	41.15	22,829.25	1.35	49.31	33.4	0.9
Flat Glass Group Co., Ltd.	6865	35.10	15,795.00	0.43	11.69	81.4	3.0
					Maximum	81.4	4.3
					Minimum	20.0	0.9
					Average	52.9	2.4
					Median	55.2	2.2
Share Offer Price		0.9	1,669.8 <i>Note 4</i>	N/A	N/A	15.8 <i>Note 5</i>	0.7 <i>Note 6</i>
The Company		1.14	2,115.09	0.057	1.28	20.1	0.9

LETTER FROM THE BOARD

Notes:

1. *The market capitalisation of the Comparable Companies as at the Latest Practicable Date are derived from the total number of shares (as disclosed in the latest monthly return or relevant disclosures) multiplied by the closing share price quoted on the Stock Exchange as at the Latest Practicable Date.*
2. *The P/E Ratio as at the Latest Practicable Date is derived from dividing the respective market capitalisation as at the Latest Practicable Date by the respective profit attributable to the owners of each Comparable Company as extracted from its latest published annual financial results.*
3. *The P/B Ratio as at the Latest Practicable Date is derived from dividing the respective market capitalisation as at the Latest Practicable Date by the respective consolidated equity attributable to the owners of each Comparable Company as extracted from its latest published interim financial results.*
4. *The implied market capitalisation under the Share Offer is derived from multiplying the total number of issued Shares (assuming that all the Share Options are exercised by the Optionholders and taking into account that all the Convertible Bonds had been redeemed by the Company as at the Latest Practicable Date) as at the Last Trading Day of 1,855,345,729 (including 18,968,000 Shares held by the parties acting in concert with the Offeror) by the Share Offer Price of HK\$0.9 per Share.*
5. *The implied P/E Ratio is derived from dividing the implied market capitalisation under the Share Offer by the profit attributable to the owners of the Company for the year ended 31 December 2019.*
6. *The implied P/B Ratio is derived by dividing the implied market capitalisation by the unaudited total equity attributable to Shareholders of the Company as at 30 June 2020.*

The P/E Ratio of approximately 15.8 implied by the Share Offer Price is significantly lower than the P/E Ratio as at the Latest Practicable Date of the parent company of the Offeror itself, which is the lower end of the range of the P/E Ratio as at the Latest Practicable Date of the Comparable Companies and is less than half of the average P/E Ratio as at the Latest Practicable Date of the Comparable Companies of approximately 52.9. In addition, the P/B Ratio of approximately 0.7 implied by the Share Offer Price is significantly lower than the average P/B Ratio as at the Latest Practicable Date of the Comparable Companies of 2.4.

Based on the above analysis, the Executive Director is of the view that the Share Offer Price has not sufficiently valued the Company's existing assets and business, on the grounds that (i) it is below the NAV per Share of approximately HK\$1.08 as at 30 June 2020; (ii) it does not take into account that the float glass production lines of the Group are essential to the future development of the Group; and (iii) the P/E Ratio and P/B Ratio implied by the Share Offer Price is significantly lower than the average of those of the Comparable Companies and at the lower end of the range of the P/E Ratio and P/B Ratio of the Comparable Companies.

On this basis, the Executive Director considers that the Share Offer Price has significantly undervalued the Company's existing business and potential, and accordingly it is not fair and not reasonable.

LETTER FROM THE BOARD

(ii) The prospect of the glass industry is promising

In light of the successful containment of the COVID-19 pandemic, the PRC economy has quickly rebounded in the second half of 2020. The demand for glass products is primarily and essentially driven by the real estate and construction, and to a lesser extent the automobile manufacturing and export sectors. Accordingly, stimulated by the significant increase in demand of glass products following the resumption and speeding up of infrastructure and real estate projects to meet completion targets for the end of 2020, the glass industry has also rebounded in the second half of 2020. The sales was further enhanced by the infrastructure and real estate companies stocking up glass products to ensure availability of materials for the construction projects planned for 2021.

The glass industry in the PRC has been going through a new phase of the supply-side structural reform in the past few years to cut overcapacity, apply structure adjustment for the purpose of ensuring overall growth of the industry, with the aim of steering the industry from achieving maximum production volume to focusing on industry innovation and new technology, new equipment and new products created by large industry players. Due to the successful implementation of the supply-side control measures and together with the tightened policy on constructing new production lines, acquisition of existing idle capacity and phasing out of obsolete and non-compliant production lines due to stricter environmental standards, the imbalance between the supply and demand of glass products has continued to grow, resulting in an increase of the price and profit margin of glass products.

The overall impact of the policy-driven control and market forces is that the selling price of glass products has been in the increasing trend since 2016, such as the increase in clear glass average prices from approximately RMB55 per box in 2016 to approximately RMB68 per box in 2020 according to Wind (萬得資訊技術股份有限公司), and is expected to continue to steadily increase in the coming years. The Company's revenue has benefited from such increasing trend of selling price and has increased by approximately 10% for the financial year ended 31 December 2019 as compared to the financial year ended 31 December 2016. The Company is one of the leading glass manufacturers in the PRC based on production capacity as of 30 June 2020, and is well positioned to further expand its business scale and market share owing to (i) the float glass production capacity it currently owns which is essential for increasing the overall production volume; (ii) its strong research and development capabilities, especially in the areas of developing technology and invention patents for modern and new glass products such as float glass, automotive glass, automotive mirrors, photovoltaic backplane, electronic glass and pharmaceutical glass; and (iii) its strategically located production bases both in the PRC and overseas countries to enable it to control the product costs to secure reasonable profit margin.

LETTER FROM THE BOARD

Therefore any disruption or material change in the control and management may cast material uncertainty on the development and success of the product and thereby the prospect of the Group. Accordingly, the Executive Director is of the view that Independent Shareholders and Optionholders should not accept the Share Offer and the Option Offer and should retain their Shares and/or Share Options to share the prospective fruitful results of business development with the Company.

(iii) The Group's profit-making glass business, its recent development and prospects

The Company has been profit making for four consecutive years and had recorded a profit for the year of approximately RMB20.7 million, RMB60.4 million, RMB104.1 million and RMB72.7 million for the years ended 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019, respectively. Despite the impact of COVID-19 pandemic on the global economy, the Company recorded a revenue of approximately RMB1,173.3 million for the six months ended 30 June 2020, representing an increase of approximately 20.9% as compared to the corresponding period in 2019, and the gross profit margin increased to approximately 15.9% for the six months ended 30 June 2020 as compared to approximately 7.8% for the six months ended 30 June 2019 and approximately 12.0% for the year ended 31 December 2019, demonstrating the resilience of the Company's business in the current market conditions.

Following a sharp decline in the economic activity in the PRC in early 2020 due to the outbreak of the COVID-19 and early lockdowns and factory shutdowns, the economic activity in the PRC has quickly recovered in the second half of 2020 and continues to gain momentum towards the end of 2020. In line with the growth in the industrial output for the glass industry in the PRC in the second half of 2020, the sales volume of glass products of the Company has reached approximately 32.2 million weight cases for the 11 months ended 30 November 2020, representing an increase of approximately 20.7% as compared to the corresponding period in 2019. In addition, the Group has a continuous and stable supply of raw materials and services in support of the Group's productions through its cooperation with Triumph Group Company, and thus the Company expects that the related costs of production will be maintained at a steady level, contributing to a higher profit margin for the Group whilst the price of glass products in the PRC is expected to increase.

In line with the reform measures, the Group has been shifting its focus to industry innovation, high-end glass products and overseas expansion and continue adjust its product mix. In 2017, the Group began to expand into the automotive glass market due to its high technological demand and high profit margin, with the beginning of the establishment of its first full automotive glass production line in Suqian, Jiangsu. In addition, the Company has recently in November 2020 announced that its decision to expand the product range of two of the Group's production lines in Jiangsu and Shaanxi, the PRC to include ultra-white float glass, and has plans to establish a new photovoltaic ultra-white rolled glass production base in Suqian, which will allow the Company to capture the growth of the solar photovoltaic glass products used for manufacturing the modules which recorded a rise in demand to increased applications and favorable governmental policies.

LETTER FROM THE BOARD

The Group has been one of the pioneers in the industry to expand into overseas market and establish overseas production base. In December 2019, the Group completed the establishment of a float glass production line located in Nigeria, targeted to supply glass to satisfy local demands in Nigeria. In December 2017, the Group formed Belt and Road Glass Industry Integration Fund L.P. (“**Belt and Road Fund**”), a joint venture, with Hony Group Management, an entity controlled by Legend Holdings Corporation, one of the Company’s indirect substantial shareholder, to invest into the construction project of a float glass manufacturing located in Kyzylorda, Kazakhstan, which was expected to commence ignition in 2020 only to be delayed due to the outbreak of the COVID-19 pandemic. As set out above, the supply-side reform policies implemented in the PRC had successfully cut down excessive low end production capacity resulting in an increase in the price of glass products in the PRC, the policies also had the effect of limiting the PRC glass manufacturers options to expand through production increase. The establishment of the overseas production bases allows the Group to continue to expand into new markets and provides the Group an avenue to grow its production output which is not subject to the PRC production limitations.

Further, in September 2018, the Company acquired Olivotto Glass Technologies S.p.A. (“**Olivotto**”), which is a specialist in manufacturing glass production equipment for the production of pharmaceutical glass. Olivotto is one of the global leaders in glass tubing technologic and a core supplier of the equipment for manufacturing neutral medical glass in the world. The acquisition of Olivotto enhances the Group’s overseas investments and expanded the Group’s manufacturing capabilities in pharmaceutical glass and product mix, and also provided a foothold to facilitate the Group’s further development in pharmaceutical glass manufacturing business.

(iv) Change of single largest Shareholder may adversely affect the financial position of the Group

As at the Latest Practicable Date, the two largest indirect shareholders of the Group are Triumph Group Company and Hony Capital.

Triumph Group Company is directly and indirectly interested in approximately 23.00% of the Shares as at the Latest Practicable Date. Triumph Group Company is a member of China National Building Materials Group Corporation (“**CNBM**”), a PRC state-owned enterprise. Triumph Group Company is a leading engineering company in the PRC, specialised in engineering design, general contracting, engineering consultation and engineering supervision in the respects of glass, cement, mineral, architecture, new energy and environment pollution treatment. Since becoming a substantial shareholder of the Company in 2014, Triumph Group Company has established strong business relationships and achieved great synergy with the Group, allowing the Group to engage certain members of CNBM which are industry leading engineering companies in areas such as environmental pollution treatment, for the provision of engineering consultation and construction services for a number of the Group’s engineering projects and production line upgrade. In October

LETTER FROM THE BOARD

2019, the Group also entered into a procurement framework agreement with Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd. (“**Huaguang Group**”), an indirect wholly-owned subsidiary of Triumph Group Company, which allows the Group to have the option to take advantage of the competitive raw material price offered by Huaguang Group due to its large-scale procurement for members of Triumph Group Company. In addition, Triumph Group Company has been acting as the guarantor of the Group in respect of certain loan facilities and finance lease agreements as the single largest shareholder of the Company. The amount of indebtedness balance of such facilities amounted to approximately RMB1,962.0 million as at the Latest Practicable Date.

Hony Capital is an investment company sponsored by Legend Holdings Corporation. Hony Capital and Legend Holdings Corporation is directly and indirectly interested in approximately 22.80% of the Shares as at the Latest Practicable Date. Hony Capital has been a substantial shareholder of the Group since 2004, dating beyond the listing of the Company in 2005. Over the years, Hony Capital has been contributing to the Group’s development, especially in the area of business strategy, capital financing and investments, such as the establishment of the Belt and Road Fund to invest into the construction project of a float glass manufacturing located in Kyzylorda, Kazakhstan.

As the Offers are uninvited and neither previously communicated to the management team nor the substantial shareholders of the Group, it is impossible to ensure that the Offeror will share the same development vision of the Company or in a position to cooperate with the existing substantial shareholders of the Company. In addition, the Board has received indications and undertakings from the major Shareholders including Triumph Group Company and Hony Capital that they will not accept the Share Offer. The Board understands that the major Shareholders are optimistic about the growth and prospects of the Group, and remain supportive of the future business development by providing various supports in operational, production, strategic planning as well as financial aspects to the Group.

- (v) **Any change in the Board composition and senior management may have adverse impact on the Group’s existing business**

The Chairman of the Board and the Executive Director

The Executive Director attributes the success of the Group to the existing management team of the Group, which is led by Mr. Peng Shou (彭壽) and Mr. Cui Xiangdong (崔向東), both of which have extensive knowledge and experience in the glass industry.

LETTER FROM THE BOARD

Mr. Peng is the Chairman of the Board and a Non-executive Director of the Company. Mr. Peng joined the Group since 13 February 2015. Mr. Peng is a senior engineer at professor level, doctoral supervisor, a national engineering survey and design master, expert enjoying special allowance from the State Council, one of the first batch of national candidates for “New Century Hundred-Thousand and Ten-Thousand Talents Project”, Deputy Supervisor of Material Technology International Promotion Center of United Nations Industrial Development Organization, adjunct professor of Wuhan University of Technology, member of the Academic Committee of State Key Laboratory of Silicate Materials for Architectures. Mr. Peng has accumulated over 35 years of business and management experiences in the building material industry and he is an expert in inorganic material research and development as well as engineering design and consultancy. Mr. Peng served as the Chairman of International Commission on Glass from June 2012 to September 2015 and won the Chairman Lifetime Achievement Award from International Commission on Glass in 2016. Mr. Peng is currently a member of Chinese Academy of Engineering, the Chief Engineer of China National Building Material Group Co, Ltd., an Executive Director and the President of China National Building Material Company Limited, the Legal Representative, Secretary of Party Committee, Chairman of the Board, and General Manager of Triumph Science & Technology Group Company Limited, the Secretary of Party Committee, an Executive Director and President of CNBM Bengbu Design & Research Institute for Glass Industry, the Legal Representative and Chairman of the Board of China Triumph International Engineering Co., Ltd., the Chairman of the Advisory Committee and a member of the Steering Committee of International Commission on Glass, the Director of State Key Laboratory of New Technology of Float Glass, the Vice Chairman of the Board and Standing Director of the Chinese Ceramic Society, the Vice President of China Architectural and Industrial Glass Association and the Vice President of China Building Materials Federation, etc. Such expertise and experiences has allowed Mr. Peng to provide insight to trends in the industry and guidance to the strategic and technological development of the Group.

Mr. Cui has been an Executive Director of the Company since 19 March 2007 and he had been the Chief Executive Officer of the Company from 22 November 2013 to 15 June 2020. Mr. Cui is also the Chairman, Legal Representative, and a director of certain subsidiaries of the Company. Mr. Cui is an accountant and a senior economist with a university degree. He serves as a Vice President of China Building Materials Federation and China Architectural and Industrial Glass Association, and an Associate Director of Sealed Insulating Glass Professional Committee and Vacuum Glass Professional Committee. Mr. Cui has over 30 years of extensive experience in building material industry, corporate management and marketing, and such experience has proved valuable to the operational and financial management of the Group.

LETTER FROM THE BOARD

Under the leadership of Mr. Peng and Mr. Cui, the Group's revenue and profit has developed steadily and amounted to approximately RMB2,369 million and RMB73 million, respectively, for the financial year ended 31 December 2019. The total assets and net assets of the Group as at 31 December 2020 has also reached approximately RMB7,188 million and RMB1,957 million, respectively, which represented an increase of approximately 113% and 42%, respectively, as compared to the total assets and net assets of the Group as at 31 December 2007 of approximately RMB3,558 million and RMB1,284 million, respectively. Leveraging on the extensive business networks of Mr. Peng and Mr. Cui, the Group has built up strong business relationships with major customers and suppliers as well as other industry players, and the Group is also able to gain insight in the latest trend and development in technologies and methodologies used in the manufacturing of glass products and related production equipment. The Group has been able to restructure its production capabilities in light of the evolving regulatory landscape and market conditions and also to pursue its global expansion strategy based on the guidance of Mr. Peng and Mr. Cui. In particular, Mr. Peng and Mr. Cui has steered the Group through different challenges such as the global financial crisis in 2008, the stricter government policies on environmental and production requirements and the outbreak of COVID-19 in 2020. The Executive Director believes that the successful development of the Group is attributable to the leadership of Mr. Peng and Mr. Cui.

The Board currently comprises of members with ample and diversified industry and market experience including, among others, Mr. Zhou Cheng (周誠), Mr. Zhao John Huan (趙令歡) and Mr. Zhang Jinshu (張勁舒) who are Non-executive Directors of the Company.

It is stated in the Offer Document that the Offeror may introduce changes to the Board composition. Since no identity or credentials of the Directors to be nominated by the Offeror is provided in the Offer Document, it would be difficult for the Executive Director to assess whether the new Directors possess the necessary qualifications, experience, knowledge, expertise and capabilities to manage the business of the Group in the same way as or better than Mr. Peng, Mr. Cui or the other existing Directors do.

The Offers are uninvited and the Offeror and the Board had not had any discussion on the long-term strategic and development plan on the Group. In the absence of any concrete plan from the Offeror in the Offer Document for the business of the Group and the lack of details about new Directors to be nominated by the Offeror, the Executive Director is concerned that the existing management may not be convinced that the business strategy to be formulated by the new Directors would be in the best interests of the Company and the Shareholders, and there is no assurance that the existing Directors and senior management of the Group will not resign from their respective positions in the Group if the Offers become unconditional and the Offeror becomes the majority Shareholder.

LETTER FROM THE BOARD

The senior management team and the employees

Although the Offeror currently has no plan to terminate the employment of any employees or other personnel of the Group, it is stated in the Offer Document that the Offeror reserves the right to make any changes that it deems necessary or appropriate. In addition, the holding company of the Offeror, Xinyi Glass, had in its annual report 2019 and interim report 2020 stated that it adopted, among others, automation strategies to enhance its productivity and yield which reduced overall labour, production and energy costs, and thus the Executive Director is cautious that changes to the employees and other personnel of the Group remains highly probable. The Executive Director considers that the uncertainty cast by the possible change in substantial Shareholder and Directors would adversely affect the morale of the employees and is not to the benefit of the Company as a whole.

(vi) Lack of concrete business plan from the Offeror

It is stated in the Offer Document that the Group's existing principal activities will be maintained, and at the same time after completion of the Offers, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. However, the Offeror failed to outline any concrete and detailed plan other than the abovementioned generic statements.

Conclusion and recommendation from the Executive Director

It is noted from the Offer Document that the Offeror considers the acquisition of the Group could broaden the float glass production capacities and geographical coverages of Xinyi Glass by offering wider range of products in different locations in the PRC, and thereby increasing the market share of Xinyi Glass. The Executive Director consider the Offers were only made in the interest of the Offeror and its ultimate shareholder Xinyi Glass, rather than for the interest of the Shareholders and the Optionholders.

LETTER FROM THE BOARD

Based on the above analysis, the Executive Director considers that the terms of the Share Offer and the Option Offer are **NOT FAIR AND REASONABLE** so far as the Independent Shareholders and the Optionholders are concerned and accordingly the Executive Director strongly recommends the Independent Shareholders and the Optionholders **NOT TO ACCEPT** the Share Offer and the Option Offer, and also that the Convertible Bond Offer is **NO LONGER APPLICABLE** as all the Convertible Bonds had been redeemed by the Company on 2 January 2021 and there are no outstanding Convertible Bonds in issue as at the Latest Practicable Date. Independent Shareholders and Optionholders are advised to read the letter from the Independent Board Committee set out on pages 28 to 29 of this Response Document and the letter from the Independent Financial Advisor set out on pages 30 to 65 of this Response Document.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 28 to 29 of this Response Document which contains its recommendation to the Independent Shareholders and Optionholders as to whether the terms of the Offers are, or are not, fair and reasonable and as to their acceptance of the Offers; and (ii) the letter from the Independent Financial Adviser set out on pages 30 to 65 of this Response Document which contains its advice to the Independent Board Committee in connection with the terms of the Offers, as well as the principal factors and reasons considered by it in arriving at its advice. Independent Shareholders and Optionholders should read these letters in conjunction with the Offer Document carefully before taking any action in respect of the Offers.

The Independent Financial Adviser is of the view that (i) the terms of the Share Offer and the Option Offer are **NOT FAIR AND REASONABLE** so far as the Independent Shareholders and the Optionholders are concerned and accordingly recommend the Independent Shareholders and the Optionholders **NOT TO ACCEPT** the Share Offer and the Option Offer, respectively; and (ii) the Convertible Bond Offer is **NO LONGER APPLICABLE** as all Convertible Bonds had been redeemed by the Company on 2 January 2021 and there are no outstanding Convertible Bonds in issue as at the Latest Practicable Date.

Having considered the terms of the Offers and the advice from the Independent Financial Adviser, the Independent Board Committee considers that (i) the terms of the Share Offer and the Option Offer are **NOT FAIR AND REASONABLE** so far as the Independent Shareholders and the Optionholders are concerned and accordingly recommends the Independent Shareholders and the Optionholders **NOT TO ACCEPT** the Share Offer and Option Offer, respectively; and (ii) the Convertible Bond Offer is **NO LONGER APPLICABLE** as all Convertible Bonds had been redeemed by the Company on 2 January 2021 and there are no outstanding Convertible Bonds in issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

The Executive Director concurs with the views of the Independent Board Committee and the Independent Financial Adviser and is of the view that (i) the terms of the Share Offer and the Option Offer are **NOT FAIR AND REASONABLE** so far as the Independent Shareholders and the Optionholders are concerned and accordingly recommends the Independent Shareholders and the Optionholders **NOT TO ACCEPT** the Share Offer and Option Offer, respectively; and (ii) the Convertible Bond Offer is **NO LONGER APPLICABLE** as all Convertible Bonds had been redeemed by the Company on 2 January 2021 and there are no outstanding Convertible Bonds in issue as at the Latest Practicable Date.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Response Document. You are also recommended to read carefully the Offer Document and the accompanying Form(s) of Acceptance for further details in respect of the procedures for acceptance of the Offers.

Yours faithfully,
For and on behalf of the Board
China Glass Holdings Limited
Cui Xiangdong
Executive Director



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 HM10
Bermuda

**Principal Place of Business
in Hong Kong:**

Unit 2608, 26/F., West Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

7 January 2021

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**VOLUNTARY CONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED AND DBS ASIA CAPITAL LIMITED
FOR AND ON BEHALF OF
UNIFIED GROUP INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
ALL THE OUTSTANDING CONVERTIBLE BONDS OF
CHINA GLASS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR) AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHINA GLASS HOLDINGS LIMITED**

We refer to the response document dated 7 January 2021 issued by the Company to the Independent Shareholders and Optionholders (the “**Response Document**”), in which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Response Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Octal Capital, the Independent Financial Adviser in respect of the Offers, and is prepared for the purpose of incorporation into this Response Document.



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

To the Independent Board Committee

7 January 2021

Dear Sirs,

**VOLUNTARY CONDITIONAL CASH OFFERS BY
LEGO SECURITIES LIMITED AND DBS ASIA CAPITAL LIMITED
FOR AND ON BEHALF OF
UNIFIED GROUP INVESTMENTS LIMITED
TO ACQUIRE ALL THE ISSUED SHARES AND
ALL THE OUTSTANDING CONVERTIBLE BONDS OF
CHINA GLASS HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR) AND
TO CANCEL ALL THE OUTSTANDING SHARE OPTIONS OF
CHINA GLASS HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the independent financial adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offers. Details of the Share Offer are set out in the Response Document to the Shareholders, CB Holders and the Optionholders dated 7 January 2021, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE OFFERS

On 2 December 2020 (after trading hours), the Board received a letter dated 2 December 2020 (after trading hours) from Lego Securities and DBSAC notifying the Board that the Offeror has a firm intention to make, through Lego Securities and DBSAC, a voluntary conditional cash offers, in compliance with the Takeovers Code, to (i) acquire all the Shares (other than those already owned or agreed to be acquired by the Offeror) at the Share Offer Price of HK\$0.90 per Offer Share; (ii) acquire all the outstanding Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror); and (iii) cancel all outstanding Share Options. The Offer Document was despatched on 24 December 2020.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the non-executive Directors who have no direct or indirect interest in the Offers, namely Mr. Peng Shou, Mr. Zhao John Huan, Mr. Zhou Cheng, Mr. Zhang Jinshu, 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 Offers are fair and reasonable and as to acceptance of the Offers. We, Octal Capital Limited, have been appointed, with approval of the Independent Board Committee, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offers.

We are not in the same group as the financial or other professional advisers (including a stockbroker) to the Company, and we are not associated with the Offeror or the Company or any party acting, or presumed to be acting in concert with any of them and we had not had, any connection, financial assistance or otherwise, with either the Offeror or the Company or the controlling shareholder(s) of either of them. Accordingly, we are considered eligible to give independent advice on the Offers. During the last two years, we have been engaged as an independent financial adviser to the Company in respect of the connected transactions in relation to (i) engineering contracts entered into between the Group and CBMIE Group for the establishment of a new solar glass production line and a new high-end automotive glass production line and the cold-repair and modification of a float glass production line of the Group; (ii) the supply contracts entered into between the Group and CBMIE Group in relation to the supply of machineries by the Group for the danner tubing production lines of the CBMIE Group; and (iii) the procurement framework agreement entered into between the Group and Huaguang Group in relation to the procurement of raw and fuel materials, details of which are set out in the circulars of the Company dated 2 December 2019 and 4 November 2020 (the “**Previous Engagements**”). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the Independent Board Committee and/or the Independent Shareholders in respect of the relevant transactions. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Offeror or the Company or any party acting, or presumed to be acting, in concert with any of them.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed by the Directors to us are true, accurate and complete in all material aspects. We have also relied on our discussion with the Board and/or the management of the Company, given in writing or orally, regarding the Company and the Offers, including the information and representations contained in the Offer Document and the Response Document. We have also assumed that all statements of belief, opinion and intention made by the Board and the management of the Company and/or the Offeror in the Offer Document or the Response Document were reasonably made after due enquiry. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Offer Document and the Response Document were true up to the time of the Latest Practicable Date, and that the Shareholders will be informed as soon as reasonably possible if we become aware of any material change to such representations.

We have not considered the tax implications on the Shareholders, the CB Holders or the Optionholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Shareholders, the CB Holders or the Optionholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION ON THE OFFERS

In arriving at our opinion in respect of the Offers, we have taken into consideration the following principal factors and reasons:

1. Principal terms of the Offers

The Share Offer

Lego Securities and DBSAC will, for and on behalf of the Offeror and in compliance with the Takeovers Code, making a voluntary conditional cash offer to acquire all the Offer Shares on the following terms:

For each Offer Share HK\$0.9 in cash

All the Offer Shares to be acquired under the Share Offer shall be (i) fully-paid; (ii) free from any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same; and (iii) with all rights attached to the Shares including all rights to any dividends and other distribution hereafter declared, paid or made in respect thereof on or after the date of despatch of the Offer Document.

There has been no dividend or distribution declared by the Company for the year ended 31 December 2019, for the six months ended 30 June 2020 and up to the Latest Practicable Date. In the event that any dividends or distributions are declared after the date of despatch of the Offer Document, paid or made in respect thereof until the close of the Offers, the amount of such dividends or other distributions will be deducted from the Share Offer Price after consultation with the Executive.

The Convertible Bond Offer

Lego Securities and DBSAC are, for and on behalf of the Offeror and in compliance with the Takeover Code, making a voluntary conditional cash offer to acquire all the outstanding Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror) on the following terms:

**For every US\$10,000 face value of
the Convertible Bonds HK\$54,499.22 in cash**

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The Convertible Bonds will be acquired fully paid and free from all liens, charges, options, equities, encumbrances or other third party rights of any nature and together with all rights now or hereafter attaching or accruing to them, including the right to all dividends and other distributions (if any) declared, made or paid after the date of the despatch of the Offer Document. In the event that any dividends or distributions are declared after the date of despatch of the Offer Document, paid or made in respect thereof until the close of the Offers, the amount of such dividends or other distributions will be deducted from the offer price of the Convertible Bonds after consultation with the Executive.

The Convertible Bond Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects.

The Convertible Bond Offer will apply to all outstanding Convertible Bonds in issue on the date on which the Convertible Bond Offer is made (other than those already owned or agreed to be acquired by the Offeror) and will not apply to any Convertible Bonds which are or have been redeemed or converted into Shares prior to the close of the Offers. In the event that the Convertible Bonds or part thereof are converted after the Latest Practicable Date and new Shares are issued pursuant to such conversion, such Shares will form part of the Share Offer.

The offer price for the Convertible Bonds is HK\$54,499.22 for every US\$10,000 face value of the Convertible Bonds, determined in accordance with Practice Note 6 to the Takeovers Code as the “see-through” consideration for each Convertible Bond, being the number of Shares into which the Convertible Bonds is convertible (being 15,138,671 Shares) multiplied by the Share Offer Price (HK\$0.9 per Offer Share).

The Option Offer

Lego Securities and DBSAC are, for and on behalf of the Offeror and in compliance with the Takeovers Code, making an appropriate offer to the Optionholders in accordance with Rule 13 of the Takeovers Code to cancel all the outstanding Share Options on the following terms:

For cancellation of each Share Option HK\$0.0001 in cash

The Option Offer is conditional upon the Share Offer becoming or being declared unconditional in all respects. Subject to the Share Offer becoming unconditional in all respects, following acceptance of the Option Offer, the relevant Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Value of the Offers

As at the Latest Practicable Date, there were (i) 1,810,147,058 Shares in issue; (ii) outstanding Convertible Bonds held by an independent third party of the Company with the principal amount of US\$2,500,000 with rights to convert into 15,138,671 new Shares; and (iii) 30,060,000 outstanding Share Options conferring the rights to the Optionholders to subscribe for an aggregate of 30,060,000 new Shares at an exercise price of HK\$1.25 per Share on or before 12 May 2022.

On the basis of the Share Offer Price of HK\$0.9 per Share and assuming no further Shares are issued whether pursuant to the exercise of Share Options, conversion of Convertible Bonds or otherwise before the close of the Offers, 1,810,147,058 Shares (including 18,968,000 Shares held by the parties acting in concert with the Offeror) will be subject to the Share Offer and the Share Offer is valued at approximately HK\$1,629.1 million.

Assuming none of the Share Options is exercised prior to the close of the Offers, 30,060,000 Share Options will be subject to the Option Offer and assuming that the Option Offer is accepted in full, the Option Offer will be valued at HK\$3,006.0 based on the offer price for the Share Options of HK\$0.0001 per Share Option.

Assuming none of the Convertible Bonds is redeemed or converted prior to the close of the Offer, based on the maximum number of Shares the Convertible Bonds is convertible into (being 15,138,671 new Shares) and the Share Offer Price of HK\$0.9 per Offer Share, the Convertible Bond Offer is valued at approximately HK\$13.6 million, assuming the Convertible Bond Offer is accepted in full.

Based on the above, the aggregate value of the Offers will be approximately HK\$1,642.8 million.

Assuming that all the Share Options are exercised by the Optionholders and all the Convertible Bonds are converted, the number of issued Share will be 1,855,345,729 (including 18,968,000 Shares held by the parties acting in concert with the Offeror) and the Share Offer will be valued at approximately HK\$1,669.8 million and the value of the Convertible Bond Offer and the Option Offer will be nil. Accordingly, the total amount payable by the Offeror under the Offers will be approximately HK\$1,669.8 million.

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Conditions of the Offers

The Offers are conditional upon, among other things, the Offeror having received valid acceptances of the Share Offer in respect of such number of Offer Shares which, together with the Shares already owned or agreed to be acquired before or during the Offers, will result in the Offeror and the parties acting in concert with it holding more than 51% of the voting rights in the Company as at the Closing Date.

Further details of the Offers including, among other things, the expected timetable and the terms and procedures of acceptance of the Offers are set out in the sections headed “Expected Timetable”, “Letter from Lego Securities and DBSAC” and “Further terms and procedures for acceptance of the Offers” to the Offer Document and the Forms of Acceptance.

2. Background of the Group

The Company was incorporated in Bermuda with limited liability and the Shares have been listed on the Main Board since 23 June 2005. The Group is one of the 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.

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3. Historical financial performance and prospects of the Group

Set out below is a summary of the consolidated financial information of the Group for each of the three financial years ended 31 December 2017 (“FY2017”), 2018 (“FY2018”) and 2019 (“FY2019”) as extracted from the annual reports of the Company for FY2018 (the “2018 Annual Report”) and FY2019 (the “2019 Annual Report”) and for the six months ended 30 June 2019 (“1H2019”) and 2020 (“1H2020”) as extracted from the Company’s interim report for the six months ended 30 June 2020 (the “2020 Interim Report”):

	For the year ended			For the six months ended	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue					
– Clear glass products	1,107,106	998,856	864,107	330,757	478,004
– Painted glass products	361,594	356,539	319,072	136,226	150,249
– Coated glass products	597,720	673,396	556,248	250,888	359,259
– Energy saving and new energy glass products	489,998	552,289	496,558	192,432	144,179
– Design and installation services	–	36,645	133,245	60,269	41,609
	<u>–</u>	<u>36,645</u>	<u>133,245</u>	<u>60,269</u>	<u>41,609</u>
Total revenue	<u>2,556,418</u>	<u>2,617,725</u>	<u>2,369,230</u>	<u>970,572</u>	<u>1,173,300</u>
Segment gross profit:					
– Clear glass products	130,041	124,323	86,852	6,867	57,880
– Painted glass products	37,896	51,426	26,198	5,164	25,552
– Coated glass products	92,585	125,016	79,743	32,688	79,497
– Energy saving and new energy glass products	61,054	89,842	77,268	25,343	20,403
– Design and installation services	–	19,488	14,581	5,795	3,626
	<u>–</u>	<u>19,488</u>	<u>14,581</u>	<u>5,795</u>	<u>3,626</u>
Total gross profit	<u>321,576</u>	<u>410,095</u>	<u>284,642</u>	<u>75,857</u>	<u>186,958</u>
Profit/(Loss) from operations	<u>206,563</u>	<u>313,826</u>	<u>275,258</u>	<u>126,167</u>	<u>(102,108)</u>
Profit for the year attributable to					
– Equity shareholders of the Company	64,965	93,488	82,570	57,991	(247,518)
– Non-controlling interests	(4,494)	10,586	(9,866)	(7,848)	(29,789)
	<u>(4,494)</u>	<u>10,586</u>	<u>(9,866)</u>	<u>(7,848)</u>	<u>(29,789)</u>
Total	<u>60,471</u>	<u>104,074</u>	<u>72,704</u>	<u>50,143</u>	<u>(277,307)</u>

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Comparison between FY2017 and FY2018

With reference to the 2018 Annual Report, the Group recorded total revenue of approximately RMB2,617.7 million for FY2018, representing an increase of approximately 2.4% as compared with that in FY2017. Such 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 FY2018, 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 FY2018, representing an increase of 11.6% as compared to RMB69 per weight case in FY2017.

Gross profit of the Group amounted to approximately RMB410.1 million for FY2018, representing an increase of approximately RMB88.5 million or 27.5% as compared with that in FY2017. Such increase was mainly because of a combination of the rise of the market prices of glass products, the invariability of unit cost of the raw material prices and the rise of the fuel cost. The gross profit margin increased from 13% in FY2017 to 16% in FY2018. Net profit of the Group for FY2018 amounted to approximately RMB104.1 million, representing an increase of approximately RMB43.6 million or 72.1% as compared with that in FY2017. The increase was mainly due to the increase of gross profit and the increase in compensation for incurred loss from the suspension of operation of a subsidiary for relocating its production facilities as instructed by the local government which planned to expropriate the land use rights of such subsidiary for re-development.

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Comparison between FY2018 and FY2019

With reference to the 2019 Annual Report, the Group recorded revenue of approximately RMB2,369.2 million for FY2019, representing a decrease of approximately 9.5% as compared to that for FY2018. Such decrease was attributable to the decrease in average unit selling price and sales volume of glass products due to (i) the structural resolution in alleviating overcapacity in the PRC real estate industry during the year, which has been the major consumption sector for the domestic glass industry and (ii) two of the primary glass production lines located in Weihai city and Shaanxi province underwent cold repair and upgrade during the year. Despite the decrease in revenue contributed from the glass products of the Group, the revenue contribution from design, equipment procurement and installation of neutral pharmaceutical glass production lines of the Italian subsidiary of the Group led the increase in the segmental revenue in design and installation services from approximately RMB36.6 million in FY2018 to RMB133.2 million in FY2019. In FY2019, the Group recorded sales volume of approximately 29.66 million weight cases of glass products, representing a decrease of 11.8% as compared to FY2018. The integrated average selling price of the Group's products decreased to RMB75 per weight case in FY2019, representing a decrease of 3% as compared to RMB77 per weight case in FY2018.

Gross profit of the Group amounted to approximately RMB284.6 million for FY2019, representing a decrease of approximately RMB125.5 million or 30.6% as compared with that in FY2018. Such decrease was mainly due to the combination of the decrease in the market prices of glass products as mentioned above and the rise of the fuel prices due to increasing pressures from environmental protection during the year. As such, the gross profit margin decreased from 16% in FY2018 to 12% in FY2019. Net profit of the Group for FY2019 amounted to approximately RMB72.7 million, representing a decrease of approximately RMB31.4 million or 30.1% as compared with that in FY2018. The decrease was mainly due to the decrease in gross profit during the year.

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Comparison between 1H2019 and 1H2020

With reference to the 2020 Interim Report, the Group recorded revenue of approximately RMB1,173.3 million for 1H2020, representing an increase of 20.9% as compared with that in 1H2019. Such increase was mainly attributable to (i) the increase in the selling price of glass products, primarily due to the flat glass supply in the PRC maintained a contractionary trend due to the industry structural adjustment commenced during FY2019 while the glass demands improved with the recovery of the real estate market during 1H2020; and (ii) the increase in the sales volume of glass products, primarily due to the resumption in production for the Weihai glass production line and the float glass production line in Nigeria commenced normal production and achieved profits during 1H2020. During 1H2020, the Group sold 14.87 million weight cases of major float glass products, representing an increase of 21.9% as compared to the same period of last year. The integrated average selling price of the Group's products was approximately RMB76 per weight case, representing an increase of 1% as compared to 1H2019.

Gross profit of the Group amounted to approximately RMB187.0 million during 1H2020, representing a significant increase of approximately RMB111.1 million or 146.5% as compared with that during 1H2019. Such increase was mainly attributable to the combined effects of the increase in market prices of glass products as mentioned above and the decrease in unit cost of raw materials and fuels due to high level of raw materials inventory maintained by upstream suppliers with a sluggish demand in the glass industry as a result of the outbreak of the Novel Coronavirus pandemic (“**COVID-19 Pandemic**”) during first quarter of 2020 in the PRC which were gradually digested in the second quarter of 2020. As such, the gross profit margin increased from 7.8% during 1H2019 to 15.9% during 1H2020. The Group recorded net loss of approximately RMB277.3 million, representing a turnaround decrease of approximately RMB327.5 million or 553.0% as compared with that during 1H2019. Such decrease was mainly attributable to (i) the significant increase in impairment losses on trade receivables and contract assets of the Group due to the outbreak of the COVID-19 Pandemic which affected the repayment abilities of the Group's debtors and (ii) the net gain on relocation of production plants of approximately RMB194.7 million was recorded during 1H2019 arising from the expropriation of the land use rights of a subsidiary of the Group under the local city development plan and no such event happened during 1H2020.

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Set out below is a summary of the consolidated statement of financial position of the Group as at 31 December 2017, 2018 and 2019 as extracted from the 2018 Annual Report and the 2019 Annual Report and as at 30 June 2019 and 2020 as extracted from the 2020 Interim Report:

	For the year ended 31 December			For the six months ended
	2017	2018	2019	30 June
	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Unaudited)
Non-current assets	4,653,511	5,054,874	5,011,321	5,056,711
Current assets				
– Trade and other receivables	646,984	803,605	1,004,960	921,585
– Cash on hand and in bank	561,514	606,832	584,039	814,463
– Inventories and other contract costs	387,151	494,643	549,830	710,099
– Others	<u>23,808</u>	<u>14,756</u>	<u>37,961</u>	<u>62,763</u>
Total current assets	<u>1,619,457</u>	<u>1,919,836</u>	<u>2,176,790</u>	<u>2,508,910</u>
Total assets	<u><u>6,272,968</u></u>	<u><u>6,974,710</u></u>	<u><u>7,188,111</u></u>	<u><u>7,565,621</u></u>
Non-current liabilities	841,183	889,015	1,416,566	1,185,497
Current liabilities	<u>3,267,335</u>	<u>3,863,764</u>	<u>3,521,826</u>	<u>4,423,216</u>
Total liabilities	<u><u>4,108,518</u></u>	<u><u>4,752,779</u></u>	<u><u>4,938,392</u></u>	<u><u>5,608,713</u></u>
Net current liabilities	(1,647,878)	(1,943,928)	(1,345,036)	(1,914,306)
Net assets	2,164,450	2,221,931	2,249,719	1,956,908
Net assets attributable to Shareholders	1,973,470	2,037,215	2,077,123	1,811,613
Gearing ratio ^{Note 1}	40.1%	41.7%	46.2%	48.7%
Net asset value attributable to Shareholders per Share ^{Note 2}	RMB1.15	RMB1.13	RMB1.15	RMB1.00

Notes:

1. Gearing ratio represents the Group's total interest-bearing debts divided by the Group's total assets.
2. Net asset value per Share represents the Group's net asset value attributable to Shareholders divided by the number of total issued Shares as at the relevant dates.

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The total assets of the Group amounted to approximately RMB6,273.0 million, RMB6,974.7 million, RMB7,188.1 million and RMB7,565.6 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The total assets increased from approximately RMB6,273.0 million as at 31 December 2017 to approximately RMB6,974.7 million as at 31 December 2018 and further increased to approximately RMB7,188.1 million as at 31 December 2019 which was mainly due to the increase in trade and other receivables. As at 31 December 2019, approximately RMB367.9 million of the trade and other receivables were receivables for relocation of production plants and government grants (31 December 2018: approximately RMB213.7 million). Meanwhile, the total assets increased further from approximately RMB7,188.1 million as at 30 June 2020 which was mainly due to the increase in cash on hand and in bank. As at 30 June 2020, approximately RMB700.7 million of the Group's assets as cash on hand and in bank were working capital readily available placed with the banks in the PRC (31 December 2019: approximately RMB565.2 million), majority of such cash resources were attributable to the operation of the glass businesses in the PRC.

The total liabilities of the Group amounted to approximately RMB4,108.5 million, RMB4,752.8 million, RMB4,938.4 million and RMB5,608.7 million as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The total liabilities of the Group increased from approximately RMB4,108.5 million as at 31 December 2017 to approximately RMB4,752.8 million as at 31 December 2018 as a result of the increase in short-term bank and other loans. Total liabilities further increased to approximately RMB4,938.4 million as at 31 December 2019, mainly due to the increase of long-term bank and other loans as the Group newly financed syndicated loans from certain banks in FY2019. Total liabilities further increased to approximately RMB5,608.7 million as at 30 June 2020, mainly due to the increase of short-term bank and other loans.

As at 31 December 2017, 2018 and 2019 and as at 30 June 2020, the majority of assets of the Group comprised its property, plant and equipment, trade and other receivables, bank balances and cash and inventory and other contract costs, which together accounted for approximately 91.7%, 88.9%, 87.9% and 85.5% of the total assets of the Group, respectively. As at 31 December 2017, 2018 and 2019 and 30 June 2020, trade and other payables and bank and other borrowings were the major liabilities of the Group, which together accounted for approximately 92.8%, 92.1%, 91.5% and 92.8% of the total liabilities of the Group, respectively. The Group's gearing ratios were approximately 40.1%, 41.7%, 46.2% and 48.7% as at 31 December 2017, 2018 and 2019 and 30 June 2020, respectively. The gearing ratio of the Group has been increasing primarily due to the increase in bank and other loans over the years.

Prospects of the Group

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 one of the Group'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 affected by the regulatory policies and structural reforms in alleviating overcapacity, it has been continuously 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 coated glass, energy saving and new energy glass products such as photovoltaic glass, while at the same time upgrade its 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. Over the past few years, the Group has been actively establishing its foothold in the automotive glass market, photovoltaic glass market and pharmaceutical glass market. As advised by the management of the Group, it is expected that the Group will continue to expand its market share in the abovementioned market segments and increase its production capacity in order to meet the growing demand in these markets.

In particular, the Group has entered into the Shaanxi Engineering Contracts to remodel its then existing float glass production line to establish its first high-end automotive glass production line at the contract price of RMB286 million in October 2019 (details of which is set out in the Company's circular dated 2 December 2019), which would allow the Group to produce coated glass under the more stringent requirements on the industry emission standards and automotive glass which is of higher technological demand as well as higher profit margin and shall enlarge its production capacity for such production line from 500 to 600 tonnes per day, such automotive glass production line is expected to commence production during the first quarter of 2021. With reference to the "New Energy Vehicles Industry Development Plan 2021 to 2035" 《*新能源汽車產業發展規劃(2021至2035年)*》 promulgated by the State Council of the PRC in October 2020, the sales of new energy vehicles in China shall make up for 20% of the overall new car sales by 2025 from just 6% for the time being, and shall be increased to 50% by 2035, such industry development roadmap is set to boost China's climate accord target in alleviating the growth in carbon dioxide emissions in China and eventually achieve carbon neutrality before 2060. Under such policy, it is expected that the automotive industry in the PRC shall benefit from the substitution trend of fossil-fueled vehicles to new energy vehicles in the coming years, which derives new demand for automotive glass of the Group. With reference to the notice of "Implementation Plan for Further Optimising Supply and Promoting the Steady Growth of Consumption and Promoting the Formation of a Strong Domestic Market (2019)" 《*進一步優化供給推動消費平穩增長促進形成強大國內市場的實施方案(2019年)*》 and as further mentioned in the executive meeting summary of the State Council of the PRC in November 2020, the PRC state government is launching new

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policies to promote domestic demand in automobile consumption following the COVID-19 Pandemic, including but not limited to increasing the number of license plates, promotion of automobile “Going to the countryside” scheme and offering of automobile trade-in, which provided extra incentive for rural residents to substitute vehicles with deprecated national emission standards into new ones. Under the aforementioned policies, it is expected that the automotive industry in the PRC shall benefit from the substitution trend of fossil-fueled vehicles to new energy vehicles in the coming years, which derives new demand for automotive glass of the Group.

Furthermore, the aforementioned climate targets announced by the PRC State government also favours the use of renewable energy such as the solar power in the PRC. Driven by the expansion of domestic and overseas demands for solar glass products and the requirements under the domestic climate policies, the PRC photovoltaic industry has shown steady growth over the past few years. In order to capture the continuous growth in the PRC solar glass market, the Group has entered into the Jiangsu Engineering Contracts with a contract sum of RMB50 million to establish a solar glass deep processing line which will primarily be producing solar glass and packaging materials for bi-facial dual-glass solar modules and this processing line bring about new production capacity of 400 tonnes per day (details of which is set out in the Company’s circular dated 3 November 2020), such solar glass deep processing line is expected to commence production during the first half of 2021. According to researches conducted by the China Photovoltaic Industry Association, the annual penetration rate of the bi-facial modules was approximately 14% in the solar glass industry in 2019 but it is expected to reach 60% by 2025 due to its technical advantages over traditional mono-facial solar modules such as higher power generation efficiency and stronger durability. The strategic development of the bi-facial solar module processing line by the Group will therefore be able to benefit from the steady development of the PRC photovoltaic industry and its derived demand for the high-end bi-facial modules in the long-run.

Meanwhile, since the acquisition of Olivotto Glass Technologies S.p.A. (奧利維托玻璃技術公司)* (“**Olivotto**”) by the Company in FY2018, it has been one of the Group’s business strategies to ride on the rapid development of the pharmaceutical industry in the PRC in recent years and gradually build up industry reputation of Olivotto in the China pharmaceutical glass market as an upstream supplier capable of providing full range of equipment in relation to pharmaceutical glass production. As further set out in the 2020 Interim Report, driven by the increasing rapid process of development and production of COVID-19 Pandemic vaccines, the progress of substituting of neutral borosilicate glass as required by the vaccine vials has been accelerated. As advised by the Company, neutral borosilicate glass is a type of pharmaceutical glass which is widely considered suitable for holding vaccines (such as COVID-19 Pandemic vaccines) and other pharmaceutical liquids, powders or capsules as it avoids interactions between containers and vaccines that can affect the shot’s

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potency. According to the “Pharmaceutical Glass Packaging Market Survey Report 2020 Along with Statistics, Forecasts till 2025” (the “**Pharmaceutical Glass Packaging Market Research**”) conducted by the Market Insights Reports, a United States online market research library of 500,000 in-depth studies of over 5,000 micro markets, over the next five years during 2021-2025, the pharmaceutical glass packaging market will register a compound annual growth rate of approximately 5.0% in terms of revenue, the global market size will reach approximately US\$4,539.6 million by 2025, from US\$3,737.7 million in 2019, driven by the recovery of the global economy, the development of emerging countries and the enlarging expense of China pharmaceutical companies. Therefore, the market demand for pharmaceutical glass products is expected to grow steadily. As further suggested in the Pharmaceutical Glass Packaging Market Research, the pharmaceutical glass packaging industry structure is relatively concentrated mainly due to its stringent industry requirements promulgated by the state medical product administrative authorities in each country. As advised by the Company, Olivotto is one of the glass companies possessing the leading pharmaceutical glass production qualifications and technologies in the PRC pharmaceutical glass industry which allows it to provide the necessary equipment in the manufacturing of pharmaceutical glass products under the stringent industry requirements in the PRC, which will allow Olivotto to gradually establish its industry foothold and benefit from the growing demand in the PRC market. As further explained in the above section headed “3. Historical financial performance and prospects of the Group”, the revenue contributed from design, equipment procurement and installation of neutral pharmaceutical glass production lines of Olivotto led to the substantial increase in the segmental revenue in design and installation services during FY2019 as compared to that in FY2018. Despite the revenue contribution decreased slightly during 1H2020 due to the COVID-19 Pandemic, it is expected that the development and production of COVID-19 Pandemic vaccines and the continuous development of the pharmaceutical glass industry in the PRC shall benefit the pharmaceutical glass segment of the Group in the long-run.

The Group had been profit making in the last four financial years ended 31 December 2019 while the Group recorded a net loss in 1H2020 which was temporal and was negatively affected by the outbreak of the COVID-19 Pandemic. As explained in the above section headed “3. Historical financial performance and prospect of the Group”, the Group recorded increase in total revenue of 20.9% in 1H2020 as compared with that in 1H2019. If non-operating income and impairment losses on trade receivables and contract assets of the Group during 1H2020 are excluded, the Group would record a net operating profit of approximately RMB6.6 million during 1H2020, which implies the resilient operating performance of the Group’s glass business under the weak economic sentiment during 1H2020. As advised by the Company, the Group has experienced gradual recovery in its operating performance during the second half of 2020 despite the adverse impact of the COVID-19 Pandemic, mainly due to the Group’s proactive strategies in promoting its sales in the overseas

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market and the gradual recovery in the overall economic environment in the PRC during the period. For the five-month period ended 30 November 2020, the sales volume of glass products of the Group has reached 32.2 million weight cases, representing an increase of approximately 20.7% as compared to that for the five-month period ended 30 November 2019 of approximately 26.7 million weight cases.

As advised by the management of the Group, the current production capacity of the Group is approximately 6,650 tones per day. In view of the growing demand in the automotive glass, photovoltaic glass and pharmaceutical glass in the market, the Group has been expanding its production capacity and a new automotive glass production line and a new solar glass production line have been under construction which are expected to be completed in the first half of 2021, which could further increase the production capacity of the Group by approximately 450 tones per day. Other expansion plans of the production line of the Group in other parts of the PRC are also in progress in order to cope with the increase in demand for its products in the near future.

Based on the above, we consider that the overall prospect of the Group is promising in the long-run.

4. The Share Offer Price

(a) *Share Offer Price comparisons*

The Share Offer Price of HK\$0.9 per Offer Share represents:

- (i) a discount of approximately 17.4% to the closing price of HK\$1.03 per Share as quoted on the Stock Exchange on the last trading day of the Shares immediately prior to the release of the Offer Announcement (the “**Last Trading Day**”);
- (ii) a discount of approximately 1.7% to the average closing price of approximately HK\$0.92 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 8.0% over the average closing price of approximately HK\$0.83 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;

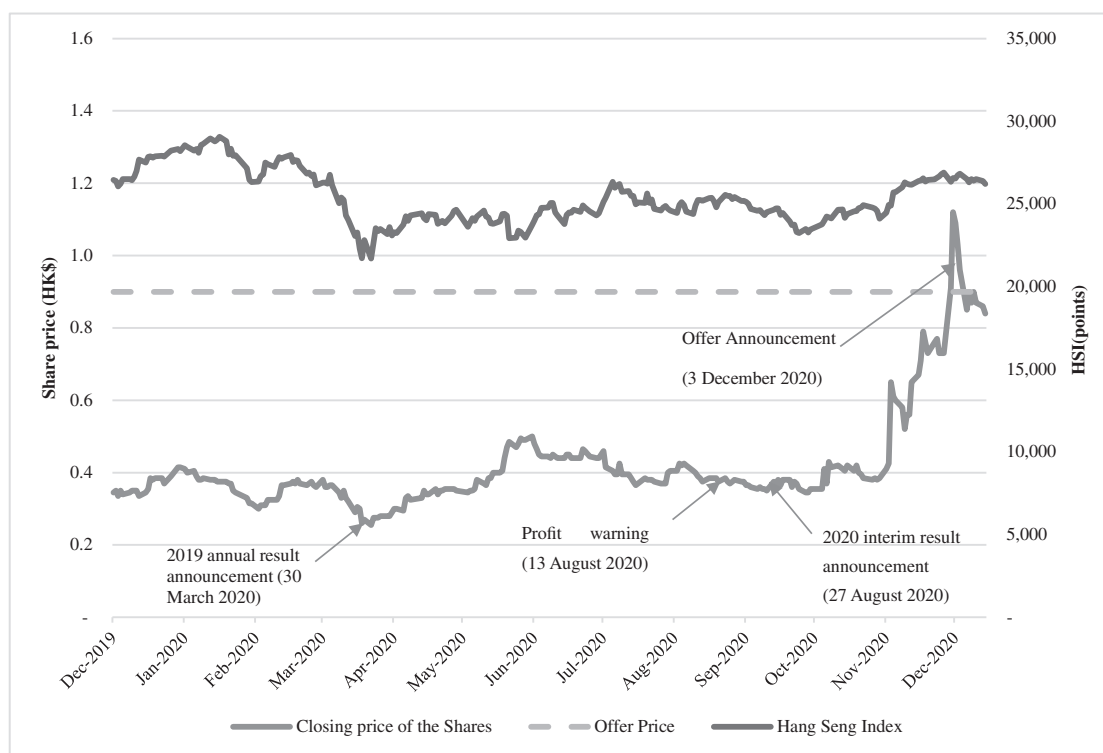
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- (iv) a premium of approximately 43.8% over the average closing price of approximately HK\$0.63 per Share as quoted on the Stock Exchange for the thirty consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 79.3% over the average closing price of approximately HK\$0.50 per Share as quoted on the Stock Exchange for the sixty consecutive trading days immediately prior to and including the Last Trading Day;
- (vi) a premium of approximately 94.0% over the average closing price of approximately HK\$0.46 per Share as quoted on the Stock Exchange for the ninety consecutive trading days immediately prior to and including the Last Trading Day;
- (vii) a premium of approximately 112.7% over the average closing price of approximately HK\$0.42 per Share as quoted on the Stock Exchange for the 180 consecutive trading days immediately prior to and including the Last Trading Day;
- (viii) a discount of approximately 21.1% over the closing price of HK\$1.14 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ix) a discount of approximately 29.7% to the Group's audited consolidated net asset value attributable to the Shareholders per Share (“NAV per Share”) of approximately HK\$1.28 as at 31 December 2019; and
- (x) a discount of approximately 17.9% to NAV per Share of approximately HK\$1.10 as at 30 June 2020.

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(b) *Historical price performance of the Shares*

Set out below is the movement of the daily closing prices of the Shares on the Stock Exchange during the period from 2 December 2019 (being one year prior to the Last Trading Day) and up to and including the Latest Practicable Date (the “**Review Period**”) and the comparison of the Share price performance with the Hang Seng Index (“**HSI**”) and the Share Offer Price, and a summary of announcements published by the Company of significant events that took place:



Source: www.hkex.com.hk

The Shares were generally traded within a range between HK\$0.26 to HK\$0.50 during most of the period from 2 December 2019 to 3 November 2020 and experienced a sharp surge from 4 November 2020 to the Last Trading Day prior to the publication of the Offer Announcement dated 3 December 2020 (the “**Pre-announcement Review Period**”). During the Pre-announcement Review Period, the highest and lowest closing prices of the Shares were HK\$1.12 per Share on 1 December 2020 and HK\$0.26 per Share on 19 March and 23 March 2020 with an average of approximately HK\$0.41 per Share, respectively.

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The Share price trend was generally in line with the HSI during most of the time within the Pre-announcement Review Period and outperformed the HSI since November 2020. The closing price of the Share was HK\$0.35 per Share at the beginning of the Pre-announcement Review Period and the closing price of the Share as at the Last Trading Day was HK\$1.09, representing a considerable increase of approximately 215.9%; whereas the HSI increased slightly by approximately 0.3% during the same period. We have discussed with the management of the Company regarding the possible reasons for such price increase during November 2020 until the Last Trading Day and they were not aware of any specific reasons which may lead to the aforesaid increase in Share price.

The Share Offer Price of HK\$0.9 per Offer Share is within the range of the lowest and highest closing price of the Shares quoted on the Stock Exchange during the Pre-announcement Review Period, and represented a premium of approximately 252.9% over the lowest closing price of HK\$0.26 per Share recorded on 19 March and 23 March 2020, and a discount of approximately 19.6% to the highest closing price of HK\$1.12 per Share recorded on 1 December 2020.

After the publication of the Announcement dated 3 December 2020 and up to the 4 January 2021 (the Latest Practicable Date). (the “**Post-announcement Review Period**”), the closing Share price were generally trading within the range between HK\$0.84 to HK\$1.14, representing a premium/discount of approximately 10-20% from the closing price of the Share on the Last Trading Day. We have discussed with the management of the Company regarding the possible reasons for the fluctuation in the Share price after publication of the Offer Announcement and were advised that save for the Offers, they were not aware of any matters which might have impact on the price of the Shares. We consider that the fluctuation in the Share price which has been relatively close to the Share Offer Price in the Post-announcement Review Period reflected the market anticipation of the favorable effects of the Offers following the Offer Announcement, as a result, the comparison of the Share Offer Price against the Share prices in the Pre-announcement Review Period would be more relevant and appropriate in assessing the fairness and reasonableness of the level of the Share Offer Price.

Further, as mentioned in the paragraph headed “(a) Share Offer Price comparisons” above, the Share Offer Price of HK\$0.9 per Offer Share represents a discount to the closing price of the Shares on the Last Trading Day and the average of the closing price of the Shares for the last five consecutive trading days prior to the publication of the Offer Announcement, and it represents a premium over the last ten, thirty, sixty, ninety and 180 consecutive trading days prior to the publication of the Offer Announcement, respectively.

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(c) Trading liquidity

Set out below in the table are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company during the Review Period:

Month	Total trading volume	Average daily trading volume ^{Note 1}	% of the average daily trading volume to total number of issued Shares as at the end of the relevant month/period ^{Note 2}	% of the average daily trading volume to total number of issued Shareholders as at the end of the relevant month/period ^{Note 3}	Number of trading days in each month/period
2019					
December (from 2 December 2019)	13,283,998	664,200	0.037%	0.042%	20
2020					
January	17,642,000	882,100	0.049%	0.055%	20
February	27,734,000	1,386,700	0.077%	0.087%	20
March	18,514,000	841,545	0.046%	0.053%	22
April	16,590,000	873,158	0.048%	0.055%	19
May	32,453,000	1,622,650	0.090%	0.102%	20
June	7,298,000	347,524	0.019%	0.022%	21
July	21,102,000	959,182	0.053%	0.060%	22
August	9,152,000	435,810	0.024%	0.027%	21
September	3,672,000	166,909	0.009%	0.010%	22
October	18,910,000	1,050,556	0.058%	0.066%	18
November	239,358,800	11,398,038	0.630%	0.715%	21
December (up to the date of the Offer Announcement – 3 December 2020)	178,265,100	59,421,700	3.283%	3.726%	3
December (4 to 28 December)	231,312,661	14,923,397	0.826%	0.936%	15.5
2021					
January (4 January 2021) – Latest Practicable Date	100,348,000	100,348,000	3.594%	6.292%	1

Source: www.hkex.com.hk

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.

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2. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.
3. The total number of Shares held by the public is calculated based on the number of total issued Shares excluding those held by the Offeror and the Directors at the year end of 31 December 2018 or 2019 or as at the Latest Practicable Date, as applicable.

As illustrated in the table above, the average daily trading volume of the Shares has been thin in general during the Pre-announcement Review Period. The monthly average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.019% to approximately 0.058% during December 2019 to November 2020, and the average daily trading volume of the Shares as a percentage of public float of the Company ranged from approximately 0.010% to approximately 0.066% during the same period. Meanwhile, the number of days with no trading were only 10 days and 12 days respectively for the year ended 31 December 2019 and the period between 1 January 2020 to 28 December 2020 respectively, implying that the trading in the Shares were relatively active.

The trading of the Shares increased in November 2020 and was vigorous before the publication of the Offer Announcement on 3 December 2020. As shown in the above table, the monthly average daily trading volume of the Shares as a percentage of the total issued Shares increased to 0.63% in November 2020, and the average daily trading volume of the Shares as a percentage of public float of the Company also increased to 0.715% in November 2020. The highest average daily trading volume of the Shares was observed between 1 to 3 December 2020 (the date of the Offer Announcement) when the average daily trading volume of the Shares as a percentage of the total issued Shares and of public float of the Company reached 3.283% and 3.726% respectively, and we are of the view that the market reaction is likely in response to the publication of the Offer Announcement. To further study the effect, we have divided the period between November 2020 to January 2021 into two periods, with the first period being 1 November 2020 to the Last Trading Day (both days inclusive) and the second period being 3 December 2020 to 4 January 2021 (remaining trading days in December after the publication of the Offer Announcement up to and including the Latest Practicable Date).

Upon comparison, we noted that the average daily trading volume of the Shares during the first and second period were (i) approximately 0.887% and 1.006% of the total number of issued Shares respectively; and (ii) approximately 1.006% and 1.167% of public float of the Company respectively, revealing that the trading volume of the Shares had maintained at a relatively stable level after the publication of the Offer Announcement and did not maintain at the relatively high level of trade volume as shown on 1 and 2 December 2020 (the Last Trading Day).

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Taking into consideration that (i) the trading volume of the Shares were extremely thin in general during the Pre-announcement Review Period, (ii) the trading in the Shares has been relatively active; and (iii) despite the trading volume of the Shares surged in November 2020 and maintained relatively stable in December 2020 prior and after the Post-announcement Review Period, it remained at relatively low level as a percentage of the total issued Shares and public float of the Company, it is uncertain that the overall liquidity of the Shares could be maintained in the near-term and that there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market, especially those with large volume of Shares, without exerting a downward pressure on the Share price. The Share Offer provides an opportunity for the Independent Shareholders to dispose of their shareholdings, especially for those holding a large block of the Shares, at the Share Offer Price if they wish to realise their investments.

5. Historical discount of market price to net asset value

We have compared the historical closing price per Share against the then latest consolidated NAV per Share over the period from 29 March 2017 to the Last Trading Day (the “**Previous Periods**”), which we have assumed was generally available to the market from the date of publication of the relevant full year results announcements and that the Share price had reflected such information.

Period	Published consolidated net asset value per Share ^{Note 2} HK\$	Closing price per Share			Premium/(Discount) over/to net asset value per share		
		Highest	Lowest	Average	Highest	Lowest	Average
		HK\$	HK\$	HK\$	Approx. %	Approx. %	Approx. %
29/3/2017 ^{Note 1} to 28/3/2018	1.37 ^{Note 2}	0.858	0.64	0.748	(37.5%)	(53.5%)	(45.5%)
29/3/2018 ^{Note 1} to 28/3/2019	1.28 ^{Note 2}	0.791	0.462	0.627	(38.4%)	(64.0%)	(51.2%)
29/3/2019 ^{Note 1} to 30/3/2020	1.28 ^{Note 2}	0.629	0.255	0.442	(50.9%)	(80.1%)	(65.5%)
31/3/2020 ^{Note 1} to Last Trading Day	1.10 ^{Note 2}	1.12	0.28	0.70	2.22%	(74.4%)	(36.1%)

Source: www.hkex.com.hk

Notes:

- Being the first trading day immediately after the Company released its annual results announcements.
- Based on net assets attributable to the shareholders of the Company as extracted from the Company’s respective annual reports, divided by the aggregated number of Shares adjusted for the respective RMB to HK\$ median exchange rates published by the China Foreign Exchange Trade System & National Interbank Funding Center (“CFETS”) as at the respective period-end dates.

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Based on the analysis above, we note that, since 29 March 2017 up to the Last Trading Day, the Shares had been traded at a closing price below the NAV per Share of the corresponding Previous Periods over the majority of the trading days during the Previous Periods, with the average discounts (the “**Average Discounts**”) to the NAV per Share ranging from approximately 36.1% to approximately 65.5%. The Share Offer Price represents a discount to the NAV per Share for 1H2020 of approximately 18.2% which is lower than the Average Discounts for the period from 31 March 2020, being the date after the publication of the annual results announcement for FY2019, to the Last Trading Day. This implies that the investors in the stock market may not have valued the Shares primarily based on the NAV per Share of the Company over the past three and a half years. Instead, investors may have consistently emphasised on other fundamentals and future prospects of the Company when deciding the trading price of the Shares. Based on the above, we considered that the discount of the Share Offer Price to the NAV per Share which is lower than the Average Discounts is acceptable.

6. Comparison with other comparable companies

To further assess the fairness and reasonableness of the Share Offer Price, we have performed a comparable analysis by using price-to-earnings ratio (“**P/E Ratio(s)**”) which is generally considered by the investment community as the most commonly used benchmark in assessing the valuation of a company to compare the Share Offer Price against the market valuation of other comparable companies. We have identified an exhaustive list of four companies (the “**Comparable Companies**”) listed on the Main Board of the Stock Exchange, which (i) are principally engaged in the same sector on glass production and sales and of similar business model to that of the Group where more than 50% of its revenue are derived from such business; and (ii) has business presence covering the PRC according to their latest published annual financial results. The list of Comparable Companies represents all of the peers of the Company which are publicly listed on the Main Board of the Stock Exchange in Hong Kong. We therefore are of the view that the sample size is sufficient and the list of Comparable Companies are fair and representative for our analysis after considering (i) the close similarity of their business model and service offerings in the glass business; and (ii) the geographical coverage of their business operation. In order to ensure that the sample size is sufficient for a meaningful comparison, we do not consider a categorisation based on market capitalisation of the Comparable Companies is necessary. Independent Shareholders should note that the below comparisons are only for general reference purpose as some aspects including scale of operation, trading

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prospect, financial performance and capital structure of the Comparable Companies may not be exactly the same as those of the Company. Details of the Comparable Companies are set out below:

Company name	Stock code	Approximate market capitalisation as at		Approximate market capitalisation as at		Latest published earnings per share before the Last Trading Day	Latest published net asset value per Share	P/E Ratio as at Last Trading Day	P/B Ratio as at Last Trading Day	P/E Ratio as at Last Practicable Date	P/B Ratio as at Last Practicable Date
		Closing share price as at the Last Trading Day	the Last Trading Day	Closing share price as at the Last Practicable Date	Last Practicable Date						
		(HK\$)	(HK\$ million)	(HK\$)	(HK\$ million)	(HK\$)	(HK\$)	(times)	(times)	(times)	(times)
Xinyi Glass Holdings Limited	868	17.76	71,726.0	22.40	90,465.17	1.12	5.18	15.9	3.4	20.0	4.3
Luoyang Glass Company Limited	1108	4.84	1,210.0	8.67	2,167.50	0.11	6.59	43.0	0.7	77.1	1.3
Fuyao Glass Industry Group Co., Ltd.	3606	36.65	18,632.5	41.15	22,829.25	1.35	49.31	27.2	0.7	33.4	0.9
Flat Glass Group Co., Ltd.	6865	21.1	9,495.0	35.10	15,795.00	0.43	11.69	48.9	1.8	81.4	3.0
							Maximum	48.9	3.4	81.4	4.3
							Minimum	15.9	0.7	20.0	0.9
							Average	33.8	1.7	52.9	2.4
							Median	35.1	1.3	55.2	2.2
Share Offer Price		0.9	1,669.8	N/A	N/A	0.057	1.28	15.8	0.7	15.8	0.7
The Company		1.09	2,022.3	1.14	2,155.09	0.057	1.28	19.2	0.9	20.1	0.9

Source: www.hkex.com.hk

Notes:

- The market capitalisation of the Comparable Companies as at the Last Trading Day are derived from the total number of shares (as disclosed in the latest monthly return or relevant disclosures) multiplied by the closing share price quoted on the Stock Exchange as at the Last Trading Day.
- The market capitalisation of the Comparable Companies as at the Latest Practicable Date are derived from the total number of shares (as disclosed in the latest monthly return or relevant disclosures) multiplied by the closing share price quoted on the Stock Exchange as at the Latest Practicable Date.
- The P/E Ratio is derived from dividing the respective market capitalisation by the respective profit attributable to the owners of the company as extracted from the latest published annual results.
- The P/B Ratio is derived from dividing the respective market capitalisation by the respective consolidated equity attributable to the owners of the company as extracted from the latest published interim results.
- The P/E Ratio as at Last Practicable Date is derived from dividing the respective market capitalisation as at Last Practicable Date by the respective profit attributable to the owners of the company as extracted from the latest published annual results.
- The P/B Ratio as at Last Practicable Date is derived from dividing the respective market capitalisation as at Last Practicable Date by the respective consolidated equity attributable to the owners of the company as extracted from the latest published interim results.

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7. The implied market capitalisation under the Share Offer is derived from multiplying the total number of issued Shares (assuming that all the Share Options are exercised by the Optionholders and taking into account that all Convertible Bonds had been redeemed by the Company on 2 January 2021) as at the Last Trading Day of 1,855,345,729 (including 18,968,000 Shares held by the parties acting in concert with the Offeror) by the Share Offer Price of HK\$0.9 per Offer Share.
8. The implied P/E Ratio is derived from dividing the implied market capitalization under the Share Offer by the profit attributable to the owners of the Company for the year ended 31 December 2019.
9. The implied P/B Ratio is derived by dividing the implied market capitalisation by the unaudited total equity attributable to Shareholders of the Company as at 30 June 2020.

Upon comparison, we noted that the P/E Ratio implied by the Share Offer Price (the “**Implied P/E Ratio**”) of approximately 15.8 times lies at the low end of the range of the P/E Ratios presented by the Comparable Companies as at the Last Trading Day which ranges from approximately 15.8 times to 48.9 times and is significantly lower than the average and median P/E Ratios of approximately 33.8 and 35.1 times. Further, the Implied P/E Ratio fell below the range of the P/E Ratios presented by the Comparable Companies as at the Latest Practicable Date which ranges from approximately 20.0 times to 81.4 times and is also significantly lower than the average and median P/E Ratios of approximately 52.9 times and 55.2 times.

On the other hand, we adopted price-to-book ratio (the “**P/B Ratio**”) analysis as an additional reference in assessing the reasonableness of the Share Offer Price. Since the operation of the Group’s glass business is capital intensive in nature, the P/B Ratio analysis is also a commonly adopted valuation methodology for assessing such business and the result of the P/B Ratio analysis is indicative of the fairness and reasonableness of the Share Offer Price.

The P/B Ratio implied by the Share Offer Price (the “**Implied P/B Ratio**”) of approximately 0.7 times lies at the lower end of the P/B Ratios presented by the Comparable Companies as at the Last Trading Day which ranges from approximately 0.7 times to 3.4 times and is also significantly lower than the average and median P/B Ratios of approximately 1.7 and 1.3 times. Similar to that of the Implied P/E Ratio, the Implied P/B Ratio lied on the lower end of the range of the P/B Ratios presented by the Comparable Companies as at the Latest Practicable Date which ranges from approximately 0.9 times to 4.3 times and is also significantly lower than the average and median P/B Ratios of approximately 2.4 times and 2.2 times.

Since the Implied P/E Ratio and the Implied P/B Ratio are lower than the average and median P/E ratio and P/B Ratio of the Comparable Companies respectively as stated above, we consider from this perspective that the level of the Share Offer Price is not fair and not reasonable.

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7. Comparison with other comparable offers

In addition to the Comparable Company set out above, we have, based on our research on the website of the Stock Exchange, identified an exhaustive list of 16 companies (the “**Offer Comparable(s)**”) listed on the Stock Exchange which have undergone general offer exercises by an offeror since 1 June 2020 and up to the date of the Offer Announcement (the “**Offer Comparable Transaction(s)**”). We consider that the period under review, being approximately six months, is adequate to provide a fair and representative sample for analysis of recent general offer transactions in the market taking into account the effect of the outbreak of COVID-19 Pandemic which has imposed significant impact to the global economic sentiment.

Although the Offer Comparables engage in different principal activities, and have different market capitalisations, profitability and financial positions as compared to those of the Company, we consider that the Offer Comparables can provide a general reference to the pricing trend of recent general offer transactions, in particular, the level of premium that the offerors were willing to pay to the independent shareholders to acquire controlling interests in the offerees (the “**Control Premium**”), under the current economic atmosphere, so as to determine whether the Share Offer Price is in line with those of recent general offer transactions in the market.

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The table below illustrates the premiums/discounts of the offer prices offered in the Offer Comparable Transactions over/to the prevailing share prices prior to announcement of the relevant general offer transactions of the Offer Comparables:

Date of announcement	Company name (stock code)	Offer price (HK\$)	Premium/ (discount) over/(to) the closing price for the five consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the average closing price for the ten consecutive trading days immediately prior to and including the last trading day	Premium/ (discount) over/(to) the average closing price for the ten consecutive trading days immediately prior to and including the last trading day
15 June 2020	Yixin Group Limited (2858.HK)	1.9088	0.5%	4.9%	10.1%
17 July 2020	CST Group Limited (985.HK)	0.028	12.0%	16.7%	21.7%
6 September 2020	YuanShengTai Dairy Farm Limited (1431.HK)	0.63	1.6%	6.1%	8.4%
10 September 2020	Kwan On Holdings Limited (1559.HK)	0.22	41.9%	45.7%	41.0%
16 September 2020	Get Nice Holdings Limited (64.HK)	0.17	5.6%	9.8%	10.7%
17 September 2020	The Cross-Harbour (Holdings) Limited (32.HK)	14	42.4%	44.5%	41.6%
21 September 2020	Macau Legend Development Limited (1680.HK)	1.05	9.4%	14.1%	12.9%
24 September 2020	AMVIG Holdings Limited (2300.HK)	2.18	51.4%	51.4%	53.5%
27 September 2020	China ZhongDi Dairy Holdings Company Limited (1492.HK)	1.132	11.0%	16.9%	20.0%
19 October 2020	Sun Art Retail Group Limited (6808.HK)	8.1	2.1%	1.0%	0.5%
20 October 2020	Midland IC&I Limited (459.HK)	0.09587	-0.1%	0.3%	0.6%
29 October 2020	Milestone Builder Holdings Limited (1667.HK)	0.28125	-3.0%	7.8%	11.6%
13 November 2020	CAR Inc. (699.HK)	4	18.0%	23.3%	31.4%
16 November 2020	Gemini Investments (Holdings) Limited (174.HK)	1.1	26.4%	47.1%	66.7%
2 December 2020	FullWealth Construction Holdings Company Limited (1034.HK)	0.125	-40.5%	-38.7%	-36.6%
10 December 2020	Cowell e Holdings Inc. (1415.HK)	5.87	3.0%	1.4%	10.3%
		Highest	51.4%	51.4%	66.7%
		Lowest	(40.5%)	(38.7%)	(36.6%)
		Average	11.4%	15.8%	19.0%
		Median	7.5%	12.0%	12.3%
		Average (Note)	14.8%	19.4%	22.7%
		Median (Note)	9.4%	14.1%	12.9%
	Company	0.9	(17.4%)	(1.7%)	8.0%

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Note: The average and median premium when excluding the general offer transaction of FullWealth Construction Holdings Company Limited (1034.HK), the only transaction which the offer price represented a discount to the closing price on the last trading day and the average closing price for the past five, ten and thirty consecutive trading days immediately prior to the including the last trading day.

Source: Announcements of the respective Offer Comparables

As set out in the table above, we note that the offer prices of the majority of the Offer Comparables Transactions were set at premium over the closing price of the share of the offerees on the last trading day, the average closing prices for the past five, ten and thirty consecutive trading days immediately prior to and including the last trading day and we consider that such premium represent the Control Premium the relevant offeror was willing to pay in order to acquire majority control in a listed company. In particular, we note that the offer price of the Offer Comparables represent an average premium and median premium over the closing price on the last trading day of 11.4% and 7.5% respectively. Meanwhile, the offer price of the Offer Comparables also represent an average premium over the average closing prices for the past five and ten consecutive days of 15.8% and 19.0% with the median premium over the average closing prices for the same respective periods of 12.0% and 12.3%.

Furthermore, we also noted that the offer price of the 15 out of the 16 Offer Comparables represent a Control Premium over the average closing prices for the past five and ten consecutive trading days and the average premium (excluded the comparable transactions with discount) of 19.4% and 22.7% whilst the median premium of 14.1% and 12.9%, respectively. Upon comparison, the Share Offer Price represents a discount to the average closing price of the Shares for the past five consecutive trading days up to and including the Last Trading Day and a small premium over the average closing price of the Shares for the past ten consecutive trading days up to and including the Last Trading Day of approximately (1.7)% and 8.0% respectively. Based on the above, we are of the view that the Share Offer Price is not attractive as it did not reflect an acceptable level of Control Premium.

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8. Other considerations

Independent Shareholders should also take into the consideration of the following information before making his/her/its decision in respect of the Share Offer.

(a) The Offers are expected to lapse as majority of the shareholders have indicated its non-acceptance

The Executive Director of the Board confirmed to us that the Offers are uninvited. As set out in the Letter from the Board, the Executive Director of the Board does not consider the Offers fair and reasonable and recommends the Independent Shareholders and the Optionholders not to accept the Offers. Further, (i) Triumph Science Technology Group Company Limited* (凱盛科技集團有限公司), China Triumph International Investment Company Limited, First Fortune Enterprises Limited, Mei Long Developments Limited, Elite World Investments Limited (altogether, the “**Major Shareholders**”), and the Directors, management of the Company including Mr. Cui Xiangdong, Mr. Zhou Cheng and Mr. Lyu Guo have indicated that they will not accept the Offers; and (ii) an instruction was given by the Board to Bank of Communications Trustee Limited (as trustee of the share award scheme of the Company) to take no action in respect of the Offers. As at the Latest Practicable Date, the aforementioned shareholders of the Company together held a total of 1,025,518,090 Shares, representing approximately 56.65% of the issued share capital of the Company (the remaining percentage of Shares in the public is approximately 43.35% which is less than 50%), and held a total of 6,200,000 Share Options conferring the rights to subscribe for a total of 6,200,000 Shares. The Executive Director of the Board is concerned whether the existing management team of the Group could cooperate with any incoming management members if the Offers become unconditional. Shareholders are reminded that if the valid acceptance of the Share Offer is less than 50% before the Closing Date, the Offers will not become unconditional and the Share Offer will lapse.

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(b) Background of the Offeror

As set out in the Offer Document, the Offeror is Unified Group Investments Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Xinyi Glass. Xinyi Glass is a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 868). As at the Latest Practicable Date, the Offeror was not engaged in any other business activities. Meanwhile, the controlling shareholders of Xinyi Glass are Dr. LEE Yin Yee, *B.B.S.*, Mr. TUNG Ching Bor, Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.*, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung, Mr. NG Ngan Ho, Mr. LI Man Yin and their respective controlled corporations, pursuant to the shareholders' agreement among the controlling shareholders dated 14 September 2014. Xinyi Glass is principally engaged in the production and sales of a wide range of glass products, including automobile glass, architectural glass, float glass and other glass products for different commercial and industrial applications.

Xinyi Glass is one of the major players in the global glass industry. Despite the downturn in the float glass market during the first half of 2020 due to the COVID-19 Pandemic, Xinyi Glass is cautiously optimistic about the float glass market in the future and its long-term business development prospects. It is the business strategy of Xinyi Glass to secure its market-leading position and enhance its economies of scale through strategic expansion in a timely manner of production capacities across different product segments and the construction of new production complexes incorporating streamlined production processes at different locations both in the PRC and overseas.

(c) Intention of the Offeror in relation to the Group

As set out in the Offer Document, it is the Offeror's intention to acquire a majority interest in the Company pursuant to the Offers. The intention of the Offeror is that the Group's existing principal activities will be maintained, and at the same time after completion of the Offers, the Offeror will conduct a review on the existing principal businesses and the financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. As at the Latest Practicable Date, the Offeror had not identified any investment or business opportunities for the Company nor had the Offeror entered into any related agreement, arrangements, understandings or negotiation and there is no plan on any injection or disposal of any assets or businesses into/of the Group.

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The Offeror may consider convening a general meeting to appoint new member(s) to the Board if such appointment is considered to be beneficial to the future development of the Group as permitted under the Takeovers Code. Any change to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules.

The Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. Save for the potential change(s) to the composition of the Board, the Offeror has no existing plan or contemplation to terminate the employment of any other employees or other personnel of the Group. However, after the close of the Offers, the Offeror will continuously review the operation of the Group and the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group's businesses and operations to optimise the value of the Group.

Based on the intention of the Offeror in relation to the Group as disclosed in the Offer Document, we could not envisage any immediate benefits which could be brought about by the Offeror to the Group.

9. Option Offer

As at the Latest Practicable Date, there were 30,060,000 outstanding Share Options under the existing share option scheme of the Company, which confer rights to the Optionholders to subscribe for an aggregate of 30,060,000 Shares at an exercise price of HK\$1.25 per Share on or before 12 May 2022.

Pursuant to the terms of the Share Option Schemes, if a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all Shareholders (or all holders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the option period of an outstanding option, the Optionholder (or his legal personal representative) shall be entitled to exercise the Share Option (to the extent not already exercised) at any time before the expiry of the period of ten business days following the date on which the offer becomes or is declared unconditional. Following the expiry of the period, the Share Option shall automatically lapse thereafter.

Given that the exercise price of the outstanding Share Options is above the Share Offer Price of HK\$0.9 per Offer Share, the outstanding Share Options are out-of-money and the Option Offer will be made for the cancellation of all outstanding Share Option at a nominal price of HK\$0.0001 for each Share Option. As we consider the Share Offer Price to be not fair and reasonable, the see-through price (which is based on the Share Offer Price) is also considered not fair and reasonable so far as the Optionholders are concerned.

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10. The Convertible Bond Offer

Pursuant to Rule 13 of the Takeover Code, the Offeror is also required to make the Convertible Bond Offer. As at the date of the Offer Announcement dated 3 December 2020, the outstanding Convertible Bonds comprise the unsecured convertible bonds issued by the Company on 4 February 2016 which are interest bearing at 7.5% per annum and maturing on 4 February 2021 in the aggregate principal amount of US\$2,500,000 and could be convertible into 15,138,671 new Shares at the conversion price of HK\$1.28 per conversion Share.

The offer price under the Convertible Bond Offer is HK\$54,499.22 for every US\$10,000 face value of the Convertible Bonds, determined in accordance with Rule 13 and Practice Note 6 to the Takeover Code as the “see-through” consideration for the Convertible Bonds, being the number of new Shares into which the Convertible Bonds is convertible (being 15,138,671 new Shares) multiplied by the Share Offer Price of HK\$0.9 per Offer Share, valuing the total Convertible Bond Offer at approximately HK\$13,624,900, assuming that the Convertible Bond Offer is accepted in full. In the event that the CB Holder has not exercised the conversion rights before its maturity date on 25 January 2021, the CB Holder should be entitled to receive 100% principal of the unexercised Convertible Bonds of US\$2,500,000 together with any unpaid interest thereon on 25 January 2021 which significantly exceeds the amount to be received of HK\$13,624,900 upon the acceptance of the CB Offer.

As stated in the Letter from the Board, on 2 January 2021, all Convertible Bonds had been redeemed by the Company. Accordingly, the Convertible Bond Offer is no longer applicable.

RECOMMENDATIONS

Based on our analyses above and, in particular, having considered the following key factors (which should be read in conjunction with and interpreted in the full context of this letter):

- (i) the Implied P/E Ratio and the Implied P/B Ratio lies substantially below the mean and median of the P/E Ratios and P/B Ratios of the Comparable Companies;
- (ii) most of the Offer Comparable Transactions involving general offers by the offerors in acquiring controlling interests in the offeree over the past six months include a Control Premium over the closing price of the shares on their respective last trading days and average closing prices of the last five and ten consecutive trading days. However, the Share Offer Price represents a discount of 17.43% and 1.75% to the closing price of the Shares on the Last Trading Day and to the average closing price of the last five consecutive trading days and a small premium of 8.04% over the average closing price of the last ten consecutive trading days, which are substantially lower than the average

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and median Control Premium as represented by the Offer Comparable Transactions over the closing price of the shares on their respective last trading day and average closing price of the last five and ten consecutive trading days;

- (iii) the expected growth in the penetration rate of the photovoltaic products and the expected increase in the Group's market share in the automotive glass, photovoltaic glass and pharmaceutical glass products in the near future, while the sales volume of glass products for the five-month period ended 30 November 2020 has reached approximately 32.2 million weigh cases, representing an increase of approximately 20.7% as compared to the same period last year;
- (iv) the Group has been profit making consecutively for the four years ended 31 December 2019, and the operating performance of the Group in 1H2020 as represented by its revenue and gross profit, still outpaced its performance in 1H2019 which demonstrates the resilient performance of the Group in 2020 under the poor economic environment due to the impact of the COVID-19 Pandemic, which is evident that the Group has the ability to capture the opportunities of the glass industry, yet the relatively low Implied P/E Ratio compared to the Comparable Companies may suggest the Shares are undervalued without factoring in the promising prospect of the Group; and
- (v) the P/E Ratios and the P/B Ratios of the Comparable Companies derived from the closing prices as at the Latest Practicable Date have increased significantly as compared to those derived from the closing prices as at the Last Trading Day, which may imply investors have been pricing in the improving prospect of the glass industry and the revival of the economy in general. Hence, we consider the more recent share price of the Company is more relevant in assessing the value of the Company perceived by the investing community as investors tend to invest based on estimation on future events and prospects, notwithstanding that the Share Offer Price or the recent share price level lie at a level higher than most of the longer term historical share prices over the last two years which would reflect previous events and expectations,

We are of the opinion that the terms of the Share Offer (including the Share Offer Price), are not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders not to accept the Share Offer.

As pointed out in our discussion above, the Offers are uninvited by the Executive Director of the Board. Major Shareholders and the Directors, management of the Company have indicated that they will not accept the Offers and the trustee of the share award scheme of the Company was informed by the Board to take no action in respect of the Offers, the aforementioned shareholders of the Company together held a total of 1,025,518,090 Shares, representing approximately 56.65% of the issued share capital of the Company and a total of 6,200,000 Share

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Options conferring the rights to subscribe for a total of 6,200,000 Shares as at the Latest Practicable Date. In the event that the valid acceptance of the Share Offer is less than 50% before the Closing Date, the Offers will not become unconditional and the Share Offer will lapse.

As the Share Offer Price is considered to be not fair and reasonable, the Share Option Offer is hence not fair and reasonable for the Optionholders at the see-through Share Option Price. Accordingly, we recommend the Independent Board Committee to advise the Optionholders not to accept the Option Offer.

However, the Optionholders are reminded that the Option Offer is conditional upon the Share Offer becoming unconditional in all respects. As the Share Offer is subject to a number of conditions which may or may not be fulfilled, the Offers may or may not become unconditional.

Furthermore, the Independent Shareholders and the Optionholders are also reminded that their decisions to dispose or hold their investment in the Shares or the Options are subject to their individual circumstances and investment objectives and we would recommend any Independent Shareholder and the Optionholders who may require advice in relation to any aspect of this Response Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Independent Shareholders should read carefully the procedures for accepting the Offers as detailed in the Offer Document.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Louis Chan
Director

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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 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of 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 18 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. SUMMARY OF THE FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated financial results of the Group for the financial years ended 31 December 2017, 2018 and 2019, respectively, as extracted from the relevant published annual report of the Company for the relevant years, and the unaudited consolidated financial results of the Group for the six months ended 30 June 2019 and 2020 as extracted from the published interim reports of the Company for the relevant periods.

	2019	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,369,230	2,617,725	2,556,418
Cost of sales	<u>(2,084,588)</u>	<u>(2,207,630)</u>	<u>(2,234,842)</u>
Gross profit	284,642	410,095	321,576
Other income	319,597	230,849	172,902
Distribution costs	(67,325)	(78,088)	(74,474)
Administrative expenses	<u>(261,656)</u>	<u>(249,030)</u>	<u>(213,441)</u>
Profit from operations	275,258	313,826	206,563
Finance costs	(185,728)	(160,805)	(106,216)
Share of profits less losses of joint ventures	(102)	–	–
Net gain on disposal of interest in an associate	–	175	–
Share of profits less losses of an associate	<u>–</u>	<u>(62)</u>	<u>(12)</u>
Profit before taxation	89,428	153,134	100,335
Income tax	<u>(16,724)</u>	<u>(49,060)</u>	<u>(39,864)</u>
Profit for the year	<u><u>72,704</u></u>	<u><u>104,074</u></u>	<u><u>60,471</u></u>
Attributable to:			
Equity shareholders of the Company	82,570	93,488	64,965
Non-controlling interests	<u>(9,866)</u>	<u>10,586</u>	<u>(4,494)</u>
Profit for the year	<u><u>72,704</u></u>	<u><u>104,074</u></u>	<u><u>60,471</u></u>
Earnings per share (RMB cent)			
Basic	<u><u>4.87</u></u>	<u><u>5.45</u></u>	<u><u>3.59</u></u>
Diluted	<u><u>4.87</u></u>	<u><u>5.45</u></u>	<u><u>3.59</u></u>

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

	2019	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>72,704</u>	<u>104,074</u>	<u>60,471</u>
Other comprehensive income for the year (before and after tax):			
Item that will not be reclassified to profit or loss:			
– Equity securities at FVOCI – net movement in fair value reserve (non-recycling)	(191)	(209)	–
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	<u>(9,840)</u>	<u>(1,725)</u>	<u>(17,499)</u>
Total comprehensive income for the year	<u>62,673</u>	<u>102,140</u>	<u>42,972</u>
Attributable to:			
Equity shareholders of the Company	72,542	91,564	47,466
Non-controlling interests	<u>(9,869)</u>	<u>10,576</u>	<u>(4,494)</u>
Total comprehensive income for the year	<u>62,673</u>	<u>102,140</u>	<u>42,972</u>

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,173,300	970,572
Cost of sales	<u>(986,342)</u>	<u>(894,715)</u>
Gross profit	186,958	75,857
Other income	9,661	205,577
Distribution costs	(37,286)	(32,388)
Administrative expenses	(131,377)	(119,381)
Impairment losses on receivables and contract assets	(118,391)	(3,498)
Other expenses	<u>(11,673)</u>	<u>—</u>
(Loss)/profit from operations	(102,108)	126,167
Finance costs	(136,976)	(85,677)
Share of profits less losses of joint ventures	<u>(171)</u>	<u>(407)</u>
(Loss)/profit before taxation	(239,255)	40,083
Income tax	<u>(38,052)</u>	<u>10,060</u>
(Loss)/profit for the period	<u><u>(277,307)</u></u>	<u><u>50,143</u></u>
Attributable to:		
Equity shareholders of the Company	(247,518)	57,991
Non-controlling interests	<u>(29,789)</u>	<u>(7,848)</u>
(Loss)/profit for the period	<u><u>(277,307)</u></u>	<u><u>50,143</u></u>
(Loss)/earnings per share (RMB cent)		
Basic	<u><u>(14.70)</u></u>	<u><u>3.42</u></u>
Diluted	<u><u>(14.70)</u></u>	<u><u>3.42</u></u>

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit for the period	(277,307)	50,143
Other comprehensive income for the period (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
– exchange differences on translation of financial statements of the Company and certain subsidiaries into presentation currency	<u>(6,950)</u>	<u>(4,511)</u>
Total comprehensive income for the period	<u><u>(284,257)</u></u>	<u><u>45,632</u></u>
Attributable to:		
Equity shareholders of the Company	(254,468)	53,480
Non-controlling interests	<u>(29,789)</u>	<u>(7,848)</u>
Total comprehensive income for the period	<u><u>(284,257)</u></u>	<u><u>45,632</u></u>

There were no qualifications in the auditor's report on the consolidated financial statements of the Group for the financial years ended 31 December 2017, 2018 and 2019, respectively.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below are the latest published audited consolidated financial statements of the Group (i.e. for financial year ended 31 December 2019) contained in the 2019 Annual Report, which has been published on the websites of the Company (<http://www.chinaglassholdings.com>) and the Stock Exchange (<https://www.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700645.pdf>).

(i) Consolidated Statement of Financial Position as at 31 December 2019

Please refer to pages 77 to 78 of the 2019 Annual Report.

(ii) Consolidated Cash Flow Statement for the year ended 31 December 2019

Please refer to pages 81 to 82 of the 2019 Annual Report.

(iii) Other Consolidated Financial Statements for the financial year ended 31 December 2019**(a) Consolidated Statement of Profit or Loss for the year ended 31 December 2019**

Please refer to page 75 of the 2019 Annual Report.

(b) Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

Please refer to page 76 of the 2019 Annual Report.

(c) Consolidated Statement of Changes in Equity for the year ended 31 December 2019

Please refer to pages 79 to 80 of the 2019 Annual Report.

(iv) Notes to the Audited Consolidated Financial Statements for the financial year ended 31 December 2019

Please refer to pages 83 to 182 of the 2019 Annual Report (including Significant Accounting Policies on pages 83 to 112 of the 2019 Annual Report).

3. UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP

The unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 and notes thereto are set out on pages 22 to 54 of the 2020 Interim Report, which has been published on the websites of the Company (<http://www.chinaglassholdings.com>) and the Stock Exchange (<https://www.hkexnews.hk/listedco/listconews/sehk/2020/0928/2020092800587.pdf>).

4. INDEBTEDNESS

As at 30 November 2020, being the latest practicable date for the purpose of the statement of indebtedness, the Group had total borrowings amounting to approximately RMB3,683.1 million, details of which are as follows:

- bank loans of approximately RMB2,246.1 million (of which RMB48.9 million was unsecured and unguaranteed, RMB1,866.9 million was secured by the Group's property, plant and equipment, land use rights, inventories, trade receivables, equity interests of certain subsidiaries and/or guaranteed by Triumph Group Company or a director of the Company, RMB330.3 million was pledged by bank bills);
- other loans from financial institution and third parties of approximately RMB1,222.5 million (of which RMB1,222.3 million was secured by the Group's property, plant and equipment and/or guaranteed by Triumph Group Company or a director of the Company, RMB0.2 million was unsecured and unguaranteed) and from Triumph Group Company of approximately RMB160.0 million, all of which was unsecured and unguaranteed;
- convertible bonds of approximately RMB16.0 million (liability component); and
- lease liabilities of approximately RMB38.5 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 November 2020, the Group did not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages or charges, material contingent liabilities or guarantees outstanding.

5. MATERIAL CHANGE

References are made to the profit warning announcement of the Company dated 13 August 2020 (the “**Profit Warning Announcement**”) and the 2020 Interim Report of the Company, which disclosed that the Company recorded a loss attributable to equitable shareholders of the Company of approximately RMB248 million for the first six months ended 30 June 2020 as compared to a profit of approximately RMB58 million during the corresponding period in 2019, mainly attributable to the combined effects of, among others, (i) a net gain amounting to approximately RMB194 million during the corresponding period in 2019 from the government compensation for relocation of production plants but no such event happened during the six months ended 30 June 2020; and (ii) the amount of impairment losses recognised on the Group’s trade and other receivables increased to approximately RMB118 million as compared to approximately RMB4 million for the corresponding period in 2019, which was mainly due to the outbreak of the novel coronavirus (“**COVID-19**”) which affected the repayment abilities of the Group’s debtors.

As disclosed in the Profit Warning Announcement, except for the above-mentioned impacts, the Group’s business operations continued to run steadily and the Group recorded an increase in both sales volume and gross profit for the six months ended 30 June 2020 as compared to the corresponding period in 2019. As the sales volume of glass products of the Company has reached approximately 32.2 million weight cases for the 11 months ended 30 November 2020, representing an increase of approximately 20.7% as compared to the corresponding period in 2019 and there were no significant disruptions to the Group’s operations and business in 2020, the Company considers that the impact caused by the outbreak of the COVID-19 on the Group could be temporary.

Save as disclosed in the 2020 Interim Report, the Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2019, being the date on which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statements in this Response Document misleading.

The information contained in this Response Document relating to the Offeror and parties acting in concert with it and the terms of the Offers have been extracted or derived from the Offer Document. The Directors jointly and severally accept full responsibility for the correctness and fairness of the reproduction and representation of such information but accept no further responsibility in respect of such information.

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.05 each as at the Latest Practicable Date were as follows:

<i>Authorised</i>	<i>HK\$</i>
3,600,000,000 Shares	180,000,000
<i>Issued</i>	
<u>1,810,147,058</u> Shares	<u>90,507,352.90</u>

All issued Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital. Since 31 December 2019, being the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, the Company has not issued any Shares.

Other than the Shares in issue, as at the Latest Practicable Date, the Company has 30,060,000 outstanding Share Options with rights to subscribe for a total of 30,060,000 new Shares, the Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

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; or (iv) required to be disclosed pursuant to the requirements of the Takeovers Code were as follows:

Name of Director/ chief executive	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares ⁽¹⁾	Approximate percentage of Shareholding ⁽³⁾
Mr. Cui Xiangdong	the Company	Beneficial owner and interest in a controlled corporation	19,532,000 (L) ⁽²⁾	1.08%
Mr. Zhou Cheng	the Company	Beneficial owner	22,672,633 (L)	1.25%
Mr. Lyu Guo	the Company	Beneficial owner	8,412,096 (L)	0.46%

Notes:

- The letter “L” denotes the Director and chief executive’s long position in such securities.
- 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, and 2,732,000 Shares acquired by Twinkle Fame under the share award scheme of the Company.
- It included Mr. Lyu Guo’s interests in 7,012,096 Shares and share options to subscribe for 1,400,000 Shares under the Share Option Scheme.
- Based on the total number of issued Shares of 1,810,147,058 as at the Latest Practicable Date.

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; or (iv) required to be disclosed pursuant to the requirements of the Takeovers Code.

Interests of the Company and the Directors in the Relevant Securities of the Company

As at the Latest Practicable Date, save for the Shares and Share Options held by the Directors as disclosed in the paragraph headed “3. Disclosure of Interests” in this Appendix, neither the Company nor any of its Directors have any interest in the Relevant Securities of the Company, and, save as the redemption by the Company of the outstanding Convertible Bonds with the principal amount of US\$2,500,000 on 2 January 2021, no such person (including the Company) had dealt in the Relevant Securities of the Company during the Relevant Period.

Interests of the Company and the Directors in the Relevant Securities of the Offeror

As at the Latest Practicable Date, neither the Company nor any of its Directors have any interest in the Relevant Securities of the Offeror, and no such person (including the Company) had dealt in the Relevant Securities of the Offeror during the Relevant Period.

4. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date:

- (a) the Company did not have any beneficial interest in the shares, convertible securities, warrants, options of the Offeror or any derivatives in respect of such securities, and the Company had not dealt for value in any shares, convertible securities, warrants, options of the Offeror or any derivatives in respect of such securities during the Relevant Period;

- (b) no Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities were owned or controlled by a pension fund of the Company or of a subsidiary of the Company, or by a person who is presumed to be “acting in concert” with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code but excluding exempt principal traders and exempt fund managers, and none of them had dealt in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (c) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (d) no Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities were managed on a discretionary basis by any fund managers (other than exempt fund managers) connected with the Company, and none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;
- (e) Mr. Cui Xiangdong and Mr. Zhou Cheng, being the only Directors with interests in the Company, each had indicated that they intend to reject the Offers in respect of the Shares held by them;
- (f) no shareholdings in the Company had been borrowed or lent by the Company or any Directors, save for any borrowed shares which have been either on-lent or sold;
- (g) no benefit was or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (h) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers; and
- (i) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

5. LITIGATION

As at the Latest Practicable Date, none of the the Company or its associates was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

As at the Latest Practicable Date, no contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the Company or any of its subsidiaries within the two years preceding the commencement of the Offer Period and ending on the Latest Practicable Date, which are or may be material in relation to the business of the Company as a whole.

7. EXPERT AND CONSENT

The following are the qualifications of the expert contained in this Response Document:

Name	Qualification
Octal Capital Limited	a corporation licensed 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 to the Independent Board Committee in respect of the Offers

Octal Capital has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its letter or report and the reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, Octal Capital does 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.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.chinaglassholdings.com); (ii) on the website of the SFC (www.sfc.hk); and (iii) 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 during normal business hours from 9:30 a.m. to 6:00 p.m. from the date of this Response Document up to and including the Closing Date or the date on which the Offers lapse or are withdrawn (whichever is earlier) (except for Saturdays, Sundays and public holidays):

- (a) the memorandum of association and the bye-laws of the Company currently in force;
- (b) the annual reports of the Company for each of the financial years ended 31 December 2019 and 31 December 2018;
- (c) the interim reports of the Company for each of the six months ended 30 June 2020 and 30 June 2019;
- (d) the letter from the Board, the text of which is set out on pages 7 to 27 of this Response Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 28 and 29 of this Response Document;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out on pages 30 to 65 of this Response Document;
- (g) the written consent referred to under the paragraph headed "Expert and Consent" in this Appendix II; and
- (h) the Undertakings from each of Triumph Science & Technology Group Company Limited* (凱盛科技集團有限公司), China Triumph International Investment Company Limited, First Fortune Enterprises Limited, Mei Long Developments Limited, Elite World Investments Limited, Mr. Cui Xiangdong, Twinkle Fame Limited, Mr. Zhou Cheng and Mr. Lyu Guo.

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong is located at Unit 2608, 26/F., West Tower, Shun Tak Centre, 168-200 Connaught Road, Central, Hong Kong.
- (b) The registered office of Octal Capital Limited is situated at 801-805, 8/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (c) The English text of this Response Document shall prevail over their respective Chinese text in case of inconsistency.