

27 November 2014

Dear Sir or Madam,

**(1) VOLUNTARY CONDITIONAL CASH OFFER  
BY OPTIMA CAPITAL LIMITED  
ON BEHALF OF  
XINYI AUTOMOBILE GLASS (BVI) COMPANY LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
ZMFY AUTOMOBILE GLASS SERVICES LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY  
XINYI AUTOMOBILE GLASS (BVI) COMPANY LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT);  
AND  
(2) VOLUNTARY CONDITIONAL CASH OFFER  
BY OPTIMA CAPITAL LIMITED  
ON BEHALF OF  
XINYI AUTOMOBILE GLASS (BVI) COMPANY LIMITED  
FOR THE OUTSTANDING CONVERTIBLE BOND OF  
ZMFY AUTOMOBILE GLASS SERVICES LIMITED**

**INTRODUCTION**

The Offeror announced in the Announcement dated 6 November 2014 that, among other things, Optima Capital, as the Offeror's financial adviser, would make the voluntary conditional cash offer on behalf of the Offeror for all the Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it (i.e. the Share Offer) and, if required, the voluntary conditional cash offer for the Convertible Bond in compliance with the Takeovers Code (i.e. the CB Offer).

This letter sets out, among other things, the details of the Offers, and information and intention of the Offeror regarding the ZMFY Group. Further details of the terms of the Offers are set out in Appendix I to this Offer Document (of which this letter forms part).

## BACKGROUND

As at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 140,000,000 Shares, which, based on the latest published information of ZMFY available to the public as at the Latest Practicable Date, represents approximately 26.42% of the issued share capital of ZMFY. The Offeror notified ZMFY on 3 November 2014 after trading hours that it intends to make the Share Offer (in compliance with the Takeovers Code) through Optima Capital to acquire all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it. The Share Offer Price is HK\$0.65 for each Offer Share.

On 20 October 2014, ZMFY made the ZMFY Property Announcement that it had entered into a sale and purchase agreement on 19 October 2014 in respect of the ZMFY Property Acquisition at the consideration of RMB48,000,000, which would be satisfied by the issue of the Convertible Bond in the principal amount of HK\$60,816,000. The Convertible Bond, upon issuance, will be convertible into Shares at the conversion price of HK\$1.112 per Share, subject to adjustment, during the conversion period commencing from the issue date of the Convertible Bond up to and including the date falling on the seventh day immediately prior to the maturity date (which shall fall on the day being the third anniversary of the issue date of the Convertible Bond). The initial conversion price of the Convertible Bond of HK\$1.112 per Share was at a discount of 20% to the closing price of HK\$1.39 per Share as quoted on the Stock Exchange on 17 October 2014, being the last trading day of the Shares on the Stock Exchange prior to the date of the ZMFY Property Announcement. Assuming full conversion of the Convertible Bond at the initial conversion price of HK\$1.112 per Share, a total of 54,690,647 Shares will be issued to the Vendor. Based on the disclosure in the ZMFY Response Announcement, it was indicated that all the conditions precedent to the ZMFY Property Acquisition Agreement had been satisfied and the ZMFY Property Acquisition had been completed on 14 November 2014 and the Convertible Bond had been issued to Aleta Global Limited, the holder of the Convertible Bond nominated by the Vendor. Subsequent to the issuance of the Convertible Bond, Aleta Global Limited served a conversion notice to ZMFY to exercise the conversion rights to convert part of the Convertible Bond into 50,000,000 Shares. As disclosed by ZMFY in its announcement dated 21 November 2014, the aforesaid conversion was completed on 21 November 2014 and 50,000,000 Shares were allotted and issued to Aleta Global Limited.

Based on the published information of ZMFY available to the public as at the Latest Practicable Date, ZMFY had issued and outstanding securities of 530,000,000 Shares and the Convertible Bond in the outstanding principal amount of HK\$5,216,000 (convertible into 4,690,647 Shares). Accordingly, an appropriate offer is made by Optima Capital on behalf of the Offeror for the outstanding Convertible Bond pursuant to Rule 13 of the Takeovers Code.

Set out below are the terms and conditions of the Offers made by Optima Capital on behalf of the Offeror.



## THE OFFERS

### The Share Offer

Optima Capital now makes the Share Offer on behalf of the Offeror in compliance with Rule 26 of the Takeovers Code as follows:

For every Offer Share ..... HK\$0.65 in cash

The Share Offer is extended to all Independent ZMFY Shareholders. The Offer Shares to be acquired under the Share Offer are free from all third party rights, liens, claims, charges, equities, options, adverse interests and encumbrances whatsoever together with all rights attaching to them including the right to receive all dividends and distributions which may be declared, made or paid at any time on or after the date on which the Share Offer is made.

### The CB Offer

Pursuant to Rule 13 of the Takeovers Code and on the ground that the Convertible Bond has been issued in accordance with the terms and conditions of the ZMFY Property Acquisition Agreement, the Offeror makes the CB Offer for the Convertible Bond as part of the Offers as follows:

For each outstanding HK\$1 of face value of the Convertible Bond ..... HK\$0.5846 in cash

Based on the Share Offer Price of HK\$0.65 per Offer Share divided by the prevailing conversion price of the Convertible Bond of HK\$1.112 per Share, the offer price under the CB Offer is HK\$0.5846 for each outstanding HK\$1 of face value of the Convertible Bond.

The CB Offer is extended to the ZMFY CB Holder(s). The Convertible Bond to be acquired under the CB Offer are free from all third party rights, liens, claims, charges, equities, options, adverse interests and encumbrances whatsoever and renounced together with all rights accruing or attaching thereto on or after the date on which the CB Offer is made or subsequently becoming attached to it and that the ZMFY CB Holder(s), if accept the CB Offer, will surrender to ZMFY all of his/her/its/their existing rights, if any, in respect of the Convertible Bond.

The procedures for acceptance and further terms of the Offers are set out in Appendix I to this Offer Document.

### Value of the Offers

On the basis of the Share Offer Price, i.e. HK\$0.65 per Share, and 530,000,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of ZMFY is valued at HK\$344.5 million.

The Share Offer is made by Optima Capital on behalf of the Offeror for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). As at the Latest Practicable Date, the Offeror was beneficially interested in 140,000,000

Shares and no parties acting in concert with it were beneficially interested in any Shares. Based on the published information of ZMFY available as at the Latest Practicable Date, Lu Yu held 220,000,000 Shares, representing approximately 41.51% of the issued share capital of ZMFY. Lu Yu is wholly and beneficially owned by Ms. Natsu, a non-executive director and the Chairman of ZMFY.

The Offeror and parties acting in concert with it have no relationship, financial or otherwise, with Lu Yu or parties acting in concert with it, including its sole shareholder. The Offeror has invested in ZMFY as a strategic investor and does not have any agreement or understanding or arrangement whatsoever with Lu Yu and parties acting in concert with it in respect of obtaining or consolidating control in ZMFY. The Offeror does not consider that Lu Yu is a party acting in concert with it. Accordingly, the Share Offer is extended to Lu Yu for the 220,000,000 Shares held by it. As stated in the paragraph headed "Reasons for the Share Offer and Intention of the Offeror in relation to ZMFY" in this Offer Document, the Offeror is disappointed with the business performance and the proposed ZMFY Property Acquisition under the present ZMFY Board, which is led by Ms. Natsu as the Chairman and Ms. Xia as the executive director and the chief executive officer of ZMFY.

Based on 390,000,000 Shares subject to the Share Offer, the Share Offer is valued at HK\$253.5 million on the basis of the Share Offer Price.

The CB Offer is valued at approximately HK\$3.05 million.

The total value of the Offers is approximately HK\$256.55 million.

#### **Financial resources**

The aggregate consideration for the Offers will be financed by a banking facility granted by HSBC to the Offeror for the sole and exclusive purpose of satisfying the full acceptances of the Offers. The payment of interest on, repayment of, or security for any liability (contingent or otherwise) for, such banking facility will not depend on any significant extent on the business of the ZMFY Group.

The maximum cash consideration payable under the Share Offer and the CB Offer are HK\$253.5 million and approximately HK\$3.05 million respectively, which amounts to approximately HK\$256.55 million in aggregate.

Optima Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptances of the Offers.

#### **Comparison of value**

The Share Offer Price of HK\$0.65 for each Offer Share represents:-

- (a) a discount of approximately 46.72% to the closing price of HK\$1.22 per Share as quoted on the Stock Exchange on 3 November 2014, being the Last Trading Day;
- (b) a discount of approximately 43.48% to the closing price of HK\$1.15 per Share as quoted on the Stock Exchange on 26 November 2014, being the Latest Practicable Date;

- (c) a discount of approximately 44.54% to the average closing price of HK\$1.172 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (d) a discount of approximately 45.19% to the average closing price of HK\$1.186 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 44.77% to the average closing price of HK\$1.177 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 46.73% over ZMFY's audited consolidated net assets per Share of approximately HK\$0.443 based on ZMFY's audited consolidated net assets attributable to the owners of ZMFY of approximately RMB135.2 million (equivalent to approximately HK\$169.0 million) as at 31 December 2013 as adjusted by the net proceeds of approximately HK\$43.4 million (as set out in the relevant circular issued by ZMFY dated 22 April 2014) received by ZMFY from the subscription of new Shares by the Offeror on 16 May 2014 and 480,000,000 Shares in issue as at the date on which the Offer Period commenced; and
- (g) a premium of approximately 43.81% over ZMFY's unaudited consolidated net assets per Share of approximately HK\$0.452 based on ZMFY's unaudited consolidated net assets attributable to the owners of ZMFY of approximately RMB173.7 million (equivalent to approximately HK\$217.1 million) as at 30 June 2014 and 480,000,000 Shares in issue as at the date on which the Offer Period commenced.

#### **Highest and lowest closing prices for each Share**

The highest and lowest closing prices for each Share as quoted on the Stock Exchange during the six-month period preceding the Last Trading Day were HK\$1.73 on 23, 24, 25 and 28 July 2014 and HK\$1.04 on 10 October 2014 respectively.

#### **Determination of the Share Offer Price**

The Offeror, in determining HK\$0.65 as the reasonable and fair Share Offer Price, had considered the following factors:-

- (a) the consolidated net assets for each Share;
- (b) the low liquidity of the Shares;
- (c) the market closing prices for each Share during the six-month period preceding the Last Trading Day; and

- (d) the reasons set forth in the paragraph headed "Reasons for the Share Offer and Intention of the Offeror in relation to ZMFY" in this Offer Document.

### **Conditions of the Offers**

#### ***The Share Offer***

The Share Offer shall be conditional upon the following two conditions:-

- (a) valid acceptances having been received (and where permitted, not withdrawn) on or before 4:00 p.m. on the closing date of the Share Offer in respect of the Offer Shares, which together with the Shares already held by the Offeror and parties acting in concert with it, constitute more than 50% of the voting rights of ZMFY; and
- (b) the Shares remaining listed on the Stock Exchange and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended as at the close of the Share Offer or upon the Share Offer becoming unconditional, save for temporary suspension of trading of not more than 30 trading days continuously.

The Share Offer Price shall be payable in cash. The Offeror reserves the right to revise the terms of the Share Offer in compliance with the Takeovers Code.

#### ***The CB Offer***

The CB Offer is conditional upon the Share Offer becoming unconditional in all respects and the offer price for the Convertible Bond will be payable in cash.

The Offeror reserves the right to revise the terms of the CB Offer in compliance with the Takeovers Code.

### **Overseas ZMFY Shareholders and the ZMFY CB Holder(s)**

The Offeror intends to make the Offers available to all ZMFY Shareholders and the ZMFY CB Holder(s) including those who are not resident in Hong Kong. The availability of the Offers to persons who are not resident in Hong Kong may be affected by the laws of the relevant overseas jurisdictions. Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements and restrictions in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdiction.

In the event that the receipt of the Offer Document by overseas ZMFY Shareholders and the ZMFY CB Holder(s) is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements in such overseas jurisdictions that would be unduly burdensome, the Offer Document, subject to the Executive's consent, will not be despatched to such



overseas ZMFY Shareholders and the ZMFY CB Holder(s). The Offeror will apply for any waiver as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any arrangements for overseas ZMFY Shareholders and the ZMFY CB Holder(s) to collect the Offer Document will be set forth in a further announcement.

#### **INFORMATION ON THE OFFEROR AND XINYI GLASS**

The Offeror is an investment holding company incorporated in the BVI on 13 June 2002, which is a wholly-owned subsidiary of Xinyi Glass. Xinyi Glass is a company listed on the Stock Exchange and as at the Latest Practicable Date, it had no controlling shareholders (as defined in the Takeovers Code). The board of directors of the Offeror comprises Mr. LEE Yin Yee, M.H., Mr. LEE Sing Din, Mr. TUNG Ching Sai, Mr. TUNG Ching Bor and Mr. LI Chi Tan. The board of directors of Xinyi Glass comprises Mr. LEE Yin Yee, M.H., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai and Mr. LEE Shing Kan as the executive directors, Mr. NG Ngan Ho, Mr. LI Ching Wai, Mr. SZE Nang Sze and Mr. LI Ching Leung as the non-executive directors, and Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Mr. WONG Ying Wai, S.B.S., JP., Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David as the independent non-executive directors.

Xinyi Glass Group is a leader in the global glass industry and is principally engaged in the production and sales of a wide range of glass products, including automobile glass, construction glass, float glass, and other glass products for different commercial and industrial applications. It currently sells its automobile glass products to more than 130 countries. The Offeror is a direct wholly-owned subsidiary of Xinyi Glass and its principal activity is investment holding.

Based on the published information of ZMFY available as at the Latest Practicable Date, there were 530,000,000 Shares in issue. As at the Latest Practicable Date, the Offeror held 140,000,000 Shares, representing approximately 26.42% of the issued share capital of ZMFY.

The Offeror first became a strategic investor of ZMFY Group in November 2011 by acquiring 20% of the then issued share capital of Yu Sheng Investments Limited, the then holding company of the PRC operating entities of the ZMFY Group.

Upon ZMFY's listing of the Shares on GEM on 3 September 2013, the Offeror became interested in 15% of the then issued share capital of ZMFY. The Offeror's interest in ZMFY was increased to approximately 29.17% after completion of its subscription for additional 80,000,000 Shares at the subscription price of HK\$0.55 per Share in May 2014. The interest of the Offeror in ZMFY was subsequently diluted to 26.42% upon exercise of certain of the Convertible Bond issued by ZMFY to Aleta Global Limited, details of which are set out in the paragraph headed "Background" above.

Save as disclosed above, (i) neither the Offeror nor parties acting in concert with it owned or had control or direction over any voting rights and rights over any Shares or any options, warrants or convertible securities in respect of the Shares or has entered into any outstanding derivatives contracts in respect thereof; and (ii) none of the Offeror and parties acting in concert with it has dealt in any Shares or any options, warrants, derivatives or securities convertible into Shares during the period commencing on the date falling six months prior to 3 November 2014 and up to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in this Offer Document, (i) there were no agreements or arrangements to which the Offeror is a party which relate to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Offer; (ii) none of the Offeror and parties acting in concert with it has received any irrevocable commitment to accept the Share Offer; (iii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in ZMFY which the Offeror or any party acting in concert with it has borrowed or lent; and (iv) there were no arrangements in relation to the shares of the Offeror or the Shares and which might be material to the Share Offer.

#### **INFORMATION ON ZMFY**

ZMFY is an exempted company incorporated in the Cayman Islands with limited liability. The Shares are currently listed on GEM. The principal business activities of the ZMFY Group are the sales of automobile glass with installation/repair services and the trading of automobile glass.

As set out in the prospectus of ZMFY dated 27 August 2013, the ZMFY Group was founded in 1999 by Ms. Xia Lu, an executive director and the chief executive officer of ZMFY. Ms. Xia is the sister-in-law of Ms. Natsu, who through an indirect wholly-owned subsidiary of Lu Yu (being a company wholly and beneficially owned by Ms. Natsu), acquired the ZMFY Group's business from Ms. Xia and other individual shareholders in 2011. Based on the published information of ZMFY available to the public as at the Latest Practicable Date, Lu Yu held 220,000,000 Shares, representing approximately 41.51% of the issued share capital of ZMFY.

As set out in the paragraph headed "Background" above, based on the disclosure in the ZMFY Response Announcement, the Convertible Bond in the principal amount of HK\$60,816,000 (convertible into 54,690,647 Shares) had been issued to Aleta Global Limited pursuant to the ZMFY Property Acquisition Agreement following the completion of the ZMFY Property Acquisition which was indicated to have taken place on 14 November 2014. Subsequent to the issuance of the Convertible Bond, Aleta Global Limited served a conversion notice to ZMFY to exercise the conversion rights to convert part of the Convertible Bond into 50,000,000 Shares. As disclosed by ZMFY in its announcement dated 21 November 2014, the aforesaid conversion was completed. Based on the published information of ZMFY available to the public as at the Latest Practicable Date, ZMFY had issued and outstanding securities of 530,000,000 Shares and the Convertible Bond in the outstanding principal amount of HK\$5,216,000 (convertible into 4,690,547 Shares).

#### **REASONS FOR THE SHARE OFFER AND INTENTION OF THE OFFEROR IN RELATION TO ZMFY**

On 6 October 2014, the Offeror issued a requisition notice (the "Requisition") to the ZMFY Board to requisition an extraordinary general meeting (the "EGM") to be held in accordance with article 58 of the Articles for the purpose of considering and approving the resolutions to remove certain ZMFY Directors and appoint two new directors to the ZMFY Board. In this respect, ZMFY issued an announcement dated 8 October 2014, a circular dated 25 October 2014, a clarification announcement dated 4 November 2014 and the ZMFY Response Announcement. The EGM will be held in Beijing at 9:00 a.m. on 5 December 2014.





The Offeror has found the trading and business performance of ZMFY since beginning of the year disappointing. The Offeror has in various occasions in recent months strived to explore possible ways with the executive directors of ZMFY to improve the business performance and corporate governance of ZMFY Group but there has not been any proactive response from the management of ZMFY. Hence, the Requisition was made for the purpose of restructuring the ZMFY Board to strengthen the management and leadership of ZMFY Group and pave way for improvement of the business performance of the ZMFY Group. The two proposed new ZMFY Directors have more than 20 years of experience and expertise in the automobile glass industry and the Offeror believes they are suitable persons to lead the ZMFY Group to a better position in the market.

Subsequent to the Requisition, ZMFY issued a profit warning on 28 October 2014 announcing that its profit for the nine months ended 30 September 2014 may be considerably lower than that for the corresponding period in 2013. On 11 November 2014, ZMFY published its third quarterly report for the nine months ended 30 September 2014 which shows that the profits for the three months and nine months ended 30 September 2014 have dropped by approximately 86.9% and 38.9% respectively, as compared to the corresponding periods in 2013. The Offeror further notes that ZMFY has entered into the ZMFY Property Acquisition subsequent to the Requisition. Having read the information contained in the ZMFY Property Announcement, the legal advisers of the Offeror has written to the ZMFY Board to raise its concerns on whether the ZMFY Property Acquisition serves the best interests of ZMFY and the ZMFY Shareholders as a whole and question the commercial merits of and legality surrounding the ZMFY Property Acquisition taking into account that the consideration of the ZMFY Property Acquisition (i.e. RMB48 million) is disproportionately substantial to the total value of the property, plant and equipment of the ZMFY Group as at 30 June 2014 (i.e. approximately RMB20.3 million), and the issue of the Convertible Bond to the Vendor, being a PRC resident, should be subject to certain legal restrictions (the "Queries"). The ZMFY Board tried to address the Queries in the ZMFY Response Announcement but the Offeror is of the view that it has not fully addressed the Queries nor has it dispelled the doubt and concerns on the true intention of the ZMFY Property Acquisition. In light of these, the Offeror believes that there is imminent need to restructure the ZMFY Board and to obtain and consolidate control of ZMFY to help improving the corporate governance and business prospects of the ZMFY Group.

The Offeror intends to continue with the existing principal business of the ZMFY Group, which includes the sales of automobile glass with installation/repair services and the trading of automobile glass. The Offeror has no intention to introduce major changes to the business of the ZMFY Group, including any redeployment of fixed assets of ZMFY. Save as set out above and the potential changes to the members of the ZMFY Board pursuant to the Requisition, the Offeror has no plan to terminate the employment of any other employees or other personnel of the ZMFY Group.

#### **MAINTAINING THE LISTING STATUS OF ZMFY**

The Offeror intends ZMFY to remain listed on GEM after the close of the Share Offer.

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



The Offeror will undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Share Offer.

#### **COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Share Offer.

#### **GENERAL**

To ensure equality of treatment of all ZMFY Shareholders, those registered ZMFY Shareholders who hold Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of Shares whose investments are registered in the names of nominees to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of the holders of Shares with a registered address in jurisdiction outside Hong Kong is drawn to the relevant information in the section headed "Overseas ZMFY Shareholders and Overseas ZMFY CB Holder(s)" in Appendix I to this Offer Document.

Yours faithfully  
For and on behalf of  
**Optima Capital Limited**

A handwritten signature in black ink, appearing to read 'Mei H. Leung'.

**Mei H. Leung**  
*Chairman*