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



CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

CONTINUING CONNECTED TRANSACTION – NEW PROCUREMENT FRAMEWORK AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

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



A notice convening the Special General Meeting of China Glass Holdings Limited (the “SGM”) to be held on Monday, 19 December 2022 at 10:30 a.m. or immediately after the conclusion of the special general meeting of the Company to be held on the same day at 10:00 a.m. and at the same location (or at any adjournment thereof) with the combination of an in-room meeting at Floor 2, Block 1, No. 66 Sibo Road, Sijing Town, Songjiang District, Shanghai 201601, the People’s Republic of China and an online virtual meeting is set out on pages 48 to 51 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.chinaglassholdings.com).

Whether or not shareholders are able to attend the physical or online SGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM (i.e. not later than 10:30 a.m. on Saturday, 17 December 2022) or at any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting either in person or online at the SGM, or any adjourned meeting if they so wish.

Precautionary measures and special arrangements for the SGM

Considering the outbreak of the coronavirus (“COVID-19”), certain measures will be implemented at the SGM venue with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to wear face masks prior to admission to the SGM venue and throughout the SGM; and (ii) no provision of refreshments, refreshment packs, drinks and corporate gifts.

The Company reminds attendees that they should carefully consider the risks of attending the physical SGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights; and strongly recommends that shareholders appoint the Chairman of the SGM as their proxy and submit their form of proxy by the time specified above or participate in the SGM using the online platform.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the SGM (if any).

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

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

30 November 2022

* For identification purpose only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
GUIDANCE NOTES FOR THE SPECIAL GENERAL MEETING	5
LETTER FROM THE BOARD	7
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	19
LETTER FROM THE IFA	21
APPENDIX – GENERAL INFORMATION	44
NOTICE OF SPECIAL GENERAL MEETING	48

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 21 October 2022 in relation to, among other things, the New Procurement Framework Agreement
“Annual Caps”	the maximum aggregate annual value projected for the years ending 31 December 2023, 31 December 2024 and 31 December 2025 in respect of the transactions contemplated under the New Procurement Framework Agreement
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company currently in force
“China Glass Investment”	China Glass Investment Limited* (中玻投資有限公司), a limited liability company incorporated under the Laws of the PRC and an indirect wholly-owned subsidiary of the Company
“CNBM Group Corporation”	China National Building Materials Group Co., Ltd.* (中國建材集團有限公司), a limited liability company incorporated under the Laws of the PRC and a PRC’s state-owned enterprise
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“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)
“Director(s)”	the director(s) of the Company
“Existing Procurement Framework Agreement”	the procurement framework agreement entered into between China Glass Investment and Huaguang Group on 25 October 2019 in relation to the procurement of Raw and Fuel Materials for the manufacturing of glass products carried out by the Group for the years ended 31 December 2020, 2021 and 2022

DEFINITIONS

“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huaguang Group”	Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.* (安徽華光光電材料科技集團有限公司), a limited liability company incorporated under the Laws of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the New Procurement Framework Agreement and the Annual Caps
“IFA” or “Octal Capital Limited”	Octal Capital Limited, independent financial adviser, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the IFA appointed to advise the Independent Board Committee and the Independent Shareholders on the New Procurement Framework Agreement and the Annual Caps
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution to be proposed at the SGM under the Bye-Laws and the Listing Rules
“Independent Third Party(ies)”	a party(ies) who is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and the connected person(s) of the Company
“Latest Practicable Date”	24 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Procurement Framework Agreement”	the procurement framework agreement entered into between China Glass Investment and Huaguang Group on 21 October 2022 in relation to the procurement of Raw and Fuel Materials for the manufacturing of glass products carried out by the Group
“Non-Registered Shareholder(s)”	the non-registered holder(s) of the Company, whose shares are held in the CCASS and who has notified the Company from time to time through HKSCC that they wish to receive the Company’s corporate communications
“PRC”	The People’s Republic of China (excluding, for the purpose of this circular, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan)
“Raw and Fuel Materials”	various types of raw and fuel materials which are commonly used and essential for the production of glass products, including but not limited to silica sand and soda ash
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong as amended, supplemented or otherwise modified from time to time
“SGM” or “Special General Meeting”	the special general meeting of the Company to be held on Monday, 19 December 2022 at 10:30 a.m. or immediately after the conclusion of the special general meeting of the Company to be held on the same day at 10:00 a.m. and at the same location (or at any adjournment thereof) with the combination of an in-room meeting at Floor 2, Block 1, No. 66 Sibou Road, Sijing Town, Songjiang District, Shanghai 201601, the People’s Republic of China and an online virtual meeting for the Independent Shareholders to consider and approve the resolution set out in the SGM Notice
“SGM Notice”	the notice convening the SGM as set out on pages 48 to 51 of this circular
“Share(s)”	ordinary share(s) of par value HK\$0.05 each in the issued share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Triumph Group Company”	Triumph Science & Technology Group Co., Ltd.* (凱盛科技集團有限公司), a limited liability company incorporated under the Laws of the PRC, a substantial Shareholder and a wholly-owned subsidiary of CNBM Group Corporation
“%”	per cent.

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

* For identification purpose only

GUIDANCE NOTES FOR THE SPECIAL GENERAL MEETING

HYBRID SGM

The Special General Meeting will be in the form of a hybrid meeting. In addition to the traditional physical attendance at the SGM, Shareholders have the option of attending, participating and voting in the SGM through online access by visiting the website at https://meetings.computershare.com/CNG_2022SGM2 (the “**Online Platform**”). Shareholders participating in the SGM using the Online Platform will also be counted towards the quorum and you will be able to cast your votes and submit questions relevant to the proposed resolution through the Online Platform.

ATTENDING THE SGM BY MEANS OF ELECTRONIC FACILITIES

Shareholders attending the SGM using the Online Platform are expected to have a reliable and stable internet connection that can support audio live streaming and be able to follow the SGM proceedings in order to cast the votes and submit questions online. If for any reasons the internet connection is lost or interrupted, it may affect the ability of the Shareholders to follow the SGM proceedings. Any missed contents as a result of connection issues arise from the Shareholders will not be repeated. Each set of Shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at a time only. If Shareholders experience any technical difficulties or require assistance while using the Online Platform, please contact the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at (852) 2862 8689 from 9:00 a.m. until the end of the SGM (Hong Kong Time) on the date of the SGM. Please note that Shareholders’ votes on the proposed resolution cannot be recorded at, or taken by, Computershare’s service hotline. In the event of Shareholders have any concerns or issues attending the physical SGM or using the Online Platform, Shareholders are encouraged appointing the Chairman of the SGM as your proxy to exercise your voting rights.

The Online Platform will be open to registered Shareholders (the “**Registered Shareholders**”) and Non-Registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the SGM and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

Login details for Registered Shareholders

Details regarding the arrangements of the SGM, including login details to access the Online Platform and online voting, are included in the Company’s notification letter to Registered Shareholders to be despatched on Wednesday, 30 November 2022.

GUIDANCE NOTES FOR THE SPECIAL GENERAL MEETING

Login details for Non-Registered Shareholders

Non-Registered Shareholders who wish to attend and participate in the SGM using the Online Platform should liaise with your bank(s), broker(s), custodian(s), nominee(s) or HKSCC Nominees Limited through which your shares are held (collectively, the “**Intermediaries**”) and provide your email addresses to your Intermediaries. Details regarding the arrangements of the SGM, including login details to access the Online Platform and online voting, will be sent by Computershare to the email addresses provided by the Non-Registered Shareholders.

Our step-by-step “Online User Guide for the Special General Meeting to be held on Monday, 19 December 2022 at 10:30 a.m.” can be found on “General Meetings” under “Investor Relations” section on the Company’s website (www.chinaglassholdings.com).

QUESTIONS RELATING TO THE ARRANGEMENTS OF THE HYBRID SGM

For enquiries, please contact Computershare in person, by phone or online form:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

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. Lyu Guo (*Chief Executive Officer*)

Non-executive Directors

Mr. Peng Shou (*Chairman*)

Mr. Zhao John Huan

Mr. Zhang Jinshu

Independent Non-executive Directors

Mr. Zhang Baiheng

Mr. Wang Yuzhong

Mr. Chen Huachen

Registered Office:

Canon's Court

22 Victoria Street

Hamilton, HM 12

Bermuda

Principal Place of Business in Hong Kong:

Unit 2608, 26/F., West Tower

Shun Tak Centre

168-200 Connaught Road

Central

Hong Kong

30 November 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION –
NEW PROCUREMENT FRAMEWORK AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

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

* For identification purpose only

LETTER FROM THE BOARD

BACKGROUND

Reference is made to the announcement of the Company dated 25 October 2019 in relation to, among other things, the Existing Procurement Framework Agreement entered into between China Glass Investment and Huaguang Group.

As the Existing Procurement Framework Agreement will expire on 31 December 2022, China Glass Investment had, on 21 October 2022, entered into the New Procurement Framework Agreement with Huaguang Group, pursuant to which China Glass Investment engaged Huaguang Group to procure Raw and Fuel Materials for the manufacturing of glass products carried out by the Group for a term of three years ending 31 December 2023, 2024 and 2025.

THE NEW PROCUREMENT FRAMEWORK AGREEMENT

Date

21 October 2022

Parties

- (1) China Glass Investment, as the purchaser
- (2) Huaguang Group, as the supplier

Scope of services

Pursuant to the New Procurement Framework Agreement, Huaguang Group agrees to carry out procurement through tender of Raw and Fuel Materials for the manufacturing of glass products carried out by the Group. The service is for a term of three years, starting from 1 January 2023 to 31 December 2025.

The New Procurement Framework Agreement provides certain terms and conditions for China Glass Investment's purchase of Raw and Fuel Materials from Huaguang Group such as pricing, documentations relating to the tender results to be supplied to China Glass Investment, procurement and payment terms, packaging requirements and quality standards. Individual purchase orders will be entered into between China Glass Investment and Huaguang Group for each individual purchase.

Pricing

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

LETTER FROM THE BOARD

Payment terms

The tender results of the supplier(s) will be shared by Huaguang Group with the Group and will contain the deadline for Huaguang Group to pay its suppliers. China Glass Investment will separately agree with Huaguang Group on the payment method and payment deadline for each purchase order after considering the procurement plan and cash flow of the Group. If China Glass Investment requires a credit period from Huaguang Group to settle the payment beyond the agreed date (generally within three months), a capital utilisation fee of 1% to 3% of the purchase price will be chargeable by Huaguang Group based on the length of the credit period as set out below:

Credit period	Percentage of purchase price
Within 30 days	1%
More than 30 days but within 60 days	2%
More than 60 days but within 90 days	3%

The interest rate chargeable by Huaguang Group is determined with reference to a combination of the loan prime rate in the PRC and the interest rate for capital utilisation fee charged by suppliers in the industry for the supply of similar fuel and raw materials to the Group. China Glass Investment can decide whether or not to request for a credit period from Huaguang Group. During the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, no such capital utilisation fee had been charged to China Glass Investment by Huaguang Group. Based on the above, the Directors are of the view that the payment terms (including the interest rates chargeable by Huaguang Group) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The New Procurement Framework Agreement is conditional upon (i) the execution of the New Procurement Framework Agreement; (ii) obtaining the approvals from relevant authorities of the parties; and (iii) obtaining all other requisite approvals and compliance with all relevant laws and regulations (including the approval of the Independent Shareholders at a general meeting). Save for the approval of the Independent Shareholders at the SGM, all other conditions precedent to the New Procurement Framework Agreement have been satisfied as at the Latest Practicable Date.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

Historical transaction amounts

The (i) historical transaction amounts pursuant to the Existing Procurement Framework Agreement for the years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022; (ii) annual caps for the Existing Procurement Framework Agreement; and (iii) utilisation rates of the abovementioned annual caps are set out below:

	For the year ended		For the nine
	31 December		months ended
	2020	2021	30 September
	<i>(million RMB)</i>	<i>(million RMB)</i>	<i>(million RMB)</i>
Historical transaction amounts pursuant to the Existing Procurement Framework Agreement	387	633	337

	For the year ended		For the
	31 December		year ending
	2020	2021	31 December
	<i>(million RMB)</i>	<i>(million RMB)</i>	<i>(million RMB)</i>
Annual caps for the Existing Procurement Framework Agreement	890	900	980
Utilisation rate	43.5%	70.4%	34.4% ^(Note)

Note: Only takes into account the historical transaction amounts up to 30 September 2022.

The low utilisation rate of the annual caps for the Existing Procurement Framework Agreement during the year ended 31 December 2020 and the nine months ended 30 September 2022 were mainly due to: (i) the Group purchased a lesser amount of soda ash and silica sand from Huaguang Group as independent suppliers offered more competitive pricing than the prices obtained by Huaguang Group in more occasions in 2020 and the nine months ended 30 September 2022; (ii) the Group purchased a higher amount of soda ash and silica sand from Huaguang Group due to more competitive pricing obtained by Huaguang Group in more occasions in 2021; (iii) an increase in production capacity of the Group in 2021 as compared to 2020; (iv) the scheduled cold repair of certain float glass production lines in 2021 was delayed to early 2022, causing a decrease in the production capacity of the Group during the first nine months of 2022; and (v) the current utilisation rate for the annual cap for the Existing Procurement Framework Agreement for the year ending 31 December 2022 only takes into account the transaction amounts for the nine months ended 30 September 2022.

LETTER FROM THE BOARD

Annual Caps

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

	For the year ending 31 December 2023 <i>(million RMB)</i>	For the year ending 31 December 2024 <i>(million RMB)</i>	For the year ending 31 December 2025 <i>(million RMB)</i>
Annual Caps	1,240	1,200	1,200

The Annual Caps are determined based on the following factors, including:

- (i) historical transaction amounts pursuant to the Existing Procurement Framework Agreement and the proportion of Raw and Fuel Materials purchased by the Group from Huaguang Group during the two years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022, as compared to total amount of Raw and Fuel Materials purchased by the Group during the same period;
- (ii) the anticipated demand of the Group for each type of the Raw and Fuel Materials under the New Procurement Framework Agreement calculated based on the production plan and product mix of the Group (which takes into account the production output and long term cold repair plan of each production line of the Group as each cold repair, depending on the magnitude, takes approximately two to eight months to complete, during which the relevant production line is unable to continue production, causing a huge impact on the production output of the relevant production line and the Group as a whole and, by extension, the amount of Raw and Fuel Materials required by the Group for production during the period) and the procurement plan of the Group (which takes into account factors such as the estimated amount of Raw and Fuel Materials required to fulfill the production plan of the Group, the diversification of procurement sources and the geographical proximity of each production plant and its suppliers); and
- (iii) the forecasted costs of the Raw and Fuel Materials (which takes into account the Group's historical procurement price and recent increasing pricing trend). The market price of the Raw and Fuel Materials has been subject to a steep increasing trend and fluctuating at a high price level in the past three years.

LETTER FROM THE BOARD

The increase in the Annual Caps as compared to the historical transaction amounts under the Existing Procurement Framework Agreement was mainly due to: (i) the expected increase in the overall production capacity of the Group in the next three years, taking into account the new float glass production line in Kazakhstan recently commenced production in October 2022 and the expected commencement of production of a new photovoltaic glass production line in 2023; (ii) as the Group can choose whether or not to purchase Raw and Fuel Materials from Huaguang Group based on the prices quoted by Huaguang Group and other independent suppliers, the Group did not fully utilise the annual caps for the Existing Procurement Framework Agreement as a result of competitive pricing quoted by independent suppliers from time to time; and (iii) the increase in market price of Raw and Fuel Materials.

Based on the factors mentioned above, the Directors are of the view that the Annual Caps are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROL MEASURES

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

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

LETTER FROM THE BOARD

- (ii) before a new purchase order is placed, the strategic procurement department of the Group will obtain the prevailing market price of the Raw and Fuel Materials which is collected and recorded on a daily basis from various sources such as online public market information platforms (such as Oilchem (隆眾), a leading provider of fuel and chemical market information and price in the PRC, Chem99 (卓創資訊化工), the chemical section of Sublime China Information (卓創資訊) a leading commodities market information platform in the PRC and BaiInfo (百川盈孚), a leading commodities market information provider in the PRC), quotes from at least three independent suppliers and market intelligence exchange with suppliers and other glass manufacturers to compare with the price quoted by Huaguang Group;
- (iii) in relation to the purchase of products from Huaguang Group under the New Procurement Framework Agreement, the pricing is determined at an actual cost basis. The strategic procurement department shall request Huaguang Group to provide it with the relevant records of the purchase cost of the products incurred by Huaguang Group so as to ensure that the pricing mechanisms under the New Procurement Framework Agreement have been properly complied with;
- (iv) the strategic procurement department of the Group will prepare a quarterly report on the connected transaction under the New Procurement Framework Agreement to the continuing connected transaction monitoring committee of the Group (consisting of the chief executive officer, chief financial officer, and the head of investment management department, financial management department, production technology department, sales & marketing department and strategic procurement department of the Group) to assess if the continuing connected transaction has been in compliance with the internal procedures regarding continuing connected transactions and the terms of the New Procurement Framework Agreement; and
- (v) the Independent Non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions contemplated under the New Procurement Framework Agreement every year in accordance with the requirements of the Listing Rules.

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

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE NEW PROCUREMENT FRAMEWORK AGREEMENT

Raw and Fuel Materials, including but not limited to silica sand and soda ash are essential for the Group's production of glass products, and Huaguang Group also procures Raw and Fuel Materials in large scale. Whilst the Group has been able to lower its purchase prices due to large-scale procurement, by combining the procurement demand for Raw and Fuel Materials of the Group and Huaguang Group, the suppliers may potentially offer even more competitive raw material prices than those offered to the Group when the Group is purchasing alone. The Group has been continuously reviewing and exploring for methods to optimize its procurement strategy to manage its procurement costs and establishing a business relationship with Huaguang Group is one of the methods considered by the Group which became available after business discussions between Huaguang Group and the Group.

In respect of the procurement of Raw and Fuel Materials, the Group is not materially reliant on Huaguang Group as: (i) the Annual Caps for the years ending 31 December 2023, 2024 and 2025 are equal to less than 50% of the total purchase amount of Raw and Fuel Materials by the Group for the latest financial year ended 31 December 2021; (ii) the New Procurement Framework Agreement does not contain any minimum purchase commitment and the Group can decide whether or not to procure Raw and Fuel Materials through Huaguang Group after assessing the procurement costs and other considerations such as the procurement strategy of the Group; (iii) the Raw and Fuel Materials are items that are readily available in the market and the Group will be able to purchase Raw and Fuel Materials from other suppliers if Huaguang Group ceases to supply to the Group; and (iv) the Group will continue to procure a substantial amount of Raw and Fuel Materials from various suppliers and maintain close business relationships with such suppliers.

The Group has existing internal policies in place to ensure the Group does not have any material reliance on a single supplier, such as requirements to maintain at least two to three sources of supply for each type of major fuel or raw materials. For example, during the year ended 31 December 2021, the Group had maintained business relationships with over five independent suppliers for soda ash and over ten independent suppliers for silica sand, both of which are major raw materials of the Group. The Group's strategic procurement department will continue to constantly review the procurement plan and procurement status of Group to ensure compliance with the Group's internal policies and long-term sustainability of the Group and avoid any reliance on a single supplier (such as Huaguang Group).

LETTER FROM THE BOARD

INFORMATION ABOUT THE RELEVANT PARTIES

The Company and the Group

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

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

Huaguang Group

Huaguang Group is a direct wholly-owned subsidiary of Triumph Group Company, which is a substantial Shareholder holding approximately 22.68% of the Company's total issued shares.

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

LISTING RULES IMPLICATIONS

Triumph Group Company, a substantial Shareholder, is a connected person of the Company under the Listing Rules. Huaguang Group is an associate of Triumph Group Company under the Listing Rules. Accordingly, the New Procurement Framework Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

LETTER FROM THE BOARD

THE SPECIAL GENERAL MEETING AND PROXY ARRANGEMENT

In accordance with the requirements of the Listing Rules, the SGM will be convened by the Company with a view to seek approval of the Independent Shareholders for the New Procurement Framework Agreement and the Annual Caps.

The Independent Board Committee has been established to, taking into account the recommendations of the IFA, consider the New Procurement Framework Agreement and the Annual Caps, and advise the Independent Shareholders. Octal Capital Limited has been appointed by the Company as its IFA to recommend the Independent Board Committee and the Independent Shareholders in respect of the above matters.

As Huaguang Group, being the contracting party to the New Procurement Framework Agreement, is an associate of Triumph Group Company under the Listing Rules, Triumph Group Company and its associates will abstain from voting on the resolution to be proposed at the SGM to be convened for approving the New Procurement Framework Agreement and the Annual Caps. As at the Latest Practicable Date, to the best knowledge of the Directors, Triumph Group Company and its associates together held 416,424,621 Shares, representing approximately 22.68% of the issued share capital of the Company.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in the SGM Notice will be decided by poll. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under the Listing Rules. The SGM Notice is set out on pages 48 to 51 of this circular.

A form of proxy for use in connection with the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.chinaglassholdings.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for the SGM (i.e. not later than 10:30 a.m. on Saturday, 17 December 2022) or at any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholder(s) from attending and voting either in person or online at the SGM or any adjournment thereof if they so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Register of Members of the Company on Monday, 19 December 2022 are entitled to attend and vote either in person or online at the SGM. For ascertaining Shareholders' entitlement to attend and vote either in person or online at the SGM, the Register of Members of the Company will be closed from Wednesday, 14 December 2022 to Monday, 19 December 2022, both days inclusive. In order to be eligible to attend and vote either in person or online at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 13 December 2022.

RECOMMENDATION

Mr. Peng Shou ("**Mr. Peng**"), the chairman and a Non-executive Director of the Company, is the legal representative and chairman of the board of Triumph Group Company; and Mr. Zhang Jinshu ("**Mr. Zhang**"), a Non-executive Director of the Company, is the director of the securities department of Triumph Group Company. Although Mr. Peng and Mr. Zhang have no material interest in the New Procurement Framework Agreement, they have abstained from voting in the relevant Board's resolutions approving the New Procurement Framework Agreement for better corporate governance practice.

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

Your attention is drawn to the letter from the Independent Board Committee containing its opinion on the New Procurement Framework Agreement and the Annual Caps, and its recommendation as set out on pages 19 to 20 of this circular, and the letter from the IFA to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 43 of this circular in connection with its opinion on the New Procurement Framework Agreement and the Annual Caps, the key assumptions made, and the principal factors and reasons considered by the IFA in arriving at such recommendations.

The Independent Board Committee, having taken into account the recommendations of the IFA, is of the view that entering into the New Procurement Framework Agreement is in the ordinary and usual course of business of the Group, and in the interest of the Company and the Shareholders as a whole; and the terms and conditions of the New Procurement Framework Agreement and the Annual Caps are on normal commercial terms, fair and reasonable.

LETTER FROM THE BOARD

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the New Procurement Framework Agreement and the Annual Caps.

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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:

Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

Principal Place of Business in Hong Kong:

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

30 November 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION –
NEW PROCUREMENT FRAMEWORK AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated 30 November 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Octal Capital Limited has been appointed to act as the IFA to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the New Procurement Framework Agreement and the Annual Caps. The text of the letter from the IFA containing their opinion and recommendations, the reasons for their opinion, the key assumptions made and the principal factors that they have taken into consideration in arriving at their recommendations are set out from pages 21 to 43 of the Circular.

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

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Zhang Baiheng

Mr. Wang Yuzhong

Mr. Chen Huachen

Independent Non-executive Directors

* *For identification purpose only*

LETTER FROM THE IFA

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



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

30 November 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTION – CHINA GLASS PROCUREMENT FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Procurement Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 30 November 2022 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

As the Existing Procurement Framework Agreement will expire on 31 December 2022, China Glass Investment had, on 21 October 2022, entered into the New Procurement Framework Agreement with Huaguang Group, pursuant to which China Glass Investment engaged Huaguang Group to procure Raw and Fuel Materials for the manufacturing of glass products carried out by the Group for a term of three years ending 31 December 2023, 2024 and 2025.

As at the Latest Practicable Date, Triumph Group Company, a substantial Shareholder, is a connected person of the Company under the Listing Rules. Huaguang Group is an associate of Triumph Group Company under the Listing Rules. Accordingly, the New Procurement Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

LETTER FROM THE IFA

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

We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Group or Huaguang Group or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders.

During the last two years, we were engaged as an independent financial adviser to the Company (the “**Previous Engagements**”) in respect of (i) the discloseable and connected transaction in relation to the engineering contracts entered into between Jiangsu SHD New Materials Company Limited and China Building Materials International Engineering Group Co., Ltd. and the connected transactions in relation to the two supply contracts entered into between Olivotto Glass Technologies S.p.A. (“**Olivotto**”) and Triumph Junheng Co., Ltd. and one supply contract entered between Olivotto and (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd., details of which were stated in the circular of the Company dated 4 November 2020; and (ii) the voluntary conditional cash offers by Lego Securities Limited and DBS Asia Capital Limited for and on behalf of Unified Group Investments Limited (the “**Offeror**”) to acquire all the issued shares and all the outstanding convertible bonds of the Company (other than those already owned or agreed to be acquired by the Offeror) and to cancel all the outstanding share options of the Company, details of which were stated in the circular of the Company dated 7 January 2021. 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 payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Group or Huaguang Group or any of their respective subsidiaries or associates.

LETTER FROM THE IFA

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the New Procurement Framework Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice, among other things, (i) the New Procurement Framework Agreement; (ii) the announcement in relation to the Existing Procurement Framework Agreement dated 25 October 2019; (iii) the circular in relation to the Existing Procurement Framework Agreement dated 3 December 2019 (the “**Existing Procurement Framework Agreement Circular**”); (iv) a list of estimated purchase of Raw and Fuel Materials; (v) expected operating schedule; (vi) samples of reference documents referred by the Company in determining the Annual Caps; (vii) the annual report for the year ended 31 December 2021 and the interim report for the six months ended 30 June 2022; (viii) internal control policies governing the connected transactions of the Company; and (ix) other information as set out in the Circular. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Huaguang Group and their respective associates, nor have we carried out any independent verification of the information supplied to us.

LETTER FROM THE IFA

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the New Procurement Framework Agreement and the Annual Caps, we have considered the following principal factors and reasons:

1. BACKGROUND INFORMATION ON THE PARTIES

The Company and the Group

The Company is an investment holding company. The Group is one of China's leading manufacturers of flat glass, specialised in the research and development, manufacturing and selling of a variety of building coated glass, energy-efficient and environmental-friendly glass and new-energy products, in which it occupies a leading technological position. The Group currently has 14 float glass production lines, with a daily melting capacity of 7,400 tonnes. Out of the 14 float glass production lines, a new float glass production line with daily melting capacity of 500 tonnes in Kazakhstan recently commenced production in October 2022. In addition, the Group expect a photovoltaic glass production line to commence production in 2023 with a daily melting capacity of 1,000 tonnes.

The table below summarises the major items of the financial information of the Group for the two years ended 31 December 2020 and 2021 (“**FY2020**” and “**FY2021**”, respectively) as extracted from the annual report of the Company for FY2021 (the “**2021 Annual Report**”) and for the six months ended 30 June 2021 and 2022 (“**1H2021**” and “**1H2022**”, respectively) as extracted from the interim report of the Company for 1H2022 (the “**2022 Interim Report**”).

	FY2020	FY2021	1H2021	1H2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Clear glass products	1,368	2,688	979	1,037
Painted glass products	444	639	321	247
Coated glass products	811	1,048	425	508
Energy saving and new energy glass products	402	472	233	131
Design and installation service	134	218	67	139
Total revenue	3,159	5,065	2,025	2,062
Gross profit	739	1,734	715	426
(Loss)/Profit for the year/period attributable to equity shareholders of the Company	(85)	736	273	116

Source: 2021 Annual Report and 2022 Interim Report

LETTER FROM THE IFA

FY2021 vs FY2020

The revenue of the Group increased from approximately RMB3,159 million for FY2020 to approximately RMB5,065 million for FY2021, representing an increase of approximately RMB1,906 million or approximately 60.3%. The increase in revenue was mainly attributable to the increase in the market price of glass in 2021 and an increase of sales volume as compared to 2020. In particular, revenue from clear glass products contributed the largest part of the total revenue to the Group amounted to approximately RMB2,688 million in FY2021, representing an increase of approximately 96.5% as compared to that for FY2020. The gross profit of the Group increased from approximately RMB739 million for FY2020 to approximately RMB1,734 million for FY2021, representing an increase of approximately RMB995 million or 134.6%. The increase in gross profit of the Group was mainly due to the increase in gross profit margin of the glass products.

The profit for the year attributable to equity shareholders of the Company increased significantly from a loss for the year attributable to equity shareholders of the Company of approximately RMB85 million for FY2020 to a profit for the year attributable to equity shareholders of the Company of approximately RMB736 million for FY2021, representing an increase of approximately RMB821 million or 965.9%. The increase was mainly due to (i) the strong performance of the glass market which increased the Group's average selling price, sales volume and the gross profit margin; (ii) the increase in the Group's effective production capacity promoted the growth of economies of scale; and (iii) the optimisation and improvement of the Group's internal management level which effectively control the growth of various costs and expenses of the Group.

1H2021 vs 1H2022

The revenue of the Group slightly increased from approximately RMB2,025 million for 1H2021 to approximately RMB2,062 million for 1H2022, representing an increase of approximately RMB37 million or approximately 1.8%. The increase in revenue was mainly attributable to the increase in average unit selling price offset by the decrease in sale volume of glass products during 1H2022. Revenue from clear glass products remains as the largest part of the total revenue to the Group amounted to approximately RMB1,037 million in 1H2022, representing approximately 50.3% of the total revenue of the Group. The gross profit of the Group decreased from approximately RMB715 million for 1H2021 to approximately RMB426 million for 1H2022, representing a decrease of approximately RMB289 million or 40.4%. The decrease in gross profit was mainly due to the increase in the unit cost of raw materials and fuels.

LETTER FROM THE IFA

The profit for the year attributable to equity shareholders of the Company decreased from approximately RMB273 million for 1H2021 to approximately RMB116 million for 1H2022, representing a decrease of approximately RMB157 million or 57.5%. The decrease was mainly due to (i) the decrease in gross profit; and (ii) the increase in administrative expenses.

Prospects and industry overview of the Group

According to the 2022 Interim Report, in the first half of 2022, the Group produced approximately 21.17 million and sold 16.52 million weight cases of various types of glass products, representing an increase of 20% and a decrease of 3%, respectively, compared with the same period of last year, with a consolidated average selling price of approximately RMB116.4 per weight case, representing an increase of 1% compared with the same period of last year. In terms of raw materials, the overall demand in the domestic soda ash market remained resilient, the rate of operation of soda ash enterprises fluctuated within a narrow range, and the market price continued to rise. In terms of mineral raw materials, due to the continued national environmental protection and safety supervision, rectification works and the high cost and standard of raw ore mining, the domestic mineral resources market was in short supply and the price of quartz sand remained at a high level.

In the second half of 2022, in light of the increased downward pressure on the world economy, the International Monetary Fund lowered the value of economic growth forecast by 0.4% to 3.2%. With the effective control of the domestic epidemic and the steady implementation of macro support policies, the PRC's economy is expected to reflect a steady recovery. In the second half of the year, the glass industry will enter the traditional peak season. Under the influence of the national "double carbon" initiative and relevant policies such as "guaranteeing the delivery of buildings and stabilising people's livelihood", the market demand for new energy glass is expected to rebound. In addition, as the supply-side cold-repair is expected to reach the peak, the glass price may usher in a rebound. However, the frequent mutation of the COVID-19, the lack of fundamental relief of geopolitical conflicts, and the overall rise in commodity prices brought about by global inflation will still pose challenges to the development of the glass industry. In view of the price of the raw materials, it is expected that the domestic price of soda ash will fluctuate upward; and that the prices of quartz sand and other mineral raw materials will stabilise at a high level due to the support of the mining cost. On the other hand, the price of fuels is expected to drop slightly from high levels due to the impacts of limited demand for international crude oil and the increasing pressure on inventories in the international market.

In the future, the Group will continue to focus on the principal float glass business, expand the fields, extend the upstream and downstream industry chain to achieve new breakthroughs in the development of the Company; the Company will continue to adhere to the Company's strategies, and rely on the advantages of shareholders to build a leading manufacturer of high quality float and special glass in the industry.

LETTER FROM THE IFA

China Glass Investment

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

Huaguang Group

Huaguang Group is a direct wholly-owned subsidiary of Triumph Group Company, which is a substantial Shareholder holding approximately 22.68% of the Company's total issued shares.

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

2. PRINCIPAL TERMS UNDER THE NEW PROCUREMENT FRAMEWORK AGREEMENT

The New Procurement Framework Agreement provides certain terms and conditions for China Glass Investment's purchase of Raw and Fuel Materials from Huaguang Group such as pricing, documentations relating to the tender results to be supplied to China Glass Investment, procurement and payment terms, packaging requirements and quality standards. Pursuant to the New Procurement Framework Agreement, Huaguang Group agrees to carry out procurement through tender of Raw and Fuel Materials (including soda ash and silica sand and other relevant materials) for the manufacturing of glass products carried out by the Group. The service is for a term of three years, starting from 1 January 2023 to 31 December 2025. In particular, Huaguang Group will, from time to time, invite various suppliers to submit tenders for the supply of Raw and Fuel Materials. Huaguang Group will then provide China Glass Investment the tender results including but not limited to the tender price and quality of products from the winning tender for consideration. At the sole discretion of China Glass Investment, China Glass Investment will determine whether to place an order of Raw and Fuel Materials after assessing and comparing the overall procurement costs (including interest) of procuring from Huaguang Group to the cost of procuring from other Independent Third Parties based on quotations from at least three independent suppliers. Individual purchase orders will be entered into between China Glass Investment and Huaguang Group for each purchase from time to time which will specify the amount, price, delivery arrangements and any other terms which may be relevant to the purchase of Raw and Fuel Materials. The individual purchase orders may only contain provisions which are in all material respects consistent with the binding principles, guidelines, terms and conditions set out in the New Procurement Framework Agreement.

LETTER FROM THE IFA

According to the New Procurement Framework Agreement, the prices for each purchase of Raw and Fuel Materials shall be determined at an actual cost basis with reference to (i) the final purchase prices provided from the winning tenders under the open tenders as organised by Huaguang Group from time to time; and (ii) an additional 1% to 3% interest of the purchase price as capital utilisation fee will be charged by Huaguang Group based on the length of the credit period granted from one to three months, respectively, under each purchase order placed by China Glass Investment, if China Glass Investment requires a credit period from Huaguang Group to settle the payment beyond the agreed date, capital utilisation fee will be chargeable by Huaguang Group. The interest rate chargeable by Huaguang Group is determined with reference to a combination of the loan prime rate in the PRC and the interest rate for capital utilisation commonly charged by suppliers in the industry for the supply of similar fuel and raw materials to the Group. The tender results of supplier(s) will be shared by Huaguang Group with the Group and will contain the deadline for Huaguang Group to pay its suppliers of the winning tenders and China Glass Investment will separately agree with Huaguang Group on the payment method and payment deadline for each purchase order after considering the procurement plan and cashflow of the Group.

As part of our due diligence, we have obtained and reviewed 15 sets of procurement contracts and relevant invoices with each of Huaguang Group (the “**HG Contracts**”) and independent suppliers (the “**Independent Supplier Contracts**”) in relation to the procurement of soda ash and silica sand by the operating subsidiaries of the Group for the two years ended 31 December 2021 and nine months ended 30 September 2022. We noted that existing independent soda ash and silica sand suppliers normally demanded the fee to be settled on delivery or provided a payment deadline to the Group to settle the fee within 3 days to 10 days from the date of signing the contract, while Huaguang Group offered the Group to settle the fee within 11 days to 50 days, which is longer than those granted by other existing independent suppliers. As a longer settlement period provide a flexibility to the Group’s cash flow management and improve the liquidity of the Group’s, we considered the Group procures Raw and Fuel Materials under the New Procurement Framework Agreement is in the interest of the Company.

LETTER FROM THE IFA

For the interest rate of capital utilisation fee, we have reviewed the loan prime rate from banks in the PRC and interest rate for capital utilisation fee from independent suppliers. We noted that the loan prime rate as announced by the People's Bank of China on 20 October 2022 was 3.65% p.a. We have obtained and reviewed 15 independent supplier contracts which have specified the interest rate for capital utilisation fee and noted that the interest rate for capital utilisation fee from independent suppliers of the Group ranged from 0.2% to 0.5% per each day of overdue (i.e. approximately 6% – 15% per month). According to the “Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases” (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “Provisions”) issued by the Supreme People's Court, the interest rate of overdue payment should not be higher than the latest one year loan prime rate by four times (i.e. maximum overdue interest rate was approximately 14.6% p.a. or 1.22% per month), any overdue interest charged more than four times of the latest one year loan prime rate are not protected under the Provisions. The interest rate for capital utilisation fee under the New Procurement Framework Agreement is 1% per month, which is within the range as set out in the Provisions and lower than the interest rate for capital utilisation fee charged by the Group's independent suppliers. Thus, we consider the interest rate for capital utilisation fee provided by Huaguang Group under the New Procurement Framework Agreement is fair and reasonable. As advised by the Company, during the two years ended 31 December 2021 and the nine months ended 30 September 2022, no such capital utilisation fee had been charged to China Glass Investment by Huaguang Group.

3. REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW PROCUREMENT FRAMEWORK AGREEMENT

As discussed with the management of the Company, Raw and Fuel Materials, including but not limited to soda ash, silica sand and ultra white sand. Soda ash and silica sand are essential raw materials for the Group's production of glass products, while the Group expected to commence production of a photovoltaic glass with ultra white sand in 2023. The Group has been able to lower its purchase prices due to large-scale procurement. Whilst Huaguang Group also procures Raw and Fuel Materials in large-scale, by combining the procurement demand for Raw and Fuel Materials of the Group and Huaguang Group, a more competitive raw material price than those offered to the Group when the Group is purchasing alone may potentially offer. The Group has been continuously reviewing and exploring methods to optimise its procurement strategy to manage its procurement costs. China Glass Investment has been in a business relationship with Huaguang Group for over three years and has maintained a good relationship with them. Through establishing a continuing business relationship with Huaguang Group which became available after business discussions between the Group and Huaguang Group, the Group can indirectly take advantage of the competitive raw material price offered to Huaguang Group from its suppliers due to its large-scale procurements.

LETTER FROM THE IFA

It is also the Company's strategy to select and engage quality suppliers and to establish a long-term and stable strategic partnership for the procurement of Raw and Fuel Materials including soda ash and silica sand, which are two of the core raw materials in the production of glass products. As advised by the Company, the arrangement for the bulk procurement of the Raw and Fuel Materials, in particular on soda ash which contributed over 88.6% of total purchase of Raw and Fuel Materials from Guaguang Group in 2021, has been long established between China Glass Investment and the operating subsidiaries for the use of their production of various glass products. Meanwhile, the procurement for silica sand has been conducted separately by each operating subsidiary with various independent suppliers with close proximity between their factories and the respective manufacturing bases of the Group's operating subsidiaries located in Shandong province, Jiangsu province, Shaanxi province and Inner Mongolia Autonomous Region. By entering into of the New Procurement Framework Agreement between China Glass Investment and Huaguang Group, the bulk procurement of soda ash and silica sand by the Group's operating subsidiaries can be consolidated by China Glass Investment and will assist in minimising the management and operational costs as well as lowering the procurement cost of Raw and Fuel Materials of the Group.

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

LETTER FROM THE IFA

Besides, the Group is not materially reliant on Huaguang Group as: (i) actual amount of Raw and Fuel Materials purchased from Huaguang Group for the years ended 31 December 2020 and 2021 are less than 30% of the total purchase amount of Raw and Fuel Materials by the Group for the respective years; (ii) the New Procurement Framework Agreement does not contain exclusivity term which restrict the Group from purchasing Raw and Fuel Materials (including but not limited to soda ash, silica sand and ultra white sand) from suppliers other than Huaguang Group nor minimum purchase volume as required under the New Procurement Framework Agreement, the entering into of the New Procurement Framework Agreement between China Glass Investment and Huaguang Group will further broaden the supplier base of Raw and Fuel Materials for the Group and provide flexibility for the Group to decide the most cost-effective way for procuring the same based on the respective production need of the Group's operating subsidiaries; (iii) Raw and Fuel Materials are items that are readily available in the market and the Group will be able to purchase Raw and Fuel Materials from other suppliers if Huaguang Group ceases to supply to the Group; and (iv) the Group will continue to procure a substantial amount of Raw and Fuel Materials from various suppliers and maintain close business relationships with such suppliers.

Furthermore, the Group has existing internal policies in place to ensure the Group does not have any material reliance on a single supplier, such as requirements to maintain at least two to three sources of supply for each type of major fuel or raw materials. As advised by the Company, during FY2021, the Group had maintained business relationships with over five independent suppliers for soda ash and over ten independent suppliers for silica sand. The Group's strategic procurement department will continue to constantly review the procurement plan and procurement status of Group to ensure compliance with the Group's internal policies and long-term sustainability of the Group and avoid any reliance on a single supplier (including Huaguang Group).

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

LETTER FROM THE IFA

4. THE ANNUAL CAPS

Based on information provided by the Company, we summarise in the following table (i) the historical transaction amount for the purchase of Raw and Fuel Materials (including soda ash and silica sand and other materials) under the Existing Procurement Framework Agreement for the two years ended 31 December 2021 and the nine months ended 30 September 2022; (ii) the existing annual caps under the Existing Procurement Framework Agreement (the “**Existing Annual Caps**”) and utilisation rates; (iii) the Annual Caps including related fees and taxes of the New Procurement Framework Agreement for the three years ending 31 December 2025 (the “**Review Period**”):

(RMB million)

	For the years ended 31 December 2020	2021	For the nine months end 30 September 2022
Historical transaction amount for the purchase of Raw and Fuel Materials (including soda ash and silica sand and other materials) under the Existing Procurement Framework Agreement	387	633	337
	For the years ended 31 December 2020	2021	For the year ending 31 December 2022
Existing Annual Caps	890	900	980
Utilisation rate	43.5%	70.4%	45.9% ^(Note)
	For the years ending 31 December 2023	2024	2025
Annual Caps			
Maximum fees payable by China Glass Investment to Huaguang Group under the New Procurement Framework Agreement	1,240	1,200	1,200
Maximum estimated transaction amount of soda ash	1,021	901	901
Maximum estimated transaction amount of silica sand	159	239	239
Maximum estimated amount of ultra white sand	60	60	60

LETTER FROM THE IFA

Note: The utilisation rate for the year ending 31 December 2022 was calculated by annualise the historical transaction amount for the purchase of Raw and Fuel Materials under the Existing Procurement Framework Agreement for the nine months ended 30 September 2022 of RMB337 million divided by the Existing Annual Caps for the year ending 31 December 2022.

Existing Annual Caps and the utilisation rate

With reference to the basis of determination of Existing Annual Caps as set out in the Existing Procurement Framework Agreement Circular and the breakdown of the purchase of Raw and Fuel Materials under the Existing Procurement Framework Agreement provided by the Company, we noted that the Existing Annual Caps were determined based on (i) the estimated annual production capacity (by tons) of the Group upon considering the expected operating schedule of all glass production lines during each of the three years ending 31 December 2022; (ii) the estimated unit consumption of soda ash and silica sand in producing each ton of glass product; and (iii) the estimated unit price of soda ash and silica sand (per ton) during each of the three years ending 31 December 2022.

Based on the above table, the utilisation rates of the Existing Annual Caps was approximately 43.5%, 70.3% and 45.9% (annualised) for the two years ended 31 December 2021 and the year ending 31 December 2022, respectively. As advised by the Company the low utilisation of Existing Annual Caps for FY2020 and the nine months ended 30 September 2022 was mainly due to: (i) the Group purchased a lesser amount of soda ash and silica sand from Huaguang Group as independent suppliers offered more competitive pricing than the price obtained by Huaguang Group in more occasions for FY2020 and nine months ended 30 September 2022; (ii) the scheduled cold-repair of certain float glass production lines in 2021 were delayed to early 2022, causing a decrease in the production capacity of the Group for the nine months ended 30 September 2022. While the utilisation for FY2021 was relatively higher than that for FY2020 was mainly due to (i) the total production capacity of the Group increased by approximately 15.5% during 2021; and (ii) the Group purchased a higher amount of soda ash and silica sand from Huaguang Group due to more competitive pricing obtained by Huaguang Group in more occasions.

The Annual Caps

The Annual Caps for each of the three years ending 31 December 2025 were determined by the Directors primarily based on the followings:

- (i) historical transaction amounts pursuant to the Existing Procurement Framework Agreement and the proportion of Raw and Fuel Materials purchased by the Group during the two years ended 31 December 2021 and the nine months ended 30 September 2022, as compared to total amount of Raw and Fuel Materials purchased by the Group during the same period;

LETTER FROM THE IFA

- (ii) the anticipated demand of the Group for each type of Raw and Fuel Materials under the New Procurement Framework Agreement calculated based on the production plan and product mix of the Group (which takes into account the production output and long term cold-repair plan of each production line of the Group as each cold-repair, depending on the magnitude, takes approximately two to eight months to complete, during which the relevant production line is unable to continue production, causing a huge impact on the production output of the relevant production line and the Group as a whole and, by extension, the amount of Raw and Fuel Materials required by the Group for the production during the period) and the procurement plan of the Group (which takes into account factors such as the estimated amount of Raw and Fuel Materials required to fulfilled the production plan of the Group, the diversification of procurement sources and the geographical proximity of each production plant and its suppliers); and
- (iii) the forecasted costs of the Raw and Fuel Materials (which takes into account the Group's historical procurement price and recent increasing pricing trend).

As advised by the management of the Company, the increase in the Annual Caps as compared to the Existing Annual Caps under the Existing Procurement Framework Agreement was mainly due to: (i) the expected increase in the maximum production capacity of the Group during the Review Period by approximately 45% as compared to that used in the determination of the Existing Annual Caps. Such increase is mainly due to the new float glass production line in Kazakhstan recently commenced production in October 2022 and the expected commencement of production of a photovoltaic glass production line in 2023; and (ii) the forecasted increase in market price of Raw and Fuel Materials during the Review Period by approximately 60% as compared to that used in the estimation of the Existing Annual Caps.

As regards the Annual Caps to be sought for the Review Period of approximately RMB1,240 million, RMB1,200 million and RMB1,200 million respectively, we have obtained from the Company a list of estimated purchase of Raw and Fuel Materials (which mainly included soda ash, silica sand and ultra white sand) which sum up to the Annual Caps. We understand from the Company that such list of estimate was prepared on the basis of multiplying (i) the estimated volume for the procurement of Raw and Fuel Materials from Huaguang Group during the Review Period; and (ii) the estimated unit price of Raw and Fuel Materials (per ton) during the Review Period.

In order to assess the fairness and reasonableness of the estimated volume and estimated prices of Raw and Fuel Materials, we have performed the following analysis.

LETTER FROM THE IFA

Regarding the estimated volume for the procurement of Raw and Fuel Materials

Since soda ash and silica sand are the core raw materials for the production of glass products while the Group expected to product a photovoltaic glass with ultra white sand in 2023, the estimated procurement volume of Raw and Fuel Materials under the New Procurement Framework Agreement during the Review Period has mainly considered the procurement volume of soda ash, silica sand and ultra white sand. The estimated total procurement volume of soda ash, silica sand and ultra white sand from Huaguang Group during the Review Period was prepared based on (i) the estimated annual production capacity (by tonnes) of the Group upon considering the expected operating schedule of all glass production lines during each of the three years ending 31 December 2025 as well as certain production lines under cold-repair including technical transformation; (ii) the estimated unit consumption of soda ash, silica sand and ultra white sand in producing each ton of glass products and the photovoltaic glass; and (iii) estimated procurement volume allocation between Huaguang Group and the independent suppliers.

As advised by the Company, the production of glass products requires the continuous operation of furnaces under stringent temperature control in order to ensure the quality of the glass products, accordingly the glass production lines of the Group are generally operated in their full capacity except for those under cold-pair including technical transformation during their operation in order to maximise the output volume. In this relation, we have obtained from the Company the estimated operating schedule of the glass production lines of the Group during the Review Period. We noted that the estimated maximum production capacity during the Review Period has been increased by approximately 45% as compared to those used in the estimation of Existing Annual Caps. Such increase is mainly due to the new float glass production line in Kazakhstan recently commenced production in October 2022 and the expected commencement of production of a photovoltaic glass production line in 2023.

We further noted that the estimated production capacity of the Group during the Review Period is less than the estimated maximum production capacity of glass production lines of the Group. We understand from the Company that it is primarily due to the scheduled cold-repair including technical transformation of the different glass production lines during the Review Period, which will require suspension in production or reduce its production capacity for the glass production line for a period ranging from two to eight months.

LETTER FROM THE IFA

In particular, we noted from the operating schedule provided by the Company that certain glass production lines of the Group are expected to halt operation for certain months in 2023 due to cold-repair including technical transformation, which estimated production capacity will decrease. In 2024 and 2025, the estimated production capacity is expected to increase as those glass production lines undergoing cold-repair including technical transformation in 2023 are expected to return to full operation, which outweigh the effect of the scheduled cold-repair for other existing glass production lines during 2024 and 2025.

Furthermore, we have obtained the estimated unit consumption of soda ash, silica sand and ultra white sand for the production of each ton of glass products which is determined based on the historical production data and management experience. We noted that the estimated consumption volume of soda ash (which in turn is the estimated procurement volume) during the Review Period are proportional to the expected annual production volume of the Group as determined by the aforementioned estimated operating schedule. We further noted that the estimated consumption of soda ash decreased during 2024 and 2025. As advised by the management of the Company, such decrease is mainly due to the technical transformation of glass production lines which will reduce the usage of soda ash by approximately 4.8% to produce each tonne of glass products. Although the estimated production capacity increased in 2024 and 2025 compared to 2023 as mentioned above, the technical transformation resulting in overall reduction of usage of soda ash, thus the estimated total consumption of soda ash for the Group has been decreased in 2024 and 2025. Hence, the Annual Caps for the two years ending 31 December 2025 has slightly decreased to approximately RMB1,200 million.

As for the estimated procurement volume of silica sand, as mentioned above, are determined based on the estimated production volume of the existing glass production lines during the Review Period. We noted that the estimated procurement volume of silica sand during the Review Period are proportional to the expected annual production volume of the glass products taking into account their respective estimated operating schedule during the same period and the unit consumption estimate of silica sand. In addition, ultra white sand is a new raw material purchased for the production of photovoltaic glass in the production line which will commence production in 2023, and the estimated procurement volume of ultra white sand is based on the estimated consumption volume of ultra white sand for the expected production volume of the these photovoltaic glass (which in turn the production capacity) during the Review Period.

LETTER FROM THE IFA

We further noted from the list of estimation that the Company has assumed approximately 35% - 69% of the total procurement volume of soda ash, silica sand and ultra white sand would be procured from Huaguang Group and the remaining portion of the total procurement volume of soda ash, silica sand and ultra white sand without materially reliant on Huaguang Group, will be procured from other independent suppliers which may provide at a lower price than the Huaguang Group based on historical transaction amounts for the procurement of soda ash, silica sand and ultra white sand. We reviewed to the historical transaction amounts for the procurement of soda ash and silica sand and noted that approximately 45% - 79% of total procurement volume of soda ash and silica sand was procured from Huaguang Group during the two years ended 31 December 2021 and the nine months ended 30 September 2022. As advised by the Company, Huaguang Group will begin to increase its procurement volume of silica sand for tender process during 2023 and 2024 which in turn Huaguang Group's could consolidate the procurement volume required by the Group and its client to negotiate a more competitive procurement price of silica sand due to the massive procurement, thus the Company expected that the procurement price of silica sand offer by Huaguang Group would be more competitive than the price offer by independent suppliers.

Although there are approximately 35% – 69% of the Company's total procurement volume of the soda ash, silica sand and ultra white sand are expected to be procured from Huaguang Group during the Review Period, such estimated procurement volume only accounted for approximately 30% of the total estimated procurement volume of Raw and Fuel Materials of the Group during the Review Period. According to the Letter from the Board, the Group is not materially reliant on Huaguang Group in respect of the procurement of the Raw and Fuel Materials as: (i) the New Procurement Framework Agreement does not contain any minimum purchase commitment and the Group can decide whether or not to procure the Raw and Fuel Materials from Huaguang Group after accessing the procurement costs based on at least three independent suppliers and other considerations such as the procurement strategy of the Group; (ii) the Raw and Fuel Materials are readily available in the market and the Group will be able to purchase from other suppliers if Huaguang Group ceases to supply the same to the Group; and (iii) the Group will continue to procure the Raw and Fuel Materials from various suppliers and maintain close business relationships with such suppliers.

LETTER FROM THE IFA

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

In order to minimise the overall average procurement cost of Raw and Fuel Materials, the Group will continue to consider the unit procurement prices from Huaguang Group and independent suppliers and will purchase from suppliers with prices and terms that are more favourable to the Group.

Having considered the above, in particular, (i) the estimated procurement volume of Raw and Fuel Materials under the New Procurement Framework Agreement from Huaguang Group only accounted for approximately 30% of the total estimated procurement volume of Raw and Fuel Materials of the Group during the Review Period; (ii) the terms of the New Procurement Framework Agreement do not restrict the Group procurement of Raw and Fuel Materials from other independent supplier; (iii) the Raw and Fuel Materials that are readily available in the market; and (iv) the Group maintained a list of qualify suppliers for the Raw and Fuel Materials, we concur with the Board that the Group is not materially reliant on Huaguang Group.

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

LETTER FROM THE IFA

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

As disclosed in the 2022 Interim Report, the overall demand in the domestic soda ash market remained fluctuate, the rate of operation of soda ash enterprises fluctuated within a narrow range, and the market price continued to rise. Also the domestic mineral resources market was in short supply and price of quartz sand remained high.

As part of our due diligence, we have obtained from the Company the list of actual purchases of soda ash and silica sand by the operating subsidiaries during the two years ended 31 December 2021 and the nine months ended 30 September 2022 and compared with the estimated procurement price of soda ash and silica sand used in the estimation of the proposed Annual Caps. We noted that the actual average procurement price of soda ash of the Group fluctuated in an upward trend from 2020 to the nine months ended 30 September 2022 which the actual average procurement price of soda ash for the nine months ended 30 September 2022 increased approximately 91.7% as compared to 2020. Meanwhile, the actual average procurement price of silica sand of the Group decreased during 2021 and was on a modest increasing trend during the nine months ended 30 September 2022. Considering the actual average procurement prices of soda ash and silica sand fluctuates during 2021 and 2022, we are of the view that it is more reasonable to take into consideration a more recent development in the domestic soda ash and silica sand market and therefore exclude the actual average procurement prices of soda ash and silica sand in 2021 and consider such prices for the nine months ended 30 September 2022.

Based on our discussion with the Company, we understand that the estimated procurement price of soda ash is determined based on (i) the latest historical price range of soda ash for the nine months ended 30 September 2022. Due to the fluctuation in domestic soda ash price during 2022, the estimated procurement price of soda ash under the proposed Annual Caps is set towards the mid-range of historical monthly procurement prices of the Group for the nine months ended 30 September 2022 taking into account the more competitive procurement price which may be offered to Huaguang Group by its suppliers due to its large-scale procurements under the New Procurement Framework Agreement; and (ii) the Company's current estimation of the expected market price of soda ash will remain high during the Review Period. Based on the above, we consider the basis in determining the estimated procurement price of soda ash during the Review Period is reasonable.

LETTER FROM THE IFA

Meanwhile, the estimated procurement price of silica sand under the proposed Annual Caps is determined based on the average procurement price of silica sand of the Group for the nine months ended 30 September 2022. We noted from the list of actual purchase of silica sand of the operating subsidiaries of the Group in 2022 that the average procurement price is comparable to the estimated procurement price under the proposed Annual Caps. At the same time, despite the price of domestic silica sand was in a modest increasing trend during 2022, we understand from the Company that it does not expect substantial fluctuation in the price and assumes such price to remain stable during the Review Period. Based on the above, we consider the basis in determining the estimated procurement price of silica sand during the Review Period is reasonable.

As advised by the Company, the estimated procurement price of ultra white sand under the Proposed Annual Caps is determined based on available online domestic market price of ultra white sand. We also understand from the Company that it does not expect substantial fluctuation in the price and assumes such price to remain stable during the Review Period. Further, we noted that the estimated procurement prices of ultra white sand falls within the range of procurement prices of ultra white sand from an online domestic suppliers platform. The online domestic supplier platform is a business-to-business e-commerce platform ultimately control by the State Council Information Office of the PRC and Cyberspace Administration of China. It is the official business-to-business e-commerce platform recognised by the PRC government. The online domestic supplier platform provides information of the price from machinery, raw materials to finished goods. Having considered the above, we considered the prices quoted from the online domestic supplier platform is representative, fair and reasonable. Thus, we consider the basis in determining the estimated procurement price of ultra white sand during the Review Period is reasonable.

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

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

LETTER FROM THE IFA

Regarding the internal control measures governing the transactions under the New Procurement Framework Agreement

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

- (i) all purchase orders under the New Procurement Framework Agreement shall be reviewed and approved by strategic procurement department, financial management department, chief financial officer and the chief executive officer of the Group to ensure the terms are in compliance with the New Procurement Framework Agreement under which the transactions are entered into, and in this connection, the relevant departments must be satisfied that (1) the pricing policies and internal procedures adopted by the Group have been fully complied with; (2) each transaction thereunder is on normal commercial terms; (3) the purchase price of the relevant products from Huaguang Group are no less favourable than the prices at which such products are offered to the Group by Independent Third Parties; and (4) the Annual Caps of the New Procurement Framework Agreement have not been and will not be exceeded taking into account the relevant purchase order;
- (ii) before a new purchase order is placed, the strategic procurement department of the Group will obtain the prevailing market price of the Raw and Fuel Materials which is collected and recorded on a daily basis from various sources such as online public market information platforms (such as Oilchem (隆眾), a leading provider of fuel and chemical market information and price in the PRC, Chem99 卓創資訊化工), the chemical section of Sublime China Information (卓創資訊) a leading commodities market information platform in the PRC and BaiInfo (百川盈孚), a leading commodities market information provider in the PRC), quotes from at least three independent suppliers and market intelligence exchange with suppliers and other glass manufacturers to compare with the price quoted by Huaguang Group;

LETTER FROM THE IFA

- (iii) in relation to the purchase of products from Huaguang Group under the New Procurement Framework Agreement, the pricing is determined at an actual cost basis. The strategic procurement department shall request Huaguang Group to provide it with the relevant records of the purchase cost of the products incurred by Huaguang Group so as to ensure that the pricing mechanisms under the New Procurement Framework Agreement have been properly complied with;
- (iv) the strategic procurement department of the Group will prepare a quarterly report on the connected transaction under the New Procurement Framework Agreement to the continuing connected transaction monitoring committee of the Group (consisting the chief executive officer, chief financial officer, and the head of investment management department, financial management department, production technology department, sales & marketing department and strategic procurement department of the Group) to assess if the continuing connected transaction has been in compliance with the internal procedures regarding continuing connected transactions and the terms of the New Procurement Framework Agreement; and
- (v) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the continuing connected transactions contemplated under the New Procurement Framework Agreement every year in accordance with the requirements of the Listing Rules.

We have obtained three sets of walkthrough document for the transaction with Huaguang Group. We noted that (i) a contract approval procedures has been duly approved by all relevant department and chief financial officer and the chief executive officer of the Group; (ii) strategic procurement department has prepared the price comparison report with at least three independent suppliers' quoted price; and (iii) Huaguang Group has provided the tender cost summary to the Group which contained the procurement price of Raw and Fuel Materials. We have further compared the price in the tender cost summary with the procurement price of the Group placed with Huaguang Group and no difference in the procurement price is noted. We have also obtained the latest quarterly report provided to the continuing connected transaction monitoring committee of the Group and the annual review report issued by the external auditors with no irregularities noted.

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

LETTER FROM THE IFA

RECOMMENDATION

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

Yours faithfully,

For and on behalf of

Octal Capital Limited

Alan Fung

Managing Director

Louis Chan

Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Interests and/or short positions of Directors and chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations

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

Name of Director	Company/Name of Associated Corporation	Capacity	Total Number of Ordinary Shares ⁽¹⁾	Approximate Percentage of Shareholding ⁽²⁾
Mr. Lyu Guo	the Company	Beneficial owner	12,442,096(L)	0.68%

Notes:

- (1) The letter “L” denotes the Director’s long position in such securities.
- (2) As at the Latest Practicable Date, the total number of issued Shares of the Company is 1,836,218,258.

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

(B) Directors' position in substantial shareholder

As at the Latest Practicable Date, as disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, (1) Legend Holdings Corporation was interested in 307,926,000 Shares, representing approximately 16.77% of the total number of Shares in issue; (2) each of Hony International Limited and First Fortune Enterprises Limited was interested in 272,926,000 Shares, representing approximately 14.86% of the total number of Shares in issue; and (3) each of Triumph Group Company and CNBM Group Corporation was interested in 416,424,621 Shares, representing approximately 22.68% of the total number of Shares in issue.

As at the Latest Practicable Date, (1) Mr. Zhao John Huan was a non-executive director of Legend Holdings Corporation; (2) Mr. Zhao John Huan was a director of Hony International Limited and First Fortune Enterprises Limited; (3) Mr. Peng Shou was the legal representative and chairman of the board of Triumph Group Company; (4) Mr. Peng Shou was the chief engineer of CNBM Group Corporation; and (5) Mr. Zhang Jinshu was the director of the securities department of Triumph Group Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any proposed director of the Company was a director or employee of a company which had an interest and/or short position in the Shares and/or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(C) Competing interests

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

(D) Directors' interests in assets of the Group

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

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

3. SERVICE CONTRACTS

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

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. EXPERT AND CONSENT

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

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

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

As at the Latest Practicable Date, Octal Capital Limited did not have any direct or indirect interest in any assets which have been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

6. MISCELLANEOUS

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

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.chinaglassholdings.com) for a period of 14 days from the date of this circular:

- (A) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (B) the letter issued by Octal Capital Limited, the text of which is set out on pages 21 to 43 of this circular;
- (C) the New Procurement Framework Agreement; and
- (D) the written consent referred to in paragraph headed “Expert and Consent” in this Appendix.

NOTICE OF THE SPECIAL GENERAL MEETING



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a Special General Meeting of China Glass Holdings Limited (the “**Company**”) will be held on Monday, 19 December 2022 at 10:30 a.m. or immediately after the conclusion of the special general meeting of the Company to be held on the same day at 10:00 a.m. and at the same location with the combination of an in-room meeting at Floor 2, Block 1, No. 66 Sibao Road, Sijing Town, Songjiang District, Shanghai 201601, the People’s Republic of China and an online virtual meeting for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an **ordinary resolution** of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the procurement framework agreement entered into between China Glass Investment Limited* (中玻投資有限公司) and Anhui Huaguang Photoelectricity Materials Technology Group Co., Ltd.* (安徽華光光電材料科技集團有限公司) on 21 October 2022 (the “**New Procurement Framework Agreement**”), the proposed annual caps amounts and the transactions contemplated thereunder and any other arrangements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and
- (b) any one of the directors of the Company (the “**Directors**” and each, a “**Director**”) or the company secretary of the Company (the “**Company Secretary**”) be and is hereby authorised to do all such acts and things, make all necessary filings and negotiate, approve, agree, sign, initial, ratify and/or execute for and on behalf of the Company any other letters, notices, acknowledgements, consents, waivers, agreements or other documents in which the Company is a party or is otherwise interested as such Director or the Company Secretary may consider necessary or desirable in connection with the New Procurement Framework Agreement and the transactions contemplated thereunder. To the extent that any such other document requires execution as a deed, the seal of the Company be affixed to any such document and such document be signed by a Director and the Company Secretary or any two Directors.”

By Order of the Board
China Glass Holdings Limited
Lyu Guo
Executive Director

Hong Kong, 30 November 2022

* For identification purpose only

NOTICE OF THE SPECIAL GENERAL MEETING

Notes:

- (1) The meeting will be in the form of a hybrid meeting. In addition to the traditional physical attendance at the meeting, shareholders of the Company (the “**Shareholders**” and each, a “**Shareholder**”) have the option of attending, participating and voting in the meeting through online access by visiting the website at https://meetings.computershare.com/CNG_2022SGM2 (the “**Online Platform**”). Shareholders participating in the meeting using the Online Platform will also be counted towards the quorum and you will be able to cast your votes and submit questions relevant to the proposed resolution through the Online Platform.
- (2) The resolution at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (3) Any Shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy or, if he holds two or more shares, may appoint more than one proxy to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every Shareholder present in person or by proxy, or participate through the Online Platform shall be entitled to one vote for each share held by him.
- (4) The form of proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised to sign the same.
- (5) The form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e. not later than 10:30 a.m. on Saturday, 17 December 2022) or at any adjournment thereof.
- (6) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting either in person or online at the meeting, and in such event, the form of proxy shall be deemed to be revoked.
- (7) In the case of joint registered holders of any share, any one of such joint holders may vote at the above meeting, either in person or by proxy, or through the Online Platform, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, or through the Online Platform, shall be accepted to the exclusion of the vote of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names of the joint holders stand on the Register of Members of the Company in respect of the relevant joint holding.
- (8) Shareholders whose names appear on the Register of Members of the Company on Monday, 19 December 2022 are entitled to attend and vote either in person or online at the above meeting. For determining the entitlement to attend and vote either in person or online at the above meeting, the Register of Members of the Company will be closed from Wednesday, 14 December 2022 to Monday, 19 December 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote either in person or online at the above meeting, unregistered holders of shares of the Company shall ensure that all completed transfer documents accompanied by the relevant share certificates must be lodged with Computershare at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 13 December 2022.

NOTICE OF THE SPECIAL GENERAL MEETING

- (9) Considering the outbreak of the coronavirus (“COVID-19”), certain measures will be implemented at the above meeting venue with a view to addressing the risk to attendees of infection, including, without limitation, (i) all attendees being required to wear face masks prior to admission to the above meeting venue and throughout the above meeting; and (ii) no provision of refreshments, refreshment packs, drinks and corporate gifts.
- (10) The Company reminds attendees that they should carefully consider the risks of attending the physical meeting, taking into account their own personal circumstances. Furthermore, the Company would like to remind Shareholders that physical attendance in person at the above meeting is not necessary for the purpose of exercising their voting rights; and strongly recommends that Shareholders appoint the Chairman of the above meeting as their proxy and submit their form of proxy by the time specified above or participate in the meeting using the Online Platform. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the above meeting (if any).
- (11) Shareholders attending the meeting using the Online Platform are expected to have a reliable and stable internet connection that can support audio live streaming and be able to follow the meeting proceedings in order to cast the votes and submit questions online. If for any reasons the internet connection is lost or interrupted, it may affect the ability of the Shareholders to follow the meeting proceedings. Any missed contents as a result of connection issues arise from the Shareholders will not be repeated. Each set of Shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at a time only. If Shareholders experience any technical difficulties or require assistance while using the Online Platform, please contact Computershare at (852) 2862 8689 from 9:00 a.m. until the end of the meeting (Hong Kong Time) on the date of the meeting. Please note that Shareholders’ votes on the proposed resolution cannot be recorded at, or taken by, Computershare’s service hotline. In the event of Shareholders have any concerns or issues attending the physical meeting or using the Online Platform, Shareholders are encouraged appointing the Chairman of the meeting as your proxy to exercise your voting rights.
- (12) The Online Platform will be open to registered Shareholders (the “**Registered Shareholders**”) and non-registered Shareholders (the “**Non-Registered Shareholders**”) (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the meeting and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

Login details for Registered Shareholders

Details regarding the arrangements of the meeting, including login details to access the Online Platform and online voting, are included in the Company’s notification letter to Registered Shareholders to be despatched on Wednesday, 30 November 2022.

Login details for Non-Registered Shareholders

Non-Registered Shareholders who wish to attend and participate in the meeting using the Online Platform should liaise with your bank(s), broker(s), custodian(s), nominee(s) or HKSCC Nominees Limited through which your shares are held (collectively, the “**Intermediaries**”) and provide your email addresses to your Intermediaries. Details regarding the arrangements of the meeting, including login details to access the Online Platform and online voting, will be sent by Computershare to the email addresses provided by the Non-Registered Shareholders.

The step-by-step “Online User Guide for the Special General Meeting to be held on Monday, 19 December 2022 at 10:30 a.m.” can be found on “General Meetings” under “Investor Relations” section on the Company’s website (www.chinaglassholdings.com).

NOTICE OF THE SPECIAL GENERAL MEETING

- (13) For questions relating to the arrangements of the hybrid meeting, please contact Computershare in person, by phone or online form:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

- (14) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (15) As at the date of this notice, the board of Directors comprises Mr. Lyu Guo as executive Director; Mr. Peng Shou, Mr. Zhao John Huan and Mr. Zhang Jinshu as non-executive Directors; and Mr. Zhang Baiheng, Mr. Wang Yuzhong and Mr. Chen Huachen as independent non-executive Directors.