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CHINA GLASS HOLDINGS LIMITED

中國玻璃控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 3300)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION ACQUISITION OF EQUITY INTEREST IN GANSU DAMING

Reference is made to the announcement of China Glass Holdings Limited (the “**Company**”) dated 27 October 2023 in relation to the Acquisition (the “**Announcement**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

In addition to the information provided in the Announcement, the Board would like to provide the following additional information regarding the disclosure with respect to the Acquisition.

Further information in relation to the Valuation

As disclosed in the Announcement, the Valuation was determined using the discounted cash flow method under the income approach. The discounted cash flow model involved the projection of the future cash flows to be generated by the Target Company within the forecast period. The projected future cash flow was discounted to their present value at a chosen discount rate. Additional details of the projected cash flow, the discount rate and the sensitivity analysis in relation to the Valuation are summarised below:

(1) Projected cash flow

The future cash flow projection was prepared taking into account the following parameters:

(i) Revenue

The projected revenue was primarily based on:

- (a) the projected production output and sales plan of the Target Company, which was based on the construction and production timetable of its existing photothermal ultra-white float glass production line with a melting capacity of 600 tonnes per day and the additional photovoltaic rolled glass production line under construction with a melting capacity of 800 tonnes per day. It is expected that the new production line will reach 90% and 100% of its designed capacity, respectively, in the first and the second year after putting into production; and
- (b) the projected sales price of the glass products with reference to the historical market price and market trend which varies from product to product of different models and dimensions. The projected sales price of the major products, among others, are as follows:

By product category	Projected sales price per unit
Normal float glass	73 RMB/weight case
LOW-E coated glass	27-30 RMB/square meter
Photothermal ultra-white glass deep-processing products (heliostat)	61-91 RMB/square meter
Photovoltaic glass	14-17 RMB/square meter

(ii) Costs of sales

The costs of sales primarily consist of raw materials, energy consumption, labour and depreciation. The price of raw materials such as soda ash and quartz, and energy, such as natural gas, water and electricity, are projected with reference to the historical market price and market trend;

(iii) Gross profit margin

Taking into account the above, the yearly gross profit margin ranges from approximately 9% to 20%;

(iv) Other expenses

Other expenses consist of sales, administrative, research and development and finance expenses; and

(v) Income tax

A 15% income tax is applied in the projection.

No terminal growth rate was applied to the projection of the future cash flow of the Target Company.

(2) Discount rate

The discount rate adopted for the Valuation of the Target Company is 10.67%, which was calculated based on the weighted average cost of capital.

(3) Sensitivity analysis

The Company considers that the change in discount rate would have the largest degree of impact on the Valuation, an analysis of the sensitivity of the Target Company's appraised value to the change in discount rate is as follows:

Discount Rate	9.67%	10.17%	10.67%	11.17%	11.67%
Appraised Value (RMB' million)	923.91	812.69	710.90	619.71	535.45
Difference in Appraised Value (RMB' million)	213.01	101.78		91.19	175.45
Rate of Difference	29.96%	14.32%		12.83%	24.68%

(4) Assumptions adopted in the Valuation

The Company has reviewed and discussed with the management of the Target Company and the Valuer on the basis of preparation of the Valuation and the underlying financial projections of the Target Company, in particular the principal assumptions used. With respect to the basic assumptions and general assumptions adopted, the Company had various discussions with the Valuer to ascertain that basic assumptions and general assumptions used in the valuation of the Target Company are common assumptions adopted in business valuations based on income approach and are in line with market practice. With respect to the specific assumptions used in the Valuation, the Company had undertaken various steps to ascertain their fairness and appropriateness, which include but not limited to: (i) reviewing the historical financial information of the Target Company to understand the financial performance of the Target Company; (ii) together with the management of the Target Company, discussing and formulating business development plans for the Target Company; (iii) conducting due diligence on the development plan and progress of the production lines of the Target Company, which include attending various site visits and progress meetings; and (iv) conducting due diligence on the production plan and sales plan of the Target Company to evaluate the reasonableness of the future product pricing and sales orders.

On the basis above, the Directors consider that the principal assumptions adopted in the Valuation to be fair and appropriate.

(5) Information of the Valuer

The Valuer is a qualified asset appraisal firm authorized by the Ministry of Finance of the PRC to perform valuation works in the PRC. The Valuer has extensive experience in conducting valuation covering a wide range of industries including but not limited to finance, securities, building materials, real estate, electricity, energy, steel, chemical and aerospace.

Basis of Determination of the Consideration

Further elaborating on the basis of determination of the Consideration as disclosed in the Announcement, the Board took into account the following factors in assessing whether the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole:

(1) The Company instructed the Valuer to prepare the Valuation to assist the Company in determining the value of the Target Company

To assist the Company in determining the value of the Target Company and facilitate negotiations between the Purchaser and the Seller, the Valuer was instructed to prepare the Valuation, which adopted an income approach, to appraise the market value of the entire equity interest of the Target Company.

As disclosed in the Announcement, the income approach was adopted for the Valuation as it focuses on the income generating capability of the Target Company. As compared to other valuation methods considered by the Company and the Valuer (e.g. costs approach, which mainly focuses on historical information), the Valuation based on the income approach was the more suitable valuation as it reflects the value which the Company aims to achieve through the Acquisition, taking into account the production and sales plans of the Target Company by leveraging on the Company's experience and market position in the glass industry.

In addition, although the Valuation Benchmark Date was dated 31 October 2022 as it was determined at an early stage of negotiations between the Purchaser and Seller, the actual valuation report was issued by the Valuer on 9 October 2023, with the necessary updates being made to the valuation model based on the latest available financial information, construction progress of the new production lines of the Target Company and market information. On the above basis, the Valuation remained valid for the purpose of appraising the market value of the Target Company with respect to the Acquisition.

(2) The Consideration is fair and reasonable notwithstanding the limited track record of the Target Company and it represents a premium to the net asset value of Target Group as of 31 December 2022

Notwithstanding the limited track record of the Target Company and the Consideration represents a premium to the net asset value of Target Group as of 31 December 2022, the Company has taken into consideration that:

- (a) as the Target Company had been in the development stage and recorded net loss during the latest financial year ended 31 December 2022, the net asset value of Target Company would not be indicative of the market value of the Target Company as it mainly captures the costs invested into the development of the production lines of the Target Company but not the revenue generating potential of the production lines;
- (b) the Company has had continuous discussions with the management of the Target Company and the engineering company engaged by the Target Company which allows the Company to determine the production timetable and capacity of the Target Company and monitor the production planning of the Target Company;
- (c) the Company has instructed the Valuer to prepare the Valuation based on the income approach which takes into account the future development plans and potential profitability of the Target Company, the industry prospect and especially, the high growth potential brought by the development advantages in the new energy industry in the northwestern region of the PRC;

- (d) upon completion of the production lines construction, the main products of the Target Company would include photothermal ultra-white float glass and its deep-processing products (such as heliostat), off-line Low-E glass, and photovoltaic cover and back glass, which generally have higher profit margins than the normal float glass produced by the Target Company at the initial stages of production; and
- (e) the provision of profit guarantee by Zhejiang Kaigao, an existing shareholder of the Target Company, to the Purchaser demonstrated its confidence to the business prospects of the Target Company and its intention to work with the Company to develop the business of the Target Company to achieve those targets.

(3) *The Acquisition is a unique business opportunity for the Company*

The Acquisition would allow the Company to acquire two modern production lines and geographically expand into the northwestern region of the PRC. Those production lines possess the capabilities to produce photothermal glass, photovoltaic glass and related deep-processing products with production technologies that are more advanced and environmental-friendly. In addition, considering the costs and downtime for older production lines to conduct cold repairs and upgrade and the significant lead time, costs and resources required for building new production lines, the construction timetable of the production lines of the Target Company presents a unique opportunity for the Company to add the production capacity and capabilities of two modern production lines within the short term.

Based on the basis of determination of the Consideration as disclosed in the Announcement and taking into account the above, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and its shareholders as a whole.

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

Hong Kong, 11 December 2023

As at the date of this announcement, the directors of the Company are as follows:

Executive Director:

Mr. Lyu Guo (*Chief Executive Officer*)

Non-executive Directors:

Mr. Peng Shou (*Chairman*); Mr. Zhao John Huan; and Mr. Zhang Jinshu

Independent Non-executive Directors:

Mr. Zhang Baiheng; Mr. Wang Yuzhong; and Mr. Chen Huachen

* *For identification purpose only*