



福耀玻璃工業集團股份有限公司

FUYAO GLASS INDUSTRY GROUP CO., LTD.

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code : 3606



Global Offering

Joint Sponsors



Joint Global Coordinators



Joint Bookrunners and Joint Lead Managers



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



福耀玻璃工業集團股份有限公司 Fuyao Glass Industry Group Co., Ltd.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 439,679,600 H Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	: 43,968,000 H Shares (subject to adjustment)
Number of International Offer Shares	: 395,711,600 H Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$16.80 per H Share (payable in full on application in Hong Kong dollars, subject to refund on final pricing), plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%
Nominal Value	: RMB1.00 per H Share
Stock Code	: 3606

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix VII headed "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, March 25, 2015 and, in any event, not later than Monday, March 30, 2015. The Offer Price will not be more than HK\$16.80 and is currently expected to be not less than HK\$14.80 unless otherwise announced. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) by Monday, March 30, 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators, on behalf of the Underwriters may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$14.80 to HK\$16.80 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notice will also be available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.fuyagroup.com. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Public Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m., on the Listing Date. Please refer to the section headed "Underwriting" in this prospectus for more details.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and the different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of the Articles of Association" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered (i) in the United States solely to Qualified Institutional Buyers as defined in Rule 144A in reliance on an exemption from registration under the U.S. Securities Act or (ii) outside the United States in accordance with Regulation S.

March 19, 2015

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications under the White Form eIPO service through the designated website <u>www.eipo.com.hk</u> ⁽²⁾	11:30 a.m. on Tuesday, March 24, 2015
Application lists open ⁽³⁾	11:45 a.m. on Tuesday, March 24, 2015
Latest time to lodge WHITE and YELLOW Application Forms.	12:00 noon on Tuesday, March 24, 2015
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, March 24, 2015
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, March 24, 2015
Application lists close	12:00 noon on Tuesday, March 24, 2015
Expected Price Determination Date ⁽⁵⁾	Wednesday, March 25, 2015
Announcement of the Offer Price and the indication of the levels of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares (with successful applicants' identification document numbers, where appropriate) to be published in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and on our Company's website at <u>www.fuyaogroup.com</u> and the website of the Hong Kong Stock Exchange at <u>www.hkexnews.hk</u> on ...	Monday, March 30, 2015
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Public Offer Shares – 11. Publication of Results" in this prospectus from	Monday, March 30, 2015
Results of allocations for the Hong Kong Public Offering will be available at <u>www.iporesults.com.hk</u> , with a "search by ID" function from	Monday, March 30, 2015
Despatch of H Share certificates in respect of wholly or partially successful applications on or before ⁽⁶⁾	Monday, March 30, 2015

EXPECTED TIMETABLE⁽¹⁾

Despatch of refund cheques or White Form e-Refund payment instructions in respect of wholly or partially unsuccessful applications on or before⁽⁷⁾⁽⁸⁾ Monday, March 30, 2015

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on Tuesday, March 31, 2015

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- (1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
 - (2) You will not be permitted to submit your application through the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
 - (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, March 24, 2015, the application lists will not open on that day. Further information is set out in the section headed “How to Apply for Hong Kong Public Offer Shares – 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Tuesday, March 24, 2015, the dates mentioned in this section may be affected. We will make a press announcement in such event.
 - (4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Public Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
 - (5) The Price Determination Date is expected to be on or about Wednesday, March 25, 2015 and in any event will not be later than Monday, March 30, 2015. If, for any reason, the Offer Price is not agreed on or before Monday, March 30, 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
 - (6) H Share certificates for the Hong Kong Public Offer Shares are expected to be issued on Monday, March 30, 2015 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible.
 - (7) Applicants who have applied on **WHITE** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more and have provided all information required, may collect refund cheques (if applicable) and H Share certificates (if applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, March 30, 2015. Identification and (where applicable) authorization documents acceptable to the H Share Registrar must be produced at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more and have provided all information required, may collect their refund cheques (if applicable) in person but may not elect to collect in person their H Share certificates which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied through the **White Form eIPO** service by paying the application monies through a single bank account may have White Form e-Refund payment instructions (if any) despatched to their application payment bank account on Monday, March 30, 2015. Applicants who have applied through the **White Form eIPO** service by paying the application monies through multiple bank accounts may have refund cheque(s) sent to the address specified in their application instructions through the designated **White Form eIPO** Service Provider, on or before Monday, March 30, 2015, by ordinary post and at their own risk.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for Hong Kong Public Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

- (8) Refund cheques will be issued (where applicable) and e-Refund payment instructions will be despatched (where applicable) in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, you should refer to the section headed "Structure of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by Fuyao Glass Industry Group Co., Ltd. solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus.

We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering. Information contained on the website of our Company at www.fuyaogroup.com does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are China’s No. 1 and the world’s No. 2 automotive glass manufacturer by 2013 sales volume, according to Roland Berger. We are the dominant market leader in China and the only company that specializes in automotive glass production among the world’s leading automotive glass manufacturers. In 2013, we enjoyed an approximately 63% share of China’s locally manufactured automotive glass market by sales, an approximately 72% share of China’s passenger vehicle glass OEM market by sales and an approximately 20% share of the global automotive glass market by sales volume, according to Roland Berger. In 2013, our operating profit margin of 22.2% was higher than the operating profit margin of the glass manufacturing division of the other top four global automotive glass manufacturers, according to Roland Berger.

Our products are sold in the domestic and overseas OEM and ARG automotive glass markets. We are one of the few automotive glass manufacturers that are accepted by global OEMs and certified by the Four Major Vehicle Series. Our major customers include the world’s top 20 automobile manufacturers by production volume and China’s top 10 passenger vehicle manufacturers by production volume. Our top 10 customers during the Track Record Period had an average of 10 years of business relationships with us. Our long-standing business relationships with the world’s leading automobile manufacturers, who have the most discerning quality requirements and stringent supplier qualification standards, testify to our strong reputation for world-class product and service quality, and advanced manufacturing capability.

Our 12 automotive glass production bases located in eight provinces in China provide a comprehensive geographic coverage of all of China’s major automobile manufacturing bases. Our geographic coverage in China, the broadest among automotive glass manufacturers, according to Roland Berger, enables us to cost-effectively offer “just-in-time” delivery of our products to our customers. In addition, our high self-sufficiency in float glass, which is the primary raw material for manufacturing automotive glass, enables us to ensure a stable and quality supply. This, together with our other production cost control measures, effectively enhances our operational efficiency. In addition, our flexible manufacturing system, which comprises information control system, raw material storage and transportation system and digital control processing equipment, enables us to respond quickly to market changes and manufacture a greater variety of products in smaller batches, thereby allowing us to effectively capitalize on our competitive advantages in production cost, speed to market and product diversity.

SUMMARY

We are actively expanding our international presence. We have established subsidiaries in six countries and regions: Hong Kong, the United States, South Korea, Germany, Japan and Russia. In 2012, 2013 and 2014, international sales accounted for 32.6%, 32.0% and 33.5% of our total revenue, respectively. As of the Latest Practicable Date, we had one automotive glass production facility in Kaluga City, Russia with an aggregate land area of approximately 130,000 sq.m. and annual production capacity of approximately 4.0 million sq.m. We are in the process of constructing the second phase of the production facility, which has a designed production capacity of approximately 8.1 million sq.m. and is expected to commence commercial production in the fourth quarter of 2016. We are also constructing an automotive glass manufacturing facility in Ohio, United States with a designed capacity of approximately 12.1 million sq.m. We expect to complete the construction of the Ohio manufacturing facility by December 2015. In addition, we plan to construct two automotive grade float glass production lines near our Russian automotive glass production facility, and to retrofit and upgrade the two float glass production lines in Illinois, United States that we purchased in August 2014 to produce automotive grade float glass. Consistent with our expansion strategy, we intend to continue our long-term policy of constructing overseas manufacturing bases to meet market demand and our production needs.

We believe we have industry-leading equipment development and product design capabilities. We design and develop products in tandem with our customers' own product development cycle from initial design to final production. Our engineers work closely with our OEM customers so as not only to satisfy their stringent requirements but also achieve the optimal design of our products for both functionality and production. We prioritize our research and development efforts on higher value-added products to meet the market trend of increasingly demanding specifications and functions in automotive glass. We are also focused on continually upgrading our manufacturing capabilities, streamlining production processes and enhancing operational efficiency. We have successfully developed production equipment, such as molding machines and automated testing equipment, to further reduce energy consumption, improve production efficiency and stabilize product quality.

During the Track Record Period, we achieved a steady growth in our financial performance. In 2012, 2013 and 2014, our revenue was RMB10,247.4 million, RMB11,501.2 million and RMB12,928.2 million, respectively, and our net profit was RMB1,524.1 million, RMB1,916.7 million and RMB2,216.8 million respectively.

SUMMARY

OUR COMPETITIVE STRENGTHS

Our principal competitive strengths include:

- China's No. 1 automotive glass manufacturer and the only automotive glass specialist among global leading manufacturers.
- Strategically deployed network of well-equipped manufacturing facilities in China and a growing international presence.
- High operational efficiency and significant cost competitiveness.
- Strong and long-standing relationships with major automobile manufacturers.
- Strong research and development and product co-design and development capabilities.
- Devoted, professional, stable and experienced senior management team, great corporate culture and a strong, transparent corporate governance structure.

OUR STRATEGIES

We will continue to focus on our core business of developing and manufacturing automotive glass products. Our goal is to solidify our leading position in the automotive glass industry in China and to become the most competitive specialized automotive glass manufacturer in the world, renowned for product quality and innovation. We plan to accomplish this goal by pursuing the following strategies:

- Further penetrate China's automotive glass market.
- Pursue disciplined international expansion and growth.
- Optimize product mix with a focus on value-added products.
- Continue to improve operational efficiency.
- Enhance our research and development capabilities.

SUMMARY

OUR BUSINESS MODEL AND PRODUCTS

We generated most of our revenue from the sale of high-quality automotive glass. We also produce and sell float glass, which is the primary raw material for manufacturing automotive glass and architectural glass. The table below sets forth a breakdown of our revenue by product for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in millions, except percentages)					
Automotive glass	9,514.8	92.9%	10,912.0	94.9%	12,439.4	96.2%
Float glass	2,271.8	22.2	2,238.9	19.5	2,129.7	16.5
Others ⁽¹⁾	342.2	3.3	429.5	3.7	487.0	3.8
Less: intra-group sales ⁽²⁾	(1,881.4)	(18.4)	(2,079.2)	(18.1)	(2,127.9)	(16.5)
Total	10,247.4	100.0%	11,501.2	100.0%	12,928.2	100.0%

(1) Primarily include revenue from the sale of architectural glass.

(2) Primarily include intra-group sales of float glass.

Our core business is automotive glass manufacturing. The following table sets forth the production capacity, production volume and utilization rates of our automotive glass and float glass manufacturing facilities, and the average selling price of our automotive glass and float glass products for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Automotive Glass			
Production capacity ⁽¹⁾ (million sq.m.)	92.0	96.6	110.3
Production volumes (million sq.m.)	75.1	86.0	94.4
Utilization rates (%) ⁽²⁾	81.6	89.0	85.6
Average selling price (RMB per sq.m.)	131.1	132.5	136.8
Float Glass			
Production capacity ⁽¹⁾ (thousand tons)	1,150	1,014	1,058
Production volumes (thousand tons)	1,089	954	885
Utilization rates (%) ⁽²⁾	94.7	94.1	83.6 ⁽³⁾
Average selling price of products sold to external parties (RMB per ton)	1,207.4	1,332.0	1,146.6

(1) The sum of monthly weighted average production capacity for the year/period.

(2) Calculated by dividing production volumes by production capacity for the year/period.

(3) The decreased utilization rate of our float glass manufacturing facilities in 2014 was primarily due to testing and trial production of our new products in two of our float glass manufacturing facilities.

SUMMARY

OUR CUSTOMERS, SALES AND MARKETING

We sell automotive glass to OEM and ARG customers in 69 countries and regions, including the PRC, the United States, the United Kingdom, Hong Kong, Germany, Japan, Australia, Canada, Brazil, South Korea and Russia. The following table sets forth a breakdown of our revenue by region for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in millions, except percentages)					
China	6,911.4	67.4%	7,823.3	68.0%	8,597.9	66.5%
Outside China ⁽¹⁾	3,336.0	32.6	3,677.9	32.0	4,330.3	33.5
Total	10,247.4	100.0%	11,501.2	100.0%	12,928.2	100.0%

(1) Primarily include revenue from the export of our products to the United States, the United Kingdom, Canada, Russia, Germany, Japan and South Korea. The destinations of exports are based solely on the addresses of the customers as set forth in the sales invoices. Our customers include ARG wholesalers that may onsell our products to end-customers located elsewhere and procurement centers of global automobile manufacturers that purchase our products for the use of their production facilities located at various places.

We sell to OEM and ARG customers directly without using sales agents. As of December 31, 2014, our sales and marketing team consisted of 384 personnel, including 350 personnel based in China and 34 personnel based in the United States, Germany, Japan, South Korea and Russia.

In 2012, 2013 and 2014, our five largest customers accounted for 15.8%, 16.3% and 17.1% of our revenue, respectively, and our largest customer accounted for 6.5%, 6.2% and 6.4% of our revenue, respectively.

In addition, we sell a small portion of float glass in the PRC to other automotive glass manufacturers, furniture makers, window manufacturers, construction companies and real estate developers, as well as trading companies that may resell the float glass to these end-customers. We sell our architectural glass products to customers in the PRC and Australia.

RAW MATERIALS PROCUREMENT AND SUPPLIERS

The principal raw materials used in our production include float glass and PVB layers used to produce automotive glass, as well as silica sand, soda ash and limestone used to produce float glass. In 2012, 2013 and 2014, 83.3%, 86.6% and 76.0% by carrying value, respectively, of float glass used in automotive glass sold was sourced internally. We have one silica sand production facility in Hainan, China, which supplies all silica sand required for our float glass production. Other major raw materials used in our production are generally available in the market and we purchase them from multiple Independent Third Parties.

SUMMARY

In 2012, 2013 and 2014, purchases from our five largest suppliers accounted for 15.4%, 15.8% and 17.4% of our cost of sales, respectively, and purchases from the largest supplier accounted for 4.0%, 4.4% and 4.8% of our cost of sales, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out our consolidated financial information. We have derived the summary consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 from the Accountant's Report set forth in Appendix I to this prospectus. The consolidated financial information should be read together with, and is qualified in its entirety by reference to, the consolidated financial information as set forth in the Accountant's Report in Appendix I to this prospectus, including the related notes, as well as the information set forth in "Financial Information" beginning on page 184 of this prospectus.

Our consolidated financial information has been prepared in accordance with IFRS.

Summary Consolidated Income Statement Data

	Year ended December 31,		
	2012	2013	2014
(RMB in millions)			
Revenue	10,247.4	11,501.2	12,928.2
Cost of sales	(6,419.9)	(6,830.5)	(7,565.5)
Gross Profit	3,827.5	4,670.7	5,362.7
Distribution costs and selling expenses	(778.6)	(876.8)	(982.2)
Administrative expenses	(762.5)	(907.6)	(1,031.3)
Research and development expenses	(236.5)	(388.8)	(517.9)
Other income	62.9	54.3	46.0
Other (losses)/gains – net	(48.3)	0.2	(43.1)
Operating profit	2,064.5	2,552.0	2,834.2
Finance income	2.2	3.1	14.4
Finance costs	(226.2)	(202.3)	(241.3)
Finance costs – net	(224.0)	(199.2)	(226.9)
Share of results of joint ventures	21.6	25.8	31.0
Profit before income tax	1,862.1	2,378.6	2,638.3
Income tax expense	(338.0)	(461.9)	(421.5)
Profit for the year	<u>1,524.1</u>	<u>1,916.7</u>	<u>2,216.8</u>
Profit attributable to:			
Equity holders of the Company	1,524.2	1,917.1	2,219.2
Non-controlling interests	(0.1)	(0.4)	(2.4)

SUMMARY

Summary Consolidated Balance Sheet Data

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Non-current assets	8,095.0	8,670.8	10,260.6
Current assets	5,065.4	6,012.3	6,630.3
Current liabilities	5,160.2	5,580.6	6,450.8
Non-current liabilities	1,008.7	1,240.9	1,622.2
Total liabilities	6,168.9	6,821.5	8,073.0
Net current (liabilities)/assets	(94.8)	431.7	179.5
Total equity	6,991.5	7,861.6	8,817.9
Total equity and liabilities	13,160.4	14,683.1	16,890.9
Total assets less current liabilities	8,000.2	9,102.5	10,440.2

Summary Consolidated Cash Flow Statement Data

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Net cash generated from operating activities	2,426.5	2,817.0	3,130.6
Net cash used in investing activities	(1,382.5)	(1,416.9)	(2,611.9)
Net cash used in financing activities	(1,364.2)	(1,395.5)	(502.8)
Cash and cash equivalents at the beginning of the year	807.5	487.3	491.9
Exchange losses on cash and cash equivalents	—	—	(8.4)
	487.3	491.9	499.4
Add: Cash and cash equivalents attributable to the disposal group	—	(1.4)	(0.3)
Cash and cash equivalents at the end of the year	487.3	490.5	499.1

SUMMARY

Financial Ratios

The following tables set forth a summary of financial ratios for the periods and as of the dates indicated.

	Year ended December 31,		
	2012	2013	2014
Revenue growth ⁽¹⁾	5.8%	12.2%	12.4%
Net profit growth ⁽²⁾	0.8%	25.8%	15.7%
Gross margin ⁽³⁾	37.4%	40.6%	41.5%
Net profit margin before interest and taxes ⁽⁴⁾	20.4%	22.4%	22.3%
Net profit margin ⁽⁵⁾	14.9%	16.7%	17.1%
Interest coverage ratio ⁽⁶⁾	9.23	12.76	11.93
Return on equity ⁽⁷⁾	21.8%	24.4%	25.1%
Return on total assets ⁽⁸⁾	11.6%	13.1%	13.1%

- (1) Calculated by dividing revenue for the period by revenue for the previous period, minus one and multiplied by 100%.
- (2) Calculated by dividing net profit for the period divided by net profit for the previous period, minus one and multiplied by 100%.
- (3) Calculated by dividing gross profit by revenue for the period and multiplied by 100%.
- (4) Calculated by dividing the sum of net profit before interest and income tax expenses by revenue for the period and multiplied by 100%.
- (5) Calculated by dividing net profit for the period by revenue for the period and multiplied by 100%.
- (6) Calculated by dividing net profit before interest, taxes, depreciation and amortization by finance costs for the period.
- (7) Calculated by dividing net profit for the period by total equity as at the end of the period and multiplied by 100%.
- (8) Calculated by dividing net profit for the period by total assets as at the end of the period and multiplied by 100%.

	As of December 31,		
	2012	2013	2014
Current ratio ⁽¹⁾	0.98	1.08	1.03
Quick ratio ⁽²⁾	0.61	0.74	0.69
Gearing ratio ⁽³⁾	0.57	0.49	0.52
Net debt to equity ratio ⁽⁴⁾	0.50	0.42	0.46

- (1) Calculated by dividing current assets by current liabilities as at the end of the period.
- (2) Calculated by dividing the sum of current assets less inventories by current liabilities as at the end of the period.
- (3) Calculated by dividing total debt by total equity as at the end of the period.
- (4) Calculated by dividing net debt by total equity as at the end of the period. Net debt is the sum of current and non-current borrowings less cash and cash equivalents.

Please see “Financial Information” beginning on page 184 of this prospectus for an analysis of the changes in the financial ratios.

SUMMARY

RECENT DEVELOPMENTS

Economic and Market Conditions in the PRC

There had not been, as far as we are aware, any material changes in the general economic and market conditions in the PRC or the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since December 31, 2014 and up to the Latest Practicable Date.

Economic Situation in Russia

We believe the general economic situation in Russia and the substantial depreciation of the Russian Ruble have not materially and adversely affected our business operations and financial condition. We are closely monitoring the situation in Russia and will adopt appropriate measures in a timely manner to minimize our exposure to risks if there is any material negative change in Russia.

Our Operations in Russia

We believe the situation in Russia has not materially and adversely affected our business operations and financial condition as the scale of our investments and operations in Russia is still very small. In 2012, 2013 and 2014, sales of our products to Russia represented less than 1% of our total revenue. As of December 31, 2012, 2013 and 2014, our total assets in Russia amounted to RUB2,014.3 million (RMB415.1 million), RUB3,840.6 million (RMB711.4 million) and RUB4,242.1 million (RMB468.5 million), respectively, representing 3.15%, 4.85% and 2.77% of our total assets. The first phase of our Russian production facility currently has a production capacity of 4.0 million sq.m., which represented approximately 3.6% of our total production capacity of automotive glass of 110.3 million sq.m. in 2014. Our Russian production facility will be mainly used to fulfill newly developed orders from customers in Russia and other European countries, in particular, Germany and the United Kingdom. We do not expect the utilization rate of our existing production facilities in China to be negatively affected because the scale of our Russian production facility is still relatively small and we expect greater demand in China as the Chinese market continues to grow.

Depreciation of Russian Ruble

We expect our operations in Russia will benefit from the depreciation of the Russian Ruble. Commercial production in our Russian production base commenced in February 2015, and we are able to meet orders from Russian customers locally. Our sales in Russia are settled in U.S. dollars, Euro and Russian Rubles only through Bank of China (Eluosi) and Industrial and Commercial Bank of China (Moscow). The prices set out in framework agreements with our customers are generally denominated in U.S. dollars or Euros. Our customers are allowed to remit payments in U.S. dollars, Euros or Russian Rubles as specified in the respective framework agreements. For purchase orders denominated in U.S. dollars or Euros but settled

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in Russian Rubles, the amount of Russian Rubles received by us is calculated at the exchange rate on the delivery date. We primarily use and expect to use the Russian Rubles received from customers who settle in Russian Rubles to finance the operating costs of our Russian production facility. Our operating costs in Russia are largely paid in Russian Rubles. Our operations in Russia are partly financed by loans from Russian banks that are denominated in Russian Rubles and are payable in Russian Rubles. As of December 31, 2012, 2013 and 2014, loans from Russian banks amounted to nil, nil and RUB850 million (RMB93.9 million), respectively. In addition, we have in place prudent foreign currency and cash management practices. We have not entered into any speculative transactions involving the Russian Ruble and do not convert our foreign currencies into Russian Ruble until needed. Accordingly, the depreciation of the Russian Ruble has not had a negative impact on our operations and financial condition.

Customers' Demand for Products Manufactured in Russian Production Facilities

There has been no material decline in the amount or number of orders from our Russian customers during the period from December 31, 2014 to the Latest Practicable Date. In 2013, Russia relied on imports of automotive glass from manufacturers to meet approximately 27% of its domestic demand for automotive glass. Our production costs are lower as a result of the depreciation of Russian Rubles and our products will become more competitive even if we increase the selling prices. We believe that our products manufactured in Russia may replace the automotive glass imported. On this basis, our Directors believe that overall demand for our products in Russia will continue to be stable. If there is any fluctuation in orders from our Russia customers in the near future, we plan to use our Russian production facility to fulfill newly developed orders from customers in other European countries. Our Russian production facility has obtained the product certifications from Nissan, Volkswagen and General Motors. The estimated customers' demand for automotive glass manufactured in the Russian production facilities is 2.89 million sq.m. in 2015.

Our View and Our Investment in Russia

We made the decision to invest in Russia having regard to the medium to long-term growth prospect of the Russian economy, driven by its growing population (particularly a robust young population), access to abundant and relatively cheap natural resources and the Russian government's support for industrial and infrastructure development, and these factors have remain unchanged. Accordingly, we remain optimistic about the long-term outlook of the Russian economy and demand for automobile products in Russia, and do not have any current plan to materially change our investment in Russia. We incurred capital expenditures of RUB567.9 million (RMB117.0 million), RUB1,620.4 million (RMB300.2 million) and RUB677.0 million (RMB74.8 million), respectively in respect of our Russian manufacturing facilities in 2012, 2013 and 2014. We expect to incur capital expenditures of RUB288.8 million (RMB31.9 million) in 2015. We are not subject to any penalty under the co-operation agreement with the Kaluga City government if we delay or reduce the amount of investment in Russia.

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Monitoring Measures in Russia

Although, we do not expect the current situation in Russia to have any substantial and long-lasting impact on our investment in Russia, we have designated the general manager and the chief accountant of our Russian subsidiary to closely monitor the situation in Russia and report to our senior management. The general manager of our Russian subsidiary has worked with us since October 1996 and worked at the level of general manager in our Guangzhou subsidiary since September 2006. He is experienced in management, knowledgeable in the automotive glass industry and familiar with our corporate governance structure and internal report procedures. The chief accountant of our Russian subsidiary is a Russian and has worked on various accounting and financial positions in Russian enterprises since August 2001. He is experienced in accounting and financial management and familiar with the situation in Russia. The designated personnel are required to give a monthly report of the situation in Russian and report promptly if there is any material negative change in Russia. Our senior management will adopt appropriate measures in a timely manner to minimize our exposure to risks relating to Russia.

SANCTIONS RISKS IN RELATION TO OUR OPERATIONS IN RUSSIA

The United States first imposed sanctions in response to the situation in Ukraine in March 2014, followed by other countries or groups of countries (i.e., the European Union). These sanctions target specified Russian and Ukrainian persons and entities (and entities that are at least 50% owned, directly or indirectly, by them) and prohibit certain activities in or related to the Crimea region. Additional sanctions relate to the provision of goods and services related to aspects of the Russian petroleum and defense industries, and dealings in the debt and equity of and the extension of credit to certain Russian entities.

Generally, the sanctions restrict the activities of persons or entities required to comply with them. For example, the U.S. sanctions generally only apply to U.S. citizens or permanent residents, persons physically in the United States, activities that take place inside the United States, entities organized under U.S. law, and certain transactions involving U.S.-origin products or technology. The E.U. sanctions, on the other hand, generally apply within the territory of the European Union, on board aircraft and vessels under the jurisdiction of an E.U. Member State, to nationals of and legal persons, entities and bodies incorporated or constituted under the laws of an E.U. Member State, as well as to any natural person or legal person, entity or body (of any nationality) in respect of business done in whole or in part within the European Union.

Based on the advice from our legal adviser, we believe that as a company incorporated in the PRC, our Company's operations outside the United States and the European Union are generally not subject to the jurisdiction of these U.S. and E.U. sanctions.

Our sales to Russia have been exclusively made by our Chinese subsidiaries and a Russian subsidiary. Even if the sanctions were to apply to us, we believe we have not violated the sanctions because we have not sold any products into Crimea/Sevastopol or to any parties in Russia/Ukraine whose names appear on the U.S. or E.U. sanctions lists.

Based on the advice from our legal adviser, we do not believe that our sales activities are likely to present material sanctions risks as the U.S. and E.U. sanctions are currently constituted for our shareholders or potential investors merely as a result of holding shares in

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or investing in our Company, or for the Hong Kong Stock Exchange, the Hong Kong Securities Clearing Company Limited and the HKSCC Nominees Limited merely as a result of listing shares in our Company or providing services in relation to such listing. There can be no assurances, however, that U.S. or E.U. sanctions enforcement agencies would not take a different view in the future, and the relevant agencies retain substantial discretion in the interpretation and enforcement of sanctions.

Our subsidiaries incorporated in the U.S. or in the E.U. are required to comply with the relevant sanction laws in force from time to time in the relevant jurisdictions. In this connection, we confirm that neither our U.S. nor German subsidiaries have sold and we have no present intention for our U.S. or German subsidiaries to sell products to Russian or Ukrainian customers, or into Crimea/Sevastopol.

To identify and monitor our exposure to risks associated with U.S. or E.U. sanctions that target Russian/Ukrainian persons and entities, we will adopt the following measures:

- (a) intake of new businesses or clients will be pre-screened by our designated personnel who have received training in U.S. and E.U. sanctions. Such personnel will also ensure our products will not be directly sold to countries that are subject to comprehensive sanctions by the U.S. or E.U. or Russian/Ukrainian persons or entities that are subject to U.S. or E.U. sanctions, or into Crimea/Sevastopol;
- (b) new product sales contracts entered into with customers will include a representation that such customer is not a target of any U.S. or E.U. sanctions;
- (c) training programs relating to sanctions laws will be provided to our Directors, senior management, legal department and other relevant personnel to assist them in evaluating and managing sanctions risks that our Group may encounter in our operations; and
- (d) upon identifying material risks relating to sanctions in our operations, we will seek appropriate advice from reputable external legal advisers.

Other countries, such as Australia and Canada, have also imposed sanctions targeted at Russian/Ukrainian persons and entities. As of the Latest Practicable Date, we did not have subsidiaries incorporated in or production facilities in these countries, and we did not sell to Russia from these countries. If our operations expand into these countries in the future, we will adopt measures to identify and monitor our exposure to risks associated with sanctions laws of these countries as and when appropriate.

We undertake to the Hong Kong Stock Exchange that we will not knowingly use the proceeds from the Global Offering as well as any other funds raised through the Hong Kong Stock Exchange to finance or facilitate, directly or indirectly, any projects or businesses in the Sanctioned Countries. If we were in breach of such undertaking to the Hong Kong Stock Exchange, we risk the possible delisting of our H Shares from the Hong Kong Stock Exchange.

During the Track Record Period, our total sales to OEM and ARG customers in Russia contributed less than 1% of our total revenue.

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OFFERING STATISTICS

	Based on an Offer Price of HK\$14.80	Based on an Offer Price of HK\$16.80
Market capitalization of our H Shares ⁽²⁾	HK\$6,507.3 million	HK\$7,386.6 million
Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	HK\$7.04	HK\$7.38

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 439,679,600 H Shares expected to be issued and outstanding following the Global Offering.
- (3) The pro forma adjusted net tangible assets per share is arrived at after the adjustments referred to in Appendix II to this prospectus.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB248.3 million (assuming an Offer Price of HK\$15.80, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus and that the Over-allotment Option will not be exercised), of which approximately RMB240.0 million is directly attributable to the issue of H Shares to the public and to be capitalized, and approximately RMB8.3 million has been or is expected to be reflected in our consolidated income statements. Approximately RMB2.7 million of the listing expenses in relation to services already performed has been reflected in our consolidated income statements during the Track Record Period, and the remaining amount of approximately RMB5.6 million is expected to be reflected in our consolidated income statements subsequent to the Track Record Period. Our Directors do not expect such expenses to materially impact our results of operations for 2015.

In accordance with International Accounting Standard 32 “Financial Instruments: Presentation” issued by the International Accounting Standards Board, those expenses which are incremental and directly attributable to offering of new shares are transaction costs of equity transaction and should be deducted from equity, while those expenses relating to the listing of existing shares are not related to equity transaction and thus should be charged to the income statement. After the Global Offering, the existing shares held by the promoters remains listed in A-share market and will not be listed or traded on the Hong Kong Stock Exchange until relevant requisite internal approval processes are duly completed and the approval from relevant PRC regulatory authorities, including CSRC, are obtained. Therefore the Global Offering is purely offering of new shares without listing of existing shares.

Accordingly, those expenses relating to the Global Offering, other than roadshow expenses and public relationship costs which are marketing expense in nature and will be expensed off when incurred, are incremental and directly attributable to offering of new shares and should be deducted from equity instead of charged to the income statement.

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DIVIDEND POLICY

Our Articles of Association require us to distribute cash dividends of at least 20% of our distributable profits each year unless we expect to make significant investment or incur significant capital expenditures in the following year. We declared cash dividends of RMB1,001.5 million, RMB1,001.5 million and RMB1,502.2 million for 2012, 2013 and 2014, respectively, representing RMB0.5, RMB0.5 and RMB0.75 per A Share, respectively, and our A Share dividend payout ratio (calculated based on profit for the year) was 65.7%, 52.3% and 67.8%, respectively. The cash dividends of RMB1,502.2 million for 2014 are only payable to holders of our A Shares no later than May 10, 2015 from our internal resources. Our historical dividends may not be indicative of the amount of our future dividends.

Under PRC law, we may only pay dividends out of our profits after tax. Profits after tax for a given year represents net profits as determined under PRC GAAP or IFRS, whichever is the lower. For further details, see “Financial Information – Dividend Policy” beginning on page 227 of this prospectus.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, our share capital was RMB2,002,986,332 comprising 2,002,986,332 A Shares. Mr. Cho Tak Wong, our single largest Shareholder, held Shares representing 21.83% of our total issued share capital, including (i) direct holding of approximately 0.02% of our total issued share capital; (ii) indirect holding of 19.50% and 0.6% of our total issued share capital through Sanyi and Home Bridge, respectively; and (iii) his deemed interests in the A Shares indirectly held by his spouse, Ms. Chan Fung Ying (陳鳳英), representing approximately 1.71% of our then total issued share capital. Heren Charitable Foundation, a Substantial Shareholder independent from Mr. Cho Tak Wong and his associates, holds 14.48% of our total issued share capital.

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, Mr. Cho Tak Wong will continue to be our single largest Shareholder, holding A Shares representing approximately 17.90% of our then total issued share capital, comprising (i) direct holding of approximately 0.01% of our then total issued share capital, (ii) indirect holding of approximately 15.99% and approximately 0.50% of our then total issued share capital through Sanyi and Home Bridge, respectively; and (iii) his deemed interests in the A Shares indirectly held by his spouse, Ms. Chan Fung Ying, representing approximately 1.40% of our then total issued share capital. Heren Charitable Foundation will hold A Shares representing approximately 11.87% of our then total issued share capital.

On November 19, 2012, we entered into a lease agreement with Yaohua, a company controlled by Mr. Cho Tak Wong and his spouse, Ms. Chan Fung Ying. Please see the section headed “Connected Transaction” beginning on page 157 of this prospectus for details.

To comply with the provisions of PRC Company Law, Mr. Cho Tak Wong has undertaken to us on December 16, 2014 that, so long as he remains as our Director, Supervisor or senior management, he shall not directly or indirectly, on an annual basis dispose of more than 25% of the Shares he holds at the relevant time, and shall not dispose of any Shares he holds at the relevant time, directly or indirectly, within six months after he resigns as our Director, Supervisor or senior management. In addition, Sanyi and Home Bridge have revised their

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articles of association, which require that during the period Mr. Cho Tak Wong serves as our Director, Supervisor or senior management, the Shares transferred by them every year, together with the Shares transferred by Mr. Cho Tak Wong directly or through other entities during the same year shall not exceed 25% of the total number of our Shares held directly or indirectly by Mr. Cho Tak Wong. If Mr. Cho Tak Wong no longer serves as our Director, Supervisor or senior management, these companies shall not transfer our Shares held by them within the six-month period from the date he leaves such office. For more details, please refer to the section headed “Substantial Shareholders – Undertaking by Mr. Cho Tak Wong” beginning on page 175 of this prospectus.

Each of Mr. Cho Tak Wong, Ms. Chan Fung Ying, Sanyi, Home Bridge and Yaohua has provided a non-competition undertaking to us on February 8, 2002. Please see the section headed “Substantial Shareholders – Non-competition undertakings” beginning on page 178 of this prospectus for details.

In addition, each of Mr. Cho Tak Wong, Ms. Chan Fung Ying and Yaohua has provided a 12-month lock-up undertaking to each of the Hong Kong Stock Exchange and our Company. For more details, please refer to the sections headed “Substantial Shareholders – Lock-up Undertaking by Yaohua and Ms. Chan Fung Ying” beginning on page 176 and “Underwriting – Undertaking by Mr. Cho Tak Wong” beginning on page 246.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

As a company listed on the Shanghai Stock Exchange, we are required to publish our quarterly (for the first and third quarters of each year), semi-annual (for the first six months of each year) and annual reports with respect to our A Shares under the Shanghai Listing Rules. These reports will be prepared in conformity with PRC GAAP. Our financial information in both English and Chinese will also be released in Hong Kong simultaneously pursuant to Rule 13.10B of the Hong Kong Listing Rules subsequent to our Listing on the Hong Kong Stock Exchange. We will publish annual and semi-annual financial information under IFRS for H Share disclosure purpose and annual, semi-annual and quarterly financial information under PRC GAAP for A Share disclosure purpose simultaneously.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$6,635.6 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commission and other estimated offering expenses payable by us and assuming an Offer Price of HK\$15.80 per H Share, being the mid-point of the indicative offer price range set forth on the cover page of this prospectus.

We intend to use these net proceeds for the following purposes:

- approximately 35%, or HK\$2,322.4 million (equivalent to approximately RMB1,832.1 million), is expected to be used for the investment in an automotive glass production facility in Ohio, United States with a designed annual production capacity of 12.1 million sq.m., the construction of which is expected to be completed by December 2015;

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- approximately 30%, or HK\$1,990.7 million (equivalent to approximately RMB1,570.4 million), is expected to be used for the investment in an automotive grade float glass production facility in Russia with an annual production capacity of 450,000 tons, the construction of which is expected to commence by the end of 2016 and to complete by the end of 2017;
- approximately 15%, or HK\$995.3 million (equivalent to approximately RMB785.2 million), is expected to be used for the investment in and construction the second phase of an automotive glass production facility in Kaluga City, Russia with a designed annual production capacity of 8.1 million sq.m., which is under construction and is expected to commence commercial production in the fourth quarter of 2016;
- approximately 10%, or HK\$663.6 million (equivalent to approximately RMB523.5 million), is expected to be used for our working capital; and
- approximately 10%, or HK\$663.6 million (equivalent to approximately RMB523.5 million), is expected to be used for repaying our bank loans we obtained from various commercial banks for general corporate purposes. Such bank loans bear an annual interest rate ranging from 3% to 6%, and will be due and repayable by the end of the second quarter of 2015.

To the extent that the net proceeds of the Global Offering derived from unused capital are not immediately applied towards the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions.

Our Directors will continue to closely monitor the developments in Russia. We have designated the general manager and the chief accountant of our Russian subsidiary to monitor and report developments in Russia to our Directors from time to time. If there is any material change to the use of proceeds of the Global Offering after the Listing, we will make announcements in compliance with the Listing Rules as and when necessary.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range and assuming the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$7,059.8 million. The additional net proceeds of approximately HK\$424.3 million (when compared to the net proceeds to us with the Offer Price being determined at the mid-point of the stated range and without exercising the Over-allotment Option) will be allocated to the above purposes on a pro rata basis. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$8,128.9 million. The additional net proceeds of approximately HK\$1,069.1 million will be allocated to the above purposes on a pro rata basis.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range and assuming the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$6,211.3 million. In the event that the Offer Price is set at the low-end of

SUMMARY

the proposed Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$7,153.2 million. Under such circumstances, the net proceeds allocated to working capital will be reduced.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there had been no material adverse change in our financial or trading position or prospects since December 31, 2014, being the date of our latest audited financial statements, and up to the date of this prospectus, and there had been no event since December 31, 2014 and up to the date of this prospectus that would materially affect the information shown in the Accountant's Report set forth in Appendix I.

RISK FACTORS

There are a number of risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to China and (iii) risks relating to the Global Offering.

We believe our major risks include the risks associated with:

- Economic conditions and regulatory changes that may cause fluctuations in automobile sales and production.
- Our ability to maintain existing relationships with our OEM customers.
- Our ability to respond quickly to technological change and evolving standards in the automotive glass industry or in our customers' industries.
- Our exposure to fluctuations in exchange rates.

For further information relating to these and other risks relating to an investment in our shares, please refer to the section headed "Risk Factors" beginning on page 39 of this prospectus.

OUR SHARES

We have two classes of Shares, namely A Shares and H Shares, both of which are ordinary Shares in the share capital of our Company.

However, apart from certain qualified domestic institutional investors in the PRC and the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed by or traded between legal or natural persons of the PRC. On the other hand, A Shares can only be subscribed by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors approved by the CSRC or the Hong Kong and overseas investors under the Shanghai-Hong Kong Stock Connect and must be subscribed for and traded in Renminbi. For further details, see "Share Capital" beginning on page 179 of this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“A Share(s)”	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange in the PRC and traded in RMB
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	our amended and restated articles of association, adopted by our Shareholders and as amended from time to time, a summary of which is set forth in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Baoding Fuyao”	Baoding Fuyao Glass Co., Ltd. (保定福耀玻璃有限公司), a limited liability company incorporated in the PRC on March 3, 2014, which is a wholly-owned subsidiary of the Company
“Beijing Futong”	Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司), a limited liability company incorporated in the PRC on April 8, 2003, which is a wholly-owned subsidiary of the Company
“Benxi Fuyao”	Benxi Fuyao Silica Sand Co., Ltd. (本溪福耀硅砂有限公司), a limited liability company incorporated in the PRC on May 14, 2014 and a subsidiary in which 51% equity interest is indirectly owned by the Company and 49% equity interest is owned by Benxi Tianfu Silicon Industry Co., Ltd. (本溪市天富硅業有限公司), an Independent Third Party except for being a shareholder of Benxi Fuyao
“Board” or “Board of Directors”	the Board of Directors of our Company

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“Bus Glass”	Fuyao (Fujian) Bus Glass Co., Ltd. (福耀(福建)巴士玻璃有限公司), a limited liability company incorporated in the PRC on November 27, 2006, which is a wholly-owned subsidiary of the Company
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open to the public for normal banking business
“CAAM”	China Association of Automobile Manufacturers
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changchun Bus”	Fuyao (Changchun) Bus Glass Co., Ltd. (福耀(長春)巴士玻璃有限公司), a limited liability company incorporated in the PRC on January 18, 2004, which is a wholly-owned subsidiary of the Company
“Chengdu Lvrong”	Chengdu Lvrong Automotive Glass Co., Ltd. (成都綠榕汽車玻璃有限公司), a limited liability company incorporated in the PRC on December 21, 2012, which is a wholly-owned subsidiary of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Chongqing Automobile Part”	Chongqing Fuyao Automobile Parts Co., Ltd. (重慶福耀汽車零部件有限公司), a limited liability company established on June 25, 2010, a wholly-owned subsidiary of Fuyao Automobile Part and a jointly controlled entity of the Company
“Chongqing Fittings”	Fuyao Glass (Chongqing) Co., Ltd. (福耀玻璃(重慶)有限公司), a limited liability company incorporated in the PRC on March 11, 2004, which is a wholly-owned subsidiary of the Company
“Chongqing Float Glass”	Chongqing Wansheng Float Glass Co., Ltd. (重慶萬盛浮法玻璃有限公司), a limited liability company incorporated in the PRC on April 1, 2009, which is a wholly-owned subsidiary of the Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“CMSHK”	China Merchants Securities (HK) Co., Limited, one of the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司), a joint stock company incorporated in Fujian Province, the PRC with limited liability in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

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“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules. In the context of this prospectus, there are no controlling shareholders of the Company, while Mr. Cho Tak Wong and his associates are the single largest Shareholder of our Company
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC securities markets
“Director(s)”	director(s) of our Company
“E.U.”	the European Union
“Engineering Glass”	Fuyao Group (Fujian) Engineering Glass Co., Ltd. (福耀集團(福建)工程玻璃有限公司), a limited liability company incorporated in the PRC on October 10, 1996, which is a wholly-owned subsidiary of the Company
“Foshan Fuyao”	Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司), a limited liability company incorporated in the PRC on March 22, 2012, which is a wholly-owned subsidiary of the Company
“Fujian Wanda”	Fujian Wanda Automobile Glass Industry Co., Ltd. (福建省萬達汽車玻璃工業有限公司), a limited liability company incorporated in the PRC on July 1, 1994, which is a wholly-owned subsidiary of the Company
“Fuyao Asset A”	Fuyao Asset Management A, LLC., a limited liability company incorporated in the United States on November 22, 2013, which is a wholly-owned subsidiary of the Company
“Fuyao Asset C”	Fuyao Asset Management C, LLC., a limited liability company incorporated in the United States on August 6, 2014, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Fuyao Automobile Part”	Fujian Fuyao Automobile Parts Co., Ltd. (福建福耀汽車零部件有限公司), a limited liability company incorporated in the PRC on August 15, 2006, and a jointly controlled entity of the Company, 24%, 25% and 51% of the equity interests in which are held by the Company, Fuyao Hong Kong and Ningbo Chifei Automobile Parts Co., Ltd. (寧波馳飛汽車零部件有限公司), an Independent Third Party except for being a shareholder of Ningbo Fuyao and Fuyao Automobile Part, respectively
“Fuyao Changchun”	Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司), a limited liability company incorporated in the PRC on September 25, 2000, which is a wholly-owned subsidiary of the Company
“Fuyao Chongqing”	Fuyao Glass (Chongqing) Fittings Co., Ltd. (福耀玻璃(重慶)配件有限公司), a limited liability company incorporated in the PRC on July 2, 2002, which is a wholly-owned subsidiary of the Company
“Fuyao Encapsulation”	Fuyao Fujian Glass Encapsulation Co., Ltd. (福耀(福建)玻璃包邊有限公司), a limited liability company incorporated in the PRC on August 15, 2006, which is a wholly-owned subsidiary of the Company
“Fuyao Europe”	Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司), a limited liability established in Germany on June 26, 2007, which is a wholly-owned subsidiary of the Company
“Fuyao Glass America”	Fuyao Glass America Inc., a company incorporated in the United States on March 18, 2014, which is a wholly-owned subsidiary of the Company
“Fuyao Glass Illinois, Inc.”	Fuyao Glass Illinois, Inc., a limited liability company incorporated in the United States on August 6, 2014, which is a wholly-owned subsidiary of the Company
“Fuyao Group Hong Kong”	Fuyao Group (Hong Kong) Limited (福耀集團(香港)有限公司), a limited liability company established in Hong Kong on January 15, 2010, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Fuyao Hong Kong”	Fuyao (Hong Kong) Limited (福耀(香港)有限公司), a limited liability company established in Hong Kong on December 6, 1994, of which the Company is a beneficial owner of the entire issued share capital
“Fuyao Hubei”	Fuyao Glass (Hubei) Co. Ltd. (福耀玻璃(湖北)有限公司), a limited liability company incorporated in the PRC on November 23, 2007, which is a wholly-owned subsidiary of the Company
“Fuyao Japan”	Fuyao Japan Co., Ltd. (福耀日本株式會社), a limited liability company established in Japan on July 1, 2008, which is a wholly-owned subsidiary of the Company
“Fuyao Korea”	Fuyao Group Korea Co., Ltd. (福耀集團韓國株式會社), a limited liability company established in South Korea on September 5, 2007, which is a wholly-owned subsidiary of the Company
“Fuyao North America”	Fuyao North America Incorporated (福耀北美玻璃工業有限公司), a limited liability company established in the United States on August 22, 2001, which is a wholly-owned subsidiary of the Company
“Fuyao Russia”	Fuyao Glass Rus Co., Ltd. (福耀玻璃俄羅斯有限公司), a limited liability company established in Russia on April 23, 2010, which is a wholly-owned subsidiary of the Company
“Fuyao Shenyang”	Fuyao Group (Shenyang) Automotive Glass Co., Ltd. (福耀集團(瀋陽)汽車玻璃有限公司), a limited liability company incorporated in the PRC on June 27, 2012, which is a wholly-owned subsidiary of the Company
“Fuyao Shuangliao”	Fuyao Group Shuangliao Ltd. (福耀集團雙遼有限公司), a limited liability company incorporated in the PRC on August 19, 2003, which is a wholly-owned subsidiary of the Company
“Fuyao Tongliao”	Fuyao Group Tongliao Ltd. (福耀集團通遼有限公司), a limited liability company incorporated in the PRC on October 9, 2003, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Fuzhou Float Glass”	Fuzhou Fuyao Float Glass Co., Ltd. (福州福耀浮法玻璃有限公司), a limited liability company incorporated in the PRC on November 29, 2012, which is a wholly-owned subsidiary of the Company
“Fuzhou Mold”	Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司), a limited liability company incorporated in the PRC on May 24, 2013, which is a wholly-owned subsidiary of the Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “we”, “us”, “our” or “our Group”	the Company and its subsidiaries and, in respect of the period before the Company became the holding company of such subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Guangzhou Fuyao”	Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司), a limited liability company incorporated in the PRC on June 8, 2006, which is a wholly-owned subsidiary of the Company
“Guangzhou Nansha”	Fuyao Guangzhou Nansha Automotive Glass Co., Ltd. (廣州南沙福耀汽車玻璃有限公司), a limited liability company incorporated in the PRC on November 1, 2005, which is a wholly-owned subsidiary of the Company
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed foreign invested shares of par value RMB1.00 each in the ordinary share capital of the Company, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing, and permission to deal, on the Hong Kong Stock Exchange

DEFINITIONS

“Hainan Wenchang”	Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀硅砂有限公司), a limited liability company incorporated in the PRC on July 16, 2003, which is a wholly-owned subsidiary of the Company
“Heren Charitable Foundation”	Heren Charitable Foundation (河仁慈善基金會), a non-public fundraising foundation set up pursuant to the “Approval of the Ministry of Civil Affairs on the Establishment and Registration of Heren Charitable Foundation” dated June 7, 2010 and a Substantial Shareholder of the Company. It was duly registered with Ministry of Civil Affairs of the PRC (中華人民共和國民政部) and its operations are under the supervision of Overseas Chinese Affairs Office of the State Council (國務院僑務辦公室)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Home Bridge”	Home Bridge Overseas Limited (鴻僑海外有限公司), a limited liability company incorporated in Hong Kong on July 27, 1995 and wholly-owned by Mr. Cho Tak Wong as of the date of this prospectus
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Hong Kong Public Offer Shares”	the new H Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment) as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus

DEFINITIONS

“Hong Kong Public Offering”	the offering by our Company of initially 43,968,000 H Shares for subscription by the public in Hong Kong for cash at the Offer Price and on the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement relating to the Hong Kong Public Offering dated March 18, 2015 entered into by, among others, the Hong Kong Underwriters and us, and is relating to the Hong Kong Public Offering
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board (IASB)
“IHS”	IHS Inc., a U.S. market research and consulting firm
“Independent Third Party(ies)”	an individual(s) or a company(ies) who, as far as our Directors are aware after having made all reasonable enquiries, is/are not connected persons of our Company within the meaning of the Listing Rules
“International Offer Shares”	the H Shares offered in the International Offering
“International Offering”	conditional offering by the International Underwriters of the International Offer Shares with institutional and professional investors and other investors, as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement as purchasers on or around the Price Determination Date

DEFINITIONS

“International Underwriting Agreement”	the underwriting agreement relating to the International Offering which is expected to be entered into by, among others, the Joint Global Coordinators, the International Underwriters and us on or around the Price Determination Date
“Joint Bookrunners” and “Joint Lead Managers”	(a) in respect of the Hong Kong Public Offering, CMSHK, UBS, The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., BOCI Asia Limited, J.P. Morgan Securities (Asia Pacific) Limited and BNP Paribas Securities (Asia) Limited; and (b) in respect of the International Offering, CMSHK, UBS, The Hongkong and Shanghai Banking Corporation Limited, Goldman Sachs (Asia) L.L.C., BOCI Asia Limited, J.P. Morgan Securities plc and BNP Paribas Securities (Asia) Limited
“Joint Company Secretary(ies)”	Mr. Chen Xiangming and Ms. Kam Mei Ha, Wendy, or any one of them
“Joint Global Coordinators”	CMSHK, UBS, The Hongkong and Shanghai Banking Corporation Limited and Goldman Sachs (Asia) L.L.C.
“Joint Sponsors”	CMSHK and UBS
“Latest Practicable Date”	March 12, 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, March 31, 2015, on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
“Liuzhou Fuyao”	Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司), a limited liability company incorporated in the PRC on September 5, 2013, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Machinery Manufacturing”	Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司), a limited liability company incorporated in the PRC on March 13, 1994, which is a wholly-owned subsidiary of the Company
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former PRC Securities Commission of the State Council and the former State Commission for Restructuring the Economic Systems of the PRC on August 27, 1994
“Meadland”	Meadland Limited, a limited liability company established in Hong Kong on December 16, 1998, which is a wholly-owned subsidiary of the Company
“MOF”	the Ministry of Finance of the People’s Republic of China (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部) or its competent local branches
“NAFMII”	National Association of Financial Market Institutional Investors
“NDRC”	the National Development and Reform Commission of the People’s Republic of China (中華人民共和國國家發展和改革委員會) or its competent local branches

DEFINITIONS

“Ningbo Fuyao”	Ningbo Fuyao Automobile Parts Co., Ltd. (寧波福耀汽車零部件有限公司), a limited liability company incorporated in the PRC on July 28, 2008 and a jointly controlled entity of the Company, 49% and 51% of the equity interests in which are held by the Company and Ningbo Chifei Automobile Parts Co., Ltd. (an Independent Third Party except for being a shareholder of Ningbo Fuyao and Fuyao Automobile Part), respectively
“North America Fittings”	Fuyao Automotive North America, Inc. (福耀玻璃配套北美有限公司), a limited liability company established in the United States on June 25, 2008, which is a wholly-owned subsidiary of the Company
“Offer Price”	the final price per H Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the H Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offering, to be determined as further described in the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus
“Offer Shares”	the H Shares offered in the Global Offering, and where relevant, with any additional H Shares issued and sold pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to the International Underwriting Agreement, to be exercisable at any time from the day on which trading of the Shares commences on the Hong Kong Stock Exchange until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 65,951,600 additional new Shares representing approximately 15.0% of the initial Offer Shares, at the same price per Offer Share under the International Offering solely to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering – Over-allotment Option” in this prospectus

DEFINITIONS

“PBOC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC
“PPG”	PPG Industries, Inc., a company incorporated in 1883 in the United States and listed on the New York Stock Exchange (Stock Code: PPG) and its associates, an Independent Third Party
“PRC Company Law”	Company Law of the PRC (中華人民共和國公司法), as amended by the Standing Committee of the 12th National People’s Congress on December 28, 2013 and effective on March 1, 2014, as amended, supplemented and otherwise modified from time to time
“PRC EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和企業所得稅法) enacted on March 16, 2007 and became effective on January 1, 2008, as amended, supplemented and otherwise modified from time to time
“PRC GAAP”	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations
“Price Determination Agreement”	the agreement to be entered into among our Company and the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Wednesday, March 25, 2015 but no later than Monday, March 30, 2015 on which the Offer Price is fixed for the purposes of the Global Offering
“Qualified Institutional Buyers” or “QIBs”	qualified institutional buyers as defined in Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RUB” or “Ruble”	Russian Ruble, the lawful currency of Russia
“Rule 144A”	Rule 144A under the U.S. Securities Act

DEFINITIONS

“SAFE”	the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局), the PRC government agency responsible for matters relating to foreign exchange administration
“Sanctioned Countries”	countries such as Iran, Cuba, Syria and Sudan on which trade or economic sanctions were imposed by certain overseas governments such as the U.S. government and the member states of the E.U.
“Sanyi”	Sanyi Development Limited (三益發展有限公司), a limited liability company incorporated in Hong Kong on July 27, 1995, a shareholder of the Company and a company wholly-owned and controlled by Mr. Cho Tak Wong as of the date of this prospectus
“SAT”	State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Bus”	Shanghai Fuyao Bus Glass Co., Ltd. (上海福耀客車玻璃有限公司), a limited liability company incorporated in the PRC on March 7, 2007, which is a wholly-owned subsidiary of the Company
“Shanghai External Decoration”	Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司), a limited liability company incorporated in the PRC on November 22, 2007, which is a wholly-owned subsidiary of the Company
“Shanghai Fuyao”	Fuyao Group Shanghai Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司), a limited liability company incorporated in the PRC on April 15, 2002, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Shanghai-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, the Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for the establishment of mutual market access between Hong Kong and Shanghai
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	shares of our Company with a nominal value of RMB1.00 each, comprising the A Shares and H Shares
“Shareholder(s)”	the holder(s) of our Share(s)
“Stabilizing Manager”	UBS
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of the Supervisory Board of our Company
“Supervisory Board”	the supervisory board of the Company
“Takeovers Code”	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended December 31, 2012, 2013 and 2014
“Tri-Wall Packaging”	Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司), a limited liability company incorporated in the PRC on December 20, 2005 and a jointly controlled entity of the Company, 49% and 51% of the equity interests in which are held by the Company and Tri-wall China Group Holding Limited (an Independent Third Party except for being a shareholder of Tri-Wall Packaging), respectively
“UBS”	UBS AG Hong Kong Branch, one of the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers and an affiliate of UBS Securities
“UBS Securities”	UBS Securities Hong Kong Limited, one of the Joint Sponsors

DEFINITIONS

“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	collectively, the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“White Form eIPO”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Wuhan Fuyao”	Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司), a limited liability company incorporated in the PRC on July 8, 2013, which is a wholly-owned subsidiary of the Company
“Xupu Fuyao”	Xupu Fuyao Silica Sand Co., Ltd. (溱浦福耀硅砂有限公司), a limited liability company incorporated in the PRC on July 5, 2012 and a subsidiary in which 51% equity interest is indirectly owned by the Company and 49% equity interest is owned by Xupu Silicon Chemistry Co., Ltd. (溱浦硅業化工有限公司), an Independent Third Party except for being a shareholder of Xupu Fuyao
“Yantai Fuyao”	Yantai Fuyao Glass Co., Ltd. (煙台福耀玻璃有限公司), a limited liability company incorporated in the PRC on June 26, 2013, which is a wholly-owned subsidiary of the Company

DEFINITIONS

“Yaohua”	Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司), a wholly foreign-owned company incorporated in the PRC on May 30, 1992. It is wholly owned by Chopline Limited, a company incorporated in Hong Kong which is owned as to 0.01% by Mr. Cho Tak Wong and owned as to 99.99% by Ms. Chan Fung Ying (陳鳳英), the spouse of Mr. Cho Tak Wong. It is a connected person of the Company
“Yung Tak Investment”	Yung Tak Investment Limited (融德投資有限公司), a limited liability company established in Hong Kong on May 13, 1993, which is a wholly-owned subsidiary of the Company
“Zhengzhou Fuyao”	Zhengzhou Fuyao Glass Co., Ltd. (鄭州福耀玻璃有限公司), a limited liability company incorporated in the PRC on April 27, 2011, which is a wholly-owned subsidiary of the Company

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations and definitions of certain technical terms used in this prospectus in connection with our business. These terms and their given meanings may not correspond to standard industry definitions or usage of these terms.

“3C”	China Compulsory Certificates, a certificate for products listed under a unified product catalogue under compulsory certification, which are required to pass the relevant qualification tests before being dispatched to customers
“4S stores”	a “four-in-one” as the core of the automotive franchise mode, including vehicle sales (Sale), spare parts (Spare part), after-sales service (Service), and other feedback (Survey)
“ARG”	aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
“DOT”	the Department of Transportation of the United States
“ECE”	the Economic Commission for Europe
“Four Major Vehicle Series”	DOT standard of the United States, ECE standard of Europe, JAS standard of Japan and KS standard of South Korea
“IATF”	the International Automotive Task Force, an “ad hoc” group of automotive manufacturers and their respective trade associations, which aim to provide improved quality products to automotive customers worldwide
“ISO”	the International Organization for Standardization
“ISO-9001”	one of the core quality standards of the ISO-9000 series or Quality Management Standard in full which are the basic requirements of a quality management system for an enterprise

GLOSSARY OF TECHNICAL TERMS

“ISO-9002”	one of the core quality standards of the ISO-9000 series which were developed to assist business organizations in implementing and operating an effective quality management system; ISO-9002 specifies the requirements for a quality management system of an organization to ensure the quality of its production, installation and service
“JAS”	the Japanese Agricultural Standards
“km”	kilometer(s)
“KS”	the Korean Industrial Standards
“mm”	millimeter(s)
“OEM”	original equipment manufacturer
“OEM market”	original equipment manufacturing market
“PVB”	polyvinyl butyral, a plastic material which is usually used for applications that require strong binding, optical clarity, adhesion to many surfaces, toughness and flexibility. We use PVB primarily for the production of laminated glass
“QS-9000”	a quality standard jointly developed by General Motors, Chrysler and Ford in 1994 for automobile parts suppliers to follow
“SAA”	the Standards Association of Australia
“sq.km.”	square kilometer(s)
“sq.m.”	square meter(s)
“TS16949”	an ISO technical specification based on the ISO 9001 by IATF and the ISO. It applies to the design, development, production, installation and servicing of automotive-related products
“VDA6.1”	a German quality management system standard developed by German Association of the Automotive Industry (VDA) based on ISO-9001 and including all elements of QS-9000

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risks described in the section headed “Risk Factors” in this prospectus. These forward-looking statements include, without limitation, words and expressions such as “aim”, “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “seek”, “anticipate”, “may”, “will”, “should”, “would” and “could” or similar expressions, words or statements or the negative thereof, in particular, in the sections headed “Business” and “Financial Information” in this prospectus in relation to future events, including our strategies, plans, objectives, goals, targets, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets, as well as the national and global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could materially affect our actual results, performance or achievements include the risk factors described in the section headed “Risk Factors” and elsewhere in this prospectus, and the following:

- our business prospects and future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- advance in technology;
- changes to the international political environment, regional conflicts, the regulatory environment and general outlook in the industry and markets in which we operate;
- customer preference and availability of replacement products;
- our ability to reduce costs;
- exchange rate fluctuations;
- the performance of global financial markets, including changes in our ability to access the capital markets and changes in the level of interest rates;
- availability and costs of bank loans and other forms of financing;

FORWARD-LOOKING STATEMENTS

- our liquidity and financial conditions;
- our relationship with, and other conditions affecting, our customers;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters;
- currency exchange restrictions; and
- our dividend policy.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should note that we are a PRC company governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning China and certain related matters discussed below, please see “Regulations,” “Appendix IV – Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of the Articles of Association.”

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

General economic conditions and other factors causing a material contraction in automobile sales and production could have a material adverse effect on our business, results of operations and financial condition.

Automobile sales and production are highly cyclical and depend, among other things, on general economic conditions, consumer spending and government policies. Unfavorable financial or economic conditions, such as those caused by the global economic downturn that began in 2008 and the Greek sovereign debt crisis that began in the spring of 2010, have led to decreased business activities and reduced consumer spending in China and other major countries in the world, which in turn adversely affected the sales of automobiles in China and internationally. Government policies could also significantly affect the demand for automobiles. In recent years, various cities in China have introduced vehicle purchase quotas or license plate fees to limit the purchases of new vehicles, which has adversely affected the sales of automobiles in these cities.

As the demand for automobile fluctuates, the demand for our products, especially by our OEM customers, also fluctuates, which could negatively affect our financial condition and results of operations. In addition, our liquidity could be adversely impacted if our suppliers were to reduce normal trade credit terms as a result of any decline in our financial condition. Likewise, our liquidity could also be adversely impacted if our customers were to extend their normal payment terms, whether or not permitted under our contracts. If either of these situations occurred, we would need to rely on other sources of funding to bridge the additional gap between the time we pay our suppliers and the time we receive corresponding payments from our customers. Accordingly, a prolonged contraction in automobile sales and production due to general market conditions and other factors could have a material adverse effect on our results of operations and liquidity.

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Our business depends significantly on the strength of our brand and reputation. Our failure to develop, maintain and enhance our brand and reputation may materially adversely affect the level of market recognition of, and trust in, our products.

Brands and reputation are critical to the success of our new products and the continued popularity of our existing products. We believe that our “Fuyao” brand is recognized among Chinese and international OEM and ARG customers for quality and reliability, allowing us to establish our Company as a leading automotive glass manufacturer in China. Our ability to develop, maintain and enhance the image and recognition of our brands depends largely on our ability to remain a leader in the automotive glass manufacturing industry in China.

Our brands, reputation and product sales could be harmed if, for example:

- our products fail to meet expectations of our customers;
- our products contain defects or fail;
- we provide poor or ineffective customer service; or
- we are subject to product liability claims.

Our international operations present special challenges that we may not be able to meet, and this could adversely affect our financial results.

We currently conduct our business on a limited global scale and we plan to continue to expand our international operations. In addition to our operations in China, we have one automotive glass production facility in Kaluga City, Russia. The production facility has completed first-phase construction and the second phase is under construction. We are also constructing manufacturing facilities in Ohio and Illinois, United States. We plan to use 45% of the net proceeds from the Global Offering for the construction of manufacturing facilities in Russia and 35% of the net proceeds from the Global Offering for the construction of manufacturing facilities in the United States. We intend to further expand our international operations by selectively building additional manufacturing facilities and opening additional sales and representative offices when opportunities arise. In expanding our business internationally, we have entered and intend to continue to enter markets in which we have limited or no experience and in which our brand may not be recognized. We may fail to anticipate competitive conditions, regulatory environment and international, regional and local political environment in new markets that are different from those in our existing markets. Our global operations are subject to a number of uncertainties and risks including:

- impositions or increases of withholding and other taxes on remittances and other payments by our overseas subsidiaries and affiliates;
- strained relationships between China and other countries where we sell our products;
- exposure to different legal standards;

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- inability to enforce contracts in some jurisdictions;
- fluctuations in currency exchange rates, which may negatively affect our price competitiveness. For example, Russian Ruble has depreciated significantly recently. Please see “Summary – Recent Developments” for details of the impact of the depreciation of the Russian Ruble on our investments and operations;
- the current global economic uncertainties;
- impositions of or increases in restrictions or sanctions on investment and other activities imposed by foreign governments, such as tariffs, quotas, taxes, economic sanctions and other trade barriers;
- the inability to source raw materials or inputs from low-cost markets in the quantities or of the quality that we desire;
- currency and tax laws that may prevent or restrict the transfer of capital and profits among our various operations around the world;
- political and economic instability, including disruption or interference with our supply chain, our customers or our activities in a particular location, or localized inflationary or recessionary conditions;
- restrictions on the export or import of technology;
- acts of terrorism, war, disturbance, riot, strikes and epidemics;
- unexpected events and accidents caused in particular by less developed infrastructures (such as power failures); and
- difficulties in staffing and managing operations, including labor law and practices, industrial action, time zone, language and cultural differences among personnel in different areas of the world.

Our business, financial condition and results of operations may be materially adversely affected by the U.S. and the E.U. sanctions against Russian and Ukrainian persons and entities.

The United States first imposed sanctions in response to the situation in Ukraine in March 2014, followed by other countries or groups of countries (i.e. the European Union). These sanctions target specified Russian and Ukrainian persons and entities (and entities that are at least 50% owned, directly or indirectly, by them) and prohibit certain activities in or related to the Crimea region. Additional sanctions relate to the provision of goods and services related to aspects of the Russian petroleum and defense industries, and dealings in the debt and equity of and the extension of credit to certain Russian entities. The U.S. and the E.U. have also

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imposed extensive restrictions on trade with and investment in Crimea. The sanctions against Russian and Ukrainian persons and entities do not apply to us other than our U.S. or E.U. subsidiaries, and do not target our customers in Russia. We cannot assure you that if the scope of the sanctions were expanded, our business, financial condition and results of operations would not be materially adversely affected. In addition, there can be no assurances that a U.S. or E.U. sanctions enforcement agency would not take a different view in the future, and the relevant agencies retain substantial discretion in the enforcement of sanctions.

Our revenue and profitability could be materially adversely affected if we fail to maintain existing relationships with our OEM customers.

As of December 31, 2012, 2013 and 2014, we had 224, 245 and 254 OEM customers (including sunroof glass customers) in China, respectively, and 132, 123 and 129 OEM customers (including sunroof glass customers) in overseas markets, respectively. In 2012, 2013 and 2014, sales to OEM customers in China accounted for 61.2%, 63.1% and 62.6% of total automotive glass sales, respectively, and sales to overseas OEM customers accounted for 19.4%, 19.5% and 20.3%, respectively, of total automotive glass sales. We expect that our sales to the OEM customers in China continue to constitute most of our total revenue in the foreseeable future. Our OEM customers include some of the world's leading automobile manufacturers. We may be unable to supply products in the required quantity and quality to our OEM customers in the required timeframe. Any failure to generate orders from our OEM customers or a decrease in sales to our OEM customers, as well as any adoption by our OEM customers of their own or our competitors' products, could materially adversely affect our revenue and profitability.

In addition, our OEM customers routinely audit and inspect our facilities, processes and practices to ensure that our manufacturing process and products meet their internal standards and applicable regulatory standards. We may not be able to pass such audits and inspections in the future, and any failure to perform adequately under these audits or inspections to our OEM customers' satisfaction could significantly harm our relationships with OEM customers and our reputation, which could materially adversely affect our business, financial condition, results of operations and prospects.

Our OEM customers generally enter into requirements contracts with us with no minimum purchase obligation, and a decline in the production requirements of our major OEM customers could materially and adversely affect our business, results of operations and financial condition.

Although we enter into framework agreements with our OEM customers, we supply substantially all of our products to our OEM customers pursuant to purchase orders for specific products supplied for particular vehicles, which are governed by terms and conditions established by each OEM customer. In most instances, our OEM customers agree to purchase their requirements for specific products but are not required to purchase any minimum quantity of products from us. Some OEM customers may also contract with an alternative supplier for the same vehicle platform. Our typical framework contract with an OEM customer provides for

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a term covering the entire lifespan of the new automobile model, which typically ranges from five to ten years. Because our customers typically have no obligation to purchase a specific quantity of products, the discontinuation of, or a decrease in demand for, certain key models or group of related models sold by any of our major OEM customers or the ability of a manufacturer to re-source and discontinue purchasing from us, for a particular model or group of models, could have a material adverse effect on us. To the extent that we do not maintain our existing level of business with our largest customers because of a decline in their production requirements or because these purchase orders expire, are terminated or are not renewed, we will need to attract new customers or secure new business with existing customers. If we are not able to do so, our business, results of operations and financial condition could be materially and adversely affected.

Our products are subject to continued pricing pressures, OEM cost reduction initiatives and the ability of our OEM customers to re-source or cancel their vehicle programs.

Our products are subject to continued pricing pressures, OEM cost-reduction initiatives and the ability of our OEM customers to re-source or cancel their vehicle programs. In addition, our OEM customers reserve the right in their discretion to unilaterally terminate their supply contracts under some circumstances, which enhances their ability to obtain price reductions. OEMs also have significant leverage over their suppliers, including us. In addition, because our OEM customers' vehicle programs typically last for a number of years and are anticipated to encompass large volumes, our OEM customers enjoy significant leverage in price negotiations and are able to negotiate favorable pricing terms. Accordingly, we are subject to substantial continuing pressure from our OEM customers to reduce the price of our products. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our margins and profitability may be materially and adversely affected.

A decrease in the market share or changes in product mix offered by our OEM customers can affect our revenues.

We primarily sell our products to OEM customers and are dependent on their continued growth, viability and financial stability. The automotive industry is subject to rapid technological change, intense competition, short product life cycles and cyclical consumer demand patterns. When our OEM customers are adversely affected by any of these factors, we may be adversely affected as well to the extent that our customers reduce the volume of orders for our products. As the purchase orders with our customers are typically based on specific vehicle models, the mix of vehicle offerings by our OEM customers also affects our sales. A decrease in consumer demand for specific types of vehicles where we have traditionally provided significant content could have a material adverse effect on our business, results of operations and financial condition.

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We face intense competition in our business and we may not be able to compete effectively.

The automotive glass industry is highly competitive in China and worldwide and we expect competition to further intensify. We compete principally with global automotive glass manufacturers in the domestic and international markets. Many leading international automotive glass manufacturers have established manufacturing facilities in China, such as Asahi, NSG Pilkington and Compagnie De Saint-Gobain. Growing competition, especially from companies in certain regions of the world where energy, labor and other costs may be lower than ours, may result in lower selling prices or reduce demand for some of our products. Our sales and profit margins may suffer if our competitors are successful in reducing the cost of their products or if competitors introduce new glass products or materials that can be used as alternatives to glass. Many of our competitors and potential competitors also have large customer bases, more established brand recognition in significant regional markets, and possess comparable or in some cases greater financial, marketing, technological and personnel resources than we do. Furthermore, some competitors may have the ability to use profits from their other operations to subsidize losses sustained in their businesses with which we compete. In addition, some of our competitors could receive governmental subsidies that are not available to us. These advantages over us may enable them, among other things, to:

- develop products that are similar to ours, or that are more attractive to customers than ours, in one or more of our markets;
- achieve production cost reductions that allow them to provide products we do not offer or supply products in more markets than we do;
- provide similar products that are less expensive than ours;
- offer products at prices below ours to gain market share and to promote other businesses;
- offer safer, more technologically advanced and/or more reliable products;
- market, promote and sell their products more effectively; and
- develop stronger relationships with customers.

Any of the developments listed above could have a material adverse effect on our business, results of operations and financial condition.

We may not respond quickly enough to rapid technological change and evolving standards in the automotive glass industry or in our customers' industries.

We focus on developing proprietary technologies and new automotive glass products. Long time periods may be required for the new product development process, potentially leading to mounting expenses. Substantial investment of capital and resources may be necessary before new products contribute to sales. Investment in the development of new

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products may not generate sufficient earnings in the event that competitors release new products to the market more rapidly than we do or if alternative technologies and products are preferred by the market. If we are unable to predict or respond in a timely manner to changes in technologies or do not succeed in developing new products suited to customer needs, our business activities, business performance and financial condition may be adversely affected.

In order to maintain our competitive edge, we have been increasingly allocating our resources to the manufacture of value-added products, which require more advanced technology than comparatively lower-margin basic glass products. While we believe our early commitment to developing such technologies has allowed us to become a leading provider of value-added products, our competitors may succeed in developing more advanced technologies more quickly than we do, and we may not be able to take advantage of market opportunities as quickly or as competitively as some of our competitors.

Product recalls by our OEM customers could harm our business, results of operations and financial condition.

Historically, there had been significant product recalls by some of the world's largest OEMs. Recalls may result in decreased production levels due to: (i) an OEM focusing its efforts on addressing the problems underlying the recall, as opposed to generating new sales volume and (ii) consumers electing not to purchase vehicles manufactured by the OEM initiating the recall, or by OEMs in general, while such recalls persist. Any reductions in OEM production volumes, especially those OEMs which are our existing customers, could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to effectively manage future growth, which may lead to increased costs and a decline in revenues and profitability.

Our growth strategies include further penetrating into China's automotive glass market and selectively pursue international expansion and growth. Pursuing these strategies has resulted in, and will continue to result in, substantial demands on management resources. Managing our growth strategies will require us to, among other things:

- strengthen our relationships with our both domestic and international OEM customers;
- effectively enhance the management of our ARG customers;
- enhance our research and development capabilities;
- successfully hire and train new personnel;
- control our costs and maintain sufficient liquidity;
- prioritize our financial and management controls in an efficient and effective manner;

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- enhance awareness of our brand names and our market reputation;
- exercise effective quality control; and
- manage our various suppliers and leverage our purchasing power.

Any inability to effectively manage our anticipated growth and growth strategies may adversely affect our business, financial condition, results of operations and prospects.

Fluctuations in exchange rates could adversely affect our business.

In 2012, 2013 and 2014, we generated 32.6%, 32.0% and 33.5% of our revenue from sales denominated in the U.S. dollar, Euro, Russian Ruble and other foreign currencies, while a significant portion of our costs and expenses were denominated in Renminbi. Fluctuations in exchange rates, particularly among the U.S. dollar, Euro, Russian Ruble and the Renminbi, affect our profit margins and could result in foreign exchange losses and operating losses. The Russian Ruble depreciated 47.2% and 43.9% against Renminbi during the Track Record Period and in 2014, respectively, we cannot assure that there will not be greater fluctuation of Russian Ruble against the Renminbi and other currencies.

Limited derivative instruments are available in China to manage our exposure to exchange rate fluctuations. Although we have entered into forward contracts to hedge against foreign exchange risk, we may not be able to adequately hedge against all foreign exchange rate fluctuations.

We are exposed to risks posed by fluctuations in the availability and prices of raw materials and fuel, and any substantial or extended increase in prices for these commodities would have a material adverse effect on us.

Our operating results are significantly affected by the cost of raw materials and fuel, some of which are subject to significant fluctuations due to market conditions. Certain raw materials are critical to our production processes. These include silica sand, soda ash and limestone. As a result, our results of operations are influenced by the prices for these materials, particularly soda ash, as well as by the price of heavy fuel oil and natural gas, major fuels required for the production of glass. Historically, the prices for these fuels have been determined by prevailing crude oil prices and liquefied natural gas prices, which have fluctuated widely and on occasion have been subject to very rapid short-term change. Crude oil prices and liquefied natural gas prices are affected by numerous factors beyond our control, including worldwide oil supply and demand, the level of economic activity in global markets, regional political developments, and the availability and cost of alternative sources of energy. Crude oil prices and liquefied natural gas prices have risen over the past several years, and it is impossible to predict future price movements with certainty. As it is generally difficult to pass through entirely the increases in our raw material costs to our customers in the form of price increases, increases in the prices of the raw materials and fuels that we rely on may increase our cost base and materially adversely affect our results of operations and financial condition.

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We are subject to product liability claims. Any product liability claims or potential safety-related regulatory actions could damage our reputation and materially adversely affect our business, financial condition and results of operations.

We design, manufacture and sell automotive glass. The glass manufactured by us for use in a motor vehicle that is manufactured or sold in, or imported into, the United States is required to comply with Standard No. 205 “Glazing Materials” promulgated by the National Highway Traffic Safety Administration, which sets forth the requirements for glazing materials used in motor vehicles and motor vehicle equipment. It is anticipated that the safety standards applicable to automotive glass will change over time as additional energy efficiency and safety requirements are imposed on the automobile industry. Meeting or exceeding such changing safety standards will likely be costly and could be technologically challenging.

We are subject to potential product liability claims if any of our products is alleged to have caused personal injuries. If successful, product liability claims may require us to pay substantial damages. We are generally required to reimburse our OEM and ARG customers in part or in whole for any damages or losses arising from product liability claims due to the defect of our products. We maintain product limited liability insurance covering personal injury and property damage arising from the use of our products and our losses accrued for recalled products with safety defects. Our insurance coverage, however, may not be sufficient to cover any claim for product liability. In addition, our increased sales to the overseas markets increase our exposure to product liability claims. Some jurisdictions, such as the United States, have more litigious environments, which entail a higher likelihood of claims, and their courts may tend to generally award higher amount of damages. U.S. state law generally imposes liability on all manufacturers and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. Product liability claims in the United States may obligate manufacturers and retailers (and parties in the supply chain) to remedy product defects, which include safety recall campaigns. As of the Latest Practicable Date, we are not subject to any legal actions, proceedings and claims in the United States that relate to product liability, or to any safety recall campaigns in the United States. We may become subject to actions, proceedings, claims and campaigns that involve personal injury and property damage and involve claims for substantial monetary damages in the future. The results of any future litigation and claims involving product liability in the United States are inherently unpredictable. We may therefore experience material product liability losses or incur significant costs to defend such claims or satisfy any resultant judgment awards. Our product liability insurance coverage may be inadequate for any liabilities that may ultimately be incurred, or such insurance may be unavailable on acceptable terms in the future. A product liability claim or potential safety-related regulatory action, with or without merit, could also result in significant negative publicity and materially adversely affect the marketability of our products and our reputation, as well as our business, financial condition and results of operations.

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Any failure by our large customers to make contracted payments to us or any disputes over, or significant delays in receiving, such payments could materially adversely affect our cash flows and profitability.

We typically receive payments for our products from our customers after delivery. In 2012, 2013 and 2014, our trade receivables turnover days were 77.7 days, 79.9 days and 80.6 days, respectively. Any failure by our customers to pay us the contracted price, or any disputes over or significant delays in receiving such payments from our customers could require us to write off accounts receivable or increase provisions made against our accounts receivable, either of which could adversely affect our cash flows and profitability. Although we have account receivables insurance covering sales to OEM customers and overseas ARG customers, our insurance coverage may not be sufficient to cover all our losses.

Any failure to protect our intellectual property rights could harm our business and competitive position.

We have developed a substantial portfolio of intellectual property rights in China to protect the technologies, inventions and improvements significant to our business in China. As of December 31, 2014, we had 368 registered patents in China and 158 pending patent applications in China. Seeking patent protection can be lengthy and expensive, and we cannot assure you that our patent applications will result in patents being issued or that our existing or future issued patents will be sufficient to provide us with meaningful protection or commercial advantage. Our patents and patent applications may be challenged, invalidated or circumvented. Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have, and may develop, products that compete directly with our products despite our intellectual property rights. Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective, mainly due to lack of procedural rules for discovery of evidence, low damage awards and low rates of criminal penalties against intellectual property right infringements. Accordingly, protection of intellectual property rights in China may not be as effective as in the United States or other western countries. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we may need to commence litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of PRC courts in handling intellectual property litigation vary, and outcomes are unpredictable. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and diversion of resources and management attention, which could harm our business, reputation and competitive position.

We may be exposed to intellectual property infringement and other claims by third parties that, if successful, could disrupt our business and materially adversely affect our financial condition and results of operations.

Our success depends, in large part, on our ability to use and develop our technology and know-how without infringing third-party intellectual property rights. As we increase our product sales internationally, we face a higher risk of being the subject of claims for

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intellectual property infringement, invalidity or indemnification relating to other parties' proprietary rights. Our current or potential competitors, many of which have substantial resources and have made substantial investments in competing technologies, may have or may obtain patents that will prevent, limit or interfere with our ability to make or sell our products in China and internationally.

The validity and scope of claims relating to glass manufacturing technology patents involve complex scientific, legal and factual questions and analysis and, as a result, may be highly uncertain. In addition, the defense of intellectual property suits, including patent infringement suits, and related legal and administrative proceedings can be costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to pay damages, seek licenses from third parties, pay on-going royalties, redesign our products or become subject to injunctions, each of which could prevent us from pursuing some or all of our business and result in our customers or potential customers deferring or limiting their purchase or use of our products, which could materially adversely affect our business, financial condition and results of operations.

We depend on our senior management team and other skilled and experienced personnel to operate our business effectively, and the loss of any of these individuals or the failure to attract additional personnel could adversely impact our business financial condition and results of operations.

Our success significantly depends upon the continued service of our key senior management members and employees. In particular, we are highly dependent on Mr. Cho Tak Wong, our founder, executive Director and chairman, and Mr. Tso Fai, our executive Director and president, to manage our business and operations, and on our key research and development and sales employees for the operation of our business. We do not maintain key man insurance. If we lose the services of any key senior management member or employee, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and growth. As we expect to expand our operations internationally, we will need to attract and retain experienced management members with experience in international operations. We will also need to recruit and retain experienced local management team to manage our operations in other countries or regions. Competition for personnel in the automotive glass manufacturing management and technology field is intense, and the availability of suitable and qualified candidates is limited. We may need to increase our total compensation costs to attract and retain experienced personnel required to achieve our business objectives and failure to do so could severely disrupt our business and growth.

We will not be insured against all potential losses and could be seriously harmed by natural disasters, catastrophes or sabotage.

Many of our business activities involve substantial investments in manufacturing facilities and our products are produced at a limited number of locations. These facilities could be materially damaged by natural disasters such as floods, tornados, typhoons, hurricanes and

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earthquakes or by sabotage. We could incur uninsured losses and liabilities arising from such events, including damage to our reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on our business, financial condition and results of operations.

The interests of our Substantial Shareholders may not be aligned with the interests of our other Shareholders.

Immediately upon the completion of the Global Offering (assuming no exercise of the Over-allotment Option), our Chairman, Mr. Cho Tak Wong will be interested in the aggregate, directly and indirectly, 17.90% of our entire issued share capital. Mr. Cho, acting singly or collectively with other Shareholders, may have the ability to exercise significant influence over our business, including matters relating to:

- our management, especially the composition of our senior management;
- our business strategies and plans;
- distribution of dividends;
- plans relating to major corporate activities, such as strategic investments, mergers, acquisitions, joint ventures, investments or divestitures; and
- the election of our Directors and Supervisors.

These Shareholders may take actions that are not in our or our other Shareholders' best interests.

We may be subject to liability under, and may make substantial future expenditures to comply with, environmental laws and regulations.

We are subject to laws, rules and regulations concerning the discharge of effluent water and solid waste during our manufacturing processes. We cannot assure you that we will be able to comply fully at all times with applicable environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. Furthermore, the cost of complying with current and future environmental protection laws, rules and regulations and the liabilities which may potentially arise from the discharge of effluent water and solid waste may materially increase our costs as well as materially decrease our profit.

Certain environmental laws impose liability, sometimes regardless of fault, for investigating or cleaning up contamination on or emanating from our currently or formerly owned, leased or operated property, as well as for damages to property or natural resources and for personal injury arising out of such contamination. These environmental laws also assess liability on persons who arrange for hazardous substances to be sent to third-party disposal or treatment facilities when such facilities are found to be contaminated. Our costs or liabilities relating to these matters may be more than the amount we have reserved and the difference may be material.

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Moreover, governments, including the PRC government, may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to cease certain of our businesses. In addition, environmental liability insurance is not commonly available in the PRC, where we conduct most of our operations. Consequently, any significant environmental liability claims successfully brought against us could have a material adverse effect on our business, financial condition and results of operations.

We are involved from time to time in legal proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

We are involved, or may in the future become involved, in legal and administrative proceedings and we cannot predict the results of these proceedings with certainty. Regardless of merit or outcome, litigation can be both time-consuming and disruptive to our operations and may cause significant expense and diversion of management attention. Legal and regulatory proceedings and investigations could expose us to significant defense costs, fines, penalties and liability to private parties and governmental entities for monetary recoveries and other amounts and attorneys' fees and/or require us to change aspects of our operations, any of which could have a material adverse effect on our business and results of operations.

The enforcement of the Labor Contract Law and increase in labor costs in the PRC may adversely affect our business and our profitability.

China adopted a new Labor Contract Law and its implementation rules effective on January 1, 2008 and September 18, 2008, respectively. The Labor Contract Law and its implementation rules impose more stringent requirements on employers with regard to, among others, minimum wages, severance payment and non-fixed term employment contracts, time limits for the probation period as well as the duration and the times that an employee can be placed on a fixed term employment contract. Due to the lack of clarity with respect to the implementation of the Labor Contract Law and its potential penalties and fines, it is uncertain how they will impact our current employment policies and practices. Our employment policies and practices may violate the Labor Contract Law or its implementation rules and we may be subject to related penalties, fines or legal fees. Compliance with the Labor Contract Law and its implementation rules may increase our operating expenses, in particular our personnel expenses, as the continued success of our business depends significantly on our ability to attract and retain qualified personnel. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective or desirable, which could adversely affect our business and results of operations.

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Elimination of, or changes to, any of the incentives provided to us by the PRC government could materially reduce our profitability.

The PRC government has provided various incentives to our businesses, including reduced enterprise income tax rates and ad hoc grants. For example, as high-and-new technology enterprises, some of our subsidiaries are entitled to a preferential income tax rate of 15% (compared to the statutory income tax rate of 25%), and some of our subsidiaries are entitled to a corporate income tax exemption for two years commencing from the first profit-making year (after offsetting all tax losses carried forward from previous years), and a 50% tax reduction for the following three consecutive years. If our current tax benefits expire or otherwise become unavailable to us for any reason, our profitability may be materially adversely affected. We recorded government grants of RMB62.9 million, RMB54.3 million and RMB46.0 million in 2012, 2013 and 2014, respectively. As government grants are typically awarded in the discretion of the relevant government agencies, we cannot assure you that we will continue to receive them in the future.

We have not obtained title certificates for some of the properties we occupy, and we may not be able to renew our leases on acceptable terms, which could materially adversely affect our right to use such properties.

As of the Latest Practicable Date, we owned and occupied 40 parcels of land in China, one parcel of land in Russia and two parcels of land in the United States. We also own 113 buildings and office units in China, one office unit in Hong Kong, one building in Russia and one building in the United States. We have not obtained the land use right certificate and/or building ownership certificate for some of these properties. Please see “Business – Properties”. We are in the process of completing the legal procedures for obtaining the relevant building ownership certificates for such properties. However, there can be no assurance that we will be able to obtain the title certificates. Our rights as owner or occupier of these buildings may be adversely affected as a result of the absence of formal title certificates and we may be subject to lawsuits or other actions taken against us and may lose the right to continue to operate on these properties.

As of the Latest Practicable Date, we leased one parcel of land in South Korea, four buildings and office units in China, and a total of seven buildings and office units in Germany, Japan, South Korea and the United States. The lessors of these properties were able to provide the relevant land use right certificates or building ownership certificates. We cannot assure you that we would be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases is terminated as a result of challenges by third parties or if we fail to renew them upon expiration, we may be forced to relocate affected operations or subsidiaries and incur additional costs associated therewith, which could materially adversely affect our business, financial condition and results of operations.

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We rely on our technology systems for order fulfillment and other functions and to maintain our research and development data. If our information technology systems fail to adequately perform these functions, or if we experience an interruption in their operation, our business, financial condition and results of operations could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage accounting and financial functions, order entry, order fulfillment and inventory replenishment processes, and to maintain our research and development data. The failure of our information technology systems to perform as we anticipate could disrupt our business and product development and could result in decreased sales and increased overhead costs, all of which could materially adversely affect our business, financial condition and results of operations. In addition, our information technology systems are vulnerable to damage or interruption from:

- earthquake, fire, flood and other natural disasters;
- attacks by computer viruses or hackers;
- power loss; and
- computer systems, or Internet, telecommunications or data network failure.

Any such interruption could materially adversely affect our business, financial condition and results of operations.

We cannot assure you of the accuracy or comparability of information, forecasts and statistics contained in this prospectus with respect to China and other countries or regions, the economy of China and other countries or regions and certain industries.

Information, forecasts and statistics in this prospectus, particularly those relating to China, its economy and financial conditions and its glass manufacturing industry, including our ranking and market share information, are derived from various sources that we believe to be reliable. However, we cannot provide any assurance as to their quality or reliability. We have not independently verified these information, forecasts and statistics and they may not be consistent with information available from other sources. These information, forecasts and statistics may not be accurate or comparable period to period or to other information because of potentially flawed methodologies, discrepancies in market practice or any other problems. As a result, you should not place undue reliance on these information, forecasts and statistics.

RISK FACTORS

RISKS RELATING TO CHINA

China's economic, political and social conditions, government policies, as well as the global economy may continue to affect our business.

Most of our assets are located in China, and we derive a significant majority of our revenue from our operations in China. Accordingly, our results of operations, financial condition and prospects are subject to economic, political and legal developments in China. China's economy differs from the economies of developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past 30 years, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained. Since the second half of 2008, the global economic slowdown, continued weakness in the United States economy and the sovereign debt crisis in Europe have collectively added downward pressure to China's economic growth. China's real GDP growth rate declined from 7.8% in 2012 to 7.7% in 2013 and 7.4% in 2014. If the business environment in China deteriorates as a result of the slowdown in China's economic growth, our business in China may be materially adversely affected.

Uncertainties with respect to China's legal system could materially adversely affect us.

PRC laws and regulations govern our operations in China. We and most of our operating subsidiaries are organized under PRC laws. China's legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. The PRC government has promulgated laws and regulations over the past 20 years regarding matters such as corporate organization and governance, issuance and trading of securities, shareholders' rights, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new and evolving, are subject to different interpretations and may be inconsistently implemented and enforced. In addition, only a limited volume of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and can adversely affect the value of your investment.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our management.

We are a joint stock company incorporated under the laws of the PRC and most of our business, assets and operations are located in the PRC. In addition, a substantial majority of our directors, supervisors and officers reside in the PRC and substantially all of their assets are located in the PRC. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

RISK FACTORS

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters. Under such arrangement, where any designated People's Court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court or Hong Kong court for recognition and enforcement of the judgment. Although the arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remains uncertain.

Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individuals and Non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (中華人民共和國個人所得稅法), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from the PRC and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and other applicable PRC tax rules and regulations, Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the PRC EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident H shareholders are subject to enterprise income tax rate on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

RISK FACTORS

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our shareholders, including in periods in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The CSRC may further amend the dividend distribution rules for listed companies in China in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our H Shares.

The RMB generally cannot be freely converted into any foreign currencies. We receive most of our revenue in RMB. A portion of our revenue must be converted into other currencies in order to meet our foreign currency obligations such as payment of dividends to holders of our H Shares. Under the current foreign exchange regulations in the PRC, following completion of the Global Offering, we will be permitted to undertake foreign exchange transactions under the current account subject to certain procedures, including the payment of dividends in foreign currencies, without prior approval from the SAFE. However, there is no assurance that the foreign exchange policies regarding payment of dividends in foreign currencies will continue. Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval of the SAFE. The PRC government authorities may further implement rules and regulations in the future, which could restrict the use of foreign currency under current account and capital account in certain circumstances. These restrictions could affect our ability to obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditures, and could materially adversely affect our business, financial condition and results of operations.

RISK FACTORS

Fluctuation of RMB could materially affect our financial condition and results of operations.

We collect most of our revenues in RMB, some of which will need to be converted into foreign currencies to pay dividends to our Shareholders. The value of the RMB fluctuates, is subject to changes in the PRC government's policies and depends to a large extent on domestic and international economic and political developments. Since July 21, 2005, the PRC government has adopted a managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band based on market supply and demand and with reference to a basket of currencies. In April 2012, the PBOC enlarged the floating band for the trading price of RMB against the U.S. dollar on the inter-bank spot exchange market to 1.0% around the central parity rate. In March 2014, PBOC further enlarged the floating band for the trading price of RMB against the U.S. dollar on the inter-bank spot exchange market to 2.0% around the central parity rate. There remains significant international pressure on the PRC government to adopt more flexible currency policies. In the event of significant change in the exchange rates of Hong Kong and U.S. dollars against RMB, our ability to pay dividends in foreign currencies may be adversely affected. In addition, any dividends in respect of our H Shares will be declared in RMB and paid in Hong Kong dollars. Accordingly, holders of H Shares in countries other than China are subject to risks arising from adverse movements in the value of the RMB against the Hong Kong dollar, which may reduce any dividends paid in respect of the H Shares. Furthermore, following the Global Offering, our exposure to risks associated with foreign currency fluctuations may further increase as the net proceeds from the Global Offering are expected to be denominated in currencies other than RMB.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business operations, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of typhoon, tornado, snow storm, earthquake, flood, drought, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome ("SARS"), avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza or H3N2 influenza, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could therefore materially affect our operations. Acts of war or terrorism, riots or disturbances may also injure or loss of lives to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, and materially and adversely impact our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the completion of the Global Offering, no public market existed for our H Shares. The initial Offer Price range to the public for our H Shares is the result of negotiations between us and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. There can be no assurance that an active trading market for our H Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our H Shares will not decline below the initial Offer Price.

The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The price and trading volume of our H Shares may be highly volatile. Factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation or fluctuations in the market prices and demand for our products or services could cause large and sudden changes in the volume and price at which our H Shares will trade. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially adversely affect the market price of our H Shares.

Future sales or perceived sales of substantial amount of our Shares in the public market could materially adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future.

The market price of our H Shares could decline as a result of future offering or sales of Shares by us or our Shareholders, or the perception that such offerings or sales could occur. Please see “Underwriting – Underwriting Agreement and Expenses” for details of restrictions that may apply to future sales of our H Shares. Future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares or the perception that such sales or issuances may occur could materially adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price favorable to us.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of our H Shares is higher than our net tangible asset value per H Share immediately prior to the Global Offering. Therefore, you and other purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma net tangible asset

RISK FACTORS

value of approximately HK\$7.21 per H Share (assuming an Offer Price of HK\$15.80 per H Share, being the mid-point of our indicative Offer Price range between HK\$14.80 and HK\$16.80 per H Share), and existing holders of our Shares will receive an increase in net tangible asset value per share of their H Shares. Holders of our H Shares may experience a further dilution of their interest if we issue additional H Shares or equity-linked securities at a price lower than our net tangible asset value per H Share at the time of issuance.

The characteristics of the A share and H share markets are different.

Our A Shares have been listed on the Shanghai Stock Exchange since June 1993. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. The H share and A share markets have different characteristics, including different trading volume, liquidity and investor base, which may result in different trading prices for our H Shares and A Shares. Accordingly, the historical prices of our A Shares may not be indicative of the performance of our H Shares. In addition, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. You should not place undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

Dividends declared in the past may not be indicative of our dividend policy in the future.

We declared cash dividends of RMB1,001.5 million, RMB1,001.5 million and RMB1,502.2 million in 2012, 2013 and 2014, respectively. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size dividends will be paid in the future. The determination of whether to pay a dividend and in what amount is based on our business and financial performance, capital and regulatory requirements, general business conditions and other factors that our Board of Directors deem relevant. We may not have sufficient or any profits for dividend distributions in the future, even if our financial statements indicate that our operations have been profitable. Please see “Financial Information – Dividend Policy”. There is no assurance that we will adopt the same dividend policy as we have adopted in the past.

We have significant discretion as to how we will use the net proceeds of the Global Offering and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering to finance the construction of float glass and automotive glass production lines in Russia and the United States, satisfy our working capital requirements and repay our bank borrowings. Please see “Future Plans and Use of Proceeds”. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

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You should rely on this prospectus in making investment decisions with respect to our H Shares.

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering, which may include certain information not contained in this prospectus. We have not authorized disclosure of any such information in the press or other media. Such information, whether or not accurate or applicable, may materially and adversely affect our reputation, business, financial condition and the price of our H Shares. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information, and disclaim responsibility for such information. In addition, because our A Shares are listed on the Shanghai Stock Exchange, we are also required to make certain formal announcements in China and file certain reports with China's regulators relating to us and our A Shares to comply with the rules and regulations relating to the listing of our A Shares. Such announcements and reports do not and will not form a part of this prospectus and should not be relied on by prospective investors of our H Shares. Accordingly, prospective investors are cautioned to make their investment decisions with respect to our H Shares on the basis of the information contained in this prospectus only and should not rely on any other information. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONNECTED TRANSACTION

Our Company has entered into, and is expected to continue after the Listing, a transaction, which will constitute non-exempt continuing connected transaction under the Listing Rules upon the Listing. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements regarding the announcements in respect of such non-exempt continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules. Please refer to the section headed “Connected Transaction” in this prospectus for further details.

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 19A.15 and 8.12 of the Listing Rules, except as otherwise permitted by the Hong Kong Stock Exchange at its discretion, a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

Since our head office and substantially all of our business operations are based, managed and conducted in the PRC, we do not, and for the foreseeable future, will not, have executive Directors who are ordinarily residents in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Hong Kong Listing Rules on the following grounds:

- (a) the Company is incorporated in the PRC and the Company’s core business operations are based, managed and conducted in the PRC;
- (b) most of the Company’s material assets are situated in the PRC;
- (c) although Mr. Cho Tak Wong, the Chairman and executive Director, and Mr. Tso Fai, an executive Director, are permanent residents of Hong Kong, none of the Company’s executive Directors are based in Hong Kong as the Company believes that it would be more effective and efficient for its executive Directors to be based in the PRC where most of the strategic decisions are made and where most of the Company’s operations are located in;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) for the purpose of the management and operations of the Company, the appointment of additional executive Directors who are ordinary residents in Hong Kong would not only increase the administrative expenses of the Company, but would also reduce the effectiveness and responsiveness of the Board in making decisions for the Company, especially when business decisions are required to be made within a short period of time. In addition, the appointment of additional executive Directors, who may not be familiar with the operations of the Company, to the Board for the sole purpose of satisfying the requirement of Rules 8.12 and 19A.15 of the Listing Rules would not be in the best interests of the Company and its Shareholders as a whole;
- (e) furthermore, executive Directors if appointed as mentioned in paragraph (d) above will not be physically present in the operation and management base of the Company in the PRC at all times. As a result, they will not be able to fully understand or familiarize themselves with the daily operations and management of the core business of the Company or gain a full appreciation of the circumstances surrounding or affecting the core business operations and development of the Company from time to time. As such, such executive Directors may not be able to exercise their discretion in a fully informed manner, or make appropriate business decisions or judgments that are most beneficial to the operation and development of the Company; and
- (f) relocating any of the existing PRC based executive Directors to Hong Kong will require time to process the application for residency in Hong Kong. Furthermore, the application would be burdensome and costly for the Company and may not be approved by the proposed date of listing of the Company on the Hong Kong Stock Exchange. Since such Directors, after the relocation, will not be physically present in the operation and management base of the Company in the PRC all the time, they may encounter the management difficulties as described in paragraph (e) above.

We have made arrangements to maintain effective communication between the Hong Kong Stock Exchange and us as follows:

- the Company has appointed two authorized representatives, who will act as the Company's principal channel of communication between the Company and the Hong Kong Stock Exchange. Each of the authorized representatives has the means to contact all members of the Board (including the executive Directors, non-executive Directors and the independent non-executive Directors) and of the senior management promptly at all times as and when the Hong Kong Stock Exchange wishes to contact them for any matter. The two authorized representatives of the Company are Mr. Chen Xiangming and Ms. Kam Mei Ha, Wendy. The Company will also inform the Hong Kong Stock Exchange promptly in respect of any change in the authorized representatives;

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- to enhance the communication between the Hong Kong Stock Exchange, the authorized representatives and the Directors, the Company has implemented a policy that (i) each executive Director, non-executive Director and independent non-executive Director has to provide his or her respective office phone numbers, mobile phone numbers, fax numbers and email addresses (if applicable) to the authorized representatives and the Hong Kong Stock Exchange and in the event that any Director expects to travel or otherwise be out of office, he will provide the phone number of the place of his accommodation to the authorized representatives and (ii) both authorized representatives have to provide their office phone numbers, mobile phone numbers, fax numbers and email addresses (if applicable) to the Hong Kong Stock Exchange;
- in addition, all Directors who are not ordinarily residents in Hong Kong have confirmed that he or she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet with the relevant members of the Hong Kong Stock Exchange upon reasonable notice;
- in accordance with Rules 3A.19 and 19A.05 of the Listing Rules, the Company has appointed Shenyin Wanguo Capital (H.K.) Limited as its compliance adviser for the period commencing on the date of Listing and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the date of Listing. The compliance adviser will act as the Company's additional channel of communication with the Hong Kong Stock Exchange and the compliance adviser shall have access at all times to our authorized representatives, our Directors and other officers of the Company to ensure that he or she is in a position to provide prompt responses to any queries or requests from the Hong Kong Stock Exchange in respect of the Company;
- the Company will retain Hong Kong legal advisers to advise on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing; and
- the compliance adviser will also advise on the on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

COMPANY SECRETARY

Pursuant to Rules 8.17 and 3.28 of the Listing Rules, the secretary of the Company must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary.

Mr. Chen Xiangming has been the secretary of our Board since October 2012 and appointed as a joint company secretary on October 30, 2014. As Mr. Chen does not possess the qualifications as stipulated under Rules 3.28 and 8.17 of the Listing Rules, the Company has appointed Ms. Kam Mei Ha, Wendy on October 30, 2014, who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience as required under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary and assist Mr. Chen in discharging the duties of a company secretary of the Company, for a term until the third anniversary of our Listing Date. In this regard, we also have procedures in place to provide Mr. Chen with appropriate training in order to enable Mr. Chen to acquire such necessary experience upon the expiry of such three year period. For details of the experience and qualification of Mr. Chen and Ms. Kam, please see the section headed “Directors, Supervisors and Senior Management”.

In the initial three years from the Listing Date, the Company proposes to implement the following measures to assist Mr. Chen to become a company secretary with the requisite qualification as stipulated under Rule 3.28 of the Listing Rules:

- (a) Ms. Kam, the Joint Company Secretary who meets all the requirements under Rule 3.28 of the Listing Rules, will assist and guide Mr. Chen so that he is able to acquire the relevant knowledge and experience as required under the Listing Rules in order to discharge his functions as a Joint Company Secretary of the Company. The Company has also appointed Ms. Kam as an authorized representative of the Company;
- (b) the Company undertakes to reapply to the Hong Kong Stock Exchange in the event that Ms. Kam ceases to meet the requirements under Rule 3.28 of the Listing Rules or otherwise ceases to serve as a Joint Company Secretary of the Company;
- (c) Mr. Chen has been appointed as a Joint Company Secretary of the Company for a term commencing from October 30, 2014 and ending on the date which is three years from the Listing Date, a period which should be sufficient for him to acquire the relevant knowledge and experience required by the Listing Rules;
- (d) the Company will further ensure that Mr. Chen has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer listed on the Hong Kong Stock Exchange;

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- (e) Mr. Chen has confirmed that he will be attending a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 3.29 of the Listing Rules;
- (f) upon expiry of Mr. Chen's initial term of appointment as a Joint Company Secretary of the Company, the Company will evaluate his experience in order to determine if he has acquired the qualifications required under Rules 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Mr. Chen's appointment as a Joint Company Secretary of the Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules; and
- (g) the Company has appointed Shenyin Wanguo Capital (H.K.) Limited as its compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules who will act as the additional communication channel with the Hong Kong Stock Exchange for a period commencing on the Listing Date and ending on the date on which the Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver will be revoked if Ms. Kam ceases to be the other joint company secretary to assist Mr. Chen during the three years after the Listing Date. Upon the expiry of the three-year period, we will reevaluate the qualifications of Mr. Chen to determine whether the requirements of Rules 3.28 and 8.17 of the Listing Rules can be satisfied. In the event that Mr. Chen has obtained the requisite experience as required under Rule 3.28 of the Listing Rules at the end of the said period, the above joint company secretaries arrangement will no longer be required by our Company.

ALLOCATION OF OUR H SHARES TO CERTAIN HOLDERS OF OUR A SHARES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of the securities. Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among other things, that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to existing shareholders or their close associates, whether in their own names or through nominees, unless certain conditions are fulfilled.

Prior to the Listing, our Company's share capital comprises entirely A Shares listed on the Shanghai Stock Exchange. We have a large and widely dispersed public A Share shareholder base.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Listing Rules to permit certain investors who hold a small amount of our A Shares (together with their close associates, the “Investors”) to receive allocation of the H Shares in the International Offering, subject to the following conditions:

- (i) each of the Investors in relation to which the above waiver is sought shall hold less than 2.0% of the Company’s issued A Share capital immediately prior to the Global Offering, and each of them shall exert no influence over the share allocation process and has no representation on the Board;
- (ii) none of the Investors in relation to which the above waiver is sought is, has been or shall be a core connected person or a close associate of a core connected person of the Company, and shall not negatively impact the Company’s ability to meet the public float requirements under the Listing Rules; and
- (iii) such Investors will be subject to the same book building and allocation process as with other investors in the International Offering and no preferential treatment shall be given to them in the allocation.

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 10.0% of the Global Offering and in the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators, after consultation with us, shall apply an alternative clawback mechanism to the provisions under paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists as follows:

- (i) 43,968,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 10.0% of the Offer Shares initially available under the Global Offering;
- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 54,960,000 H Shares, representing approximately 12.5% of the Offer Shares initially available under the Global Offering;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 76,944,000 H Shares, representing approximately 17.5% of the Offer Shares initially available under the Global Offering; and
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 142,896,000 H Shares, representing approximately 32.5% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. For details of the clawback mechanism, please see the section headed “Structure of the Global Offering” in this prospectus.

ISSUE OF ANNUAL REPORT AND ACCOUNTS AND PUBLICATION OF ANNUAL RESULTS UNDER THE LISTING RULES

Rule 13.46 of the Listing Rules requires an issuer to send a copy of its annual report and accounts or summary financial report to its shareholders within four months after its financial year end. Rule 13.49(1) of the Listing Rules requires an issuer to publish its annual results no later than three months after its financial year end.

Our Company has included in this prospectus the financial information in respect of the year ended December 31, 2014.

Our Company is not in breach of the Articles or laws and regulations of the PRC or other regulatory requirements regarding its obligation to publish annual results announcement and annual report.

In addition, our Company has included in this prospectus a short statement as to whether we intend to comply with the Corporate Governance Code (the “Code”) in Appendix 14 to the Listing Rules after the Listing and if not, reasons for its proposed departure from the Code. Please also refer to “Directors, Supervisors and Senior Management – Corporate Governance” in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The Directors consider that strict compliance with the requirements of Rules 13.46(2) and 13.49(1) of the Listing Rules will not provide further material information to the Shareholders but will incur unnecessary financial and administrative resources of our Group.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results announcement and the issue of annual report for the year ended December 31, 2014.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Company (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

CSRC issued its approval for the Global Offering and our application to list the H Shares on the Hong Kong Stock Exchange on February 26, 2015. In granting such approval, CSRC accepts no responsibility for our financial soundness nor the accuracy of any of the statements made or opinions expressed in this prospectus or the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about Wednesday, March 25, 2015, subject to determination of the pricing of the Offer Shares. If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Underwriters) by Monday, March 30, 2015, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Global Coordinators,

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for Hong Kong Public Offer Shares are set out in the section headed “How to Apply for Hong Kong Public Offer Shares” and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the H Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his acquisition of the H Shares to confirm, that he is aware of the restrictions on offers and sales of the H Shares in this prospectus. In particular, the H Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

Our A Shares are listed on the Shanghai Stock Exchange. We have applied to the Listing Committee of the Hong Kong Stock Exchange for the authorization to list, and the permission to deal in, our Offer Shares (including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option) to be issued pursuant to the Global Offering.

Except for the A Shares of our Company that have been listed on the Shanghai Stock Exchange and pending application to the Hong Kong Stock Exchange for listing of, and permission to deal in, the H Shares, no part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC. Dealings in our H Shares registered on our H Share Registrar will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, and the Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and each of us acting for ourselves and for each of our Directors, Supervisors, managers and officers agrees with each of our Shareholders to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. Please see the sections headed “Appendix IV – Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of the Articles of Association” to this prospectus;
- (iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- (iv) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors and officers whereby such Directors, Supervisors and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

PROCEDURE FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The procedure for applying for Hong Kong Public Offer Shares is set out in the section headed “How to Apply for Hong Kong Public Offer Shares” in this prospectus and in the Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and the compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi, Hong Kong dollars, U.S. dollars and Russian Ruble into each other at specified rates. No representation is made and none should be construed as being made any amounts of Renminbi, Hong Kong dollars, U.S. dollars and Russian Ruble could actually be converted into each other at such rates indicated or at all on such date or any other date. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars, Renminbi into U.S. dollars and Russian Ruble into Renminbi have been made at the rates of HK\$1.00 to RMB0.78887, US\$1.00 to RMB6.1190 and RMB1.00 to RUB9.0536, respectively, the exchange rates prevailing on December 31, 2014, set by PBOC for foreign exchange transactions. The translations of Russian Ruble into Renminbi for Russian Ruble amount as of and for the years ended December 31, 2012 and 2013 have been made at the rates of RMB1.00 to RUB4.8528 and RMB1.00 to RUB5.3985, respectively, the exchange rates prevailing on December 31, 2012 and 2013 set by PBOC for foreign exchange transactions. On the Latest Practicable Date, the exchange rates were HK\$1.00 to RMB0.79340, US\$1.00 to RMB6.1617 and RMB1.00 to RUB9.8789.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Cho Tak Wong (曹德旺)	No. A1, Dayangluzhou Shangjie Town Minhou County Fujian PRC	Chinese (Hong Kong)
Mr. Tso Fai (曹暉)	No. A1, Dayangluzhou Shangjie Town Minhou County Fujian PRC	Chinese (Hong Kong)
Mr. Bai Zhaohua (白照華)	1501, Flat 1, Xinnan Garden No. 357 Huohuo East Road Jin'an District, Fuzhou Fujian PRC	Chinese
Mr. Chen Xiangming (陳向明)	1203, Flat 3, Minfa Shijia No. 86 Dongshui Road Gulou District, Fuzhou Fujian PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Wu Shinong (吳世農)	Room 502 No. 8 Eastern Coast District Xiamen University Siming District, Xiamen Fujian PRC	Chinese
Ms. Zhu Dezhen (朱德貞)	No. 111 4288 Nong Long Dong Road Shanghai PRC	American

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
<i>Independent non-executive Directors</i>		
Ms. Cheng Yan (程雁)	Room C, 9th Floor Block 2, The Zenith No. 258 Queen's Road East Hong Kong	Chinese (Hong Kong)
Ms. Liu Xiaozhi (劉小稚)	Room 801, No. 15 618 Nong Qingtong Road Shanghai PRC	German
Mr. Wu Yuhui (吳育輝)	25, No. 422 Siming South Road Siming District, Xiamen Fujian PRC	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. Lin Houtan (林厚潭)	No. 37 Hedong Lane Rongcheng County Fuqing Fujian PRC	Chinese
Mr. Chen Mingsen (陳明森)	4-203 No. 52 Liuhe Road Gulou District, Fuzhou Fujian PRC	Chinese
Mr. Ni Shiyu (倪時佑)	Room 601, Block 3 Bangfa New Village No. 298 Hudong Road Fuzhou, Fujian PRC	Chinese

Please see "Directors, Supervisors and Senior Management" for further details.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED**Joint Sponsors**

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central, Hong Kong

UBS Securities Hong Kong Limited
42/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

Joint Global Coordinators

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central, Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

**Joint Bookrunners and Joint Lead
Managers**

Hong Kong Public Offering:
China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central, Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

BOCI Asia Limited
26/F Bank of China Tower
1 Garden Road, Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
59/F – 63/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

International Offering:
China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central, Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

BOCI Asia Limited
26/F Bank of China Tower
1 Garden Road, Central
Hong Kong

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

BNP Paribas Securities (Asia) Limited
59/F – 63/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Legal Advisers to our Company

as to Hong Kong law and U.S. law:
Latham & Watkins
18th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

*as to U.S. and E.U. sanctions related to Russia
and Ukraine:*
Latham & Watkins LLP
555 Eleventh Street, NW
Suite 1000
Washington, D.C. 20004
United States

Latham & Watkins
99 Bishopsgate
London EC2M 3XF
United Kingdom

as to PRC law:
Fujian Zenith Law Firm
25th Floor, Zhongshan Tower
No. 152 Hudong Road, Fuzhou
Fujian
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the
Joint Sponsors and
the Underwriters**

as to Hong Kong law and U.S. law:
Sullivan & Cromwell
28th Floor, Nine Queen's Road Central
Hong Kong

as to PRC law:
Commerce & Finance Law Offices
6th Floor, NCI Tower, A12 Jianguomenwai
Avenue Chaoyang District
Beijing 100022
PRC

Auditor and Reporting Accountant

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Independent Industry Expert

Roland Berger Enterprise Management (Shanghai)
Co., Ltd.
Rooms 2308-09, Kerry Centre
1515 Nanjing Road West, Shanghai 200040
PRC

Compliance Adviser

Shenyin Wanguo Capital (H.K.) Limited
Level 19, 28 Hennessy Road
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office and Principal Place of Business in the PRC	Fuyao Industrial Zone Fuqing Rongqiao Economic & Technological Development Zone, Fujian Province PRC
Principal Place of Business in Hong Kong	Room 1907, Shun Tak Centre, West Tower 200 Connaught Road Central Hong Kong
Company Website	<u>www.fuyaogroup.com</u> <i>(Information contained in this website does not form part of this prospectus)</i>
Joint Company Secretaries and Authorized Representatives	Mr. Chen Xiangming 1203, Flat 3, Minfa Shijia No. 86 Dongshui Road Gulou District, Fuzhou Fujian PRC Ms. Kam Mei Ha, Wendy <i>FCS (PE), FCIS</i> Level 54 Hopewell Centre 183 Queen's Road East Hong Kong
Audit Committee	Mr. Wu Yuhui (<i>Independent non-executive Director and Chairman of Audit Committee</i>) Ms. Cheng Yan (<i>Independent non-executive Director</i>) Ms. Zhu Dezhen (<i>Non-executive Director</i>)
Remuneration and Assessment Committee	Ms. Liu Xiaozhi (<i>Independent non-executive Director and Chairman of Remuneration and Assessment Committee</i>) Mr. Cho Tak Wong (<i>Executive Director</i>) Mr. Wu Yuhui (<i>Independent non-executive Director</i>)

CORPORATE INFORMATION

Nomination Committee	<p>Ms. Cheng Yan (<i>Independent non-executive Director and Chairman of Nomination Committee</i>)</p> <p>Ms. Liu Xiaozhi (<i>Independent non-executive Director</i>)</p> <p>Mr. Tso Fai (<i>Executive Director</i>)</p>
Strategy and Development Committee	<p>Mr. Cho Tak Wong (<i>Executive Director and Chairman of Strategy and Development Committee</i>)</p> <p>Ms. Cheng Yan (<i>Independent non-executive Director</i>)</p> <p>Mr. Tso Fai (<i>Executive Director</i>)</p>
H Share Registrar	<p>Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong</p>
Principal Bankers	<p>Agricultural Bank of China, Fuqing Branch No. 7, Qingchang Avenue, Fuqing, Fujian Province PRC</p> <p>Industrial and Commercial Bank of China, Fuqing Branch 1st Floor, Chuanyuan Hotel, Qingchang Avenue Fuqing Province, PRC</p> <p>China Construction Bank, Fujian Province Branch No. 142, Guping Road, Gulou District Fuzhou, Fujian Province, PRC</p> <p>Bank of China, Fuqing Branch BOC Building, Qingchang Avenue Fuqing, Fujian Province, PRC</p> <p>The Export-Import Bank of China Fujian Province Branch 21-22 Floors, Xinhe Plaza, No. 137 Wusi Road Fuzhou, Fujian Province, PRC</p>

CORPORATE INFORMATION

Citibank (China), Guangzhou Branch
Room 6801, Citic Plaza, No. 233 North Tianhe Road
Tianhe District, Guangzhou, Guangdong Province
PRC

Deutsche Bank China, Guangzhou Branch
Units 2202-03, Teemtower, 208 Tian He Road
Tianhe District, Guangzhou, Guangdong Province
PRC

INDUSTRY OVERVIEW

We have derived the information and statistics set forth in this section and elsewhere in this prospectus from various official and government publications, and publicly available market research sources. We have also derived information and statistics from the market research report prepared by Roland Berger (the “Roland Berger Report”). We commissioned Roland Berger, an independent market research and consulting company, to analyze and report on the industry we operate or plan to operate in for the period from 2009 to 2018. The Roland Berger Report has been prepared independently without our influence. We agree to pay Roland Berger a fee of RMB1.23 million, of which RMB0.49 million has been paid as of December 31, 2014. We believe the fee is consistent with market rates. Founded in 1967, Roland Berger is one of the world’s leading strategy consultancies that supports leading international corporations, non-profit organizations and public institutions in a broad range of management issues.

In preparing its report, Roland Berger has undertaken both primary and secondary research. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Roland Berger’s own research database. Projected data was obtained via analyzing historical data sourced from macroeconomic data as well as specific industry-related drivers. Unless otherwise noted, all data and forecast in this section are provided by Roland Berger.

Roland Berger adopted the following assumptions while making projections on the macroeconomic environment, the global and China’s automobile market, the global automotive glass market and the automotive glass markets in China, North America and Russia: (i) Both the Chinese and global economies will maintain steady growth in the forecasted period; (ii) the Chinese and global social, economic and political environments will remain stable in the forecasted period, thus ensuring the continuous development of the automobile industry; (iii) there will be no wars or otherwise large scale disasters during the forecasted period; and (iv) the Chinese road infrastructure and road conditions will continue to improve and thus will gradually reduce the replacement rate of automotive glass.

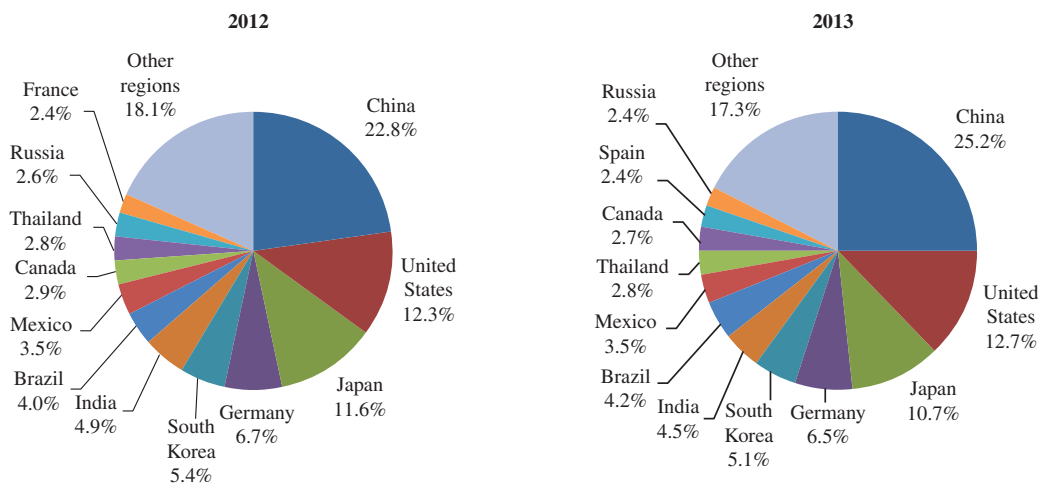
Our Directors confirmed there were no adverse changes in the market since the date of the Roland Berger Report which may qualify, contradict or have an impact on the information in this section. We believe that the sources of the information set forth in this section are appropriate and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. Neither we, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers nor any of other parties involved in the Global Offering has independently verified, or make any representation as to, the accuracy of the information derived from official government or other third party sources. The information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside China, and accordingly, should not be unduly relied upon.

INDUSTRY OVERVIEW

AUTOMOBILE INDUSTRY OVERVIEW

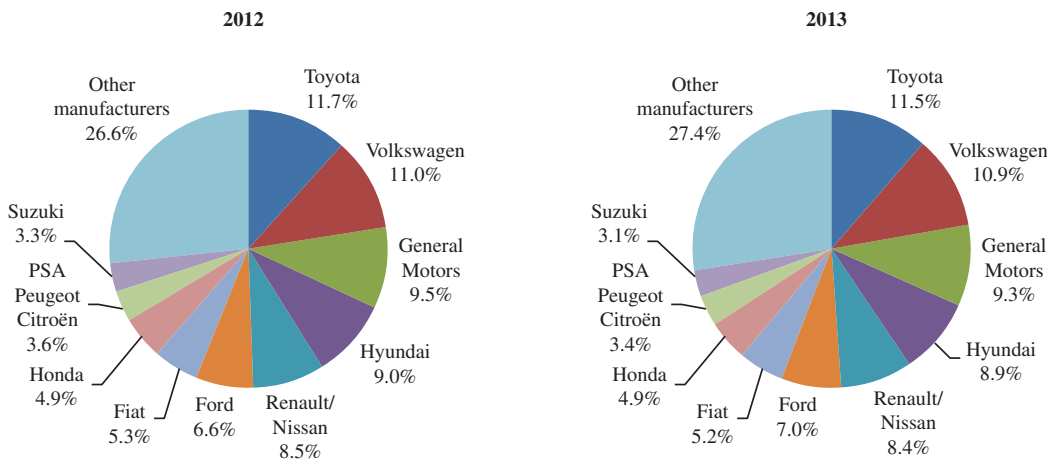
Global Automobile Industry

Global automobile sales increased from 66.0 million units in 2009 to 85.3 million units in 2013, representing a CAGR of 6.6%. Roland Berger projects global automobile sales to increase to 105 million units in 2018, representing a CAGR of 4.2% from 2013 to 2018, primarily driven by the economic recovery in the United States and Europe and the resultant increase in demand for automobiles, as well as the growing demand for automobiles in the emerging economies of Asia and South America. Global automobile production increased from 61.7 million units in 2009 to 87.6 million units in 2013, representing a CAGR of 9.2%, and is expected to grow to 107 million units in 2018, representing a CAGR of 4.1% from 2013 to 2018. The following charts set forth the geographic breakdown of the global automobile market by production volume in 2012 and 2013.



Source: IHS, CAMM, the Roland Berger Report

The following charts set forth the production volumes of the top automobile manufacturers in 2012 and 2013.

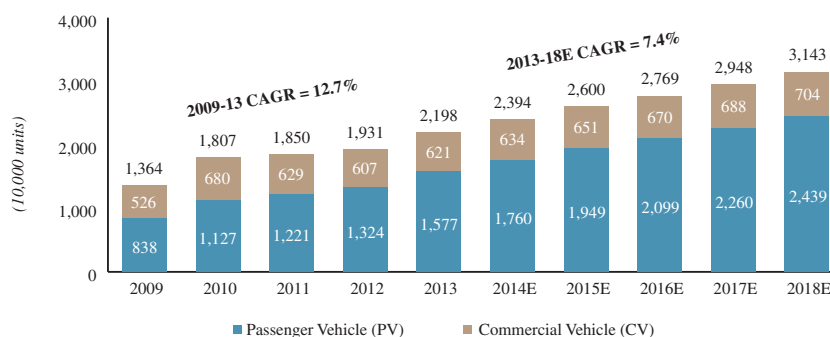


Source: IHS, CAMM, the Roland Berger Report

INDUSTRY OVERVIEW

China's Automobile Industry

In 2009, China surpassed the United States and became the world's largest automobile market in terms of sales volume. China's automobile sales increased from 13.6 million units in 2009 to 22.0 million units in 2013, representing a CAGR of 12.7%, and are expected to grow to 31.4 million units in 2018, representing a CAGR of 7.4% from 2013 to 2018. The following chart sets forth the historical and projected automobile sales in China for the periods indicated.



Source: the Roland Berger Report

According to Roland Berger, the following are key drivers of the growth of China's automobile industry:

- China's economic growth.* China's economic development has been and will continue to be the primary driver of the growth of China's automobile market. According to the National Bureau of Statistics, China's nominal GDP increased from RMB33.5 trillion in 2009 to RMB56.9 trillion in 2013. China's economic growth has improved disposable income per urban resident, from RMB17,175 in 2009 to RMB26,955 in 2013, representing a CAGR of 11.9%. According to the International Monetary Fund, China's real GDP grew at an annual rate of 9.2% from 2009 to 2013 and is projected to grow at an annual rate of approximately 7.0% within the next five years, higher than the average annual global economy growth rate of below 4.1% during the same period.
- Increasing urbanization.* China's increasing urbanization is expected to continue to drive China's economic growth and social development. According to the Yearbook of Regional Economic Development, China's urbanization rate increased from 46.6% in 2009 to 53.7% in 2013 and is projected to reach 54% by 2015 and 60% by 2020. Urbanization will create job opportunities, stimulate domestic demand, and drive development of China's basic industries, which in turn will increase automotive sales in China, particularly in the second and third tier cities.
- Improved road infrastructure.* China's improving road infrastructure as a result of increased government spending on road construction and upgrading will also drive demand for automobiles. The total length of highway in China increased at a CAGR of 10.9% from 65,100 km in 2009 to 98,460 km in 2013. China's current road network density of 45 km per 100 sq.km. remains lower than that of 67 km per 100 sq.km for the United States, 89 km per 100 sq.km. for Japan and 180 km per 100 sq.km. for Germany, indicating room for further improvement.
- Development of China's automotive finance market.* The growth of China's automotive finance market has increased access to financing for vehicle purchases and has resulted in increased sales. China's automotive finance market is in an early stage of development with a penetration rate of 20% in 2013 as compared with 9% in 2009. The penetration of automotive finance in China was much lower than that of 80% for the United States, India and Brazil, 60% for Japan and Western Europe and 40% for Russia, indicating strong growth potential.

INDUSTRY OVERVIEW

- Supportive government initiatives.** The automobile industry is a core pillar of the Chinese economy. Since 2009, the PRC government has introduced a number of initiatives to support the automobile industry, including the “Rural Subsidy Program For Vehicle Purchases”, “New Energy Vehicle Subsidy Policy” and “Old-For-New Trade-In Auto Program”, which have contributed to the rapid growth of automobile sales in China from 2009 to 2012. The impact of supportive government initiatives on China’s automobile industry has become less significant in recent years, primarily due to the expiration of some of these supportive initiatives, and the restrictions on vehicle purchases imposed by China’s local governments to control air pollution and traffic congestion.

AUTOMOTIVE GLASS INDUSTRY OVERVIEW

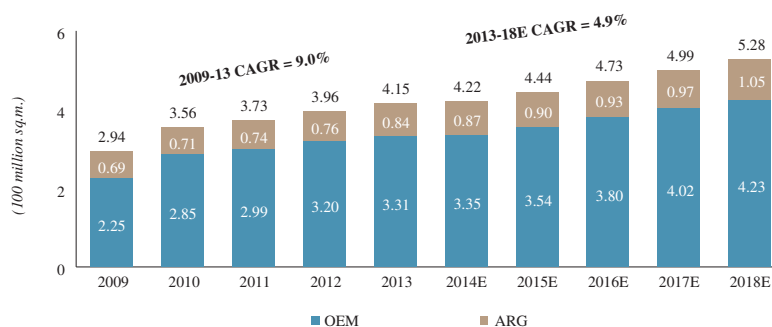
The automotive glass market can be divided into two segments: the Original Equipment Manufacturers (OEM) market for glass products sold to automobile manufacturers principally for installation on new vehicles, and the Aftersales Replacement Glass (ARG) market for glass products sold to aftermarket suppliers for replacement purposes.

Global Automotive Glass Industry

Overview

As the world’s economy recovers from the global financial crisis in 2008, global demand for automotive glass increased from 294 million sq.m. in 2009 to 415 million sq.m. in 2013, representing a CAGR of 9.0%. Roland Berger expects global automotive glass demand to increase to 528 million sq.m. in 2018, representing a CAGR of 4.9% from 2013 to 2018.

The following chart sets forth the historical and projected global demand for automotive glass for the periods indicated.



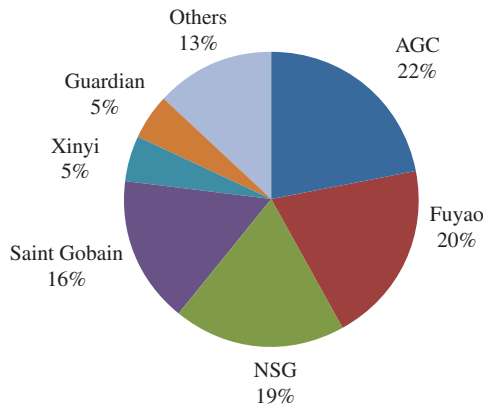
Source: the Roland Berger Report

The global OEM automotive glass market grew to 331 million sq.m. in 2013, representing a CAGR of 10.1% from 2009 and accounting for 79.8% of the global automotive glass market. The growth of the global OEM automotive glass market outpaced the global automobile market during the same period, principally driven by increased market demand for larger windshields and the increasing popularity of vehicle sunroofs. The global OEM automotive glass market is expected to grow to 423 million sq.m. in 2018, representing a CAGR of 5.0% from 2013 to 2018. The global ARG automotive glass market grew to 84 million sq.m. in 2013, representing a CAGR of 5.0% from 2009, and is expected to grow to 105 million sq.m. in 2018, representing a CAGR of 4.6% from 2013 to 2018.

Global automotive glass sales increased at a CAGR of 7.6% from US\$10.7 billion in 2009 to US\$14.2 billion in 2013. Market prices for automotive glass depend on a number of factors, including raw material costs and market supply and demand. The average price of automotive glass decreased from US\$36.30 per sq.m. in 2009 to US\$34.10 per sq.m. in 2010, primarily reflecting the impact of the global financial crisis in 2008. The average price of automotive glass has stabilized at US\$34 per sq.m. since 2010, primarily as a result of the recovery of the global automobile market and the closure of several unprofitable automotive glass manufacturing facilities.

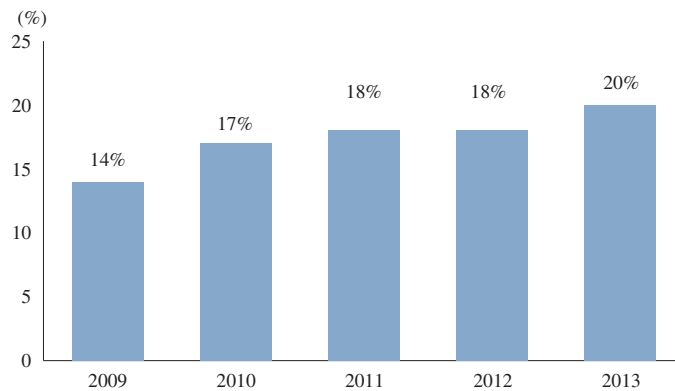
INDUSTRY OVERVIEW

The global automotive glass market is highly concentrated with the top four players accounting for approximately 77% of total global automotive glass sales volume in 2013. The following chart sets forth the market share of the world's top automotive glass manufacturers.



Source: the Roland Berger Report

The following chart sets forth our market share in the global automotive glass market based on the sales amounts for the periods indicated.



Source: the Roland Berger Report

In 2013, our sales represented 20% of the total global automotive glass sales. Among the top four global automotive glass manufacturers, we are the only automotive glass manufacturer that specializes in automotive glass. In 2013, we derived 94.9% of our revenue from automotive glass sales, as compared with 23% for Asahi Glass Co., Ltd. (AGC), 48% for Nippon Sheet Glass Co., Ltd. (NSG) and 5% for Saint Gobain. In 2013, we had operating profit margin of 22.2%, whereas the glass manufacturing divisions of AGC, NSG and Saint Gobain had operating profit margin of 3.5% or less.

Trends of the Global Automotive Glass Industry

- *Increasing popularity of vehicle sunroofs.* The demand for vehicle sunroofs is expected to grow, driven by the increasing emphasis on driving comfort.

INDUSTRY OVERVIEW

- *Increased usage of glass on vehicle.* Automotive glass usage per vehicle increased at a CAGR of 1.4% over the past decade, and is expected to continue to increase in the future, primarily driven by the increase in tilt angle on front windshield for greater vision space, as well as the demand for larger sunroofs.
- *Improved automotive glass features and functions.* Smart glass products with value-added features and functions to improve energy efficiency and driving comfort and safety, such as electrically-switchable smart glass, water-repellent glass, and head-up display (HUD), are becoming widely used in vehicles.
- *Increasing automotive glass modularization.* The demand of global leading automobile manufacturers for automotive component modularization is increasing as they seek to reduce production costs, optimize supply chains and enhance quality control. This is expected to drive automotive glass manufacturers to increase the value-add of automotive glass products by incorporating additional value-added processes, such as pre-assembly and encapsulation.

Entry Barriers to the Global Automotive Glass Industry

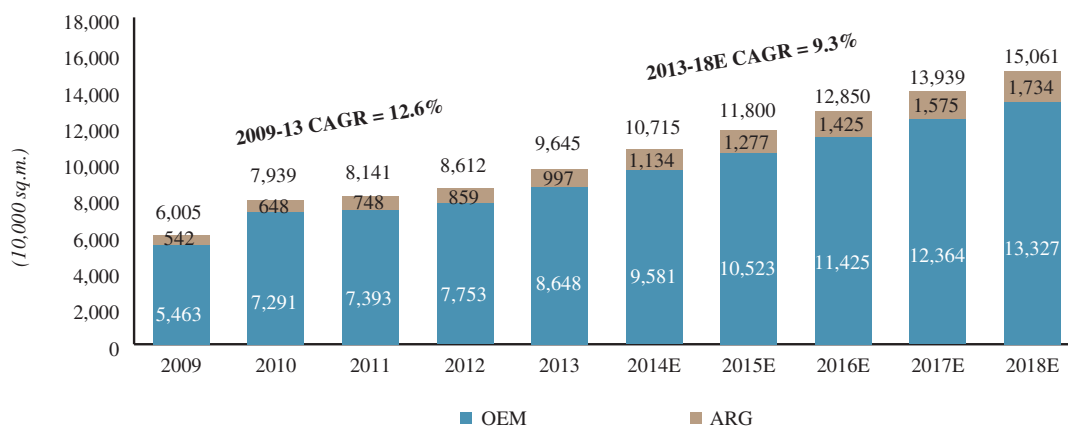
The significant barriers to entry into the automotive glass industry include the following:

- *Manufacturing and sales network.* The difficulty of quickly establishing a manufacturing network covering major automobile production bases and a comprehensive sales network present barriers to entry into the automotive glass market. A manufacturing and sales network is crucial to meeting OEM customers' delivery requirements cost-effectively and expanding the customer base in the ARG automotive glass market.
- *Advanced technology requirement for the production of automotive safety glass with multiple functions.* Rapid evolution of glass functions intensifies competition among manufacturers and presents entry barriers to new players with insufficient research and development capabilities. In addition, automotive glass manufacturers must meet the stringent technological requirements imposed by the regulatory authorities.
- *Intensive capital investment.* In Europe, the United States and China, the establishment of an automotive glass manufacturing facility with annual production capacity of approximately 4 million sq.m. generally requires investment of approximately €40 million to €60 million, US\$70 million and RMB200 million, respectively. In addition, to ensure the adequate and timely supply of high-quality float glass for automotive glass production, automotive glass manufacturers generally establish high-quality float glass production lines near their automotive glass manufacturing facilities, which require additional investment of approximately €100 million to €150 million and RMB300 million for each facility in Europe and China, respectively.
- *Product certification.* Automotive glass manufacturers must obtain various national safety and quality certifications for their automotive products in the countries and regions where they sell products, including China's CCC, US's DOT, EU's ECE, Japan's JAS and Brazil's INMETRO.

INDUSTRY OVERVIEW

China's Automotive Glass Industry

Benefiting from the rapid growth of China's automobile market, the demand for automotive glass in China increased from 60.1 million sq.m. in 2009 to 96.5 million sq.m. in 2013, representing a CAGR of 12.6%, and is expected to increase to 150.6 million sq.m. in 2018, representing a CAGR of 9.3% from 2013 to 2018. The following chart sets forth the historical and projected demand for automotive glass in China for the periods indicated.



Source: the Roland Berger Report

China's OEM automotive glass market grew to 86.5 million sq.m. in 2013, representing a CAGR of 12.2% from 2009 and accounting for 90% of China's automotive glass market by sales volume. Between 2013 and 2018, China's OEM automotive glass sales volume is expected to grow at a CAGR of 9.0%, outpacing the expected growth of China's automobile production, primarily driven by increased usage of automotive glass per vehicle, resulting from the increasing popularity of vehicle sunroofs as well as the increasing demand for luxury vehicles and value-added vehicle options and features. China's ARG automotive glass market grew to 10.0 million sq.m. in 2013, representing a CAGR of 16.5% from 2009, and is expected to further grow to 17.3 million sq.m. in 2018, representing a CAGR of 11.7%.

China's automotive glass sales (including imports but excluding the sales of sunroof glass products) amounted to RMB11.5 billion in 2013, representing a CAGR of 13.2% from 2009 to 2013 and accounting for 13.1% of the global automotive glass market. Roland Berger expects China's automotive glass market will continue to grow, primarily driven by (i) the increase in second-time vehicle purchases, (ii) the increased disposable income per urban resident in China and the increasing demand for luxury vehicles and value-added vehicle options and features, (iii) preferential tax treatment for automotive glass manufactures that are certified as high technology enterprises, and (iv) the PRC government's stimulus policies to encourage product innovation by automotive glass manufactures.

As a net exporter of automotive glass, automotive glass production in China amounted to 135 million sq.m. in 2013, representing a CAGR of 12.4% from 2009. Automotive glass manufacturers generally locate their manufacturing bases near automotive OEMs due to the limitation of effective transportation radius, and to ensure reliable and timely delivery of automotive glass products to OEM customers. The following map sets forth the footprints of leading automotive glass manufacturers in key automobile manufacturing bases in China.

INDUSTRY OVERVIEW



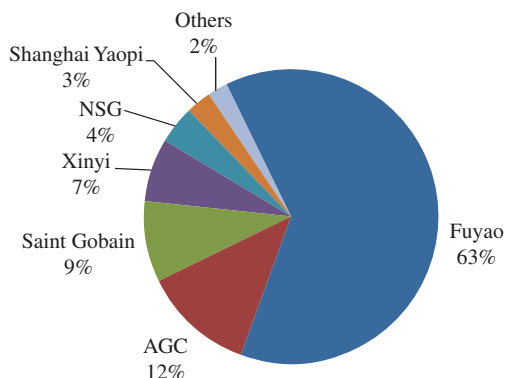
Source: the Roland Berger Report

The average price of automotive glass sold in China decreased from RMB116.4 per sq.m. in 2009 to RMB115.6 per sq.m. in 2010, principally due to a decrease in new vehicles model launches in China and an increase in sales of mini commercial vehicles. Automotive glass used on new vehicle models generally have higher selling prices compared to those used on vehicles in later stages of the model cycle. Driven by the PRC government's fiscal policies to incentivize the purchase of light commercial vehicles, mini commercial vehicle sales as a percentage of total automotive sales in China increased from 11.4% in 2008 to 14.5% in 2009. Automotive glass for mini commercial vehicles generally have relatively lower selling prices than passenger vehicles in China. As a result of the increase in the number of new vehicle

INDUSTRY OVERVIEW

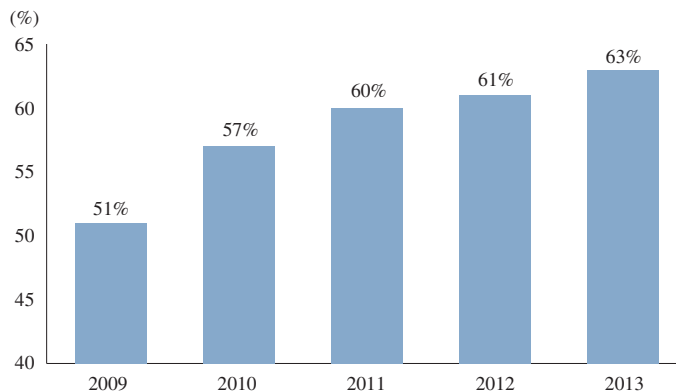
model launches in China driven by economic recovery and the increase in passenger vehicle sales as a percentage of total automotive glass sales in China, the average price of automotive glass increased slightly from RMB117.7 per sq.m. in 2011 to RMB119.0 per sq.m. in 2013.

China's automotive glass market is highly concentrated with the top five manufacturers accounting for approximately 89% of China's automotive glass sales. China imported a small quantity of automotive glass each year primarily for use on imported vehicle models and prototype vehicles. Excluding imported automotive glass, the top five manufacturers accounted for 95% of China's automotive glass sales in 2013. The following chart sets forth the share of manufacturers in China's locally manufactured automotive glass market by sales (excluding imports) in 2013.



Source: the Roland Berger Report

The following chart sets forth our market share in China's automotive glass market based on the sales amounts (excluding imports) for the periods indicated.



Source: the Roland Berger Report

OEM automotive glass for passenger vehicles accounted for 66% of China's automotive glass market and 74% of China's OEM automotive glass market in 2013 by sales volumes. China's passenger vehicle glass market has a higher market concentration than the commercial vehicle glass market, primarily due to rapid market growth and relatively higher technological entry barriers. China's passenger vehicle glass market is dominated by large automotive glass manufacturers with strong technological, production and marketing capabilities, including us, AGC and Saint Gobain, which accounted for 72%, 11% and 9%, respectively, of total passenger vehicle sales in China.

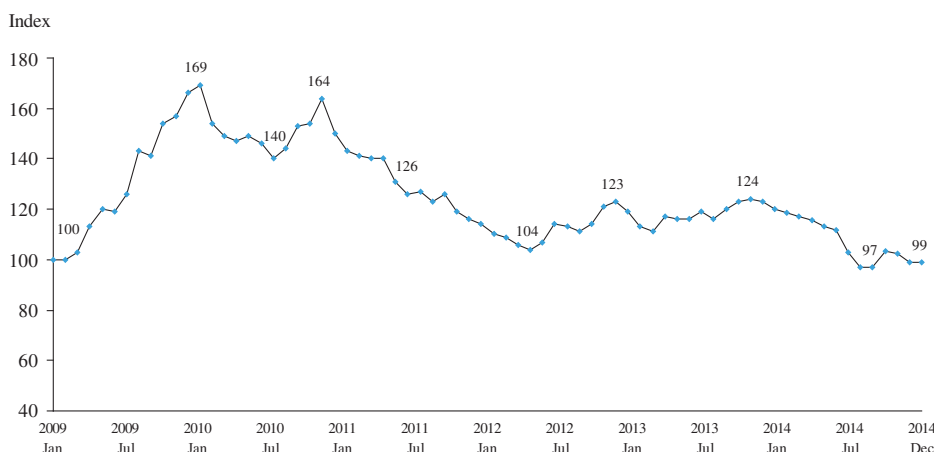
INDUSTRY OVERVIEW

We are one of the very few automotive glass manufacturers in China who have obtained product certification from European, American, Japanese and South Korean automobile manufacturers. Our customer base includes all of China's top 10 passenger vehicle manufacturers in China, as well as other well-known automobile manufacturers such as BMW, Mercedes, Bentley, Rolls Royce and Porsche. The following table sets forth the customer relationships between the top three automotive glass manufacturers and the top ten passenger vehicle OEMs in China.

Auto Glass Manufacturer	Fuyao	AGC	Saint Gobain
SGM	✓	✓	✓
FAW VW	✓	✓	
SVW	✓	✓	
Beijing Hyundai	✓	✓	✓
Dongfeng Nissan	✓	✓	✓
Chervy	✓		
FAW Toyota	✓	✓	
Changan Ford	✓		✓
Geely	✓		✓
Great Wall	✓		✓

Source: the Roland Berger Report

Float glass and PVB are the two primary raw materials used in automotive glass production. Float glass generally account for approximately 35% to 40% of the production costs of automotive glass. Due to oversupply relating to general float glass supply in China (not applicable to the high quality automotive grade float glass supply in China or float glass market in the United States), the price of float glass has declined by approximately 40% since 2010. In 2014, the price of mainstream 4mm float glass is approximately RMB10 to RMB15 per sq.m. The following chart indicates the price trend (indexed to 100 at inception) of float glass in China.



Source: Wind, the Roland Berger Report

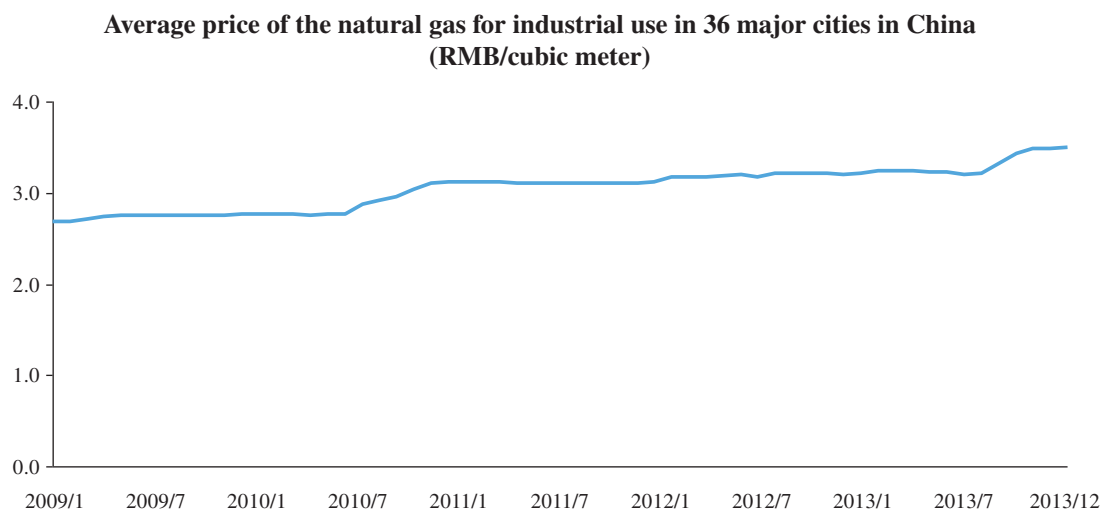
The PRC government issued the Guidelines on Reducing Serious Excess Capacity (關於化解產能嚴重過剩矛盾的指導意見) in October 2013 to eliminate 20 million weight box (or approximately 100 million sq.m. of 4 mm thickness) of outdated flat glass production capacity by the end of 2015 and to encourage the upgrading of production lines to increase overall industry output of high-quality glass. The policy may result in an increase in supply and decline in the price of high-quality float glass, but it is expected that the policy will not have any material adverse effect on our operations since over 75% (by carrying value) of the float glass we used in automotive glass sold during the Track Record Period was sourced internally.

INDUSTRY OVERVIEW

In light of the fluctuations in float glass market price, stable and adequate supply of high-quality automotive grade float glass not only reduce the market risk exposure of automotive glass manufacturers but also enable them to lower their production costs through improving production yields. There are approximately 100 automotive grade float glass production lines in China, 20% of which are capable of producing high-quality automotive grade float glass. In 2013, we contributed to 36% of the total high-quality automotive grade float glass production capacity in China, while our competitors Shanghai Yaopi, Xinyi, Saint Gobain, G-Crystal and AGC accounted for 13%, 13%, 13%, 7% and 6% of total high-quality automotive grade float glass production capacity in China, respectively.

PVB generally accounts for 20% to 25% of the laminated automotive glass production costs and approximately 10% to 15% of the automotive glass production costs. The market price of PVB used in automotive glass production is approximately RMB50 to RMB60 per sq.m. with marginal increase of not more than 3% over the span of the past three years. Automotive glass manufacturers generally enter into long-term supply contracts with the top three global PVB manufacturers, Dupont, Sekisui and Eastman, to secure stable PVB supply and to manage their exposure to fluctuations in PVB prices. Therefore, the PVB costs of automotive glass manufacturers with high-volume PVB purchases remained relatively stable.

Energy cost is another key cost component in automotive glass production. The following chart indicates the average price trend of the natural gas for industrial use in 36 major cities in China.



Source: EMIS

North America's Automotive Glass Industry

The demand for automotive glass in North America (including the United States, Canada and Mexico) increased from 47.8 million sq.m. in 2009 to 80.5 million sq.m. in 2013, representing a CAGR of 13.9%, and is expected to further increase to 93.9 million sq.m. in 2018, representing a CAGR of 3.1% from 2013 to 2018. The United States is the largest automotive glass market in North America. In 2013, the demand for automotive glass in the United States amounted to 56.2 million sq.m., accounting for 70% of total demand for automotive glass in North America. Total automotive glass sales in North America amounted to US\$3.0 billion in 2013, accounting for 21% of global automotive glass sales during the same period. In 2013, the United States relied on imports to meet 13% of its domestic demand for automotive glass, and exported 8% of domestically-produced automotive glass.

INDUSTRY OVERVIEW

Russia's Automotive Glass Industry

Driven by the recovery of Russia's economy from the global financial crisis, and the resulting increased demand for automobiles, the demand for automotive glass in Russia increased at a CAGR of 18.0% from 6.9 million sq.m. in 2009 to 13.4 million sq.m. in 2013. However, recent fall in oil price (approximately 52% drop from its peak in 2013 to US\$50 level by end of 2014) and fluctuations in Russian Rubles (approximately 50% drop against U.S. dollar from 2013 to 2014), along with economic sanctions imposed since March, 2014 are imposing impacts to the economy and the automotive glass sector in Russia. The demand for automotive glass in Russia is expected to grow to 15.2 million sq.m. in 2018, representing a slower CAGR of 2.6% from 2013. However, the demand is expected to pick up in longer term future with a CAGR of 4.8% between 2018 to 2021 to reach 17.4 million sq.m. in 2021. Between 2009 and 2013, Russia's automotive glass production grew at a CAGR of 14.8%, while automotive glass import grew at a CAGR of 22.2%. Domestic production accounts for 73% of automotive glass demand in 2013 and is expected to grow driven by the establishment of manufacturing bases in Russia by global leading automobile manufacturers, higher import cost and the Russian government's policies and initiatives to promote the development of Russia's automobile industry. Total automotive glass sales in Russia amounted to US\$330 million in 2013, accounting for 2.3% of global automotive glass sales during the same period.

Monthly Average Crude Oil-WTI Spot Cushing US\$/BBL



As of December 31, 2013, AGC was the only global automotive glass manufacturer with operating automotive glass manufacturing facilities in Russia and had a market share of 49% by sales in 2013. Salavatsteklo, a local manufacturer in Russia, supplied automotive glass to 25% of Russia's local automobile manufacturers and had a market share of 11% by sales in 2013. In 2013, Russia relied on imports of automotive glass from manufactures such as Fuyao, Xinyi, Hanglass, NSG and Sisecam, to meet approximately 27% of its domestic demand for automotive glass. In recent years, the globally leading automotive glass manufacturers, including us, have begun to establish manufacturing facilities in Russia. As the trend of automobile production localization continues in Russia, domestic production in Russia is expected to constitute an increasing percentage of Russia's domestic demand for automotive glass.

REGULATIONS

PRC REGULATIONS

Environmental Protection

The Ministry of Environmental Protection and the provincial governments in China are responsible for formulating the national and local environmental protection standards. The PRC Environmental Protection Law (中華人民共和國環境保護法) requires enterprises that discharge pollutants in their production process to adopt environmental protection measures and establish an accountability system for environmental protection. Enterprises must register with the competent environmental protection authorities and must pay pollution discharge fees if they discharge pollutants in excess of national or local discharge standards. Enterprises are responsible for remedying pollution they generate and could be subject to fines for failing to do so.

Under the PRC Law on Environmental Impact Assessment (中華人民共和國環境影響評價法) and the Administrative Regulations on the Environmental Protection of Construction Projects (建設項目環境保護管理條例), enterprises must submit an environmental impact statement to the competent environmental protection authorities and obtain their approval before commencing a construction project. They are also required to install environmental protection facilities, which are subject to inspection by the environmental protection authorities. The environmental protection authorities may suspend a project and impose a fine if the required environmental protection facilities are not installed or if the facilities fail to meet the applicable environmental protection standards.

Labor and Social Security and Occupational Safety

The PRC Labor Law (中華人民共和國勞動法) and the PRC Labor Contract Law (中華人民共和國勞動合同法) require an employer to sign a written contract with its employees when establishing an employment relationship. An employer may not force its employees to work overtime. Wages paid by employers may not be lower than the local minimum wage. Employers must establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets national work safety and sanitation standards.

The PRC Social Insurance Law (中華人民共和國社會保險法) and other relevant PRC laws and regulations require an employer to register with the social insurance authorities and contribute to social insurance plans covering basic pensions, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance for its employees. Social insurance contributions payable by employees must be withheld and paid by an employer on behalf of its employees. An employer who fails to pay social insurance premiums for its employees may be subject to fines and other penalties.

The Regulations on the Administration of Housing Provident Fund (住房公積金管理條例) require enterprises to register with the local housing fund management center and make housing fund contributions for their employees through a special account at an entrusted bank. Both enterprises and employees are required to contribute no less than 5% of an employee's average monthly salary for the preceding year to the housing funds.

REGULATIONS

Under the PRC Production Safety Law (中華人民共和國安全生產法) and the PRC Prevention and Control of Occupational Diseases Law (中華人民共和國職業病防治法), manufacturers must establish a production safety management system to ensure manufacturing safety and occupational health in accordance with applicable laws and regulations. Manufacturers who do not meet relevant legal requirements are not permitted to commence manufacturing activities and may be subject to fines or other penalties.

Product Liability

Under the PRC General Principles of Civil Law (中華人民共和國民法通則), manufacturers and sellers of defective products are subject to civil liability for damages or injuries caused by their products. Liable manufacturers and sellers may seek indemnification from shippers or storers of the products who are actually responsible for the damages or injuries.

Under the PRC Product Quality Law (中華人民共和國產品質量法), the PRC Law on Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法) and the PRC Tort Law (中華人民共和國侵權責任法), a retailer must repair, exchange or accept for return defective or flawed products and compensate consumers for their losses caused by the products. Manufacturers of defective or flawed products are also liable for the losses suffered by consumers. Consumers may seek compensation from manufacturers, distributors or retailers for physical injuries or property damages caused by defective or flawed products. Distributors and retailers may seek indemnity from manufacturers of defective or flawed products for the compensation paid to the consumers. Manufacturers may also seek indemnity from retailers who are responsible for product defects or flaws.

Intellectual Property

Trademark Law

Under the PRC Trademark Law (中華人民共和國商標法), the right to exclusive use of a registered trademark is limited to the registered trademark and the goods and/or services for which the use of a trademark has been approved. The validity period of a registered trademark is 10 years from the date the trademark registration is approved. A trademark registration may be renewed on application for another 10 years within 12 months of the expiry date of the validity period.

Patent Law

The PRC Patent Law (中華人民共和國專利法) characterizes a patent as an “invention patent”, a “utility model patent” or a “design patent”. “Invention” patent” refers to new technical solutions for a product, method or its improvement. “Utility model patent” refers to new technical solutions for a product’s shape, structure or a combination of the two, which are applicable for practical use. “Design patent” refers to new designs of the shape, pattern or a combination of the two, or the combination of the color, shape and pattern of a product with aesthetic look and feel and industrial application value.

REGULATIONS

Invention patent, utility model patent and design patent have terms of 20 years, 10 years and 10 years from the date of application, respectively.

Outbound Investment

In accordance with the *Administrative Measures for Verification and Registration of Overseas Investment Projects* (境外投資項目核准和備案管理辦法), outbound investment projects must be examined and approved by the NDRC or the State Council or filed with the local counterparts of the NDRC. Outbound investment projects involving sensitive countries and regions or sensitive industries shall be approved by the NDRC. Outbound investments of US\$2 billion or above by Chinese investors are subject to the approval of the State Council after being examined by the NDRC. Other outbound investment projects shall be reported to the NDRC or its provincial counterparts for the record depending on the amount invested and the type of investors. Any change with respect to the size, nature or an investor of or the equity holding in an approved overseas project, as well as any change to the amount invested by Chinese investors that exceeds 20% of the investment amount originally approved or filed must be approved by the NDRC or its provincial counterparts. While our future outbound investments are subject to the aforesaid requirements, the administrative measures shall not have any retrospective effect on our outbound investments that were approved prior to its promulgation.

Pursuant to the Measures for Overseas Investment Management (境外投資管理辦法) (Order No. 5 [2009] of the Ministry of Commerce), an enterprise seeking to make overseas investment must obtain approval from the MOFCOM or its provincial departments. Outbound investment projects of US\$100 million or above are subject to the approval of MOFCOM; outbound investment projects of between US\$10 million and US\$100 million are subject to the approval of the provincial departments of the MOFCOM.

Pursuant to the Measures for Overseas Investment Management (Order No. 3 [2014] of the Ministry of Commerce, effective from October 6, 2014, while the Measures for Overseas Investment Management (Order No. 5 [2009] of the Ministry of Commerce) will be abolished simultaneously), the filing and approval management will be applied by the Ministry of Commerce and the provincial commerce administrative department according to different situations of enterprise overseas investments. The approval management will be applied where the enterprise overseas investments involving in sensitive countries and regions as well as sensitive sectors. The filing management will be applied in other cases of enterprise overseas investments.

Under the *Catalogue of Investment Projects Verified and Approved by the Government* (政府核准的投資項目目錄) (the “Approved Catalogue”), investment projects involving sensitive countries and regions or sensitive industries shall be approved by competent department for investment under the State Council. Other outbound investments of US\$300 million or above by centrally governed enterprises and local enterprises shall be reported to the competent department for investment under the State Council for the record.

REGULATIONS

Foreign Exchange

The Renminbi is subject to foreign exchange control and is not freely convertible into foreign currencies. The SAFE is responsible for administering all matters relating to foreign exchange, including the enforcement of the Regulations of the PRC for the Control of Foreign Exchange (中華人民共和國外匯管理條例).

The Regulations of the PRC for the Control of Foreign Exchange (中華人民共和國外匯管理條例) classify all international payments and transfers into current account items and capital account items. Foreign currency payments under current account items by domestic institutions, including payments for imports and exports of goods and services and payments of income and current transfers into and outside the PRC must be either paid with their own foreign currency with valid documentation or with the foreign currency purchased from financial institutions. Foreign currency income accounted for under current account items may be retained or sold to financial institutions. Foreign currency payments under capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans, and must be made out of a domestic institution's own foreign currency with valid documentation or be made with foreign currency purchased from any financial institution.

Project Construction

Under the *Decision of the State Council on Investment System Reform* (國務院關於投資體制改革的決定), the *Catalogue of Investment Projects Verified and Approved by the Government*, the *Foreign Investment Industrial Guidance Catalogue* and the *Measures for the Administration of Examination and Approval and Filing of Foreign-Invested Project* (外商投資項目核准和備案管理辦法), sino-foreign joint ventures, sino-foreign cooperative enterprises, wholly foreign-owned enterprises, foreign-funded partnership enterprises, foreign mergers and acquisitions of domestic enterprises and foreign-invested enterprises are required to obtain approval or make filings with relevant government authorities before commencing the construction of foreign-invested projects such as capital increase and reinvestment projects.

According to *Catalogue of Investment Projects Verified and Approved by the Government* and the *Measures for the Administration of Examination and Approval and Filing of Foreign-Invested Project*, “encouraged” projects under the *Foreign Investment Industrial Guidance Catalogue* (外商投資產業指導目錄) with investment amount (including capital increase) of US\$1 billion or above in which Chinese investors are required to have a controlling interest (including “effective control”) and “restricted” projects with investment amount (including capital increase) of US\$100 million or above (excluding real estate projects) are subject to the approval of the NDRC, in which the projects with investment amount (including capital increase) of US\$2 billion or above shall be reported to the State Council for the record. “Restricted” real estate projects and “restricted” projects with investment amount of less than US\$100 million are subject to the approval of the provincial governments. “Encouraged” projects with investment amount of less than US\$1 billion in which Chinese investors are required to have a controlling interest (including “effective control”) are subject to the approval of the local governments. Other investment projects that do not otherwise require government approval under the Investment Catalogue are only required to be filed with relevant government authorities.

REGULATIONS

While our future project constructions are subject to aforesaid legislations, they shall not have any retrospective effect on our projects that were approved prior to their respective promulgations.

Anti-Unfair Competition

The PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法) requires business operators to follow the principles of voluntariness, equality, fairness and good faith and observe generally accepted business ethics in their business activities. Any act that violates the PRC Anti-Unfair Competition Law, causes damage to the legitimate interests of competitors or disrupts the socioeconomic order constitutes unfair competition.

A business operator must refrain from unfair business practices that cause damage to its competitors, including (a) counterfeiting the registered trademark of others; (b) using, without authorization, name, packaging or decoration identical or confusingly similar to those of well-known products; (c) using, without authorization, name of other enterprises, which may lead to confusion with other products; and (d) forging quality certificates or place of origins of a product or otherwise making misleading or false representation about the quality of a product.

A business operator that engages in unfair competition may be liable for damages caused to other business operators. To the extent that the losses suffered by other business operators are difficult to measure, the amount of damage will be the profits earned by the business operator from the unfair business practice. The business operator must also pay all reasonable costs incurred by other business operators to investigate the acts of unfair competition. The regulatory authorities may confiscate all illegal gains of the business operator and impose fines. Severe violations of the anti-unfair competition laws may result in the revocation of business licenses or even subject the business operator to criminal liability.

Taxation

Enterprise Income Tax

The EIT Law and its implementation rules classify enterprises into “resident enterprises” and “non-resident enterprises”. Enterprises duly incorporated in China or established outside China whose “de facto management bodies” are located in China are deemed “resident enterprises” and subject to a 25% EIT rate on their global income. Non-resident enterprises are subject to a 25% EIT on their income generated by its establishments or places of business in China and its income derived outside China that are effectively connected with its establishments or places of business in China, and a 10% EIT on their income derived from China but not connected with its establishments or places of business in China. Non-resident enterprises without an establishment or places of business in China are subject to a 10% EIT rate on their income derived from China.

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The Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) allows enterprises that enjoyed preferential treatment in the form of reduced EIT rates before the promulgation of the EIT law a five-year transition period starting from January 1, 2008 during which their preferential EIT rates will gradually increase to the statutory tax rate of 25%.

Pursuant to the EIT Law and its implementation rules and the Administrative Measures for the Determination of High and New Technology Enterprises (高新技術企業認定管理辦法), a high-and-new-technology enterprise recognized by relevant government authorities may enjoy a preferential EIT rate of 15%.

Value-added Tax

The PRC Provisional Regulations on Value-Added Tax (中華人民共和國增值稅暫行條例) and its implementation rules (the “VAT rules and regulations”) impose a VAT on the sale or import of goods and on the provision of processing, installation and repair services in China. Unless as otherwise prescribed, the applicable VAT rate for general VAT payer is 17%.

In addition, China has launched Business Tax to Value-added Tax Pilot Program (“B2V”) from 2012 and the B2V has been expanded to nationwide in 2013. Currently the VAT taxable services include but not limited to transportation, postal, telecommunication and certain modern services (e.g. R&D and technological services, information technology services, cultural innovation services, logistics services, lease of corporeal movables, attestation and consulting services, etc). The general VAT rate ranges from 6% to 17%, except as otherwise provided in the VAT rules and regulations.

Business Tax

The PRC Provisional Regulations on Business Taxes (中華人民共和國營業稅暫行條例), impose a business tax of 3% to 20% on entities and individuals engaged in the provision of labor services (except for taxable services that fall under the scope of the pilot program of replacing business tax with value-added tax), transfer of certain intangible assets and sale of real estate in China.

Urban Construction and Maintenance Tax

The PRC Provisional Regulations on Urban Construction and Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) and the Notice of the State Council on Extending the Urban Construction and Maintenance Tax and Educational Surcharges from Chinese to Foreign-Invested Enterprises and Citizens (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), impose a urban construction and maintenance tax on entities and individuals based on the amount of consumption tax, value-added tax or business tax they are required to pay at rates of 1%, 5% or 7%, depending on the geographic location of the taxpayer.

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RUSSIAN REGULATIONS

Licensing

Federal Law on Licensing of Certain Types of Activities (the “Licensing Law”) requires that the operation of explosive, flammable and chemically hazardous production facilities be licensed by the relevant Russian authorities. The Federal Service for Ecological, Technical and Atomic Supervision (the “Rostekhnadzor”) grants license to operate hazardous production facilities to an applicant for an indefinite term on a non-competitive basis to the extent that (i) the applicant and the production facilities owned or used by the applicant comply with the applicable licensing and certification requirements and (ii) the applicant has submitted documentary proof of third-party liability insurance in the event of accidents at the production facilities. Rostekhnadzor carries out both announced and unannounced inspections to ensure that the licensees comply with the licensing terms and applicable laws and regulations. In addition, glass producers may be required to obtain permits for operations involving hazardous waste, usage of water and discharge of sewage water and emissions to the atmosphere.

Industrial Safety

The principal law regulating the safety of employees at industrial workplaces is the Industrial Safety Law. Any construction, reconstruction, liquidation or other activities in relation to regulated industrial sites is subject to a state industrial safety review. Any deviation from project documentation in the process of construction, reconstruction and liquidation of industrial sites is prohibited unless reviewed by a licensed expert and approved by Rostekhnadzor.

Pursuant to the Industrial Safety Law and the Labor Code of Russia, companies must limit access to their industrial facilities and sites to qualified specialists, maintain industrial safety controls and carry insurance for third-party liability for injuries caused in the course of operating industrial sites. The Industrial Safety Law also requires companies to enter into contracts with professional wrecking companies or to create their own wrecking services in certain cases, conduct personnel training programs, create systems to respond to and inform Rostekhnadzor of accidents and maintain these systems in good working order.

In certain cases, companies operating industrial sites are also required to prepare declarations of industrial safety, which summarize the risks associated with operating a particular industrial site and the measures the company has taken and will take to mitigate such risks and use the site in accordance with applicable industrial safety requirements. Such declarations must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained in the declarations. However, such declarations are required in cases when an industrial activity involves hazardous facilities of I or II class of hazard (such as mining or involving extremely high concentration of hazardous materials). As a matter of practice, production of glass does not usually involve the facilities of the above mentioned classes of hazard, therefore the obligations to prepare declarations are not triggered.

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Rostekhnadzor has broad authority over matters relating to industrial safety. In case of an accident, a special commission led by a representative of Rostekhnadzor will conduct a technical investigation of the cause of the accident. The company operating the hazardous industrial facility where the accident took place will bear all costs relating to the investigation. The officials of Rostekhnadzor have the right to access industrial sites and may inspect relevant documents to ensure that the company comply with safety rules. Rostekhnadzor may suspend or terminate the operations of the company or impose administrative liability.

Companies and individuals violating industrial safety rules may be subject to administrative and/or civil liability. Administrative liability results in fines, as a rule. However, in severe cases the court may suspend the operations of a violator for up to 90 days. Individuals may also be subject to criminal liability. A company that violates safety rules in a way that negatively impacts the health of an individual may also be obligated to compensate the individual for lost earnings, as well as health-related damages.

Companies that operate glass production facilities with statutory qualification of heavy manual operations, or harmful and hazardous conditions are prohibited from employing women or anyone under the age of 18.

Quality Control

As long as Russia is a member of the Eurasian Customs Union, confirmation of conformity is subject to regulations enacted on the Customs Union level, as well as Russian domestic legislation. Russian companies as well as products produced and facilities located in Russia are subject to various technical regulations enacted under the Federal Law “On Technical Regulation”, which sets forth requirements for production, manufacturing, storage, transportation, sales and certain other operations and processes, as well as quality of products. This law contains provisions on technical regulations, standardization, certification, accreditation of certification agencies and test laboratories, state control over compliance with the requirements of technical regulations, penalties for violations of technical regulations, product withdrawals and other related issues. Depending on the type of manufactured glass and its purpose, glass manufacturers are required to pass the relevant procedure for confirmation of conformity with regard to products they produce in Russia.

Environmental Protection

Russian manufacturers are subject to laws, regulations and other legal requirements relating to environmental protection, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, flora and fauna protection and wildlife protection. Issues of environmental protection in Russia are regulated primarily by the Federal Law “On Environmental Protection” (the “Environmental Protection Law”) as well as by a number of other federal and local legal acts.

Pay-to-Pollute

The Environmental Protection Law has established a “pay-to-pollute” regime administered by federal and local authorities. The Russian government has established standards relating to the permissible impact of pollution on the environment and, in particular,

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has established rules for approving limits for emissions, waste disposal and resource extraction. An applicant may obtain approval to exceed these statutory limits from the federal or regional authorities, depending on the type and scale of the potential environmental impact. As a condition to such approval, an applicant must develop a plan for reducing emissions or disposals and clear the plan with the appropriate governmental authority. The applicant must also apply the best technologies available, conduct activities aimed at achieving the statutory limits, and pay fees, as set forth in Decree of the Government No. 632 and Decree of the Government No. 344, which are assessed on a sliding scale for both the statutory and individually approved limits on emissions and effluents and for pollution in excess of these limits: (i) the lowest fees are imposed for pollution within the statutory limits; (ii) intermediate fees are imposed for pollution within individually approved limits; and (iii) the highest fees are imposed for pollution exceeding such limits. Payments of such fees do not relieve a company from its responsibility to take environmental protection measures and undertake restoration and clean-up activities.

Ecological Approval

Activities that may negatively affect the environment are subject to ecological expert examination by the competent authorities in accordance with the Federal Law “On Ecological Expert Examination” either at the federal or regional level. The number of cases when such expert examination is required is limited and listed in articles 11 and 12 of the Federal Law “On Ecological Expert Examination” (e.g. in case of construction of the industrial facility within the federal, regional or local conservation areas, in case of preparation of new technical documentation for new technology adversely affecting environment or technical documentation for new substances that can be emitted into environment etc.). As the construction and operation of glass production facilities within industrial area do not fall under any of these cases, our Group is not required to obtain any such ecological approval for the aforementioned activities.

Enforcement Authorities

The Federal Service for the Supervision of the Use of Natural Resources and Rostekhnadzor, the Federal Agency on Subsoil Use and the Federal Agency on Water Resources (along with their regional branches), are responsible for the implementation and enforcement of environmental protection laws and regulations. The Russian government, including the Ministry of Natural Resources and Ecology, is responsible for coordinating the activities of the environmental protection authorities. Environmental protection authorities and other state authorities, individuals and public and non-profit organizations, also have the right to initiate lawsuits seeking compensation for damage caused to the environment. The period of limitation for such lawsuits is 20 years.

Environmental Liability

Environmental protection authorities may suspend operations of a company that violate environmental requirements or cause harm to the environment for up to 90 days. In addition, a court action may be brought to limit or ban such operations and require the company to

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remedy the effects of the violation. Any company or employees that violates the environmental regulations may be subject to administrative (i.e. a glass manufacturer may be subject to a fine up to RUB1,000,000 depending on a type of violation) and/or civil liability. Individuals may be criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to imposing fines.

Export Regulations

Export of glass is not subject to export customs duties. According to the Russian Tax Code, export of goods is subject to 0% VAT. In order to claim a refund of input VAT paid in relation to goods that were subsequently exported, a taxpayer is required to file various supporting documents with the Russian tax authorities. The VAT refund is generally granted only following a chamber tax audit of the respective VAT return and documents (except where the accelerated VAT procedure is used).

U.S. REGULATIONS

Businesses operating in the United States are subject to many governmental standards and regulations. The governmental standards and regulations that are expected to be material to our manufacturing operations and investments in the United States will be those that relate to product safety, occupational health and safety, environmental protection, export controls and customs and import procedures and are described below.

Product Safety

The U.S. National Traffic and Motor Vehicle Safety Act of 1966 (the “Safety Act”) regulates vehicles and vehicle equipment in two primary ways. First, the Safety Act prohibits the sale in the United States of automobiles or equipment that do not conform to the automobile safety standards established by the National Highway Traffic Safety Administration. (For example, to be lawfully imported into the U.S., a new or used regulated motor vehicle part (such as automobile glass) must, as originally manufactured, conform to the versions of the applicable federal motor vehicle safety standards in effect on the date of manufacture and such conformity must be certified by the manufacturer.) Second, the Safety Act requires that defects related to motor vehicle safety be remedied, which may require safety recall campaigns. A manufacturer is required to notify the automobile owners of the defects and provide remedies if such defects pose unreasonable safety risks. Under certain circumstances, a manufacturer is obligated to recall vehicles that fail to meet applicable safety standards.

With respect to automobile glass in particular, automobile manufacturers are required to comply with Standard No. 205 “Glazing Materials” promulgated by the National Highway Traffic Safety Administration, which sets forth the requirements for glazing materials used in motor vehicles and motor vehicle equipment. As such, the glass manufactured by us for use in a motor vehicle that is manufactured or sold in, or imported into, the United States is required to comply with the foregoing standard. It is anticipated that the safety standards applicable to automotive glass will change over time as additional energy efficiency and safety requirements are imposed on the automobile industry.

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Occupational Health and Safety

The U.S. Occupational Safety and Health Act (“OSHA”) and the regulations adopted pursuant to OSHA, and similar statutes and regulations adopted by the states that concern occupational health and safety, require employers to, among other things, (i) provide a workplace that is free from serious recognized hazards and complies with applicable safety regulations, (ii) make certain that employees have and use safe tools and equipment, (iii) provide safety training and develop operating procedures that facilitate employee compliance with safety and health requirements, and (iv) keep records of work-related injuries and illnesses. In addition, the OSHA and such regulations, and such state statutes and regulations concerning occupational health and safety, require employers to keep records of hazardous materials that they use or generate and provide such information to employees and the relevant government authorities upon request.

Environmental Protection

Glass manufacturers in the United States are subject to existing and evolving standards relating to protection of the environment. Environmental laws and regulations control, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of hazardous and non-hazardous wastes, the investigation and remediation of soil and groundwater affected by hazardous substances, and regulate various health and safety matters. The environmental laws and regulations we are subject to in the U.S. impose liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. Violations of these laws and regulations can also result in fines and penalties. Future environmental laws and regulations may require substantial capital expenditures or may require us to modify or curtail our operation, which may have a material adverse impact on our business, financial condition and results of operations. Examples of the environmental statutes and regulations that we are subject to in the United States include the following:

Under the U.S. Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), the U.S. Resource Conservation and Recovery Act (“RCRA”), the U.S. Clean Water Act and the U.S. Safe Drinking Water Act, manufacturers are jointly and severally liable for the costs of removing or remedying hazardous substances released into or onto the waters of the U.S. or generated at their facilities (including facilities they no longer own) and the hazardous substance disposal facilities, regardless of whether the release or disposal of hazardous substances was in compliance with law at the time it occurred. They could also be subject to liability for damages to natural resources.

RCRA and similar state programs impose requirements on the management, treatment, storage and disposal of both hazardous and non-hazardous solid wastes. The U.S. Clean Air Act, the U.S. Clean Water Act and relevant state laws require manufacturers that discharge air pollutants or water and effluents to obtain permits prior to commencing the construction or major modification of manufacturing facilities.

The National Emissions Standards for Hazardous Air Pollutants for Major Sources: Industrial, Commercial and Institutional Boilers and Process Heaters (the “Boiler MACT rule”) imposes limitations on emissions of air toxins from boilers and process heaters at industrial facilities and requires additional pollution control facilities to be installed.

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The United States Environmental Protection Agency (“EPA”) regulates Green House Gas (“GHG”) emissions from certain stationary sources pursuant to the 2010 EPA regulations (the “Tailoring Rules”), which are implemented under the Prevention of Significant Deterioration (“PSD permit”) and the Operating Permit (title V) (“Title V permit”) programs. These two Federal Clean Air Act programs impose requirements for new sources and modifications to existing facilities with the potential to emit specific quantities of GHGs, including recordkeeping and monitoring requirements required by Title V permits and “best available” pollution control technologies required by the PSD for projects that significantly increase GHG emissions (75,000 tons or more per year of carbon dioxide equivalents or 100,000 tons or more per year, depending on various factors). In October 2009, the EPA adopted a rule to establish reporting, monitoring and recordkeeping requirements in relation to GHG emissions of 25,000 tons or more of carbon dioxide equivalents per year.

In connection with our manufacturing investments and operations in the United States, we intend to operate in an environmentally sound manner and to develop a compliance program that will facilitate our compliance with applicable environmental laws and regulations.

Export Controls

With respect to certain dual-use (commercial/military) products, and exports to certain restricted users or countries, exporters from the U.S. are required to obtain a license from the U.S. Department of Commerce, unless an exception from the licensing requirements applies. Licenses are generally required for items for which the U.S. specifically controls exports for reasons of national security, foreign policy, regional stability, chemical/biological weapons proliferation, nuclear non-proliferation, missile technology, crime control, anti-terrorism, or short supply. Regulations and federal laws implementing U.S. sanction regimes (both unilateral and treaty-based) also restrict transactions with, and provision of services to, certain countries, persons or entities. Under the U.S. export control regulations, export of technical information occurs when the information is disclosed to a foreign national even if such disclosure occurs in the U.S.

Customs and Import Procedures

The Bureau of Customs and Border Protection (“CBP”), which is part of the U.S. Department of Homeland Security, enforces all laws relating to goods crossing the U.S. border. An “importer of record” is required for importing goods into the United States, who is responsible for complying with applicable laws and paying all customs duties and fees. A non-resident company may act as an “importer of record”. Importers have the right to prepare and file a customs entry for goods that they import or hire a commercial broker licensed by CBP to file customs entries on their behalf. Importers must execute a power of attorney to appoint a customs broker as attorney-in-fact and remain liable vis-à-vis CBP for any errors committed by the customs broker in connection with preparation of import paperwork on their behalf. In addition, an importer is required to obtain a customs bond from a surety company, which is a third-party guarantee for payment of duties and certain penalties associated with violations of U.S. import laws. All imported goods must be classified in the Harmonized Tariff Schedule of the United States and valued in accordance with applicable law, and bear a country-of-origin marking, in English, so that the ultimate U.S. purchaser of a product is made aware of the product’s origin.

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Product Liability

U.S. state law generally imposes liability on all manufacturers and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. Product liability claims in the U.S. are typically based on three theories of law: (i) strict liability, (ii) negligence and (iii) breach of warranty. In addition, U.S. laws and regulations (such as the Safety Act) can obligate manufacturers and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

Although we currently are not subject to any legal actions, proceedings and claims in the United States that relate to product liability, or to any safety recall campaigns in the United States; in the future we could become subject to such actions, proceedings, claims and campaigns (“Product Liability Matters”). Such Product Liability Matters could involve personal injury and property damage and could involve claims for substantial monetary damages. We expect that we will have adequate insurance coverage for such Product Liability Matters and, we expect to accrue expenses for such Product Liability Matters when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we expect to take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We expect to re-evaluate and update such accruals, if any, as such matters progress over time.

The results of any future litigation and claims involving product liability in the U.S. are inherently unpredictable. However, we anticipate that, in the aggregate, the outcome of any such litigation and claims involving us will not have material effect on our consolidated financial position or liquidity; however, such outcome could be material to our results of operations in particular period in which costs, if any are recognized by us.

REGULATORY AND SHAREHOLDER APPROVALS

We have obtained our shareholders’ approval for the proposed listing. Please refer to the paragraph “Shareholders’ Resolutions” of “Appendix VI – Statutory and General Information”.

We have also obtained all necessary PRC regulatory approvals for the proposed listing, including the CSRC approval on February 26, 2015.

HISTORY AND CORPORATE STRUCTURE

HISTORY

On June 20, 1987, we were established as a sino-foreign equity joint venture in Fuzhou by Fuqing County Gaoshan Special Shaped Glass Factory (福清縣高山異形玻璃廠), Tennessee Plastic Engineering Company Limited, Fuqing Overseas Chinese Hometown Construction and Investment Co., Ltd. (福清縣僑鄉建設投資有限公司), Fuqing Honglu Real Estate Construction Materials Factory (福清縣宏路地產建材廠), Fujian Trading Automobile Repairing Factory (福建省外貿汽車維修廠), Mr. Fang Ming Wu (方明梧, a Chinese Indonesian), and Fujian Minhui Mansion Co., Ltd. (福建省閩輝大廈有限公司), under the name of Fujian Yaohua Industrial Glass Co., Ltd. (福建省耀華玻璃工業有限公司), with a registered capital of RMB6,270,000. At the time, Fuqing County Gaoshan Special Shaped Glass Factory was managed by Mr. Cho Tak Wong under a contract operation agreement entered into in 1983 with its then owners. Fuqing County Gaoshan Special Shaped Glass Factory and Tennessee Plastic Engineering Company Limited each contributed RMB1,567,500 in cash to our registered capital and held a 25% equity interest. Each of the other five shareholders contributed RMB627,000 in cash and held a 10% equity interest.

In preparation of our conversion into a sino-foreign joint stock company and to rationalize the shareholding structure of our Company, in March 1990, Fuqing County Gaoshan Special Shaped Glass Factory transferred its 15% equity interest in our Company to Fuzhou Tenghui Decoration Material Company Limited (福州騰暉裝飾材料有限公司), an entity controlled by Mr. Cho Tak Wong at the time. Such equity interest in our Company was transferred in February 1991 to Island Mile Limited, a company controlled by Mr. Cho Tak Wong and Mr. Tso Fai.

On June 21, 1992, we converted into a sino-foreign joint stock company under the name of Fujian Yaohua Glass Industry Co., Ltd. (福建省耀華玻璃工業股份有限公司). In connection with this conversion, we issued shares to our employees, certain corporate entities and public investors, and increased our total share capital to RMB57,190,000, divided into 57,190,000 Shares. After the conversion and share issuance, Mr. Cho Tak Wong and Mr. Tso Fai together held 11.13% of our share capital through Island Mile Limited.

On June 10, 1993, we completed an initial public offering on the Shanghai Stock Exchange and became the first listed automotive glass manufacturer in China. Subsequently, Island Mile Limited transferred its interest in our Company to Sanyi (a company controlled by Mr. Cho Tak Wong and his son, Mr. Tso Fai). In early 1996, Sanyi held approximately 24.89% of our Company.

In early 1996, as part of a strategic arrangement with Compagnie De Saint Gobain, Mr. Cho Tak Wong, through Home Bridge, acquired approximately 17.28% of our share capital from Independent Third Party Shareholders, and in February 1996, sold to Compagnie De Saint Gobain the entire issued share capital of Sanyi and Home Bridge, which held an aggregate of 42.17% of our share capital after arm's length negotiations among the parties.

At around the same time, Fuzhou Lvrong Glass Company Limited, a company whose equity interest was indirectly held by Mr. Cho Tak Wong and his spouse, Ms. Chan Fung Ying, acquired Shares in our Company representing approximately 16.65% equity interest in our Company.

HISTORY AND CORPORATE STRUCTURE

In May 1999, Mr. Cho Tak Wong acquired from Compagnie De Saint Gobain the entire issued share capital of Sanyi and Home Bridge at an aggregate consideration of US\$14 million, which was determined after arm's length negotiations between the parties. Sanyi and Home Bridge in aggregate was interested in approximately 42.17% of our then issued share capital. In October of the same year, Fuzhou Lvrong Glass Company Limited transferred 16.65% equity interest in our Company to Yaohua. Yaohua is 100% indirectly owned by Ms. Chan Fung Ying (an associate of Mr. Cho Tak Wong and Mr. Tso Fai) and Mr. Cho Tak Wong. Mr. Cho Tak Wong was therefore interested, indirectly through his interest in Sanyi, Home Bridge and Yaohua, in approximately 58.82% of our Company.

Since our A Share listing, we have conducted seven bonus share issues, one offer of new shares, two rights issues and three increases in share capital through a conversion of our capital reserves.

Pursuant to the "Reply of the Ministry of Civil Affairs on the Establishment and Registration of Heren Charitable Foundation" (民政部關於河仁慈善基金會設立登記的批覆, Minhan 2010 No. 125) issued by the Ministry of Civil Affairs in June 2010, Heren Charitable Foundation was established with original funding capital of RMB20 million. On April 11, 2011, Mr. Cho Tak Wong and his associates donated 300 million A Shares to Heren Charitable Foundation through Yaohua and Sanyi, comprising 240,089,084 A Shares held by Yaohua and 59,910,916 A Shares held by Sanyi. Upon completion of the share transfer, Heren Charitable Foundation became our Substantial Shareholder and held approximately 14.98% of our then issued share capital, and the shareholding of Mr. Cho Tak Wong and his associates in our Company reduced from 35.08% to 20.1%.

Heren Charitable Foundation's highest decision-making body is its council, which currently comprises nine members. Among these nine council members of Heren Charitable Foundation, Mr. Cao Degan (曹德淦) is the brother of Mr. Cho Tak Wong, Mr. Wu Shinong and Ms. Zhu Dezhen are the non-executive Directors of our Company, and the other six council members are Independent Third Parties.

Heren Charitable Foundation is an independent charitable foundation that operates in accordance with the PRC laws and its articles of association. Under Heren Charitable Foundation's articles of association, a quorum for a meeting of the council is three-fourths of council members. All resolutions are passed by at least a majority of members attending the meeting, and major resolutions, such as amendment of the articles, election and removal of the council's chairman, vice chairman and secretary-general and the dissolution of Heren Charitable Foundation require at least two-thirds of council members attending the meeting. As confirmed by Mr. Cho Tak Wong and Heren Charitable Foundation, Mr. Cho Tak Wong and his associates, including Yaohua, Home Bridge and Sanyi, do not have any control over Heren Charitable Foundation, nor are they beneficiary of the Heren Charitable Foundation. Based on the above, Heren Charitable Foundation is independent from Mr. Cho Tak Wong and his associates.

HISTORY AND CORPORATE STRUCTURE

MILESTONES

The following table sets forth the key milestones of our corporate development.

KEY MILESTONES AND ACHIEVEMENTS

June 1987	We were established as a sino-foreign equity joint venture in Fuqing, China.
May 1989	We began to export automotive glass to the ARG market in Hong Kong.
July 1989	We began to sell automotive glass to Guangzhou Peugeot, signifying our expansion into the OEM automotive glass market.
September 1991	We began to export automotive glass to TCG International Inc. in Canada (formerly known as Trans Canada Glass), signifying our expansion into the ARG market in developed countries.
June 1992	We converted into a joint stock company.
June 1993	Our A Shares were listed on the Shanghai Stock Exchange.
Between 1993 and 1994	We established a number of subsidiaries in Hong Kong including, among others: <ul style="list-style-type: none">• Fuyao Hong Kong, which principally engages in the export of automotive glass and import of raw materials; and• Yung Tak Investment to hold office properties.
July 1994	We established Fujian Wanda in Fuqing as part of our plan to double our annual production capacity by 1996.
December 1994	We embarked on overseas expansion by establishing a subsidiary in the United States to sell automotive glass in North America.
September 2000	We established Fuyao Changchun in Changchun, Jilin Province, as our first step towards building a nationwide manufacturing network in China.
October 2002	We entered into a supply agreement with Hyundai Mobis (Hong Kong) Company (a subsidiary of Hyundai Motor Group), our first agreement to sell OEM automotive glass to an overseas automobile manufacturer.

HISTORY AND CORPORATE STRUCTURE

KEY MILESTONES AND ACHIEVEMENTS

May 2005	We entered into an agreement with Audi AG Ingolstadt in Germany to sell automotive glass used in the windshields of Audi C6.
Between 2006 and 2008	We established subsidiaries in Germany, South Korea, Japan and the United States to provide sales and customer support services to our OEM customers located in those markets.
May 2009	Mr. Cho Tak Wong was awarded the “Entrepreneur of The Year” by Ernst & Young.
December 2009	We received the “Board of the Year” award from the Shanghai Stock Exchange.
June 2011	We entered into an investment agreement with the Government of Kaluga Oblast, Russia, in relation to the establishment of an automotive glass production project in Kaluga Oblast, Russia.
July 2012	We were ranked as one of the “Top 500 Chinese Companies” by Fortune magazine, which was the third time since 2010.
November 2012	We were awarded the “Leading Technology Innovative Enterprise” by the Chinese Ministry of Industry and Information Technology and the Chinese Ministry of Finance.
Between September 2013 and August 2014	The construction of Phase I of the automotive glass production facility in Kaluga Oblast, Russia was completed.
Between July and September 2014	We acquired from PPG a float glass manufacturing facility located at Mt. Zion, Illinois, United States, certain assets and related liabilities.

MAJOR SUBSIDIARIES

As of the Latest Practicable Date, we had 46 subsidiaries and four jointly controlled entities in China, Hong Kong, Japan, Russia, South Korea, Germany and the United States. Our subsidiaries and jointly controlled entities provide a comprehensive geographic coverage of the world’s major automobile manufacturing bases, which enables us to better serve our customers in the local markets and to produce and procure raw materials in a cost-effective manner. Below we set out our major subsidiaries that made material contributions to our financial results during the Track Record Period.

HISTORY AND CORPORATE STRUCTURE

Fujian Wanda

Fujian Wanda was established on July 1, 1994 to engage in the design and manufacture of automotive glass, construction glass, curtain wall glass and decorating materials, and glass encapsulation materials. It commenced operations in January 1996. As of the Latest Practicable Date, it had a registered capital of approximately RMB535.1 million.

Fuyao Changchun

Fuyao Changchun was established on September 25, 2000 to engage in the manufacture and sale of automotive glass in Northeast China. It commenced operations in January 2002. As of the Latest Practicable Date, it had a registered capital of RMB300.0 million.

Fuyao Chongqing

Fuyao Chongqing was established on July 2, 2002 to engage in the manufacture and sale of automotive glass and architecture glass in Southwest China. It commenced operations in January 2005. As of the Latest Practicable Date, it had a registered capital of RMB80.0 million.

Shanghai Fuyao

Shanghai Fuyao was established on April 15, 2002 to engage in the deep processing of flat glass in China's Yangtze River Delta and the research and development of related technologies and equipment. It commenced operations in July 2003. As of the Latest Practicable Date, it had a registered capital of US\$68,048,800.

Beijing Futong

Beijing Futong was established on April 8, 2003 to engage in the manufacture and sale of tempered and laminated automotive glass in Northern China. It commenced operations in August 2007. As of the Latest Practicable Date, it had a registered capital of US\$55.2 million.

Guangzhou Fuyao

Guangzhou Fuyao was established on June 8, 2006 to engage in the manufacture and sales of special function glass products in Southern China and overseas markets. It commenced operations in October 2007. As of the Latest Practicable Date, it had a registered capital of US\$75.0 million.

Fuyao Hubei

Fuyao Hubei was established on November 23, 2007 to engage in the manufacture and sale of automotive glass and components and special function glass in Central and Southern China. It commenced operations in March 2009. As of the Latest Practicable Date, it had a registered capital of US\$43.0 million.

HISTORY AND CORPORATE STRUCTURE

MAJOR ASSET ACQUISITION

Fuyao Glass America, our wholly-owned subsidiary, entered into an asset purchase agreement with PPG on July 17, 2014 to acquire the float glass manufacturing facility of PPG located at Mt. Zion, Illinois, United States (which was designed to manufacture float glass for the production of architectural, industrial and specialty glass products) and certain assets, including but not limited to one float glass production line containing an on-line CVD Low-E coating system (“Line 1”), one float glass production line capable of producing automotive quality glass which has become idle in 2008 (“Line 2”), property interests, properties and leases, railroad and ancillary facilities on the manufacturing facility. We acquired the float glass production facility primarily to implement our production cost control measures and to ensure a stable supply of quality float glass in order to support the sales of our products in overseas markets. It is in line with our international expansion strategy.

Upon closing of the acquisition (which took place on August 29, 2014), we granted to PPG an operating license whereby PPG and/or its subsidiary may continue to exclusively and irrevocably operate Line 1 until August 31, 2015, and we will redesign, rebuild and restart Line 2. PPG will pay to us a license fee, comprising a base fee of US\$130,800 per month with adjustments during the term of the operating license. We plan to redesign and rebuild the two production lines to produce and supply float glass to our automotive glass manufacturing facilities in Ohio, United States after we take over the possession of the production lines.

The purchase consideration of US\$56 million was paid at closing and took into account the location of the facility, the costs associated with redesigning and rebuilding the production lines and was derived at through good faith negotiations. The acquisition complies with applicable regulations and laws in the United States. Since the acquisition is conducted by our overseas subsidiary, such acquisition is not subject to any regulatory approval under the PRC laws.

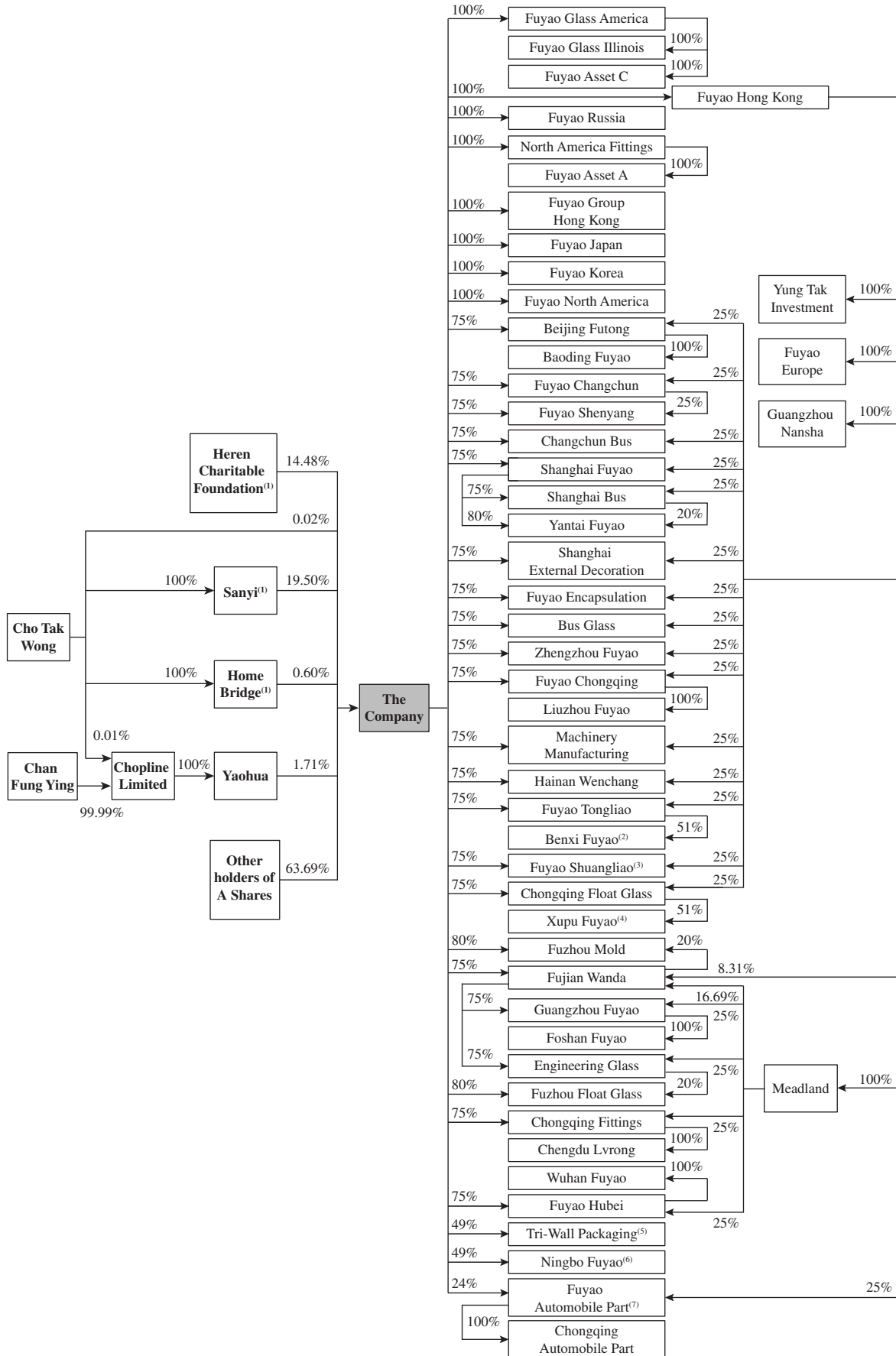
In addition, on the closing date of the acquisition, we appointed PPG as our exclusive sole distributor in the United States, Canada and Mexico, of the architectural, industrial and specialty glass products that we may manufacture at the facility until December 31, 2029. However, we currently do not have any plans to manufacture any architectural, industrial and specialty glass products at the facility. Further, PPG granted us a non-exclusive float glass know-how license, pursuant to which we will have non-transferable license rights to PPG’s proprietary processes and product technologies necessary to operate the facility and the related assets. We will pay to PPG a royalty comprising (i) a one-off lump sum of US\$6 million; and (ii) an amount equal to 1% of the net sale value of the float glass products produced pursuant to the float glass know-how license for 12 years, commencing from the beginning of commercial production of Line 1 and Line 2, on a quarterly basis.

We expect to fund the estimated total investment amount of US\$200 million by our internal resources. Other than the purchase consideration and the one-off lump sum royalty payment, the remaining investment amount are expected to be used to redesign and rebuild the two production lines and for working capital purposes.

OUR GROUP STRUCTURE

The following chart sets out our group structure as of the Latest Practicable Date and prior to the Global Offering:

HISTORY AND CORPORATE STRUCTURE

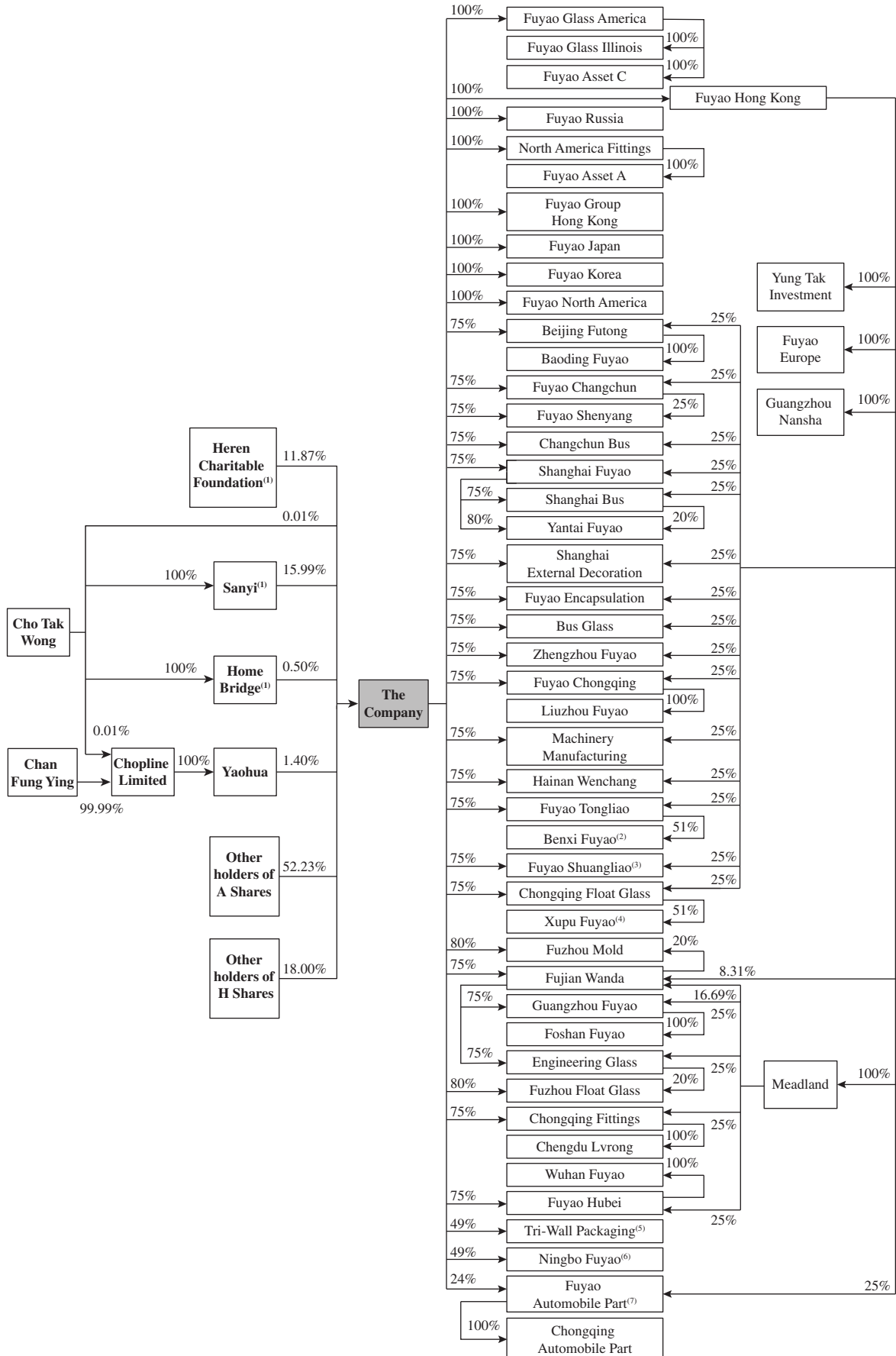


HISTORY AND CORPORATE STRUCTURE

- (1) Heren Charitable Foundation, Sanyi and Home Bridge are holders of our A Shares.
- (2) The remaining 49% of the equity interest in Benxi Fuyao is held by Benxi Tianfu Silicon Industry Co., Ltd. (本溪市天富硅業有限公司), an Independent Third Party except for being a shareholder of Benxi Fuyao.
- (3) Pursuant to a letter of intent dated August 1, 2013 and a supplemental letter of intent dated September 9, 2014 entered into between the Company and Shuangliao Jinyuan Glass Product Co., Ltd. (雙遼市金源玻璃製造有限公司, an Independent Third Party, “**Shuangliao Jinyuan**”), the Company shall sell its 75% equity interest in Fuyao Shuangliao to Shuangliao Jinyuan on or before April 30, 2017. Fuyao Shuangliao primarily engages in the manufacture of automotive-grade float glass. In addition, Fuyao Hong Kong shall, at the same time of the Company’s transfer its 75% equity interest in Fuyao Shuangliao, sell to Shuangliao Jinyuan the remaining 25% equity interest in Fuyao Shuangliao. The aggregate consideration for the sale of the entire equity interest in Fuyao Shuangliao shall be RMB390 million, which was determined after arm’s length negotiations between the parties by reference to the total equity interest attributable to the owners of Fuyao Shuangliao as valued by an independent valuer.
- (4) The remaining 49% of the equity interest in Xupu Fuyao is held by Xupu Silicon Industry Chemical Co., Ltd. (溱浦硅業化工有限公司), an Independent Third Party except for being a shareholder of Xupu Fuyao.
- (5) Tri-Wall Packaging is one of our jointly-controlled entities, with 51% and 49% of its equity interest held by Tri-Wall China Group Holding Limited and us, respectively. Tri-Wall China Group Holding Limited is an Independent Third Party except for being a shareholder of Tri-Wall Packaging.
- (6) Ningbo Fuyao is one of our jointly controlled entities, with 51% and 49% of its equity interest held by Ningbo Chifei Automobile Parts Co., Ltd. (寧波馳飛汽車零部件有限公司) and us, respectively. Ningbo Chifei Automobile Parts Co., Ltd. is an Independent Third Party except for being a shareholder of Ningbo Fuyao and Fuyao Automobile Part.
- (7) Fuyao Automobile Part is one of our jointly-controlled entities, with 51%, 25% and 24% of its equity interest held by Ningbo Chifei Automobile Parts Co., Ltd., Fuyao Hong Kong and us, respectively.

The following chart sets out our group structure immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised):

HISTORY AND CORPORATE STRUCTURE



HISTORY AND CORPORATE STRUCTURE

- (1) Heren Charitable Foundation, Sanyi and Home Bridge are holders of our A Shares.
- (2) The remaining 49% of the equity interest in Benxi Fuyao is held by Benxi Tianfu Silicon Industry Co., Ltd. (本溪市天富硅業有限公司), an Independent Third Party except for being a shareholder of Benxi Fuyao.
- (3) Pursuant to a letter of intent dated August 1, 2013 and a supplemental letter of intent dated September 9, 2014 entered into between the Company and Shuangliao Jinyuan, the Company shall sell its 75% equity interest in Fuyao Shuangliao to Shuangliao Jinyuan on or before April 30, 2017. Fuyao Shuangliao primarily engages in the manufacture of automotive-grade float glass. In addition, Fuyao Hong Kong shall, at the same time of the Company's transfer its 75% equity interest in Fuyao Shuangliao, sell to Shuangliao Jinyuan the remaining 25% equity interest in Fuyao Shuangliao. The aggregate consideration for the sale of the entire equity interest in Fuyao Shuangliao shall be RMB390 million, which was determined after arm's length negotiations between the parties by reference to the total equity interest attributable to the owners of Fuyao Shuangliao as valued by an independent valuer.
- (4) The remaining 49% of the equity interest in Xupu Fuyao is held by Xupu Silicon Industry Chemical Co., Ltd. (溱浦硅業化工有限公司), an Independent Third Party except for being a shareholder of Xupu Fuyao.
- (5) Tri-Wall Packaging is one of our jointly controlled entities with 51% and 49% of its equity interest held by Tri-Wall China Group Holding Limited and us, respectively. Tri-Wall China Group Holding Limited is an Independent Third Party except for being a shareholder of Tri-Wall Packaging.
- (6) Ningbo Fuyao is one of our jointly controlled entities, with 51% and 49% of its equity interest held by Ningbo Chifei Automobile Parts Co., Ltd. and us, respectively. Ningbo Chifei Automobile Parts Co., Ltd. is an Independent Third Party except for being a shareholder of Fuyao Automobile Part and Ningbo Fuyao.
- (7) Fuyao Automobile Part is one of our jointly control entities, with 51%, 25% and 24% of its equity interest held by, Ningbo Chifei Automobile Parts Co., Ltd., Fuyao Hong Kong and us, respectively.

LISTING OF OUR A SHARES

As of the Latest Practicable Date, all our A Shares are traded on the Shanghai Stock Exchange. We have been in compliance with the applicable rules of the Shanghai Stock Exchanges since our A Share listing.

We seek to list our H Shares on the Hong Kong Stock Exchange, primarily to raise capital to fund our business expansion and to further enhance our corporate governance and competitiveness.

Our A Shares are denominated in RMB. After the Listing of the H Shares on the Hong Kong Stock Exchange, there will be no trading or settlement between the A Shares on the Shanghai Stock Exchange and the H Shares on the Hong Kong Stock Exchange, and the market prices of our A Shares and H Shares may be different.

In the first phase of the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors are able to trade shares of all constituents of the SSE 180 Index and SSE 380 Index, and all A shares listed on the Shanghai Stock Exchange that are not included as constituent stocks of the relevant indices but which have corresponding H shares listed on the Hong Kong Stock Exchange through the northbound trading link (subject to certain exceptions). Our A Shares are among the constituents of the SSE 380 Index and, therefore, can be traded by Hong Kong and overseas investors under the Shanghai-Hong Kong Stock Connect.

OVERVIEW

We are China's No. 1 and the world's No. 2 automotive glass manufacturer by 2013 sales volume, according to Roland Berger. We are the dominant market leader in China and the only company that specializes in automotive glass production among the world's leading automotive glass manufacturers. In 2013, we enjoyed an approximately 63% share of China's locally manufactured automotive glass market by sales, an approximately 72% share of China's passenger vehicle glass OEM market by sales and an approximately 20% share of the global automotive glass market by sales volume, according to Roland Berger. In 2013, our operating profit margin of 22.2% was higher than the operating profit margin of the glass manufacturing division of the other top four global automotive glass manufacturers, according to Roland Berger.

Our products are sold in the domestic and overseas OEM and ARG automotive glass markets. We are one of the few automotive glass manufacturers that are accepted by global OEMs and certified by the Four Major Vehicle Series. Our major customers include the world's top 20 automobile manufacturers by production volume and China's top 10 passenger vehicle manufacturers by production volume. Our top 10 customers during the Track Record Period had an average of 10 years of business relationships with us. Our long-standing business relationships with the world's leading automobile manufacturers, who have the most discerning quality requirements and stringent supplier qualification standards, testify to our strong reputation for world-class product and service quality, and advanced manufacturing capability.

Our 12 automotive glass production bases located in eight provinces in China provide a comprehensive geographic coverage of all of China's major automobile manufacturing bases. Our geographic coverage in China, the broadest among automotive glass manufacturers, according to Roland Berger, enables us to cost-effectively offer "just-in-time" delivery of our products to our customers. In addition, our high self-sufficiency in float glass, which is the primary raw material for manufacturing automotive glass, enables us to ensure a stable and quality supply. This, together with our other production cost control measures, effectively enhances our operational efficiency. In addition, our flexible manufacturing system, which comprises information control system, raw material storage and transportation system and digital control processing equipment, enables us to respond quickly to market changes, and manufacture a greater variety of products in smaller batches, thereby allowing us to effectively capitalize on our competitive advantages in production cost, speed to market and product diversity.

We are actively expanding our international presence. We have established subsidiaries in six countries and regions: Hong Kong, the United States, South Korea, Germany, Japan and Russia. In 2012, 2013 and 2014, international sales accounted for 32.6%, 32.0% and 33.5% of our total revenue, respectively. As of the Latest Practicable Date, we had one automotive glass production facility in Kaluga City, Russia with an aggregate land area of approximately 130,000 sq.m. and annual production capacity of approximately 4.0 million sq.m. We are in the process of constructing the second phase of the production facility, which has a designed production capacity of approximately 8.1 million sq.m., and is expected to commence

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commercial production in the fourth quarter of 2016. We are also constructing an automotive glass manufacturing facility in Ohio, United States with a designed capacity of approximately 12.1 million sq.m. We expect to complete the construction of the Ohio manufacturing facility by December 2015. In addition, we plan to construct two automotive grade float glass production lines near our Russian automotive glass production facility, and to retrofit and upgrade the two float glass production lines in Illinois, United States that we purchased in August 2014 to produce automotive grade float glass. Consistent with our expansion strategy, we intend to continue our long-term policy of constructing overseas manufacturing bases to meet market demand and our production needs.

We believe we have industry-leading equipment development and product design capabilities. We design and develop products in tandem with our customers' own product development cycle from initial design to final production. Our engineers work closely with our OEM customers so as not only to satisfy their stringent requirements but also achieve the optimal design of our products for both functionality and production. We prioritize our research and development efforts on higher value-added products to meet the market trend of increasingly demanding specifications and functions in automotive glass. We also focus on continually upgrading our manufacturing capabilities, streamlining production processes and enhancing operational efficiency. We have successfully developed production equipment, such as molding machines and automated testing equipment, to further reduce energy consumption, improve production efficiency and stabilize product quality.

During the Track Record Period, we achieved a steady growth in our financial performance. In 2012, 2013 and 2014, our revenue was RMB10,247.4 million, RMB11,501.2 million and RMB12,928.2 million, respectively, and our net profit was RMB1,524.1 million, RMB1,916.7 million and RMB2,216.8 million, respectively.

Our commitment to long-term value creation for our society as well as our Shareholders is the core of our corporate culture and values. We were the first automotive glass manufacturer to be listed on the Shanghai Stock Exchange in 1993. In 2009, we were the only private company to be awarded the "Board of the Year" award by the Shanghai Stock Exchange; the judging panel commented: "The board of directors of Fuyao Group has long been committed to "self-development in tandem with building a better world" and has placed great emphasis on investors' returns and social responsibilities. The environmental efforts of the Company, which are comparable to those of the leading enterprises in the developed countries, have promoted both corporate and social interests."

We believe our founder, Mr. Cho Tak Wong, is an exemplary role model of a successful businessman who gives back to his community. Mr. Cho was awarded the "China Charity Award" by the PRC Ministry of Civil Affairs for five consecutive years from 2008 to 2013. He was also the first Chinese businessman to be awarded "Entrepreneur of the Year" by Ernst & Young in 2009. As we solidify our leadership in China and overseas and move into new markets, we believe our values and heritage will be the bedrock of our continuing success.

OUR COMPETITIVE STRENGTHS**China's No. 1 automotive glass manufacturer and the only automotive glass specialist among global leading manufacturers**

We are China's No. 1 and the world's No. 2 automotive glass manufacturer by 2013 sales volume, according to Roland Berger. In 2013, we enjoyed an approximately 63% share of China's locally manufactured automotive glass market by sales, an approximately 72% share of China's passenger vehicle glass OEM market by sales and an approximately 20% share of the global automotive glass market by sales volume, according to Roland Berger. In 2013, our operating profit margin of 22.2% was higher than the operating profit margin of the glass manufacturing division of the other top four global automotive glass manufacturers, according to Roland Berger.

Our core business is automotive glass manufacturing, from which we derived 94.8% of our revenue during the Track Record Period. Among the leading automotive glass manufacturers on a global basis, we are the only company that specializes in automotive glass. Over the past 10 years, we had rapidly grown our market share in China to our current dominant market position. Building upon our success in China, we have also achieved a leading global market position by focusing on growing our presence in selected key overseas markets with large and growing market opportunities.

According to Roland Berger, the demand for automotive glass in China grew at a CAGR of 12.6% from 60.1 million sq.m. in 2009 to 96.5 million sq.m. in 2013, and the worldwide automotive glass demand grew at a CAGR of 9.0% from 294 million sq.m. to 415 million sq.m. during the same period. Roland Berger estimates that the demand for automotive glass in China will grow from 96.5 million sq.m. in 2013 to 150.6 million sq.m. in 2018, and the global automotive glass demand will increase from 415 million sq.m. to 528 million sq.m. in the same period, representing a CAGR of 9.3% and 4.9%, respectively. We believe that our domestic and international market leadership, together with our devotion to and specialization in automotive glass, well positions us to capture the opportunities arising from the continual growth of the Chinese and global automotive glass industry.

Strategically deployed network of well-equipped manufacturing facilities in China and a growing international presence

In order to cost-effectively offer our OEM customers in China the "just-in-time" delivery and to build closer relationships with them, we have strategically positioned our automotive glass manufacturing facilities near their manufacturing bases. Our 12 automotive glass production bases located in eight provinces in China provide a comprehensive geographic coverage of all of China's major automobile manufacturing bases. Our geographic coverage in China is the broadest among automotive glass manufacturers, according to Roland Berger. Our geographical proximity to our OEM customers also enables us to provide after-sale services and customized products in a timely and cost effective manner. In addition, our float glass production lines are strategically located near our automotive glass production bases to lower

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transportation and packaging costs and to reduce product damage and loss during transportation. We believe that these advantages provide us with a significant competitive edge that is difficult to replicate by our competitors, and present a significant entry barrier in China's automotive glass market.

In addition, we have steadily embarked on overseas expansion to capitalize on growing global opportunities. As of the Latest Practicable Date, we had one automotive glass production facility in Kaluga City, Russia with an aggregate land area of approximately 130,000 sq.m. and annual production capacity of approximately 4.0 million sq.m. We are in the process of constructing the second phase of the production facility, which has a designed production capacity of approximately 8.1 million sq.m. and is expected to commence commercial production in the fourth quarter of 2016. We are also constructing an automotive glass manufacturing facility in Ohio, United States. We expect to complete the construction of the Ohio manufacturing facility by December 2015. Both facilities are strategically located near our key OEM customers in overseas markets to replicate the success we have achieved in China through offering "just-in-time" delivery cost-effectively by geographical proximity of our production bases to our customers. In addition, to satisfy the global demand for automotive glass and better serve our overseas customers, we have established subsidiaries or offices in six countries and regions, including Hong Kong, the United States, South Korea, Germany, Japan and Russia. In 2012, 2013 and 2014, international sales accounted for 32.6%, 32.0% and 33.5% of our total revenues, respectively. We believe our experience in operating these sales and representative offices will facilitate our international expansion.

High operational efficiency and significant cost competitiveness

We believe our profitability and competitiveness are primarily driven by our emphasis on research and development, our customized manufacturing equipment and our highly efficient operation management. During the Track Record Period, we effectively control our costs primarily through implementing the following measures:

Internally developed manufacturing equipment. We distinguish ourselves from our competitors with our internally developed and patented automotive glass molding equipment, which is capable of manufacturing a greater variety of products in smaller volumes.

High float glass self-sufficiency and utilization rate. In 2012, 2013 and 2014, 83.3%, 86.6% and 76.0% by carrying value, respectively, of float glass used in automotive glass sold was sourced internally. Our silica sand production base in Hainan, China supplies all silica sand required for our float glass production. We expect to further increase our self-sufficiency in float glass. We have converted two construction-grade float glass production lines located in Tongliao, Inner Mongolia into automotive-grade float glass production lines, which commenced commercial production in October 2014. After the conversion, we expect we will be able to achieve a float glass self-sufficiency rate of approximately 90% by the end of 2015. In addition, in August 2014, we purchased two float glass production lines in Illinois, United States from PPG. We plan to retrofit and upgrade the two production lines to manufacture automotive grade float glass. We also plan to construct two automotive grade float glass

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production lines near our Russian automotive glass production facility. By vertically integrating the up-stream production of this key raw material, we have been able to ensure a stable supply of quality float glass at a significant cost advantage. In addition, our large-scale production and diversified product portfolio also enable us to increase our float glass utilization rate, as well as to effectively control production costs.

Proximity of manufacturing facilities to automobile manufacturing bases. Our 12 automotive glass production bases located in eight provinces in China provide a comprehensive geographic coverage of all of China's major automobile manufacturing bases. In addition, we have completed the construction of the first phase of an automotive glass production facility in Kaluga City, Russia, and are constructing an automotive glass production facility in Ohio, United States. The proximity of our manufacturing facilities to major automobile manufacturing bases has enabled us to maintain low inventory levels, as well as meet our OEM customers' "just-in-time" delivery requirements cost-effectively by lowering transportation and breakage costs.

Flexible manufacturing system. Our flexible manufacturing system, which comprises information control system, raw material storage and transportation system and digital control processing equipment, enables us to respond quickly to market changes, to manufacture a greater variety of products in smaller volumes, thereby allowing us to effectively capitalize on our competitive advantages in cost, speed to market and product diversity.

Primarily as a result of the foregoing factors, we have been able to achieve a high operational efficiency and significant cost competitiveness. In 2012, 2013 and 2014, our gross profit margin was 37.4%, 40.6% and 41.5%, respectively.

Strong and long-standing relationships with major automobile manufacturers

We have been able to meet the stringent requirements of leading international and China OEM customers with our high-quality products and services and superior technological innovation capabilities. We have also become the trusted manufacturer and supplier of choice with a strong reputation among major global OEM customers. Our OEM customers include the world's top 20 automobile manufacturers by production volume, such as Toyota, Volkswagen, General Motors, Ford, Hyundai, Renault-Nissan, Fiat, and Honda, and the top 10 passenger vehicle manufacturers in China by production volume, such as Shanghai General Motors, FAW-Volkswagen, Shanghai Volkswagen, Beijing Hyundai and Dongfeng Nissan, which are affiliates of or joint ventures operated by the world's top 20 automobile manufacturers. During each period of the Track Record Period, at least three of our top five customers are among the world's top 20 automobile manufacturers, or their PRC affiliate or joint venture that ranks among China's top 10 passenger vehicle manufacturers. Our business relationships with these customers are stable and long-term. Our top ten customers during the Track Record Period had an average of ten years of business relationships with us.

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Our automotive glass products, which are certified by the Four Major Vehicle Series, are highly recognized by OEM customers and have earned numerous accolades and awards, including the “Supplier of the Year” by General Motors from 2011 to 2013 and “Outstanding Supplier” by Chrysler in 2012. We believe that the recognition and endorsement from an internationally renowned customer base facilitates our international expansion and helps enhance our brand, which we can leverage to grow our global market share. We believe our strong long-term relationships with global and Chinese OEM customers and diversified customer base mitigate customer concentration risks and provides us with a sustainable and stable source of revenue.

Strong research and development and product co-design and development capabilities

We believe we have industry-leading research and development and product co-design and development capabilities. We operate four design centers in China, Germany and the United States, each a global major automobile manufacturing base. Each design center collaborates with the automobile manufacturers to co-design and develop our products in tandem with their own product development cycle from initial design to final production. Our engineers work with our OEM customers to continually optimize and enhance the design and functions of our products. This co-design and development capability enables us to develop automotive glass customized to each OEM customer’s requirements. It also helps our OEM customers identify potential manufacturing or design problems at an early stage and avoid costly redesign at a later stage. Our value add to our OEM customers helps strengthen our relationships with them and increase the chance of obtaining supply contracts from them.

We prioritize our research and development efforts on higher value-added products to differentiate ourselves from lower-end automotive glass manufacturers. Over the years, we have developed numerous value-added products, such as encapsulated glass, panorama sunroof glass, HUD glass, IR-cut glass, UV-cut glass, low-E glass, wire heated glass, semi-tempered laminated glass, antenna glass, hydrophobic glass and acoustic glass. We intend to increase the application of functionalized technology to meet the market trend of more demanding specifications and functions in automotive glass, such as environmental friendliness, low energy consumption, and modularized features. We have also developed production equipment tailored to our production process and products, such as molding machines and automated testing equipment, to further reduce energy consumption, enhance production efficiency and ensure product quality. In addition, we have established our own product testing center at our headquarters in Fujian, whose test reports are recognized by 85 laboratory accreditation institutions in 70 countries and regions.

As of December 31, 2014, our research and development team comprised 182 full time personnel, of whom 13 are senior engineers and more than 24 have master’s or higher degrees. We have established a postdoctoral research workstation at our research and development center to attract research talents and incentivize innovative research activities. We also collaborate with various universities and research institutions to develop new products and technologies. As of December 31, 2014, we had 368 registered patents and 158 patent applications pending in China. In recognition of our strong research and development

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capabilities, we have received several industry awards from various Chinese government agencies, including the “National Enterprise Technology Center” in 2006 and the “National Technology Innovation Enterprise” in 2012. In 2012, 2013 and 2014, we incurred research and development expenses of RMB236.5 million, RMB388.8 million and RMB517.9 million, respectively.

We believe we are one of the very few large automotive glass manufacturers in China with comprehensive research and development capabilities to meet different needs of various domestic and international automobile manufacturers, which enables us to effectively compete in the automotive glass industry.

Devoted, professional, stable and experienced senior management team, great corporate culture and a strong, transparent corporate governance structure

We have a devoted, professional, stable and experienced senior management team in the automotive glass industry. Our senior management team has an average of over 20 years of experience in the automotive glass industry. Mr. Cho Tak Wong, our Chairman, who has led our management team since our inception in 1987 all the way to become the largest automotive glass manufacturer in China, is highly experienced and knowledgeable in the automotive glass industry. Our senior management members have been with us for an average of over 15 years as well. Our senior management has proven track record to show their vision in identifying market opportunities and the execution capability to successfully implement plans and strategies to achieve our current dominant market position in China. We believe that under their leadership, we are well positioned to effectively compete in the automotive glass industry and accomplish our long-term goal.

We have a great corporate culture and a strong and transparent corporate governance structure. A firm believer in the Chinese cultural values, Mr. Cho Tak Wong believes the establishment of a successful enterprise requires equal emphasis on four attributes: human character, product innovation, product quality and product aesthetics, which he applies to our corporate governance practices. Since we became the first automotive glass manufacture listed on the Shanghai Stock Exchange in 1993, we have established and maintained a transparent corporate governance structure, including a board with independent directors. In 2009, we were the only private company in China to receive the “Board of the Year” award from the Shanghai Stock Exchange. In 2010, we received the “Award for Most Sustainable Listed Company” from China Center for Market Value Management. We believe that strong corporate governance provides a more effective board oversight over senior management, which in turn promotes better corporate leadership and strategic decision-making.

OUR STRATEGIES

We will continue to focus on our core business of developing and manufacturing automotive glass products. Our goal is to solidify our dominant position in the automotive glass industry in China and become the most competitive specialized automotive glass manufacturer in the world, renowned for our product quality and innovation. We plan to accomplish this goal by pursuing the following strategies:

Further penetrate China's automotive glass market

China is our home market and forms the foundation for further growing our business and the springboard from which we expand our operations internationally. According to Roland Berger, new vehicle sales and demand for automotive glass in China are expected to grow at CAGRs of 7.4% and 9.3% from 2013 to 2018, respectively. We will continue our focus on solidifying our dominant market position by deepening our penetration of China's rapidly growing automotive glass market. We intend to further enhance our leading position and brand recognition in China's OEM market. We plan to strengthen our relationships with our OEM customers in China by offering more high-quality products and services that meet their stringent requirements. To enhance our "just-in-time" delivery capability, we plan to build more satellite warehouses and facilities near our OEM customers from which we deliver our products and offer ancillary services cost-effectively and in a timely manner.

Pursue disciplined international expansion and growth

We plan to grow our international business by further penetrating our existing markets and entering select new markets with sizable market opportunities and high growth potential. We will continue to implement plans to build overseas production facilities near our international OEM customers' production bases. As of the Latest Practicable Date, our automotive glass production facility in Russia had completed first-phase construction and commenced commercial production. We are in the process of constructing the second phase of the production facility, which is expected to commence commercial production in the fourth quarter of 2016. We are also constructing an automotive glass manufacturing facility in Ohio, United States to better serve our customers in the United States and expect to complete the construction of the Ohio facility by December 2015. In addition, we plan to construct two automotive grade float glass production lines near our Russian automotive glass production facility, and to retrofit and upgrade the two float glass production lines in Illinois, United States that we purchased from PPG in August 2014 to produce automotive grade float glass for our United States automotive glass manufacturing facility.

In addition to our established presence in Russia and the United States, we will use our established subsidiaries in Hong Kong, the United States, Germany, South Korea, Japan and Russia to promote our products and to build stronger relationships with our overseas OEM customers. We intend to further expand our international operations by selectively building additional manufacturing facilities and opening additional sales and representative offices when strategic opportunities arise. We will also seek to further develop long-term relationships

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with our existing major OEM customers to capture their expected growth in the international automotive glass markets. To support our international expansion, we plan to strengthen our international logistics and distribution capabilities and to recruit talent experienced in international operations to serve our international OEM customers. By increasing our international geographic presence, we believe that we will be able to better serve existing international customers and develop new international customers, and therefore, increase our revenue base and enhance our brand name.

Optimize product mix with a focus on value-added products

We seek to broaden and enhance our automotive glass product offerings by developing and improving our value-added product portfolio. These value-added glass products offer enhanced features and functions, and they require advanced manufacturing technologies that are difficult for low-end competitors to adopt. Leveraging our strong research and development capabilities, we intend to further enhance product features and develop other value-added automotive glass products, such as enhanced UV-cut and super IR-cut glass products. We intend to increase the application of functionalized technology to introduce environmentally friendly, low-energy-consumption, smart and modularized features in automotive glass.

Continue to improve operational efficiency

We will continue to drive our cost advantage and improve our operational efficiency. We will continue locating manufacturing, warehousing and design facilities strategically to cost-effectively offer “just-in-time” delivery. We also plan to continue to implement cost-control measures and improving and streamlining our production processes to improve operational efficiency. In addition, we intend to improve our productivity and cost-efficiency through increased use of automation. We believe our enhanced low-cost advantage and improved operational efficiency will enable us to maintain high profitability.

Enhance our research and development capabilities

We believe that technological innovation is the hallmark of a global leading automotive glass manufacturer. Accordingly, we will continue to enhance our research and development capabilities, and devote substantial resources to improving our product design and manufacturing capabilities. Our research and development focus will include the following areas:

Value-added automotive glass products. We plan to continue to enhance our automotive glass product offering by developing and improving various value-added products, such as coated heating glass with defogging and defrosting functions, coated antenna glass that allows information signals to pass through, enhanced UV-cut and super IR-cut glass with enhanced heat absorption functions. We believe this will differentiate us from lower-end automotive glass manufacturers.

Customized manufacturing equipment. We plan to continue to develop key manufacturing equipment in-house to improve and streamline our production process and efficiency.

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Float glass. We seek to enhance the quality of our float glass products, the principal raw material of our automotive glass products. We believe that the enhanced features and properties for our float glass will enable us to produce and provide customized automotive glass products for our OEM customers.

We plan to expand our research and development team and continually upgrade our research facilities. We also plan to continue to collaborate with universities and research institutions to develop new products and technologies.

PRODUCTS

We specialize in automotive glass with value-added features. We also produce float glass, which is the primary raw material for manufacturing automotive glass and architectural glass. The table below sets forth a breakdown of our revenue by product for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%
(RMB in millions, except percentages)						
Automotive Glass	9,514.8	92.9%	10,912.0	94.9%	12,439.4	96.2%
Float Glass	2,271.8	22.2	2,238.9	19.5	2,129.7	16.5
Others ⁽¹⁾	342.2	3.3	429.5	3.7	487.0	3.8
Less: intra-group sales ⁽²⁾	(1,881.4)	(18.4)	(2,079.2)	(18.1)	(2,127.9)	(16.5)
Total	10,247.4	100.0%	11,501.2	100.0%	12,928.2	100.0%

(1) Primarily include revenue from the sale of architectural glass.

(2) Primarily include intra-group sales of float glass.

Automotive Glass

We produce laminated glass and tempered glass, which are the two main types of glass used in automobiles.

Laminated Glass. Laminated glass is made of two or more layers of float glass with PVB interlayers bonded between them. The PVB layers prevent objects striking the glass from penetrating the glass and prevent the glass from shattering into sharp pieces. Laminated glass is mainly used in automobile windshields.

Tempered Glass. Tempered glass is produced by heating float glass to softening point and rapidly cooling the surface uniformly with air to increase its strength. Tempered glass breaks into small pieces without sharp edges when struck by an object, thereby reducing injury to passengers. Tempered glass is mainly used in side and rear windows of vehicles.

We offer a wide range of functional and value-added automotive glass, including the following:

Encapsulated glass, which is produced by injecting polymer or plastic material on glass rim to enhance its function and aesthetics.

Panorama sunroof glass, which is made of one or multiple glass panels to provide passengers with an uninterrupted view of the sky and fill the cabin with natural light and air.

HUD glass, which projects speedometer and other important driving and navigational information on the windshield thereby enabling the driver to concentrate on the road ahead.

IR-cut glass, which controls heat transfer through glass by using a special film coating on the inner surfaces of laminated glass to reflect infrared rays, thereby not only increasing passenger comfort but also improving fuel efficiency by reducing air-conditioning load.

UV-cut glass, which reduces UV rays entering the vehicle to protect passengers from sunburn and car interiors from deterioration.

Wire heated glass, which has defogging and defrosting functions by embedding heating fine wires in the PVB interlayer of laminated glass.

Semi-tempered laminated glass, which is produced by bonding two layers of semi-tempered glass with PVB interlayers, thereby increasing its strength compared with normal tempered or laminated glass.

Antenna glass, which allows wireless signals to pass through the vehicle by printing silver paste on glass surface or by embedding copper wires in the PVB interlayers of laminated glass.

Hydrophobic glass, which has high water repellency and durability, thereby improving visibility in wet weather.

Acoustic glass, which reduces noise entering the windows by inserting a special layer within laminated glass.

We are developing other value-added products, including (i) coated heating glass with defogging and defrosting functions, (ii) coated antenna glass that allows multi-frequency wireless signals to pass through, (iii) glass with active antenna assemblies to receive signals of different frequencies and strengths, (iv) variable light transmittance glass with lighting control functions and (v) glass with enhanced UV-cut and super IR-cut functions.

Float Glass

According to Roland Berger, there are four grades of float glass, namely, optical grade, automotive grade, construction-use grade and regular. In general, the quality of automotive grade float glass is the second highest among these four types. All float glass products we

manufacture are of automotive grade. According to Roland Berger, in 2013, we contributed to 36% of the total high-quality automotive grade float glass production capacity in China. We produce automotive grade float glass with thickness ranging from 1.6mm to 5mm. We are one of the few float glass manufacturers in China that are capable of producing automotive grade float glass with thickness less than 2.3mm. Our float glass products have high optical quality and enhanced functional features, such as low-light penetration and low-E transmission, which enhance our ability to produce customized automotive glass products.

Others

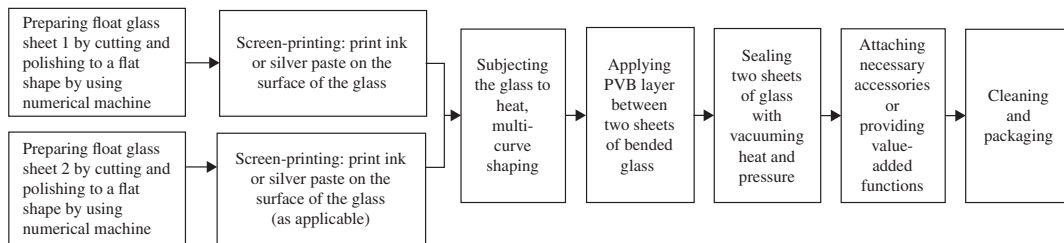
Our product portfolio also includes architectural glass made of laminated glass or tempered glass. Our architectural glass products are mainly used as transparent glazing material in the high-end building envelope, including windows in external walls, internal partitions and as an architectural feature.

PRODUCTION

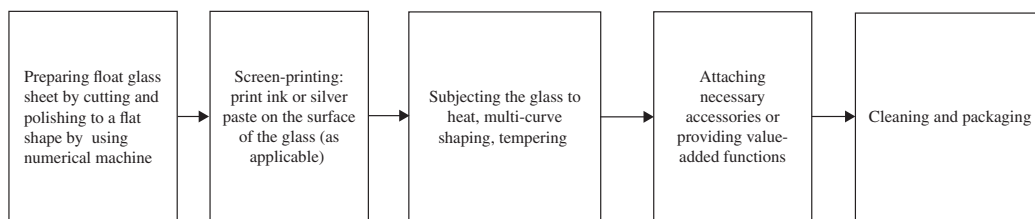
Production Process

The following diagrams illustrate the production process for our major products.

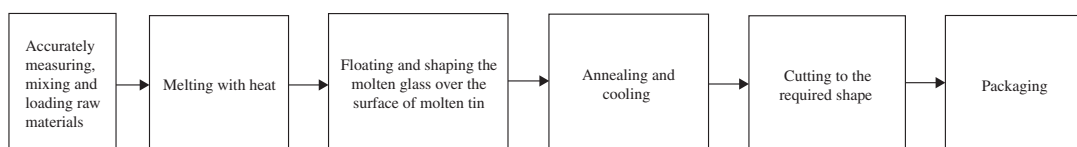
Laminated automotive glass



Tempered automotive glass



Float glass



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Production Facilities and Production Capacity

Automotive Glass

All of our automotive glass manufacturing facilities are located near major automobile manufacturing bases to facilitate our reliable and timely supply of automotive glass to OEM customers.

As of the Latest Practicable Date, we had 12 automotive glass production facilities in China with an aggregate gross floor area of approximately 1,166,573 sq.m., including two in Fujian, one in Guangdong, two in Jilin, one in Hubei, one in Henan, two in Chongqing, one in Beijing and two in Shanghai. As of the Latest Practicable Date, we had one automotive glass production facility in Kaluga City, Russia with an aggregate land area of approximately 130,000 sq.m. and annual production capacity of approximately 4.0 million sq.m. We are in the process of constructing the second phase of the production facility, which has a designed annual production capacity of approximately 8.1 million sq.m. and is expected to commence commercial production in the fourth quarter of 2016. Our total commitment to the Kaluga facility is approximately US\$200 million. As of December 31, 2014, we have invested approximately US\$116 million into our Kaluga facility. Under the co-operation agreement, if we do not fulfil our commitment, the Kaluga City government may terminate the agreement or claim for damages. The Kaluga City government has not indicated that it is entitled to terminate the co-operation agreement or claim for damages. We are not aware of any material adverse impact on the co-operation agreement arising from the recent economic situation in Russia.

The following table sets forth the production capacity, production volumes and utilization rates of our automotive glass manufacturing facilities for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Production capacity ⁽¹⁾ (million sq.m.)	92.0	96.6	110.3
Production volumes (million sq.m.)	75.1	86.0	94.4
Utilization rates ⁽²⁾ (%)	81.6	89.0	85.6

(1) The sum of monthly weighted average production capacity for the year.

(2) Calculated by dividing production volumes by production capacity for the year.

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The following table sets forth a breakdown of the production capacity, production volumes and utilization rates of our automotive glass manufacturing facilities by region for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Northern China⁽¹⁾			
Production capacity ⁽²⁾ (million sq.m.)	24.7	23.1	27.1
Production volumes (million sq.m.)	19.1	21.1	21.1
Utilization rates ⁽³⁾ (%)	77.5	91.3	77.9
Central and Eastern China⁽¹⁾			
Production capacity ⁽²⁾ (million sq.m.)	23.5	28.6	33.1
Production volumes (million sq.m.)	20.3	24.9	28.3
Utilization rates ⁽³⁾ (%)	86.4	87.1	85.5
Southern China⁽¹⁾			
Production capacity ⁽²⁾ (million sq.m.)	29.6	30.7	35.0
Production volumes (million sq.m.)	24.3	27.8	30.9
Utilization rates ⁽³⁾ (%)	82.1	90.6	88.3
Southwestern China⁽¹⁾			
Production capacity ⁽²⁾ (million sq.m.)	14.2	14.2	15.1
Production volumes (million sq.m.)	11.4	12.2	14.1
Utilization rates ⁽³⁾ (%)	80.3	85.9	93.4

(1) Northern China includes Beijing and Jilin, central and eastern China includes Henan, Hubei and Shanghai, southern China includes Fujian and Guangdong and southwestern China includes Chongqing.

(2) The sum of monthly weighted average production capacity for the year.

(3) Calculated by dividing production volumes by production capacity for the year.

The utilization rate of automotive glass manufacturing facilities in the Northern China region increased from 77.5% in 2012 to 91.3% in 2013 because the orders from customers increased and the production capacity did not change in this region in 2013, and decreased to 77.9% in 2014 because the production capacity increased and we re-allocated some orders to our newly established manufacturing facilities in the Central and Eastern China region. During the Track Record Period, the utilization rates of our manufacturing facilities in the Central and Eastern China region were stable. The utilization rate of our manufacturing facilities in the Southern China region increased from 82.1% in 2012 to 90.6% in 2013. The utilization rate of our manufacturing facilities in the Southwestern China region increased from 80.3% in 2012 to 85.9% in 2013 and further increased to 93.4% in 2014. These increases in the Utilization rates of manufacturing facilities in these two regions were mainly driven by the increased production volumes in the respective periods resulting from increased market demand. The fluctuation of utilization rates of different regions was also due to our internal adjustment of

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allocation of orders among manufacturing facilities as we intended to leverage our strategically deployed network to cost-effectively offer our OEM customers in China the “just-in-time” delivery. During the Track Record Period, the overall utilization rates of our automotive glass production facilities remained relatively stable.

We plan to increase our automotive glass production capacity by constructing new production facilities both in and outside China. In October 2014, we completed construction of one automotive glass production facility in Shenyang, Liaoning Province with a designed annual production capacity of 6.0 million sq.m., which is expected to commence commercial production by March 2015. In addition, we are constructing a new automotive glass production facility in Ohio, United States with a designed annual production capacity of approximately 12.1 million sq.m. We expect to complete the construction of the new production facility by December 2015. We are in the process of constructing the second phase of an automotive glass production facility in Kaluga City, Russia, which has a designed production capacity of approximately 8.1 million sq.m. and is expected to commence commercial production in the fourth quarter of 2016.

Float Glass

As of the Latest Practicable Date, we had four automotive grade float glass production facilities located in Fujian, Jilin, Inner Mongolia and Chongqing, China with an aggregate gross floor area of approximately 735,000 sq.m. The following table sets forth the production capacity, production volumes and utilization rates of our float glass manufacturing facilities for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Production capacity ⁽¹⁾ (thousand tons)	1,150	1,014	1,058
Production volumes (thousand tons)	1,089	954	885
Utilization rates ⁽²⁾ (%)	94.7	94.1	83.6 ⁽³⁾

(1) The sum of monthly weighted average production capacity for the year/period.

(2) Calculated by dividing production volumes by production capacity for the year/period.

(3) The decreased utilization rate of our float glass manufacturing facilities in 2014 was primarily due to testing and trial production of our new products in two of our float glass manufacturing facilities.

The following table sets forth a breakdown of the production capacity, production volumes and utilization rates of our float glass manufacturing facilities by region for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Northern China ⁽¹⁾			
Production capacity ⁽²⁾ (thousand tons)	395	199	230
Production volumes (thousand tons)	370	187	168
Utilization rates ⁽³⁾ (%)	93.7	94.0	73.0

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	Year ended December 31,		
	2012	2013	2014
Southern China⁽¹⁾			
Production capacity ⁽²⁾ (thousand tons)	474	474	500
Production volumes (thousand tons)	447	440	439
Utilization rates ⁽³⁾ (%)	94.3	92.8	87.8
Southwestern China⁽¹⁾			
Production capacity ⁽²⁾ (thousand tons)	281	341	328
Production volumes (thousand tons)	272	327	278
Utilization rates ⁽³⁾ (%)	96.8	95.9	84.8

(1) Northern China includes Jilin and Inner Mongolia, southern China includes Fujian and southwestern China includes Chongqing.

(2) The sum of monthly weighted average production capacity for the year.

(3) Calculated by dividing production volumes by production capacity for the year.

We plan to construct an automotive grade float glass production facility with a designed annual production capacity of approximately 450,000 tons near our Russian automotive glass production facility. We expect the construction of the new production facility to commence by the end of 2016 and complete by the end of 2017. In August 2014, we purchased two float glass production lines in Illinois, United States for a consideration of US\$56 million. We funded the investment from internal sources. We plan to retrofit and upgrade the two production lines to manufacture automotive grade float glass. We expect the production line with annual production capacity of 150,000 tons to commence commercial production in the fourth quarter of 2015, and the other production line with annual production capacity of 150,000 tons to commence commercial production in the third quarter of 2016.

Production Equipment

Our production facilities in China and overseas are equipped with advanced production equipment, primarily including complex curved glass deep bending and tempering furnace, single curved glass tempering furnace and automatic bending furnaces. We purchase our complex curved glass deep bending and tempering furnace in the United States, and internally develop our single curved glass tempering furnace and automatic bending furnaces. In addition, we have adopted a flexible manufacturing system, comprising the information control system, raw material storage and transportation system and digital control processing equipment, at our major production bases in China.

As of the Latest Practicable Date, we had one equipment development and manufacturing facility in Fujian, China. We plan to build a molding and testing equipment manufacturing facility in Fujian, China by June 2016 to produce the molding and testing equipment used in our automotive glass manufacturing process.

As of December 31, 2014, we had a maintenance team of 552 employees, who perform routine and preventative maintenance on our production equipment to ensure their proper functioning. Our engineering department is responsible for formulating and implementing our annual, quarterly and monthly equipment maintenance plans. We usually conduct maintenance on our equipment over the weekends and holidays so as not to affect our normal operations.

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CUSTOMERS, SALES AND MARKETING

Customers and Sales

We sell automotive glass to OEM and ARG customers in 69 countries and regions, including the PRC, the United States, the United Kingdom, Hong Kong, Germany, Japan, Australia, Canada, Brazil, South Korea and Russia. Our OEM customers include the world's top 20 automobile manufacturers by production volume, such as Toyota, Volkswagen, General Motors, Ford, Hyundai, Renault-Nissan, Fiat, and Honda, and the top 10 passenger vehicle manufacturers in China by production volume, such as Shanghai General Motors, FAW-Volkswagen, Shanghai Volkswagen, Beijing Hyundai and Dongfeng Nissan, which are affiliates of or joint ventures operated by the world's top 20 automobile manufacturers. In addition, we sell a small portion of our float glass in the PRC to other automotive glass manufacturers, furniture makers, window manufacturers, construction companies and real estate developers, as well as trading companies that may resell the float glass to these end-customers. We sell our architectural glass products to customers in the PRC and Australia.

In 2012, 2013 and 2014, our five largest customers, all of which were independent third-party automotive glass customers in China, accounted for 15.8%, 16.3% and 17.1% of our revenue, respectively, and our largest customer accounted for 6.5%, 6.2% and 6.4%, of our revenue, respectively. We have maintained business relationships with each of our five largest customers in 2013 for over five years. None of our Directors, their close associates or our Shareholders who, to the knowledge of our Directors, holds more than 5% of our issued share capital, had any interest in our five largest customers during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth a breakdown of our revenue by region for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in millions, except percentages)					
China	6,911.4	67.4%	7,823.3	68.0%	8,597.9	66.5%
Outside China ⁽¹⁾	3,336.0	32.6	3,677.9	32.0	4,330.3	33.5
Total	10,247.4	100.0%	11,501.2	100.0%	12,928.2	100.0%

(1) Primarily include revenue from the export of our products to the United States, the United Kingdom, Canada, Russia, Germany, Japan and South Korea. The destination of the exports is based solely on the addresses of the customers as set forth in the sales invoices. Our customers include ARG wholesalers that may onsell our products to end-customers located elsewhere and procurement centers of global automobile manufacturers that purchase our products for the use of their production facilities located at various places.

Automotive glass

During the Track Record Period, we derived most of our automotive glass revenue from sales to OEM customers. The following table sets forth a breakdown of our automotive glass revenue by customer type and by region for the periods indicated.

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	Year ended December 31,					
	2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in millions, except percentages)					
OEM customers in China	5,829.2	61.2%	6,889.8	63.1%	7,792.4	62.6%
OEM customers outside						
China	1,843.8	19.4	2,125.1	19.5	2,528.7	20.3
ARG customers in China	371.1	3.9	367.9	3.4	369.6	3.0
ARG customers outside						
China	1,470.7	15.5	1,529.2	14.0	1,748.7	14.1
Total	9,514.8	100.0%	10,912.0	100.0%	12,439.4	100.0%

Sales to OEM Customers in China

As of December 31, 2012, 2013 and 2014, we had 224, 245 and 254 OEM customers (including sunroof glass customers) in China, respectively. They include all of the top 10 passenger vehicle manufacturers in China, such as Shanghai General Motors, FAW-Volkswagen, Shanghai Volkswagen, Beijing Hyundai and Dongfeng Nissan. In 2012, 2013 and 2014, sales to OEM customers in China amounted to RMB5,829.2 million, RMB6,889.8 million and RMB7,792.4 million, respectively, of which sales of sunroof glass to automotive roof system manufacturers in China amounted to RMB434 million, RMB648 million and RMB756 million, respectively. We expect sales of sunroof glass in China to continue to increase as a result of increasing market demand for sunroof glass products in China.

All of our sales to OEM customers in China are direct sales. We typically win supply contracts from automobile manufacturers through competitive bidding processes. After we win a bid, we generally enter into framework agreements with OEM customers, under which we are obligated to supply automotive glass products meeting their specifications during the lifespan of a new automobile model, and continue to supply the products to the ARG markets for another 10 to 15 years after the automobile model retires from the market. These framework agreements typically only set forth a non-binding estimated purchase volumes by the OEM customers. The sale prices are typically subject to annual renegotiation based on market conditions and fluctuations in raw materials prices. Our domestic OEM customers usually place monthly purchase orders with us, setting forth the product type and purchase volumes for each month and the purchase volume forecast for the following two months. We maintain inventories based on our production capacity and the demand of our customers and are liable for the losses of OEM customers arising from our failure to make timely deliveries of our products. During the Track Record Period and up to the Latest Practicable Date, we did not encounter material compensation claims resulting from our failure to make timely deliveries of our products. In addition, we are sometimes required by OEM customers to design and develop automotive glass products and the equipment used for manufacturing such products. We are responsible for delivering our products to our OEM customers in China and the related expenses.

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Sales to OEM Customers Outside of China

As of December 31, 2012, 2013 and 2014, we had 132, 123 and 129 overseas OEM customers (including sunroof glass customers), respectively. They include all of the world's top 20 automobile manufacturers, such as Toyota, Volkswagen, General Motors, Ford, Hyundai, Renault-Nissan, Fiat and Honda, and other well-known automobile manufacturers, such as BMW, Benz, Bentley, Rolls-Royce and Porsche. We sell our sunroof glass products through sunroof glass system manufacturers to automobile manufacturers in the United States, the United Kingdom, Czech Republic, Hungary, Italy and Japan. In 2012, 2013 and 2014, sales to OEM customers outside of China amounted to RMB1,843.8 million, RMB2,125.1 million and RMB2,528.7 million, respectively, of which sales of sunroof glass to automotive roof system manufacturers outside of China amounted to RMB109 million, RMB162 million and RMB236 million, respectively. We expect sales to overseas OEM customers, and in particular, sales to overseas sunroof glass customers, to continue to increase driven by the expansion of our international operations and the increasing demand for sunroof glass from overseas customers.

All of our sales to OEM customers outside of China are direct sales. We typically participate in a bidding process in winning supply contracts from overseas OEM customers similar to that for domestic OEM customers. We enter into framework contracts and monthly purchase orders with overseas OEM customers on terms and conditions similar to those with domestic OEM customers. We or our OEM customers are responsible for arranging the delivery of our products depending on customers' preference, and we charge higher prices to cover delivery expenses if customers require us to arrange product delivery.

Sales to ARG Customers in China

As of December 31, 2012, 2013 and 2014, we had 117, 98 and 91 ARG customers in China, respectively. Our domestic ARG customers primarily include automotive glass wholesalers, retailers and installers. We had at least one ARG customer in each province of China. The end users of our products sold to ARG customers include insurance companies, 4S stores, vehicle repair stores and automotive glass stores. In 2012, 2013 and 2014, sales to domestic ARG customers amounted to RMB371.1 million, RMB367.9 million and RMB369.6 million, respectively, representing 3.9%, 3.4% and 3.0%, respectively, of our automotive glass revenue, respectively.

We select ARG customers based on their credit record and customer base. Our ARG customers generally have non-exclusive right to sell our products within one or more sales territories, and are responsible for market development within such territories. Our ARG customers may sell our products to repair service providers with our prior approval. We sell our products to domestic ARG customers based on their purchase orders at prices determined based on production volume and market demand. Our ARG customers are responsible for the transportation costs associated with product delivery. We set performance targets for our ARG customers twice a year and regularly review their performance. The ARG customers are solely responsible for their sales and are not allowed to return unsold products to us. The ARG customers are free to set the prices at which they sell our products to users in domestic markets.

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We typically negotiate and renew our contracts with ARG customers on an annual basis. We may unilaterally terminate our contracts with underperforming ARG customers. During the Track Record Period, we terminated our contracts with four ARG customers that failed to meet our performance targets, which did not have any material adverse effect on our ARG sales.

Sales to ARG Customers Outside China

As of December 31, 2012, 2013 and 2014, we had 149, 152 and 151 ARG customers outside China, respectively. Our overseas ARG customers primarily include automotive glass wholesalers, retailers and installers, including Mygran Glass and Belron US. In 2012, 2013 and 2014, sales to our overseas ARG customers amounted to RMB1,470.7 million, RMB1,529.2 million and RMB1,748.7 million, respectively, representing 15.5%, 14.0% and 14.1% of our automotive glass revenue, respectively.

We sell our products to overseas ARG customers based on their purchase orders at prices determined based on production volume and market demand. We are generally responsible for delivering our products to overseas ARG customers and related expenses. We do not set performance targets or monitor the sales performance of our overseas ARG customers. Our overseas ARG customers are solely responsible for their sales and are not allowed to return unsold products to us. We have no control over the resale prices of our products, or the regions where our overseas ARG customers may sell our products.

Warranty

We provide warranty for automotive glass products sold to OEM customers for a period that generally corresponds with the warranty period of the corresponding vehicle model, which is usually determined based on a time period or mileage, whichever occurs first. We provide warranty for automotive glass products sold to ARG customers against defects in materials and workmanship. Laminated glass and tempered glass sold to domestic ARG customers are generally subject to warranty periods of six months and one year, respectively. Products sold to overseas ARG customers generally have warranty periods of one year. During the Track Record Period and up to the Latest Practicable Date, we did not have any material warranty claims on our products.

We allow customers to exchange defective products. We did not experience any product recalls or any material defective products returns or exchanges or sales returns during the Track Record Period and up to the Latest Practicable Date.

Pricing

Price is one of the key factors that affect our ability to win supply contracts from OEM customers. We set the prices for automotive glass products sold to OEM customers based on a variety of factors, including raw material costs, the complexity of the manufacturing process, the estimated purchase volumes and market competition. Our OEM customers generally enjoy significant leverage in price negotiations. We set the prices for our automotive glass products

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sold to ARG customers on a case-by-case basis, primarily taking into account customer rating, market positioning and lifecycle of the automobile models, our production costs, prices for competing products, the complexity of the manufacturing process and market demand. In 2012, 2013 and 2014, the average selling price of our automotive glass products was RMB131.1 per sq.m., RMB132.5 per sq.m. and RMB136.8 per sq.m., respectively.

We set the prices for our float glass products sold to external parties on a case-by-case basis, primarily taking into account our production costs, prices for competing products and market demand. In 2012, 2013 and 2014, the average price of float glass products sold to external parties was RMB1,207.4 per ton, RMB1,332.0 per ton and RMB1,146.6 per ton, respectively.

Payment Terms

We determine the payment terms for each customer taking into account the customer's credit history, financial condition and business relationship with us. We generally grant a credit period ranging from 30 days to 120 days for all OEM customers and 90 days for overseas ARG customers. We require our domestic ARG customers to settle payment on a monthly basis. We maintain credit insurance for account receivables arising from our sales to OEM customers and overseas ARG customers.

Customer Support

As of December 31, 2014, our customer support team consisted of 148 personnel, including 120 personnel based in China and 28 personnel based in Germany, South Korea, Japan and the United States. Our customer support staff are responsible for handling customer enquiries and complaints on a daily basis, conducting market analysis and maintaining customer relationship.

We have established an internal complaint report system, which categorize customer complaints into five levels based on their nature and severity. Complaints with the highest level of severity are escalated to an executive officer at our headquarters. We generally resolve complaints from OEM customers within seven business days after receiving them.

We provide technical support to domestic ARG customers and closely monitor them to ensure they follow our customer support guidelines. We rely on overseas ARG customers to provide after-sales services on the overseas markets.

We have established a customer relationship management system at our headquarters to further enhance our ability to provide after-sales services to customers.

Marketing

As of December 31, 2014, our sales and marketing team consisted of 384 personnel, of which 350 were based in China and 34 were based in Germany, South Korea, Japan and the United States. Our sales and marketing personnel are responsible for developing and

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maintaining customer relationships on a global basis. They actively promote our products by visiting existing customers regularly, presenting our products to potential customers in person, as well as inviting potential customers to inspect our production facilities and quality control systems. We also participate in exhibitions and technology conferences in China and abroad to promote our products and brand name.

In addition, as part of our marketing efforts, we have a business development team based near each of our major OEM customers, who closely follow up with our customers on their needs for new automotive glass products and the launch of new vehicle models. Our business development team is also responsible for coordinating product deliveries and providing ancillary services required by our OEM customers.

RAW MATERIALS PROCUREMENT AND SUPPLIERS

The principal raw materials used in our production include float glass and PVB layers used to produce automotive glass, as well as silica sand, soda ash and limestone used to produce float glass.

In 2012, 2013 and 2014, 83.3%, 86.6% and 76.0% by carrying value, respectively, of float glass used in automotive glass sold was sourced internally. We expect to further increase our self-sufficiency of float glass. We have converted two construction-grade float glass production lines located in Tongliao, Inner Mongolia into automotive-grade float glass production lines, which commenced commercial production in October 2014. After the conversion, we expect we will be able to achieve a float glass self-sufficiency rate of approximately 90% by the end of 2015. We plan to construct an automotive grade float glass production facility in Russia to supply float glass for our Russian automotive glass manufacturing facility, and have acquired two production lines in the United States that we plan to retrofit and upgrade to manufacture float glass for our U.S. automotive glass manufacturing facility. We have also established long-term strategic relationship with some leading global PVB manufacturers, which enables us to secure stable PVB supply for our domestic and overseas automotive glass production. We have one silica sand production base in Hainan, China, which supplies all silica sand required for our float glass production. Other major raw materials used in our production are generally available and we purchase them from multiple Independent Third Parties in China. The market prices of these other raw materials fluctuated due to changes in market conditions during the Track Record Period and although we are generally unable to pass through the entire increase in these raw material costs to our customers, such fluctuations did not have a material impact on our cost of sales given the magnitude of the fluctuations and the contribution of these raw materials to our total cost of sales.

We have adopted procedures for evaluating potential domestic and overseas suppliers based on product quality, price, ability to deliver products on time and technical capability. We have established procurement departments at our Russian and U.S. subsidiaries to purchase the raw materials used in our overseas production from local suppliers using the same supply management system that we have adopted at our headquarters. We conduct periodic onsite reviews of our suppliers' facilities according to ISO/TS16949 quality system. We generally enter into annual procurement contracts with major suppliers. Our agreements with suppliers typically set forth the quantity, price and quality specifications for each type of raw materials. We generally pay our suppliers within a period ranging from 30 days to 90 days after receiving the raw materials. Our suppliers generally provide us with a warranty term ranging from 180 days to 360 days depending on the raw material type.

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As of December 31, 2012, 2013 and 2014, we had 2,362, 2,131 and 2,192 suppliers, respectively. In 2012, 2013 and 2014, purchases from our five largest suppliers, all of which were Independent Third Party raw material and energy suppliers, accounted for 15.4%, 15.8% and 17.4% of our cost of sales, respectively, and purchase from the largest supplier accounted for 4.0%, 4.4% and 4.8% of our cost of sales, respectively. None of our Directors, their close associates or our Shareholders who, to the knowledge of our Directors, holds more than 5% of our issued share capital, had any interest in our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

RESEARCH AND DEVELOPMENT

We believe that our research and development capabilities are indispensable to our future growth. We focus our research and development efforts on the following areas:

Development of value-added products. We prioritize our research and development efforts on higher value-added products to differentiate ourselves from lower-end automotive glass manufacturers. Over the years, we have successfully developed a wide range of value-added products, such as coating heated glass, coating antenna glass, active glass antenna, variable light transmittance glass and enhanced UV-cut and super IR-cut glass.

Development of key production equipment. We have developed key equipment which are widely applied and used in our automotive glass production process, such as glass molding, cleaning, paring and automation equipment, which enables us to reduce production costs, increase manufacturing flexibility and improve the quality of our products.

Improvement of production process. We continue to invest in improving our existing manufacturing equipment to streamline our production process and improve our process capability and manufacturing efficiency.

We develop new automotive glass products based on our OEM customers' requirements. We operate four design centers in China, Germany and the United States. Each design center collaborates with the automobile manufacturers within its geographical reach in co-designing and developing our products in tandem with their own product development from initial design to final production. Our engineers work with our OEM customers to optimize and diversify the function and design of our products. This co-design and development capability enables us to develop automotive glass customized to each manufacturer's requirements. It also helps our OEM customers identify potential manufacturing or design problems at an early stage and avoid costly redesign at a later stage.

We have received numerous certifications and awards from the PRC government authorities in recognition of our strong research and development capabilities, including the "National Enterprise Technology Center" certification ("國家認定企業技術中心") in 2006, the "National Technology Innovation Enterprise" certification ("國家技術創新示範企業") in 2012, and the "China National Accreditation Service Certificate" ("中國合格評定國家認可委員會認可證書") in 2013.

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As of December 31, 2014, our research and development team consisted of 182 personnel, of whom 13 are senior engineers and over 24 have master's or higher degrees. As of December 31, 2014, 182 employees on our research and development team were based in China, including 109 employees in our engineering research center, focusing on the research and development of cutting-edge production technologies and 73 employees in our product design department, focusing on the design of new products. Our research and development staff is headed by our executive Director and vice president, Mr. Bai Zhaohua, who has over 20 years of experience in automotive glass manufacturing. We have established a postdoctoral research workstation at our research and development center to attract research talent and incentivize innovative research activities. We have also established a product testing centre at our headquarter in Fujian, whose test reports are recognized by 85 laboratory accreditation institutions in 70 countries and regions.

We also collaborate with various universities and research institutions, including Wuhan University of Science and Technology, or WUST, Xiamen University, and Fuzhou University, to develop new products and technologies.

- In December 2009, we entered into a technology research agreement with WUST, pursuant to which we agreed to pay WUST RMB200,000 in exchange for their development of a special glass glue that meet specific technical requirements. WUST and us agree to jointly own the intellectual property rights resulting from the performance of the contract. The agreement expired in March 2010.
- In May 2012, we entered into a framework cooperation agreement with Xiamen University to establish a research institute for the development of advanced glass products. Pursuant to the agreement, we agree to financially support Xiamen University's talent recruitment efforts, and provide training opportunities for its graduates. In addition, Xiamen University and us agree to jointly apply for national and provincial research projects and recruit and train post-doctorate researchers, and share research facilities and resources.
- In April 2013, we entered into an agreement with Fuzhou University and Mr. Li Lingyun, pursuant to which we agreed to pay Mr. Li RMB80,000 each year to conduct research on HUD glasses at our post-doctoral research station for two years from April 2013 to March 2015. Pursuant to the agreement, we are generally entitled to the intellectual property rights of Mr. Li's research results, except for research projects jointly completed by Fuzhou University and us, and preliminary research results that Fuzhou University transferred to us, the intellectual property rights ownership of which shall be agreed separately. The agreement will expire in March 2015.

In 2012, 2013 and 2014, we incurred research and development expenses of RMB236.5 million, RMB388.8 million and RMB517.9 million, respectively, representing 2.3%, 3.4% and 4.0% of our total revenue, respectively.

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INVENTORY MANAGEMENT AND LOGISTICS

We manage our inventory of raw materials, work-in-process and finished goods with a focus on controlling our inventory holding costs, maintaining the variety of products available for our customers and ensuring the prompt delivery of products to customers. We have a proven track record of employing advanced information systems to track inventory levels as well as ensure adequate levels of raw materials and finished products. We have used ERP system since 1996 and our Directors believe we are among the first companies in China to adopt a comprehensive ERP system. In 2012, 2013 and 2014, we had inventory turnover days of 109 days, 102 days and 98 days, respectively. We made provisions for write-down of inventory of RMB20.8 million, RMB9.6 million and RMB12.2 million, respectively, primarily reflecting the declines in the net realizable value of construction-grade float glass inventory below their carrying amount due to the declines in the market prices of construction-grade float glass. Our Directors confirm that our inventory control policy has been effective and we did not experience any material shortage of supply or overstock of inventory during the Track Record Period and up to the Latest Practicable Date.

We engage reputable Independent Third Party transportation companies to ship our products to customers. We generally locate our warehouses near our OEM customers, or satellite warehouses, in order to enhance our “just-in-time” delivery capability. In 2012, 2013 and 2014, we incurred warehousing and transportation expenses of RMB344.5 million, RMB399.7 million and RMB456.3 million, respectively.

QUALITY CONTROL AND CERTIFICATIONS

We have implemented industry-leading quality management systems that conform to international standards and customer requirements. We were among the first few automotive glass manufacturers in China to be ISO-9002 and QS-9000 certified. All of our major production facilities are ISO/TS16949 certified. The ISO/TS16949 is an automotive industry quality certification developed by the IATF and widely recognized by our OEM customers, and is valid for three years and reviewed annually by an IATF-certified auditor of an accredited certification body. All of our automotive glass products have been accredited by DOT in the United States, ECE in the Europe, GOST in Russia, SAA in Australia, JAS in Japan, KS in South Korea and 3C in China. We typically participate in a bidding process in winning supply contracts from OEM customers. Our OEM customers generally conduct an on-site inspection on our production facilities and evaluate our quality control system. We generally obtain product and OEM certifications from our respective OEM customers for products to be manufactured before we commence the production. In particular, the quality control departments of our Russian and U.S. subsidiaries establish and implement quality control systems that apply to our overseas production based on ISO/TS16949 and the quality requirements of overseas regulatory authorities and customers. They are also in charge of obtaining and maintaining the product and OEM certifications granted by our OEM customers for products being manufactured in Russia and the United States.

We apply stringent quality controls at each stage of our production process. To ensure that our raw materials meet our quality standards, we only use suppliers with the experience and expertise to produce high-quality products, and we test and verify all raw materials before

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using them in our production. We generally conduct trial production and verification of our products before mass production starts to ensure they meet our quality standards and our customers' specifications. We inspect final products based on our customers' specifications and requirements before delivering them to customers.

We have a quality maintenance system at each of our manufacturing facilities, which enable us to quickly identify the cause of quality issues and communicate them to production facilities that may encounter similar issues. We also have product identification and traceability methods in place which allow us to quickly locate and track defective products back to our manufacturing process.

As of December 31, 2014, we had 347 quality control personnel, all of whom have training and experience in engineering, quality control or other relevant field. Our quality control department is led by Mr. Chen Shengkun, who has over 10 years of experience in quality control. We have established our own product and raw materials testing center at our headquarters, which was accredited by the China National Accreditation Service for Conformity Assessment in November 2012. The accreditation will expire in November 2015. The reports of our product and raw materials testing center are recognized by 85 laboratory accreditation institutions in 70 countries and regions.

INTERNATIONAL EXPANSION

We have established subsidiaries in six countries and regions: Hong Kong, the United States, South Korea, Germany, Japan and Russia. In 2012, 2013 and 2014, international sales accounted for 32.6%, 32.0% and 33.5% of our total revenue, respectively.

As of the Latest Practicable Date, we had one automotive glass production facility in Kaluga City, Russia with an aggregate land area of approximately 130,000 sq.m. and annual production capacity of approximately 4.0 million sq.m.. We are in the process of constructing the second phase of the production facility, which has a designed production capacity of approximately 8.1 million sq.m. and is expected to commence commercial production in the fourth quarter of 2016. We are also constructing an automotive glass manufacturing facility in Ohio, United States with a designed capacity of approximately 12.1 million sq.m. We expect to complete the construction of the Ohio manufacturing facility by December 2015. In addition, we plan to construct two automotive grade float glass production lines near our Russian automotive glass production facility, and to retrofit and upgrade the two float glass production lines in Illinois, United States that we purchased in August 2014 to produce automotive grade float glass. We believe that we can better fulfill foreign demand for our products and capture greater international market share by replicating our successful domestic business model. By locating our production facilities nearer to our foreign customers, we will be able to offer similar "just-in-time" delivery to our global customers in North America and Europe from our U.S. and Russian production bases. In doing so, we will also reduce transportation and potential breakage costs incurred with delivering products over longer distances.

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We manage all of our subsidiaries, including foreign subsidiaries, using a uniform management and reporting system. Our subsidiaries in Russia and the United States will adopt ERP a compatible system as well as the time-tested standards and procedures that we have implemented for all our plants relating to:

- supply chain management;
- manufacturing resource planning;
- financial resource planning;
- customer relationship management;
- raw material and equipment procurement;
- employee recruitment and training; and
- production and safety.

As of the Latest Practicable Date, all of our foreign subsidiaries have complied with local regulatory requirements. We exercise control and command over our foreign subsidiaries by requiring monthly reporting and assigning management personnel from headquarters.

Impact of the Economic Situation in Russia to our Business Operations and Financial Condition

We believe the general economic situation in Russia and the substantial depreciation of the Russian Ruble have not materially and adversely affected our business operations and financial condition. We are closely monitoring the situation in Russia and will adopt appropriate measures in a timely manner to minimize our exposure to risks if there is any material negative change in Russia.

Our Operations in Russia

We believe the situation in Russia has not materially and adversely affected our business operations and financial condition as the scale of our investments and operations in Russia is still very small. In 2012, 2013 and 2014, sales of our products to Russia represented less than 1% of our total revenue. As of December 31, 2012, 2013 and 2014, our total assets in Russia amounted to RUB2,014.3 million (RMB415.1 million), RUB3,840.6 million (RMB711.4 million) and RUB4,242.1 million (RMB468.5 million), respectively, representing 3.15%, 4.85% and 2.77% of our total assets. The first phase of our Russian manufacturing facility currently has a production capacity of 4.0 million sq.m., which represented approximately 3.6% of our total production capacity of automotive glass of 110.3 million sq.m. in 2014. Our Russian production facility will be mainly used to fulfill newly developed orders from customers in Russia and other European countries, in particular, Germany and the United Kingdom. We do not expect the utilization rate of our existing production facilities in China to be negatively affected because the scale of our Russian production facility is still relatively small and we expect greater demand in China as the Chinese market continues to grow.

Depreciation of Russian Ruble

We expect our operations in Russia will benefit from the depreciation of the Russian Ruble. Large-scale commercial production in our Russian production base commenced in the first half of 2015, and we are able to meet orders from Russian customers locally. Our sales in Russia are settled in U.S. dollars, Euro and Russian Rubles only through Bank of China (Eluosi) and Industrial and Commercial Bank of China (Moscow). The prices set out in framework agreements with our customers are generally denominated in U.S. dollars or Euros. Our customers are allowed to remit payments in U.S. dollars, Euros or Russian Rubles as specified in the respective framework agreements. For purchase orders denominated in U.S. dollars or Euros but settled in Russian Rubles, the amount of Russian Rubles received by us is calculated at the exchange rate on the delivery date. We primarily use and expect to use the Russian Rubles received from customers who settle in Russian Rubles to finance the operating costs of our Russian production facility. Our operating costs in Russia are largely paid in Russian Rubles. Our operations in Russia are partly financed by loans from Russian banks that are denominated in Russian Rubles and are payable in Russian Rubles. As of December 31, 2012, 2013 and 2014, loans from Russian banks amounted to nil, nil and RUB850 million (RMB93.9 million), respectively. In addition, we have in place prudent foreign currency and cash management practices. We have not entered into any speculative transactions involving the Russian Ruble and do not convert our foreign currencies into Russian Ruble until needed. Accordingly, the depreciation of the Russian Ruble has not had a negative impact on our operations and financial condition.

Customers' Demand for Products Manufactured in Russian Production Facilities

There has been no material decline in the amount or number of orders from our Russian customers during the period from December 31, 2014 to the Latest Practicable Date. In 2013, Russia relied on imports of automotive glass from manufacturers to meet approximately 27% of its domestic demand for automotive glass. Our production costs are lower as a result of the depreciation of Russian Rubles and our products will become more competitive even if we increase the selling prices. We believe that our products manufactured in Russia may replace the automotive glass imported. On this basis, our Directors believe that overall demand for our products in Russia will continue to be stable. If there is any fluctuation in orders from our Russia customers in the near future, we plan to use our Russian production facility to fulfill orders from customers in other European countries. Our Russian production facility has obtained the product certifications from Nissan, Volkswagen and General Motors. The estimated customers' demand for automotive glass manufactured in the Russian production facilities is 2.89 million sq.m. in 2015.

Our View and Our Investment in Russia

We made the decision to invest in Russia having regard to the medium to long-term growth prospect of the Russian economy, driven by its growing population (particularly a robust young population), access to abundant and relatively cheap natural resources and the Russian government's support for industrial and infrastructure development, and these factors have remain unchanged. Accordingly, we remain optimistic about the long-term outlook of the Russian economy and demand for automobile products in Russia, and does not have any current plan to materially change our investment in Russia. We incurred capital expenditures of RUB567.9 million (RMB117.0 million), RUB1,620.4 million (RMB300.2 million) and RUB677.0 million (RMB74.8 million), respectively, in respect of our Russian manufacturing

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facilities in 2012, 2013 and 2014. We expect to incur capital expenditures of RUB288.8 million (RMB31.9 million) in 2015. We are not subject to any penalty under the co-operation agreement with the Kaluga City government if we delay or reduce the amount of investment in Russia.

Monitoring Measures in Russia

Although, we do not expect the current situation in Russia to have any substantial and long-lasting impact on our investment in Russia, we have designated the general manager and the chief accountant of our Russian subsidiary to closely monitor the situation in Russia and report to our senior management. The general manager of our Russian subsidiary has worked with us since October 1996 and worked at the level of general manager in our Guangzhou subsidiary since September 2006. He is experienced in management, knowledgeable in the automotive glass industry and familiar with our corporate governance structure and internal report procedures. The chief accountant of our Russian subsidiary is a Russian and has worked on various accounting and financial positions in Russian enterprises since August 2001. He is experienced in accounting and financial management and familiar with the situation in Russia. The designated personnel is required to give a monthly report of the situation in Russian and report promptly if there is any material negative change in Russia. Our senior management will adopt appropriate measures in a timely manner to minimize our exposure to risks relating to Russia.

For the risks associated with our international expansion, see “Risk Factors – Our international operations present special challenges that we may not be able to meet, and this could adversely affect our financial results.”

COMPETITION

Both the global and domestic automotive glass markets are highly competitive. Customers typically rigorously evaluate suppliers. Factors affecting our competition include product quality, technical capabilities, product design, pricing, payment terms, delivery speed, customer services and brand reputation. With automotive glass being a safety component, there are high barriers to entry to the automotive glass market, including the competitive nature of the market, which is dominated by a few key manufacturers who have typically established long-term relationships with automobile manufacturers, the capital and technical capability required for research and development of new products, and limited access to relevant technology, which creates a competitive advantage for established manufacturers.

We are China’s No. 1 and the world’s No. 2 automotive glass manufacturer by 2013 sales volume, according to Roland Berger. We are the dominant market leader in China and the only company that specializes in automotive glass production among the world’s leading automotive glass manufacturers. In 2013, we enjoyed an approximately 63% share of China’s automotive glass market (excluding sales of imported automotive glass) by sales, an approximately 72% share of China’s passenger vehicle glass OEM market by sales and an approximately 20% share of the global automotive glass market by sales volume, according to Roland Berger. We believe that our domestic and international market leadership well positions us to capture the opportunities arising from the continual growth of the Chinese and global automotive glass industry.

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We principally compete with global automotive glass manufacturers, including Asahi Glass, NSG and Saint Gobain, who, along with us, had approximately 89% share of China's locally manufactured automotive glass market and 77% share of the global automotive glass market in 2013. Although we believe that our high operational efficiency enables us to offer more competitive prices to overseas customers, some of these global competitors have greater research and development resources, have achieved better name recognition for their products and technologies than we do in overseas market, and have established manufacturing network with more comprehensive geographic coverage.

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks and trade secrets, domain name registrations, as well as confidentiality undertakings of employees and third parties to protect our intellectual property rights.

As of December 31, 2014, we had 368 registered patents and 158 pending patent applications in China. As of the same date, we had 113 registered trademarks in China and 268 registered trademarks in other countries and regions. As of December 31, 2014, we had 97 pending trademark applications in 28 countries and regions. We do not believe there is material legal impediment to obtaining such pending patents and trademarks. We are the registered owner of the domain name, www.fuyaogroup.com.

Our contracts with employees and suppliers generally contain confidentiality provisions to protect our proprietary information and know-how. In addition, our research and development personnel have entered into confidentiality agreements acknowledging that all inventions, designs, trade secrets, works of authorship, developments and other processes generated by them during their employment are our property.

We also license intellectual property rights from third parties from time to time. For example, since 2006, we have licensed from Saint-Gobain Glass France technologies to implement specific seals on the periphery of automobile glazing, especially on windshields, as well as the technologies, products and know-how related to acoustic plastic interlayer required for manufacturing value-added products. In addition, in August 2014, we licensed from PPG certain proprietary processes and product technologies necessary to operate our manufacturing facility in Illinois, United States. In August 2014, we acquired the float glass manufacturing facility of PPG in Illinois, United States, and licensed from PPG certain proprietary processes and product technologies necessary for the operation of the acquired manufacturing facility. Under the license agreement, we will pay PPG royalty fees comprising (i) a one-time lump sum of US\$6.0 million, and (ii) an annual fee payable for 12 years equal to 1% of the net sale value of the float glass produced at the facility minus the relevant selling and distribution expenses and taxes and surcharges incurred by us each year.

We closely monitor industry developments and the new products and technologies of our competitors to identify potential infringement of our intellectual property rights. We grant access to information on our research projects only to a small number of employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any infringement of our intellectual property rights which had a material adverse effect on our business.

In addition to protecting our own intellectual property, our success also depends on our ability to minimize the risk that any of our products or operations infringes the intellectual property rights of others. In designing and developing our new products, our research and

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development team conducts patent searches to ensure that we do not infringe any existing patent owned by third parties. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any pending or threatened claims against us relating to our alleged infringement of intellectual property rights owned by third parties.

EMPLOYEES

As of December 31, 2012, 2013 and 2014 and the Latest Practicable Date, we had 17,871, 19,334, 21,157 and 21,155 employees, respectively. Our employees are based in China, Russia, the United States, Germany, Japan, South Korea and Hong Kong. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

<u>Function</u>	<u>Number of Employees</u>	<u>% of total</u>
Manufacturing	16,142	76.4%
Sales	276	1.3
Technology development	2,563	12.0
Finance and accounting	197	0.9
General administration	761	3.6
Others	1,216	5.7
Total	21,155	100.0%

We recruit employees primarily through campus recruiting, internal reference and the Internet. We hire overseas employees locally with the assistance of local recruitment agencies, and also transfer some of our employees overseas. We offer our employees competitive remuneration packages, which generally include base salary, performance-based bonus and allowances. We conduct annual review of our employees to provide them with feedbacks on their performance. We have implemented training programs for our employees in China and overseas to enhance their skill sets. We provide orientation and on-the-job training to our employees. Our orientation training covers subjects such as corporate culture and policies, work ethic, major products and production process, quality control and occupational safety. Our continuing on-the-job training covers technical know-how, environmental, health and safety management systems and mandatory training required by the applicable laws and regulations. We also provide management training for managers or potential manager candidates. We believe that these initiatives have contributed to increased employee productivity.

Our employment contracts generally have a term of three to five years. We participate in employee benefit plans mandated by the PRC government, including basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, unemployment insurance and housing provident fund scheme. We are required to make contributions to our employee benefit plans based on specified percentages of the total remuneration of our employees up to a maximum amount specified by local governmental authorities where we operate. We made contributions of RMB153.3 million, RMB201.7 million and RMB229.3 million to our employee benefit plans in 2012, 2013 and 2014, respectively.

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As of December 31, 2014, approximately 80.0% of our employees in China were represented by unions and work councils. We believe that we maintain good relationships with our employees. As of the Latest Practicable Date, there had been no labor dispute that materially and adversely affected our operations.

INSURANCE

As of the Latest Practicable Date, we maintained the following major insurance coverage:

Property insurance, covering physical loss or damage to our tangible assets, machines, facilities under construction, inventories and vehicles.

Business interruption insurance, covering our loss of profit in relation to float glass production suspension.

Credit insurance, covering our loss for unrecovered accounts receivables arising from domestic and overseas sales.

Product liability insurance, covering personal injury and property damage arising from the use of our exported products, as well as our losses accrued for recalled products with safety defects.

Third party liability insurance, covering personal injury and property damage to our employees or third parties in relation to our business operation.

Cargo transportation insurance, covering losses arising from the transportation of our products, equipment, float glass and accessories.

Product recall insurance, covering all expenses related to our recall of products sold in overseas countries.

We also carry pension, medical, unemployment, occupational injury and maternity insurance for our employees in compliance with applicable PRC laws and regulations. We generally renew our insurance policies on an annual basis. We do not maintain business interruption insurance or key-man insurance. We consider our current insurance coverage to be adequate and in line with the industry practice. As our business expands, we will continue to regularly review and assess our risk portfolio and adjust our insurance practice based on our needs and industry practice.

ENVIRONMENTAL MATTERS

We are subject to a broad range of environmental laws and regulations in countries in which we operate, including those governing air emissions, water discharges, noise control and the management and disposal of hazardous substances and waste.

The major pollutants of our manufacturing processes include air emissions, waste water, dust, noise and solid waste, which are generated in compliance with all applicable environmental laws, regulations and standards during the Track Record Period and up to the

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Latest Practicable Date. We have implemented comprehensive environmental protection measures to minimize the impact of our production processes on the environment, including (i) installation of fluorodenitration equipment, (ii) replacement of heavy oil with natural gas in float glass production, (iii) installation of water recycle system for cyclical use of water in our production process, (iv) use of walls and acoustic materials to reduce noise and (v) engagement of qualified third parties to dispose of solid waste. In addition, we conduct environmental monitoring of our manufacturing facilities under the supervision of the environmental protection authorities. We also engage qualified third parties to conduct environmental impact assessment prior to the construction of our production facilities. We have obtained ISO14001 certification for our environmental management systems.

Glass manufacturers in the United States are subject to existing and evolving standards relating to protection of the environment. Environmental laws and regulations control, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of hazardous and non-hazardous wastes, the investigation and remediation of soil and groundwater affected by hazardous substances, and regulate various health and safety matters. In connection with our manufacturing investments and operations in the United States, we intend to operate in an environmentally sound manner and to develop a compliance program that will facilitate our compliance with applicable environmental laws and regulations. We will implement comprehensive environmental protection measures, including (i) using natural gas in float glass production, (ii) recycling the water used in our production process, (iii) using walls and acoustic materials to reduce noise and (iv) engaging qualified third parties to dispose of solid waste. We engaged qualified external experts to advise on environmental protection matters for the construction of our U.S. production facility, and plan to provide relevant training to employees from time to time after commencement of production at the facility.

In 2012, 2013 and 2014, we incurred environmental expenses of RMB4.7 million, RMB15.7 million and RMB20.5 million, respectively. In addition, we invest in the maintenance, construction and upgrades of environmental protection facilities from time and time. For example, we invested RMB45.6 million and RMB59.2 million in installing desulfurization and denitrification facilities in 2013 and 2014, respectively. Such investments were capitalized in our financial statements in accordance with our accounting policies. As of the Latest Practicable Date, we were not subject to any material environmental claims, lawsuits, penalties or disciplinary actions.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

We are required to comply with work safety laws and regulations imposed by the government authorities in China and other countries in which we operate. We have implemented various occupational health and safety procedures to maintain a safe work environment, including (i) providing guidelines for operational and safety control procedures to all employees, (ii) adopting protective measures at our production facilities, (iii) inspecting our equipment and facilities regularly to identify and eliminate safety hazard and (iv) regular training to our employees on safety awareness. We have established a work safety committee

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to monitor and ensure the effective implementation of our health and safety procedures. We have established safety management departments at our Russian and U.S. subsidiaries, which establish and monitor the implementation of safety management system at our manufacturing facilities in Russia and the United States. We have also designated personnel in charge of safety management at our Russian and U.S. manufacturing facilities. We have obtained GB/T28001 certification for our work safety management system. As our business expands, we will continue to regularly review our occupational health and safety procedures to ensure they comply with industry customary practices and applicable legal standards.

As of the Latest Practicable Date, we had not encountered any material unplanned outages due to health and safety issues, nor had we received any material health and safety related claim from any existing or former employees for any accident occurred during the Track Record Period and up to the Latest Practicable Date.

CORPORATE SOCIAL RESPONSIBILITY

Our commitment to social responsibility is an integral part of our corporate culture and values. As we solidify our leadership in China and move into new markets, we are convinced that our values and heritage will be fundamental to our continuing success.

We believe our founder, Mr. Cho Tak Wong, is an exemplary role model of a successful businessman who gives back to his community while creating a successful business. As a firm believer in giving back to the community, Mr. Cho has donated more than RMB5 billion in cash and stock to numerous charitable, educational, cultural and social initiatives. In 2011, Mr. Cho and his family members donated 300 million A Shares in our Company to the Heren Charitable Foundation through his controlled entities, Sanyi and Yaohua. In recognition of his charitable efforts, he was awarded the “China Charity Award – the Most Charitable Individual” by the PRC Ministry of Civil Affairs for five consecutive years from 2008 to 2013. Mr. Cho was also the first Chinese businessman to be awarded “Entrepreneur of the Year” by Ernst & Young in 2009.

In February 2014, we published our sixth corporate social responsibility report, testifying to our commitment to being an outstanding corporate citizen in all aspects of our business.

We focus our social responsibility initiatives on the following areas:

Product safety and quality. The safety and quality of our products are consistently at the core of our operations. We carefully monitor and rigorously enforce our high standards for product quality, performance and safety.

Employee health, safety and well-being. We have a people-oriented corporate culture. We are committed to continually improving working conditions in our operations to provide a safe and healthy workplace for our employees. We encourage growth and development of employees by providing them career development opportunities and a wide selection of training courses to enhance their skill sets. In 2012, we were awarded the “Best Employer” by Zhilian Zhaopin, a well-known online recruiting agency in China.

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Environmental protection and sustainability. We are committed to minimizing the environmental impact of our operations. Our environmental initiatives include increasing the use of clean energy, improving energy consumption efficiency, lowering chemical emissions, reducing waste and increasing recycling rate.

Philanthropy. Under the leadership of Mr. Cho, we are an active contributor to educational initiatives. In addition to providing training to our employees, we also actively financially support educational endeavors. We donate bursaries and tuition grants to local schools annually, and also established bursaries for middle-school and college freshmen from poor villagers.

PROPERTIES

We occupy certain properties in China and overseas in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our offices, factories, warehouses and employee dormitories. Since no single property has a carrying amount of 15% or more of our total assets, our Directors are of the view that this prospectus is exempt from compliance with requirements of Chapter 5 of the Listing Rules and section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, both of which require a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As of the Latest Practicable Date, we owned and occupied 40 parcels of land with a total site area of approximately 4,395,759.6 sq.m. in China, one parcel of land with a total site area of approximately 129,986.0 sq.m. in Russia and two parcels of land with a total site area of approximately 446.6 acres in the United States. We have obtained the land use right certificates for all of these properties except for a parcel of land with a total site area of approximately 59,221.25 sq.m. in Fujian for which we are in the process of applying for the land use right. We have paid all the land premiums for the parcel of land in Fujian. According to Fujian Zenith Law Firm, our PRC legal advisers, there is no legal impediment for us to obtain the land use right certificate. We primarily use these properties for offices, production facilities, ancillary facilities and dormitories for our employees. The competent local government authorities allocated the land use rights of two parcels of land with a total area of 288.4 sq.m. in Fujian, China to us, which accounted for 0.01% of the total land area of land use rights we owned in China. Obtaining of land use rights through allocation did not comply with the applicable PRC land laws as the land use rights for land used for business operation and construction must be obtained through land use rights transfer. According to Fujian Zenith Law Firm, our PRC legal advisers, as the non-compliance was due to historical reasons and we have obtained the state-owned land use rights certificates for these two parcels of land, the non-compliance does not affect our use of the land and will not cause any penalty to us. If local government authorities require us to rectify such defect of land use rights in future, we will go through the land use right transfer procedures and pay the land use right transfer fees of up to RMB1.5 million to ensure the obtaining and usage of such land use rights comply with the applicable laws. If the defect of such land use rights cannot be rectified and relevant local government

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authorities require us to relocate, we will disposal of such land use rights and properties and relocate our facilities as required. We purchased the parcel of land in Russia from Kaluga Region Development Corporation OJSC, or KRKO, in July 2012. The land was pledged to KRKO, and we are required to obtain the consent of KRKO before transferring, selling, leasing, mortgaging or otherwise disposing of the land.

As of the Latest Practicable Date, we owned 113 buildings and office units in China with a total gross floor area of approximately 1,816,998.2 sq.m., one office unit in Hong Kong with a total gross floor area of approximately 239.2 sq.m., one building in Russia with a total gross floor area of approximately 82,051.3 sq.m. and several buildings in the United States with a total gross floor area of approximately 2,992,772.0 square feet. We primarily use these properties for operational and office purposes. We have obtained the title certificates for 109 buildings and office units in China with a total gross floor area of approximately 1,428,481.43 sq.m., and have obtained the title certificates for all our buildings and office units in Hong Kong, Russia and the United States. We are in the process of applying for the building ownership certificates to four buildings in China with a total gross floor area approximately 388,516.7 sq.m., which accounted for 21.4% of the total gross floor area of our owned buildings and office units in China. We primarily use these four buildings for operational purposes. As of the Latest Practicable Date, our applications are being reviewed by the competent local government in ordinary course. We commenced the construction of one of the four buildings without obtaining the required construction works-planning permit and construction permit. We paid a penalty of RMB5.3 million imposed by the local government authorities in 2014 and have obtained the construction works planning permit. We are in the process of applying for the construction permit for this building. Zenith Law Firm, our PRC legal advisers, has advised us that we will not be required to relocate from the building due to our failure to obtain the construction permit as we have obtained the construction works planning permit for this building. Fujian Zenith Law Firm, our PRC legal advisers, is of the view that there is no material legal impediment for us to obtain the title certificates for the four buildings if the necessary procedural requirements are satisfied. Our Directors are of the view that the absence of the relevant title certificates will not result in any disputes which would have a material adverse effect on our operations, as such properties represent only an insignificant portion of the total value of our owned properties.

Our Directors confirm that except for the restrictions that our properties in Russia are subject to as disclosed above, none of the properties held by us has any material encumbrances, environmental issues, litigation, breaches or defects.

Leased Properties

As of the Latest Practicable Date, we leased one parcel of land with a total site area of approximately 337.3 sq.m. in South Korea, four buildings and office units with a total gross floor area of approximately 131,517.4 sq.m. in China and seven buildings and office units with a total gross floor area of approximately 26,830.2 sq.m. in Germany, Japan, South Korea and the United States. We primarily lease these properties for office and business purposes. All of these properties were leased from lessors who were able to provide valid title certificates. Our Directors confirm that we are using these leased properties in accordance with the permitted usages under the relevant lease agreements.

RISK MANAGEMENT AND INTERNAL CONTROL

We believe that effective risk management and internal control is critical to our success. We have established comprehensive risk management and internal control processes through which we monitor, evaluate and manage the risks that we are exposed to in our business activities.

Our risk management and internal control policies cover all aspects of our operations, including, among others:

- management of raw materials procurement;
- inventory management and cost measurement;
- quality control;
- sales management;
- management of research and development;
- human resource management;
- budget control;
- capital management;
- financing and investment management;
- financial reporting management;
- information system management;
- information disclosure;
- corporate governance;
- internal audit;
- corporate social responsibility; and
- corporate culture.

The audit committee of our Board of Directors monitors and evaluates the implementation of our risk management and internal control policies and procedures. Our department managers are responsible for implementing our risk management and internal control policies and procedures at the operational level. We have established an internal audit department under our

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Board of Directors to coordinate the formulation and implementation of risk management policies, and to evaluate the effectiveness of our risk management policies and procedures. The internal audit department is led by Ms. Xue Xiumin, who has nearly 20 years of experience in financial accounting and has obtained the CERM issued by IAP. Our internal audit department conducts routine and ad hoc inspections on us and our subsidiaries in respect of the establishment and implantation of risk management and internal control system, and has the authority to report material internal control deficiencies identified from such inspections directly to our Board of Directors, audit committee and Supervisory Board.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, we were not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operations.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable laws and regulations in China and other jurisdictions in which we operate in all material aspects, and that we had obtained all permits, licenses, qualifications, authorizations and approvals material to our business operations. In addition, we have implemented robust internal control policies and procedures to ensure the on-going compliance with applicable laws and regulations by our company, our Directors and our senior management.

SANCTIONS RISKS IN RELATION TO OUR OPERATIONS IN RUSSIA

The United States first imposed sanctions in response to the situation in Ukraine in March 2014, followed by other countries or groups of countries (i.e., the European Union). These sanctions target specified Russian and Ukrainian persons and entities (and entities that are at least 50% owned, directly or indirectly, by them) and prohibit certain activities in or related to the Crimea region. Additional sanctions relate to the provision of goods and services related to aspects of the Russian petroleum and defense industries, and dealings in the debt and equity of and the extension of credit to certain Russian entities.

Generally, the sanctions restrict the activities of persons or entities required to comply with them. For example, the U.S. sanctions generally only apply to U.S. citizens or permanent residents, persons physically in the United States, activities that take place inside the United States, entities organized under U.S. law, and certain transactions involving U.S.-origin products or technology. The E.U. sanctions, on the other hand, generally apply within the territory of the European Union, on board aircraft and vessels under the jurisdiction of an E.U. Member State, to nationals of and legal persons, entities and bodies incorporated or constituted under the laws of an E.U. Member State, as well as to any natural person or legal person, entity or body (of any nationality) in respect of business done in whole or in part within the European Union.

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Based on the advice from our legal adviser, we believe that as a company incorporated in the PRC, our operations outside the United States and the European Union are generally not subject to the jurisdiction of these U.S. and E.U. sanctions.

Our sales to Russia have been exclusively made by our Chinese subsidiaries and a Russian subsidiary. Even if the sanctions were to apply to us, we believe we have not violated the sanctions because we have not sold any products into Crimea/Sevastopol or to any parties in Russia/Ukraine whose names appear on the U.S. or E.U. sanctions lists.

Based on the advice from our legal adviser, we do not believe that our sales activities are likely to present material sanctions risks as the U.S. and E.U. sanctions are currently constituted for our shareholders or potential investors merely as a result of holding shares in or investing in our Company, or for the Hong Kong Stock Exchange, the Hong Kong Securities Clearing Company Limited and the HKSCC Nominees Limited merely as a result of listing shares in our Company or providing services in relation to such listing. There can be no assurances, however, that U.S. or E.U. sanctions enforcement agencies would not take a different view in the future, and the relevant agencies retain substantial discretion in the interpretation and enforcement of sanctions.

Our subsidiaries incorporated in the U.S. or in the E.U. are required to comply with the relevant sanction laws in force from time to time in the relevant jurisdictions. In this connection, we confirm that neither our U.S. nor German subsidiaries have sold and we have no present intention for our U.S. or German subsidiaries to sell products to Russian customers, or into Crimea/Sevastopol.

To identify and monitor our exposure to risks associated with U.S. or E.U. sanctions that target Russian/Ukrainian persons and entities, we will adopt the following measures:

- (a) intake of new businesses or clients will be pre-screened by our designated personnel who have received training in U.S. and E.U. sanctions. Such personnel will also ensure our products will not be directly sold to countries that are subject to comprehensive sanctions by the U.S. or E.U. or Russian/Ukrainian persons or entities that are subject to U.S. or E.U. sanctions, or into Crimea/Sevastopol;
- (b) new product sales contracts entered into with customers will include a representation that such customer is not a target of any U.S. or E.U. sanctions;
- (c) training programs relating to sanctions laws will be provided to our Directors, senior management, legal department and other relevant personnel to assist them in evaluating and managing sanctions risks that our Group may encounter in our operations; and
- (d) upon identifying material risks relating to sanctions in our operations, we will seek appropriate advice from reputable external legal advisers.

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Other countries, such as Australia and Canada, have also imposed sanctions targeted at Russian/Ukrainian persons and entities. As of the Latest Practicable Date, we did not have subsidiaries incorporated in or production facilities in these countries, and we did not sell to Russia from these countries. If our operations expand into these countries in the future, we will adopt measures to identify and monitor our exposure to risks associated with sanctions laws of these countries as and when appropriate.

We undertake to the Hong Kong Stock Exchange that we will not knowingly, use the proceeds from the Global Offering, as well as any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, any projects or businesses in the Sanctioned Countries. If we were in breach of such undertaking to the Hong Kong Stock Exchange, we risk the possible delisting of our H Shares on the Hong Kong Stock Exchange.

During the Track Record Period, our total sales to OEM and ARG customers in Russia contributed less than 1% of our total revenue.

CONNECTED TRANSACTION

OVERVIEW

Upon the Listing, transactions between our connected persons and us will constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under IFRS. Accordingly, connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules, differ from the significant related party transactions set out in Note 38 to “Appendix I – Accountant’s Report”.

CONTINUING CONNECTED TRANSACTION

As of the Latest Practicable Date, the following continuing connected transaction had been entered into between our Company and the relevant connected persons and their respective associates, and this continuing connected transaction is expected to continue after the Listing:

Continuing Connected Transaction Exempt from Independent Shareholders’ Approval Requirements

<u>Transaction</u>	<u>Our Group member</u>	<u>Connected person(s)</u>	<u>Nature of relationship</u>	<u>Waiver sought</u>	<u>Historical amounts</u>	<u>Annual caps</u>
1. Properties leased to the Company by Yaohua	The Company	Yaohua	Yaohua is 100% indirectly owned by our Chairman Mr. Cho Tak Wong and his spouse, Ms. Chan Fung Ying, and therefore, is an associate of Mr. Cho Tak Wong and his son Mr. Tso Fai, who is a Director and the President of our Company	Waiver from compliance with the announcement requirement under Rule 14A.35	For the three years ended December 31, 2012, 2013 and 2014, the total rent paid by us amounted to approximately RMB13.1 million, RMB17.3 million and RMB17.3 million, respectively	For the year ending December 31, 2015, the annual cap is approximately RMB17.5 million

CONNECTED TRANSACTION

Properties Leased to the Company by Yaohua

Material terms

On November 19, 2012, we and Yaohua entered into a lease agreement, pursuant to which we leased from Yaohua properties with a total area of 131,517.36 sq.m. located at Districts I and II of Fuyao Industrial Village, Fuqing City, Fujian Province, of which 126,587.36 sq.m. were used as staff dormitory and for administrative ancillary uses and 4,930 sq.m. were used by us as a warehouse for raw materials and finished products. The term of the lease is three years from January 1, 2013 to December 31, 2015.

During the term of the lease, Yaohua is responsible for insuring and maintaining the exteriors of the leased properties, while we are responsible for renovating and maintaining the interiors of the leased properties and the costs of utilities.

Rent is payable paid at a fixed monthly rate of approximately RMB1.4 million on a monthly basis. The Company may renew the lease by giving notice to Yaohua 30 days prior to the expiry date to negotiate the renewal with Yaohua. The Company has priority over a third party to lease the properties on the same terms.

Historical transaction amounts

The aggregate annual rent paid by us to Yaohua for the three financial years ended December 31, 2012, 2013 and 2014 were approximately RMB13.1 million, RMB17.3 million and RMB17.3 million, respectively. The increase of annual rent from 2013 reflected the trend of rental increase in the local market, which was in line with the then prevailing market rates or no less favorable to us than that available to Independent Third Parties when the lease agreement was signed in late 2012.

Annual cap and basis

The aggregate rent payable by us to Yaohua for the year ending December 31, 2015 will not exceed RMB17.5 million. The annual caps are determined based on the rent stated to be payable by us to Yaohua under the lease.

Implication under the Hong Kong Listing Rules

Because the rent payable by us is in line with prevailing market rates or no less favorable to us than that available to Independent Third Parties, and the lease was entered into in the ordinary course of our business, our Directors (including the independent non-executive Directors) believe that the lease was entered into on normal commercial terms, and is fair and reasonable and in the interests of the Shareholders as a whole.

CONNECTED TRANSACTION

As one or more of the applicable ratios in respect of the annual caps are more than 0.1% but less than 5% on an annual basis, the lease agreement is a transaction subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

CONFIRMATIONS

Directors' Confirmation

Our Directors (including the independent non-executive Directors) confirmed that the lease agreement has been entered into in our ordinary and usual course of business, on normal commercial terms/on terms no less favorable to us than terms available to Independent Third Parties, and is fair and reasonable and in the interests of our Shareholders as a whole. Our Directors (including the independent non-executive Directors) also confirmed that the proposed annual caps in respect of the continuing connected transaction pursuant to the lease agreement are fair and reasonable and in the interests of our Shareholders as a whole.

Joint Sponsors' Confirmation

The Joint Sponsors are of the view that (i) the non-exempted continuing connected transaction pursuant to the lease agreement has been entered into in our ordinary and usual course of business, on normal commercial terms/on terms no less favorable to us than terms available to Independent Third Parties, is fair and reasonable and in the interests of our Shareholders as a whole, and (ii) the proposed annual caps for the non-exempted continuing connected transaction are fair and reasonable and in the interests of our Shareholders as a whole.

WAIVER FROM THE HONG KONG STOCK EXCHANGE

On the basis of the above, we have applied to the Hong Kong Stock Exchange for a waiver pursuant to Rule 14A.105 of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the announcement requirements in respect of the continuing connected transaction under the lease agreement.

If any of the material terms of the continuing connected transaction referred to above are altered, or if we entered into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration paid or payable by us exceed the limits for exempt connected transactions or exempt continuing connected transactions referred to in the Hong Kong Listing Rules, we will comply with the relevant requirements of the Hong Kong Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of nine Directors, of whom four are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The Directors were appointed by our Shareholders for a term of three years, and may be appointed for consecutive terms.

Our Supervisory Board currently consists of three Supervisors. Among which, two Supervisors were appointed by our Shareholders and one Supervisor was elected by our workers' congress for a term of three years, and may be appointed for consecutive terms.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information regarding our Directors, Supervisors and our senior management:

Directors

Name	Age	Position	Date of Joining the Group	Appointment Date	Responsibilities
<i>Executive Directors</i>					
Mr. Cho Tak Wong ^(1 and 2) (曹德旺)	68	Executive Director and Chairman of the Board, chairman of the strategy and development committee and member of the nomination committee	June 21, 1987	November 27, 2014	Overseeing overall development, strategic development and investment plans
Mr. Tso Fai ^(1 and 2) (曹暉)	44	Executive Director, president and member of the nomination committee and strategy and development committee	November 1, 1989	November 27, 2014	Managing overall business operations
Mr. Bai Zhaohua (白照華)	63	Executive Director and vice president	November 1, 1995	November 27, 2014	Managing production, facilities, technology, research and development
Mr. Chen Xiangming (陳向明)	44	Executive Director, Joint Company Secretary and Board Secretary	February 1, 1994	November 27, 2014	Managing financing, accounting and investor relations

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining the Group	Appointment Date	Responsibilities
<i>Non-executive</i>					
<i>Directors</i>					
Mr. Wu Shinong (吳世農)	58	Non-executive Director	April 23, 2000	November 27, 2014	Overseeing business operations
Ms. Zhu Dezhen (朱德貞)	56	Non-executive Director and member of the audit committee	November 24, 2011	November 27, 2014	Overseeing business operations
<i>Independent</i>					
<i>Non-executive</i>					
<i>Directors</i>					
Ms. Cheng Yan (程雁)	51	Independent non-executive Director, chairman of the nomination committee and member of the audit committee and strategy and development committee	November 24, 2011	November 27, 2014	Overseeing business operations and various matters of the committees of the Board
Ms. Liu Xiaozhi (劉小稚)	59	Independent non-executive Director, chairman of the remuneration committee and member of the nomination committee	October 11, 2013 ⁽³⁾	November 27, 2014	Overseeing business operations and various matters of the committees of the Board
Mr. Wu Yuhui (吳育輝)	36	Independent non-executive Director, chairman of the audit committee and member of the remuneration and assessment committee	October 11, 2013	November 27, 2014	Overseeing business operations and various matters of the committees of the Board

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Joining the Group	Appointment Date	Responsibilities
Supervisors					
Mr. Lin Houtan (林厚潭)	78	Chairman of the Supervisory Board	January 1, 1991	November 27, 2014	Supervising Directors and senior managers in discharging their responsibilities and reviewing financial statements
Mr. Chen Mingsen (陳明森)	67	Supervisor	March 10, 2015	March 10, 2015	Supervising Directors and senior managers in discharging their responsibilities and reviewing financial statements
Mr. Ni Shiyou (倪時佑)	69	Supervisor	March 10, 2015	March 10, 2015	Supervising Directors and senior managers in discharging their responsibilities and reviewing financial statements
Senior Management					
Mr. He Shimeng ⁽²⁾ (何世猛)	57	Vice president	July 1, 1988	November 27, 2014	Managing production and operations of float glass
Mr. Chen Juli (陳居里)	48	Vice president	July 22, 1989	November 27, 2014	Managing marketing and sales of ARG
Mr. Chen Jicheng (陳繼程)	43	Vice president	October 8, 2003	November 27, 2014	Managing marketing and sales of automotive glass parts
Mr. Zuo Min (左敏)	48	Chief Financial Officer	November 29, 2014 ⁽⁴⁾	November 27, 2014	Managing financing and accounting

(1) Mr. Cho Tak Wong is the father of Mr. Tso Fai.

(2) Mr. He Shimeng is the brother-in-law of Mr. Cho Tak Wong and the uncle of Mr. Tso Fai.

(3) Ms. Liu Xiaozhi was our president, Director and vice chairman from November 2005 to September 2006.

(4) Mr. Zuo Min took on various positions in our Company from July 1989 to January 2003 and from December 2007 to March 2008.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Cho Tak Wong (曹德旺) has served as our executive Director and Chairman of the Board since August 1999. He is also one of our major founders, operators and investors. Mr. Cho Tak Wong currently also serves as a director of a majority of our subsidiaries and several positions in many organizations, including as a member of the National Committee of the 12th Chinese People's Political Consultative Conference, an executive vice president of the China Overseas Chinese Entrepreneurs Association, a vice president of the China Society for Promotion of the Guangcai Program, a vice president of the Fujian Province Enterprise and Entrepreneurs Association and an honorary president of the Fujian Charity Federation. He also serves as director of Sanyi, Home Bridge and Trade Commerce Limited. Mr. Cho was our managing Director from December 1994 to August 1999, our vice chairman from May 1988 to December 1994 and our president from June 1987 to September 2003. He worked at Fuqing County Gaoshan Special Shaped Glass Factory, a company primarily engaged in glass manufacturing business, from 1976 to June 1987.

Mr. Tso Fai (曹暉) has served as our executive Director since August 1998 and our president since September 2006. He is also a director of a majority of our subsidiaries and serves several positions in many organizations, including as a member of the Fujian Province Committee of the 11th Chinese People's Political Consultative Conference, a vice president of the Youth Committee of the China Overseas Chinese Entrepreneurs Association, a vice president of the Chamber of Commerce of the Fujian Industry and Commerce Association, a vice president of the China Society for Promotion of the Guangcai Program and an honorary vice president of the Fujian Red Cross. Mr. Tso currently also works as a director of Yaohua, Chopline Limited and Trade Commerce Limited. Mr. Tso served as president of Fuyao North America Inc. from August 2001 to December 2009; general manager of Greenville Glass Industries Inc., a member of our Company engaged in glass trading which was subsequently deregistered, from January 2001 to December 2009, and its chief financial officer from July 1996 to December 2000; president of Fuyao Hong Kong from March 1994 to June 1996 and president of Sanyi from June 1992 to February 1994. He joined us in November 1989. Mr. Tso received a master's degree in business administration from Baker College in the United States in December 2005. Mr. Tso obtained the qualification of senior economist as approved by Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012. Mr. Tso Fai is the son of Mr. Cho Tak Wong.

Mr. Bai Zhaohua (白照華) has served as our executive Director since December 2006 and vice president since August 1999. He currently also serves as a director of a majority of our subsidiaries. Mr. Bai joined us in November 1995, and was previously our Director from August 1999 to July 2001. Mr. Bai served as president of Fujian Yaohua Automotive Parts Co., Ltd. from June 1998 to August 1999, vice president of Fujian Wanda from December 1996 to June 1998 and factory director of the laminated glass factory of Fujian Wanda from November 1995 to December 1996.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Xiangming (陳向明) has served as our executive Director since February 2003, Board Secretary since October 2012 and Joint Company Secretary since October 30, 2014. He currently also serves as a director of a majority of our subsidiaries. He served as the manager of our accounting department from February 2002 to December 2002. He was our Chief Financial Officer from August 1999 to January 2002 and from January 2003 to November 2014. Prior to that, Mr. Chen was the manager of our finance department from October 1994 to June 1998. He joined us in February 1994. Mr. Chen graduated from Nanjing Forestry University in June 1991 with a college diploma in finance and accounting, and received a certificate of the comprehensive national uniform examination for staff of equivalent academic attainments to apply for a master's degree in business administration from Fujian Province Degree Committee in June 1999. Mr. Chen obtained the qualification as an accountant as approved by the Ministry of Personnel of the PRC in December 1996 and the qualification as a senior economist as approved by the Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012.

Non-executive Directors

Mr. Wu Shinong (吳世農) has served as our non-executive Director since December 2005. He joined us as an independent non-executive Director from April 2000 to December 2005. Mr. Wu is member and convener of the MBA Review Group of the Academic Degrees Committee of the State Council and council member of Heren Charitable Foundation. He is also an independent director of Xiamen Xiangyu Co., Ltd., a company listed on the Shanghai Stock Exchange, Midea Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, and Xiamen City Commercial Bank Co., Ltd. Mr. Wu served as the vice principal of Xiamen University from December 2001 to November 2012. He served in School of Management of Xiamen University from September 1999 to April 2003 with his last role as Dean. Mr. Wu served as Dean of School of Business Administration of Xiamen University from May 1996 to September 1999, a Fulbright visiting professor in Stanford University from September 1994 to July 1995 and a director of the MBA Center of Xiamen University from May 1991 to April 1996. Mr. Wu received a master's degree in business administration from Dalhousie University in Canada in May 1986 and a doctorate in economics from Xiamen University in December 1992.

Ms. Zhu Dezhen (朱德貞) has served as our non-executive Director since she joined us in November 2011. She currently also serves as a director of Heren Charitable Foundation, president of Shanghai Guohe Modern Service Industry Equity Investment and Management Co., Ltd., a consultant of the Investment Banking Committee of Securities Association of China, a director of the Chinese Economists 50 Forum and a director of the Western Returned Scholars Association. Ms. Zhu worked as chief investment officer and president of the private banking department in China Minsheng Banking Corp., Ltd., a PRC commercial bank, from July 2008 to December 2010 and president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), a company primarily engaged in investment banking, securities investment consultation and stock brokerage services, from June 2003 to May 2008. Ms. Zhu received a bachelor's degree in literature from Xiamen University in May 1982, a master's degree in business administration from Pace University in the United States in June 1992 and a doctorate in economics from Xiamen University in September 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Ms. Cheng Yan (程雁) has served as our independent non-executive Director since she joined us in November 2011. She has served as managing director, executive head of the global customer center and vice chairman of the investment banking division of BOCI Holdings Limited since January 2014 and deputy director of the economic committee of the China Democratic League Central Committee since January 2012. During the period from March 2006 to December 2013, Ms. Cheng worked for BOCI Asia Limited, a subsidiary of the Bank of China Limited specializing in investment banking and held the positions of managing director, vice chairman of the investment banking division and the global high-end customers/market department from January 2013 to December 2013, the positions of managing director, supervisor of natural resources division and vice chairman of the investment banking division from April 2008 to December 2012, and the positions of executive director of the investment banking division and mining and resources supervisor of BOCI Asia Limited from March 2006 to March 2008. Ms. Cheng was chief representative of the Beijing office of South China Brokerage Co., Ltd. (currently known as South China Financial Holdings Limited), a company specializing in finance and investment, from April 2004 to April 2005, vice president of the strategic investment department of Hong Kong Golden Concord Power Investment Group, a company primarily engaged in energy business from August 2003 to April 2004, director and vice president of Shenzhen Jinling Investment Co., Ltd., a company primarily engaged in the businesses of investment consultancy, financial advisory and technical development services and import and export trading, from August 2001 to July 2003, and vice president of Qinghai Qingtai Trust Investment Co., Ltd. (now known as Minmetals International Trust Co., Ltd.), a non-banking company approved by the People's Bank of China which specializes in commercial trusts and investments from January 1999 to August 2001. Ms. Cheng received a bachelor's degree in economics from Anhui Institute of Finance and Economics in December 1993 and an executive master degree of business administration from Peking University in January 2005.

Ms. Liu Xiaozhi (劉小稚) has served as our independent non-executive Director since October 2013 and was our president, Director and vice chairman from November 2005 to September 2006. She worked for Neotek China, a manufacturer of brake components and other automobile parts, as chairman and president from January 2008 to February 2012 and chief executive officer from September 2006 to December 2007. Ms. Liu is the founder of and has served as president of ASL Automobile Science & Technology (Shanghai) Co., Ltd., a company that focuses on the development of advanced automobile technology in China, since June 2009. She has also served as an independent non-executive director of Autoliv Inc., an automobile safety equipment manufacturer, since November 2011. Prior to joining us, Ms. Liu worked for General Motors Group, a top global automobile manufacturer, including the positions of chief officer of the electronic, control and software integration department of General Motors U.S.A. from March 2004 to September 2005 and president of General Motors Taiwan from March 2001 to March 2004. Ms. Liu graduated with a bachelor's degree from the Faculty of Information and Control Engineering of Xi'an Jiaotong University in January 1982 majoring in radio technology. She graduated from University of Erlangen in Germany with a master's degree in engineering in August 1988, followed by a doctorate in engineering in July 1992.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu Yuhui (吳育輝) has served as our independent non-executive Director since he joined us in October 2013. Mr. Wu currently serves as an associate professor in finance, a PHD supervisor and the deputy director of the EDP Centre of the School of Management of Xiamen University. Currently, he also serves as an independent director of YOUZU Interactive Co., Ltd. (formerly known as Susino Umbrella Co., Ltd., a company listed on the Shenzhen Stock Exchange), as well as of Holitech Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Shenzhen Sunlord Electronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and Autel Intelligent Technology Co., Ltd. Prior to joining us, Mr. Wu served as an assistant professor in the Finance Department of the School of Management of Xiamen University from September 2010 to September 2011 and a senior staff member of the accounting and finance department of the People's Bank of China Shenzhen Center Branch from July 2004 to August 2007. Mr. Wu graduated from Xiamen University majoring in accounting with a bachelor's degree in management in July 2001 and received a master's degree and a doctorate in management from Xiamen University in July 2004 and in September 2010, respectively. Mr. Wu obtained the qualification of non-practicing certified public accountant in China as approved by the Shenzhen Institute of Certified Public Accountants in December 2009.

Supervisors

Mr. Lin Houtan (林厚潭) has been the chairman of our Supervisory Board since January 1994. He joined us in January 1991 and was our executive Director until December 1993. Prior to joining us, Mr. Lin served as a vice president of Fuqing City Chinese People's Political Consultative Committee from March 1988 to October 1989, president of Overseas Chinese Hometown Construction Investment Co., Ltd. from December 1986 to June 1997, a director of the Spiritual Civilization Office of Fuqing Municipal Committee from August 1984 to December 1986 and a committee secretary of Chinese Communist Party Fuqing County Chengguan Town from May 1980 to August 1984. Mr. Lin studied at the Air Force Radar Institute in the PRC from 1958 to March 1961, majoring in radar weaponry.

Mr. Chen Mingsen (陳明森) has served as our Supervisor since he joined us in March 2015. Mr. Chen has been an adjunct professor of the School of Economics and Finance of HuaQiao University since November 2005, as well as of the School of Economics and Management of Fuzhou University since May 1995. He has also been the dean of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School since May 2005, a consultant of the Fujian Provincial People's Government since March 2000 and the president of the Fujian Province Institute of Economic Researches on Securities since June 1998. He is also an independent director of Fujian Sanmu Group Co., Ltd., a company listed on the Shenzhen Stock Exchange, and Guomai Technologies, Inc., a company listed on the Shenzhen Stock Exchange. Mr. Chen received a master's degree in economics from Fujian Normal University in December 1981.

Mr. Ni Shiyong (倪時佑) has served as our Supervisor since he joined us in March 2015. Prior to his current position, Mr. Ni worked for the Agricultural Development Bank of China Fujian Branch as the general manager of the operations department from August 1998 to November 2007. Mr. Ni graduated from the Fujian Bank School in July 1988 with a finance professional diploma.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Other Information Required Under Rule 13.51(2) of the Listing Rules

From around 1997, with a view to simplify the business structure of our Group, we began to dissolve certain of our branch companies, including Fuyao Glass Industry Group Co., Ltd. Fuzhou Branch Company (福耀玻璃工業集團股份有限公司福州分公司) (“**Fuyao Fuzhou Branch**”) and Fuyao Glass Industry Group Co., Ltd. Hainan Branch Company (福耀玻璃工業集團股份有限公司海南分公司) (“**Fuyao Hainan Branch**”), both of which were established in the PRC. Mr. Cho Tak Wong was the legal representative of both of these branch companies. Mr. Cho confirmed that each of Fuyao Fuzhou Branch and Fuyao Hainan Branch were solvent at the time of dissolution.

Fuyao Hainan Float Glass Co., Ltd. (福耀海南浮法玻璃有限公司) (“**Fuyao Hainan**”) was a subsidiary of our Company incorporated in the PRC. Mr. Cho Tak Wong had been the legal representative and Mr. Chen Xiangming had been a director of Fuyao Hainan. Fuyao Hainan discontinued its operations and was dissolved on June 18, 2014. Mr. Cho and Mr. Chen confirmed that Fuyao Hainan was solvent at the time of dissolution.

Mr. Cho had been a director of Chengdu Hecheng Property Development Co., Ltd. (成都合盛房地產開發有限公司) (“**Chengdu Hecheng**”) and Fuzhou Jiquan Auto Glass Accessories Co., Ltd. (福州積泉汽車玻璃附件有限公司) (“**Fuzhou Jiquan**”), both of which were subsidiaries of our Company at the time of their respective incorporation in the PRC. The business license of each of Chengdu Hecheng and Fuzhou Jiquan was revoked on February 15, 2007 and August 4, 2004 respectively. According to the relevant PRC regulations, a PRC company is required to undergo annual inspection. Failure to undergo annual inspection within the specified deadline will cause a company’s business license to be revoked by the Administration of Industry and Commerce (“**AIC**”). Chengdu Hecheng was inactive and was sold in 2002. Subsequent to the sale, Mr. Cho was no longer involved with Chengdu Hecheng. Fuzhou Jiquan did not commence operations and did not undergo annual inspection. Our Directors confirm that the business licenses of Chengdu Hecheng and Fuzhou Jiquan remained revoked as of the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. He Shimeng (何世猛) has served as our vice president since August 1999. He served as the general manager of production department from March 1995 to November 1999, the deputy manager of our sales department from August 1994 to February 1995 and the manager of our production department from July 1988 to August 1994. Mr. He joined us in July 1988. Mr. He graduated from the Naval University of Engineering in the PRC in June 2001 with a college diploma, majoring in management engineering. Mr. He is the brother-in-law of Mr. Cho Tak Wong and the uncle of Mr. Tso Fai.

Mr. Chen Juli (陳居里) has served as our vice president since February 2002. He joined us in July 1989. Mr. Chen has also served as president of Fuyao Hong Kong since September 1997, and president of Fuyao Group Hong Kong since March 2010. Prior to his current position, Mr. Chen served various positions in the Group, including as vice president of Fujian

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Wanda from July 1995 to August 1997. Mr. Chen was the manager of our sales department from July 1994 to July 1995 and our manager of our export department from May 1992 to July 1994. Mr. Chen also served as our Director from December 1994 to July 2001. Mr. Chen graduated from Beijing University of Aeronautics and Astronautics in July 1989, majoring in management information systems and earning a bachelor's degree in engineering.

Mr. Chen Jicheng (陳繼程) has served as our vice president since February 2011 and the general manager of our commerce department since November 2004. He joined us in October 2003 and served as a vice president of Fujian Wanda from October 2003 to April 2004 and a deputy general manager of our commerce department from April 2004 to November 2004. Prior to joining us, Mr. Chen was employed in Putian Jinshi Group in various senior positions including as the executive vice president of Putian Jinshi Glass Products Co., Ltd. Mr. Chen graduated from Nanjing Institute of Political Studies in December 2009, majoring in economics and administration (undergraduate studies). He obtained an executive master of business administration degree from each of the Tsinghua University in Beijing and INSEAD Business School in France in January 2015, respectively.

Mr. Zuo Min (左敏) has served as our chief financial officer since November 2014. He first joined our Company in July 1989. He took on various positions in our Company during his prior employment, including the general manager of our audit supervision department from December 2007 to March 2008, a Director from December 1994 to January 2003, a vice president from August 1999 to January 2003, the chief financial officer from December 1994 to August 1999 and from February 2002 to January 2003, the chief accountant from January 1994 to December 1994, a financial manager from August 1992 to January 1994 and a purchasing manager from October 1990 to August 1992. Mr. Zuo was an executive director of Hubei Jierui Automobile Glass Co., Ltd. from June 2007 to January 2014. He has been a director of Ningxia Shaquan Grape Vintage Limited since July 2014. Mr. Zuo graduated with a bachelor's degree in chemistry and mechanism from Fushun Petroleum Institute in July 1989, and a master's degree in business administration from Xiamen University in January 2000. He graduated from Fudan University with doctorate-equivalent qualification in accounting in June 2008.

Except as disclosed in this prospectus, each of our Directors, Supervisors and senior management has confirmed that there are no other matters relating to his/her appointment that need to be brought to the attention of the Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules. None of our Directors, Supervisors or senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Chen Xiangming is the joint company secretary of our Company. For details of his biography, please refer to the sub-section titled "Directors" above.

Ms. Kam Mei Ha, Wendy, *FCS (PE), FCIS*, aged 47, was appointed as the joint company secretary of our Company on October 30, 2014. Ms. Kam has over 20 years of experience in corporate secretarial field. Since January 2013, she has been appointed and is currently a

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Kam is currently a joint company secretary of five listed companies on the Hong Kong Stock Exchange. Prior to joining Tricor Services Limited, Ms. Kam worked at the Company Secretarial Department of Ernst & Young, Hong Kong from March 1992 to January 2002. Ms. Kam is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from the Hong Kong Institute of Chartered Secretaries. Ms. Kam graduated from the City Polytechnic of Hong Kong (now known as the City University of Hong Kong) with a professional diploma in company secretaryship and administration in November 1990.

In order to discharge her duties as a joint company secretary of our Company, Ms. Kam has confirmed to us that a team of professional staff from Tricor Services Limited with appropriate chartered secretary qualifications will be designated to assist Ms. Kam in discharging her duties as a joint company secretary of our Company.

CORPORATE GOVERNANCE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we will comply with the Corporate Governance Code in Appendix 14 to the Listing Rules after the Listing.

BOARD COMMITTEES

The Board delegates certain responsibilities to various dedicated committees. In accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, we have formed four board committees: the audit committee, the nomination committee, the remuneration and assessment committee and the strategy and development committee.

Audit Committee

Our audit committee consists of three Directors: Mr. Wu Yuhui, Ms. Cheng Yan and Ms. Zhu Dezhen. Mr. Wu Yuhui currently serves as the chairman of the audit committee. Our audit committee is responsible for, among other things:

- ensuring the effectiveness of financial reporting and internal control system and that they are in compliance with the Hong Kong Listing Rules;
- overseeing the integrity of our financial statements;
- selecting external auditors and assessing their independence and qualifications; and
- ensuring effective communication between our Directors, internal auditors and external auditors.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Nomination Committee

Our nomination committee consists of three Directors: Ms. Cheng Yan, Ms. Liu Xiaozhi and Mr. Tso Fai. Ms. Cheng Yan currently serves as the chairman of the nomination committee. Our nomination committee is responsible for, among other things:

- identifying and recommending appropriate Director candidates to the Board;
- evaluating the structure and composition of the Board;
- assessing the independence of independent non-executive Directors; and
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession of Directors, in particular the Chairman and president.

Remuneration and Assessment Committee

Our remuneration and assessment committee consists of three Directors: Ms. Liu Xiaozhi, Mr. Cho Tak Wong and Mr. Wu Yuhui. Ms. Liu Xiaozhi currently serves as the chairman of the remuneration and assessment committee. Our remuneration and assessment committee is responsible for, among other things:

- determining the policy and structure for the remuneration of Directors and senior management;
- reviewing incentives schemes and Directors' service contracts; and
- fixing the remuneration packages for executive Directors and senior management.

Strategy and Development Committee

Our strategy and development committee consists of three Directors: Mr. Cho Tak Wong, Ms. Cheng Yan and Mr. Tso Fai. Mr. Cho Tak Wong currently serves as the chairman of the strategy and development committee. Our strategy and development committee is responsible for, among other things:

- analyzing our long-term strategy and annual strategy decisions and making recommendations;
- reviewing and determining the key events relating to our strategic development;
- determining our operational directions, plans and goals and making recommendations; and
- analyzing other key events that will influence our strategic development and making recommendations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation in the form of Directors' or Supervisors' fees (payable to Directors or Supervisors, as the case may be), salaries, housing allowances and other allowances, benefits in kind, the employer's contribution to the pension schemes and discretionary bonuses.

The total compensation before taxation accrued to our Directors for the years ended December 31, 2012, 2013 and 2014 was approximately RMB6.2 million, RMB7.4 million and RMB7.3 million, respectively.

The total compensation before taxation accrued to our Supervisors for the years ended December 31, 2012, 2013 and 2014 was approximately RMB1.2 million, RMB1.4 million and RMB1.9 million, respectively.

The total compensation before taxation accrued to our senior management for the years ended December 31, 2012, 2013 and 2014 was approximately RMB6.7 million, RMB6.7 million and RMB7.0 million, respectively.

For the years ended December 31, 2012, 2013 and 2014, there were respectively two Directors, three Directors and three Directors among the five highest paid individuals (please see Note 29 in Appendix I "Accountant's Report" for details). The total compensation before taxation accrued to the other highest paid individuals, that is three individuals, two individuals and two individuals respectively, for the years ended December 31, 2012, 2013 and 2014 were approximately RMB4.7 million, RMB3.9 million and RMB4.6 million, respectively.

We did not pay our Directors or the five highest paid individuals any inducement fees to join us or as compensation for loss of office for each of the years ended December 31, 2012, 2013 and 2014. None of our Directors waived or agreed to waive any compensation for the same periods.

Under the current arrangement, we estimate the total compensation before taxation to be accrued to our Directors, Supervisors and senior management for the year ending December 31, 2015 to be approximately RMB7.8 million, RMB0.42 million and RMB8.5 million.

In determining the remuneration packages of the Directors, Supervisors and senior management, we consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, our ability to offer remuneration packages and desirability of performance-based remuneration.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We will appoint Shenyin Wanguo Capital (H.K.) Limited as our compliance adviser pursuant to Rule 3A.19 and 19A.05 of the Listing Rules. We have entered into a compliance adviser's agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- (i) the term of office of the compliance adviser will commence on the Listing Date and end on the date on which our annual report for the first full financial year commencing after the Listing Date is published, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- (iii) the compliance adviser will, as soon as reasonably practicable, inform us of any amendments or supplements to the Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and
- (iv) the compliance adviser will serve as our channel of communication with the Hong Kong Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as at the Latest Practicable Date

As of the Latest Practicable Date, our registered and issued share capital was RMB2,002,986,332 comprising 2,002,986,332 A Shares. The following persons directly or indirectly control, or are entitled to exercise or control the exercise of, 5% or more of our share capital:

<u>Name of Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Mr. Cho Tak Wong ⁽¹⁾	Interest of controlled corporations, beneficial owner and interest of spouse	437,257,991	21.83%
Sanyi	Beneficial owner	390,578,816	19.50%
Ms. Chan Fung Ying ⁽²⁾	Interest of controlled corporation and interest of spouse	437,257,991	21.83%
Heren Charitable Foundation	Beneficial owner	290,000,000	14.48%

(1) Mr. Cho Tak Wong directly held 314,828 A Shares and indirectly held 390,578,816 A Shares through Sanyi and 12,086,605 A Shares through Home Bridge immediately prior to completion of the Global Offering. In addition, Mr. Cho Tak Wong was deemed to be interested in the A Shares indirectly held by his spouse, Ms. Chan Fung Ying, pursuant to Part XV of the SFO.

(2) Ms. Chan Fung Ying indirectly held 34,277,742 A Shares through Yaohua, 22,340,000 A Shares of which were pledged to China Merchants Securities Co., Ltd. by Yaohua as of the Latest Practicable Date. She was deemed to be interested in the A Shares in which Mr. Cho Tak Wong was interested, pursuant to Part XV of the SFO.

Substantial Shareholders Upon Listing

Immediately following completion of the Global Offering:

- assuming the Over-allotment Option is not exercised, our share capital will comprise 2,002,986,332 A Shares and 439,679,600 H Shares, representing 82.00% and 18.00% of the total share capital of our Company, respectively; and
- assuming the Over-allotment Option is fully exercised, our share capital will comprise 2,002,986,332 A Shares and 505,631,200 H Shares, representing 79.84% and 20.16% of the total share capital of our Company, respectively.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares directly or indirectly held	Approximate % of interest in our Company	Approximate % of the relevant class of Shares of our Company	Number of Shares directly or indirectly held	Approximate % of interest in our Company	Approximate % of the relevant class of Shares of our Company
Mr. Cho Tak Wong ⁽¹⁾	Interest of controlled corporations, beneficial owner and interest of spouse	A Shares	437,257,991	17.90	21.83	437,257,991	17.43	21.83
Sanyi	Beneficial owner	A Shares	390,578,816	15.99	19.50	390,578,816	15.57	19.50
Ms. Chan Fung Ying ⁽²⁾	Interest of controlled corporation and interest of spouse	A Shares	437,257,991	17.90	21.83	437,257,991	17.43	21.83
Heren Charitable Foundation	Beneficial owner	A Shares	290,000,000	11.87	14.48	290,000,000	11.56	14.48

(1) Mr. Cho Tak Wong will directly hold 314,828 A Shares, and indirectly hold 390,578,816 A Shares through Sanyi and 12,086,605 A Shares through Home Bridge immediately following completion of the Global Offering. In addition, Mr. Cho Tak Wong will be deemed to be interested in the A Shares indirectly held by his spouse, Ms. Chan Fung Ying.

(2) Ms. Chan Fung Ying will indirectly hold 34,277,742 A Shares through Yaohua, 22,340,000 A Shares of which were pledged to China Merchants Securities Co., Ltd. by Yaohua as of the Latest Practicable Date. She is deemed to be interested in the A Shares in which Mr. Cho Tak Wong is interested.

For details of shareholders of our non-wholly owned subsidiaries, please refer to “Appendix VI – Statutory and General Information – 1. Further Information about our Group – Non-wholly Owned Subsidiaries and Jointly Controlled Entities.”

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SUBSTANTIAL SHAREHOLDERS

Relationship with Mr. Cho Tak Wong and his Associates

As of the Latest Practicable Date, Mr. Cho Tak Wong, the single largest Shareholder of our Company, held Shares representing approximately 21.83% of our total issued share capital, including (i) direct holding of approximately 0.02% of our total issued share capital; (ii) indirect holding of 19.50% and 0.60% of our total issued share capital through Sanyi and Home Bridge, respectively; and (iii) his deemed interests in the A Shares indirectly held by his spouse, Ms. Chan Fung Ying, representing approximately 1.71% of our then total issued share capital. Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, Mr. Cho Tak Wong is expected to continue to be the single largest Shareholder and to hold approximately 17.90% of our then total issued share capital (all of which are A Shares), comprising (i) direct holding of approximately 0.01% of our then total issued share capital, (ii) indirect holding of approximately 15.99% and approximately 0.50% of our then total issued share capital through Sanyi and Home Bridge, respectively; and (iii) his deemed interests in the A Shares indirectly held by his spouse, Ms. Chan Fung Ying, representing approximately 1.40% of our then total issued share capital.

Undertaking by Mr. Cho Tak Wong

To comply with the provisions of PRC Company Law, Mr. Cho Tak Wong has undertaken to us on December 16, 2014 that, during the period he serves as our Director, Supervisor or senior management, he shall notify us his interest in our shares and any changes in accordance with relevant laws, regulations and regulatory documents. So long as he remains as our Director, Supervisor or senior management, he shall not directly or indirectly, on an annual basis dispose of more than 25% of the Shares he holds at the relevant time, and shall not dispose of any Shares he holds at the relevant time, directly or indirectly, within six months after he resigns as our Director, Supervisor or senior management. Mr. Cho Tak Wong has further undertaken that he shall strictly comply with the following restraints: (1) if Mr. Cho Tak Wong has not fulfilled the undertakings mentioned above, he shall explain the reasons of non-performance to the public at the general meeting of our Company and on the newspapers specified by local securities regulatory authorities where our Shares are listed and apologize to the Shareholders and public investors; (2) Mr. Cho Tak Wong shall cease to receive his emoluments from the date of his non-performance of the above undertakings, meanwhile, Mr. Cho Tak Wong shall not transfer our Shares he holds directly or indirectly until he conforms with the relevant undertakings; and (3) if we and our investors suffered from any losses due to Mr. Cho Tak Wong's non-performance of his undertakings, he shall compensate us and such investors according to law. Mr. Cho Tak Wong has undertaken that he will not cease to perform his undertakings because of his change of office, resignation and for any other reasons. In addition, Sanyi and Home Bridge have altered their articles of association, which require that during the period Mr. Cho Tak Wong serves as our Director, Supervisor or senior management, the Shares transferred by them every year, together with the Shares transferred by Mr. Cho Tak Wong, directly or through other entities, shall not exceed 25% of the total number of our Shares held directly or indirectly by Mr. Cho Tak Wong. If Mr. Cho Tak Wong no longer serves as our Director, Supervisor or senior management, these companies shall not transfer our Shares held by them within the six-month period from the date he leaves such office.

SUBSTANTIAL SHAREHOLDERS

In addition, each of Mr. Cho Tak Wong and Ms. Chan Fung Ying has provided a 12-month lock-up undertaking to each of the Hong Kong Stock Exchange and our Company. For more details, please refer to the sections headed “Lock-up Undertaking by Yaohua and Ms. Chan Fung Ying” below and “Underwriting – Undertaking by Mr. Cho Tak Wong” beginning on page 246.

According to the Articles, Directors, Supervisors, general manager and other senior management shall not, without prior approval by the general meeting, compete with the Company in any form. As of the Latest Practicable Date, none of Mr. Cho Tak Wong, Sanyi, Home Bridge or their respective associates are interested in any business which is, whether directly or indirectly, in competition with our business.

Lock-up Undertaking by Yaohua and Ms. Chan Fung Ying

Each of Yaohua and Ms. Chan Fung Ying has undertaken to each of the Company and the Hong Kong Stock Exchange that it and she shall not and shall procure that the relevant registered holder(s) controlled by it or her shall not, in the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Listing Date (“**Lock-up Expiry Date**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrance (save and except that 22,340,000 A Shares have been pledged by Yaohua to China Merchants Securities Co., Ltd.) in respect of any of those Shares of which Yaohua and Ms. Chan or the relevant registered holder(s) controlled by it or her (the “**Relevant Parties**”), as shown in this prospectus to be the beneficial owner(s), save for a pledge or charge of any securities of the Company as security in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan (the “**Yaohua Lock-up**”).

Ms. Chan Fung Ying has further undertaken to each of the Company and the Hong Kong Stock Exchange that, in the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Listing Date, she will:

- (a) when any of the Relevant Parties pledge or charge any securities of the Company beneficially owned by herself or the relevant registered holder(s) controlled by her in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when any of the Relevant Parties receive indications, whether verbal or written, from the pledgee or chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Company of such indications.

SUBSTANTIAL SHAREHOLDERS

Further undertakings by Yaohua, Ms. Chan Fung Ying and Mr. Cho Tak Wong

On March 2, 2015, Yaohua acquired an additional 10,047,792 A Shares (the “**Subject Shares**”) at an average price of RMB14.916 per A Share (the “**Dealing**”). Yaohua is a core connected person of the Company as it is a company controlled as to 99.99% by Ms. Chan Fung Ying, the spouse of Mr. Cho Tak Wong (our Chairman and our Director). The Dealing constituted a breach of Rule 9.09(b) of the Listing Rules. Each of Ms. Chan Fung Ying, Yaohua and Mr. Cho Tak Wong has agreed to undertake to the Hong Kong Stock Exchange and the Company as follows:

- (a) *Donation of notional profit to the Company.* Ms. Chan Fung Ying and Yaohua undertake that subject to any disposal prohibitions required by PRC securities laws, rules and regulations, Yaohua and Ms. Chan shall together donate to the Company, within 15 Business Days following the Lock-up Expiry Date, any notional profit gained by Ms. Chan and Yaohua in respect of the Dealing. Such notional profit is calculated by the following formula:

$$A = (B - C) \times D$$

where:

“A” = total amount to be donated to the Company

“B” = the average closing price of the A Shares as traded on the Shanghai Stock Exchange for the five trading days immediately preceding the Lock-up Expiry Date

“C” = the average acquisition price of the Subject Shares, being RMB14.916

“D” = the total number of Subject Shares, being 10,047,792 A Shares

Provided that if B-C is zero or less than zero, A shall be zero.

For the avoidance of doubt, the notional gain to be donated does not necessarily require the disposal of the Subject Shares.

- (b) *Mr. Cho Tak Wong’s undertaking.* Mr. Cho Tak Wong further undertakes to each of the Hong Kong Stock Exchange, the Company and the Underwriters that he will cause Ms. Chan Fung Ying and Yaohua to donate together such notional profit to the Company as calculated in accordance with paragraph (a) above within 15 Business Days following the Lock-up Expiry Date.

SUBSTANTIAL SHAREHOLDERS

Non-competition undertakings

In order to eliminate any future competition with us, each of Mr. Cho Tak Wong, Ms. Chan Fung Ying (陳鳳英, Mr. Cho's spouse and the controlling shareholder of Yaohua), Sanyi, Home Bridge and Yaohua undertook to us on February 8, 2002 that, so long as they remain Substantial Shareholders of the Company, they will not, and will procure all companies they control not to engage in or develop any business competing or potentially competing with our main business or key products, including investment in, mergers and acquisitions of any companies, entities or economic organizations engaged in the same or similar core business or primarily manufacturing the same or similar products. In addition, they acknowledged that we shall have priority to develop any new business in the future, and they will not, and will procure any companies controlled by him/her/it not to develop such new business.

In addition to Mr. Cho Tak Wong, Sanyi, Home Bridge and their respective associates, none of our other Directors or their respective associates are interested in any business which is, whether directly or indirectly, in competition with our business.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and following the completion of the Global Offering.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, our registered and issued share capital was RMB2,002,986,332 comprising 2,002,986,332 A Shares at the nominal value of RMB1.00 each, all of which are listed on the Shanghai Stock Exchange.

	Number of Shares	Approximate percentage of issued share capital (%)
A Shares in issue	2,002,986,332	100.00

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital (%)
A Shares in issue	2,002,986,332	82.00
H Shares in issue	439,679,600	18.00
Total	2,442,665,932	100.00

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is exercised in full, our registered and issued share capital will be as follows:

	Number of Shares	Approximate percentage of issued share capital (%)
A Shares in issue	2,002,986,332	79.84
H Shares in issue	505,631,200	20.16
Total	2,508,617,532	100.00

SHARE CAPITAL

OUR SHARES

We have two classes of Shares: (i) domestic Shares, namely A Shares (PRC listed Shares issued and subscribed for in RMB within the PRC); and (ii) overseas listed Shares, namely H Shares (overseas listed foreign invested Shares listed in Hong Kong). A Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC and the qualified PRC investors under the Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. On the other hand, A Shares can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors approved by the CSRC or the Hong Kong and overseas investors under the Shanghai-Hong Kong Stock Connect and must be subscribed for and traded in Renminbi. A Shares and H Shares are regarded as different classes of shares under our Articles of Association. The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in “Appendix V – Summary of the Articles of Association”. However, the procedures for approval by separate classes of Shareholders shall not apply (i) where we issue, upon approval by a special resolution of the Shareholders in a general meeting, either separately or concurrently once every 12 months, not more than 20% of each of our existing issued A Shares and H Shares; (ii) where our plan to issue A Shares and H Shares at the time of our establishment is implemented within 15 months from the date of approval of the relevant regulatory authorities of the PRC, including the CSRC; and (iii) where the transfer of A Shares for listing and trading on the Hong Kong Stock Exchange as H Shares has been approved by the authorized securities approval authorities of the State Council, including the CSRC.

The differences between the two classes of shares and provisions on class rights, the despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in “Appendix V – Summary of the Articles of Association”.

Except for the differences above, A Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date in this prospectus. All dividends in respect of the H Shares are to be calculated in RMB and paid by us in Hong Kong dollars whereas all dividends in respect of A Shares are to be paid by us in RMB. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of A Shares, dividends in the form of Shares will be distributed in the form of additional A Shares.

Shanghai-Hong Kong Stock Connect

Pursuant to the announcement jointly made by the SFC and the CSRC regarding the in principle approval for the development of the pilot program for the establishment of mutual stock market access between Mainland China and Hong Kong dated April 10, 2014, the Hong

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Kong Stock Exchange and the Shanghai Stock Exchange have launched the Shanghai-Hong Kong Stock Connect on November 17, 2014, which establishes mutual order routing connectivity and related technical infrastructure to enable investors of their respective market to trade designated equity securities listed in the other's market. In the first phase of the Shanghai-Hong Kong Stock Connect, Hong Kong and overseas investors are able to trade shares of all constituents of the SSE 180 Index and SSE 380 Index, and all A shares listed on the Shanghai Stock Exchange that are not included as constituent stocks of the relevant indices but which have corresponding H shares listed on the Hong Kong Stock Exchange through the northbound trading link (subject to certain exceptions). In addition, mainland institutional investors and individual investors who satisfy the eligibility criteria (i.e. individual investors who hold an aggregate balance of not less than RMB500,000 in their securities and cash accounts) will be accepted to trade shares of all constituent stocks of the Hang Seng Composite LargeCap Index and Hang Seng Composite MidCap Index, and all H shares that are not included as constituent stocks of the relevant indices but which have corresponding A shares listed on the Shanghai Stock Exchange (subject to certain exceptions). Given that our A Shares are among the constituents of the SSE 380 Index and our H Shares are listed on the Hong Kong Stock Exchange, our A Shares can be traded by Hong Kong and overseas investors and our H Shares can be traded by the mainland institutional investors and eligible individual investors under the Shanghai-Hong Kong Stock Connect.

TRANSFER OF OUR A SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE AS H SHARES

A Shares and H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and H Shares may be different after the Global Offering.

If any holder of our A Shares wishes to transfer its A Shares to overseas investors for listing and trading on the Hong Kong Stock Exchange, it must obtain the approval of the relevant PRC regulatory authorities, including the CSRC for the transfer and conversion of the A Shares and the approval of the Hong Kong Stock Exchange for the listing and trading of the converted H shares, as well as follow the procedures set forth below:

- (a) The holder of A Shares is to obtain the requisite approval of the CSRC or the authorized securities approval authorities of the State Council for the transfer of all or part of its A Shares into H Shares.
- (b) We may apply for the listing of all or any portion of our A Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion and we must obtain prior approval from the Hong Kong Stock Exchange before the converted H Shares can be listed and traded on the Hong Kong Stock Exchange.
- (c) The holder of A Shares must request that we remove its A Shares from the A Share register, attaching the relevant documents of title together with the request.
- (d) Subject to obtaining the approval of the Board and the Hong Kong Stock Exchange, we would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holder with H Share certificates for such specified number of H Shares.

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- (e) The specified number of A Shares to be converted to H Shares are then re-registered on the H Share register maintained in Hong Kong on the conditions that:
 - (i) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificate; and
 - (ii) the admission of the H Shares (converted from A Shares) to trade in Hong Kong will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.
- (f) Upon completion of the transfer and conversion, the shareholding of the relevant holder of A Shares in our A Share register will be reduced by such number of A Shares transferred and the number of H Shares in our H Share register will correspondingly be increased by the same number of H Shares.
- (g) We will comply with the Hong Kong Listing Rules to inform our Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

Approvals from holders of A Shares and H Shares as separate classes are not required for the listing and trading of the converted H Shares. As at the Latest Practicable Date, the Directors were not aware of any intention of any holder of A Shares to convert all or part of its A Shares into H Shares.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

We have obtained approval from our holders of A Shares to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the general meetings of our Company held on October 11, 2013 upon, among other things, the following major terms:

(1) Size of the offer

The proposed number of H Shares to be offered initially shall not exceed 18% of the total issued number of shares as enlarged by the H Shares to be issued pursuant to the Global Offering. The number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not exceed 15% of the total number of H Shares to be offered initially pursuant to the Global Offering.

(2) Method of offering

The method of offering shall be by way of a public offer for subscription in Hong Kong and an international offering to institutional and professional investors.

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(3) Target investors

The H Shares shall be issued to professional organizations, institutions individual investors and the public.

(4) Price determination basis

The issue price of the H Shares will be determined after due consideration of the interests of existing Shareholders, the acceptance of investors and issuance risks and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

18 months from October 11, 2013. We have obtained further approval from our holders of A Shares on March 10, 2015 to extend the above approval for another 12 months ending on April 10, 2016.

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You should read the following information in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014, included in the Accountant's Report in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information have been prepared in accordance with IFRS which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements about events that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are China's No. 1 and the world's No. 2 automotive glass manufacturer by 2013 sales volume, according to Roland Berger. We are the dominant market leader in China and the only company that specializes in automotive glass production among the world's leading automotive glass manufacturers. In 2013, we enjoyed an approximately 63% share of China's locally manufactured automotive glass market by sales, an approximately 72% share of China's passenger vehicle glass OEM market by sales and an approximately 20% share of the global automotive glass market by sales volume, according to Roland Berger. In 2013, our operating profit margin of 22.2% was higher than the operating profit margin of the glass manufacturing division of the other top four global automotive glass manufacturers, according to Roland Berger.

We generate revenue primarily from the sale of automotive glass. In 2012, 2013 and 2014, automotive glass accounted for 92.9%, 94.9% and 96.2% of our total revenue, respectively. We also derive a small portion of our revenue from sales of float glass and architectural glass.

We derive most of our revenue from sales in China, which accounted for 67.4%, 68.0% and 66.5% of our total revenue in 2012, 2013 and 2014, respectively. As we continue to expand our global operations, we expect international sales to constitute an increasing portion of our total revenue.

We achieved a steady growth in our financial performance during the Track Record Period. In 2012, 2013 and 2014, our revenue was RMB10,247.4 million, RMB11,501.2 million and RMB12,928.2 million, respectively, and our net profit was RMB1,524.1 million, RMB1,916.7 million and RMB2,216.8 million, respectively.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Development of the Automobile Industry

Our revenue growth depends on the market demand for automotive glass, which in turn depends on the development of the Chinese and global automobile industry.

China is the world's largest automobile market. In 2013, China's automobile production was 22.1 million units, representing an increase of 14.8% from 2012 and accounting for 25.2% of the global automobile production, according to Roland Berger. We expect that China's relatively low automobile penetration rate and rising disposable income will continue to drive the demand for automobiles in China. Roland Berger estimates that China's automobile production will grow to 3,162 million units by 2018, representing a CAGR of 7.4% from 2013 to 2018. The growth of China's automobile industry, however, may be hindered by a number of factors, including energy shortages, expiration of tax incentives and subsidies, as well as government policies to limit new vehicle purchases in China. As we derive most of our revenue from the sale of automotive glass to automobile manufacturers in China, a slowdown of China's automotive industry will negatively impact our results of operation and financial condition.

The global automobile industry is highly correlated to global macroeconomic conditions. The global economy has yet to fully recover from an unprecedented downturn during the latter half of 2008 and throughout 2009, led by the recession in the United States and followed by declines in many major markets around the world. Although global automobile production volumes have stabilized during recent years, we expect the continuing uncertainties in the global economy will continue to cause fluctuations in demand for automobiles, which may in turn affect the volume of purchases of our products by international OEM customers.

Raw Materials and Energy Costs

Raw materials and energy costs account for a significant portion of our production costs, representing 66.8%, 65.5% and 65.3% of total cost of sales in 2012, 2013 and 2014, respectively. Float glass is the primary raw material for producing automotive glass. In 2012, 2013 and 2014, 83.3%, 86.6% and 76.0% by carrying value, respectively, of float glass used in automotive glass sold was sourced internally. The principal components of the production cost of float glass are the costs of silica sand and soda ash, as well as major fuels, such as natural gas and heavy oil. The price of fuels has risen during recent years. As it is generally difficult to pass through the full extent of increased prices for raw materials and energy to our customers, volatility in the price of raw materials and energy could negatively affect our profit margins and results of operations.

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Product Pricing

We are subject to continuing pressure from our OEM customers to reduce the price of our products. We attempt to mitigate the impact of pricing pressures by negotiating with our suppliers and implementing internal cost reductions through manufacturing efficiencies and supply chain management. We also seek to enhance our financial performance by investing in product development, design capabilities and new product initiatives that respond to the needs of our customers. However, to the extent our cost reductions are not sufficient to offset price reductions, our profit margins could be negatively affected.

Capacity Expansion

We have expanded and plan to continue to expand our manufacturing capacity. In October 2014, we completed construction of one automotive glass production facility in Shenyang, Liaoning Province, which we expect to commence commercial operations by March 2015. We also have one automotive glass production facility under construction in Ohio, United States and the second phase of our Russian facility under construction. In addition, we purchased two float glass production lines in Illinois, United States, and plan to build two automotive-grade float glass production lines near our Russian automotive glass production facility. We have incurred and expect to continue to incur significant capital expenditure in connection with our plans to build new manufacturing facilities. In addition, we expect our depreciation expenses and operating expenses to increase as these new manufacturing facilities commence operations, which could in turn negatively impact our gross and operating profit margins.

Fluctuations in Foreign Exchange Rates

In 2012, 2013 and 2014, we generated 32.6%, 32.0% and 33.5% of our total revenue from sales denominated in U.S. dollars, Euro, Russian Ruble and other foreign currencies, while a significant portion of our costs and expenses were denominated in RMB. Fluctuations in exchange rates, particularly among the U.S. dollar, Euro, Russian Ruble and the RMB, could have a significant impact on our financial condition and results of operations, affect our gross and operating profit margins, and result in foreign exchange and operating gains or losses. The Russian Ruble depreciated 47.2% and 43.9% against Renminbi during the Track Record Period and in 2014, respectively, we cannot assure you that there will not be greater fluctuation of Russian Ruble against the Renminbi and other currencies. We expect the currency mismatch between our revenues and cost of sales will be reduced as we begin to operate overseas manufacturing facilities, including our facilities in Russia and the United States.

Competition

Competition in the automotive glass industry in China and worldwide significantly affects our results of operations. We compete principally with global automotive glass manufacturers in the domestic and international markets. Our ability to compete successfully depends on our ability to differentiate our products from competing products based on product quality, price and other factors. We must expand our production capacity and enhance our products to compete effectively in the automotive industry. As competition intensifies, we may face compressed margins and lower revenues. Our ability to manage these competitive pressures will significantly affect our financial results.

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CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies and estimates significant to the preparation of the consolidated financial information in accordance with IFRS. The Accountant's Report in Appendix I to this prospectus sets forth these significant accounting policies in Note 2 of Section II, which are important for an understanding of our financial condition and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgments related to assets, liabilities, income, expenses and other accounting items, which are discussed in Note 4 in Section II of the Accountant's Report in Appendix I to this prospectus. Our estimates are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. We believe the following accounting policies, estimates and judgments most critical to the preparation of our financial information.

Estimated Useful Lives and Residual Values of Property, Plant and Equipment

We state property, plant and equipment (other than construction in progress as described below) at historical cost less depreciation and provision for impairment losses, if any.

We recognize depreciation to write off the cost of items of property, plant and equipment other than construction in progress, less their residual values, using the straight-line method over their estimated useful lives as follows:

- | | |
|------------------------------------|----------------|
| • Buildings | 10 to 20 years |
| • Machinery and equipment | 10 to 12 years |
| • Electronic and office equipment | 5 years |
| • Tools, dies, vehicles and others | 3 to 5 years |

We determine the estimated useful lives and residual values of property, plant and equipment based on historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. We review the estimated useful lives and residual values of property, plant and equipment, and adjusted if appropriate, at the end of each reporting period. We will revise the depreciation charges where useful lives are different to that of previously estimated, or we will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods. During the Track Record Period, there was no change in the estimated useful life of property, plant and equipment. As of the Latest Practicable Date, we were not aware of any events or circumstances that will cause us to change the estimated useful life.

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Construction in progress represents property, plant and equipment under construction or pending installation and is stated at costs, which include costs of construction and acquisition, less provisions for impairment losses, if any. The construction in progress is transferred to property, plant and equipment and depreciated when the assets concerned are available for use. Gains or losses arising from assets disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognized in gains or losses in the year in which the item is derecognized.

Impairment of Goodwill

Goodwill arises on the acquisition and represents the excess of the consideration transferred over the fair value of our share of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. We test goodwill for impairment annually or more frequently if events or changes in circumstances indicate a potential impairment. We compare the carrying value of goodwill to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed. Goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination for the purpose of impairment testing. We determine the recoverable amounts of cash-generating units based on value-in-use calculations. These calculations are based upon pre-tax cash flow projections that derive from our five-year financial budgets. Cash flows beyond the five-year period are extrapolated using estimated growth rates, which are capped at the long-term average growth rate for the business segment in which the cash-generating unit operates.

Inventories

We state inventories at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. We base our estimates on current market conditions and the historical experience of manufacturing and selling products of similar nature. Our estimates could change significantly as a result of technical innovations, and competitor actions in response to severe industry cycles. We reassess these estimates at each balance sheet date.

Current and Deferred Income Tax

We are subject to income tax in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes in each jurisdiction. The ultimate determination by the tax authorities for certain transactions and calculations in the ordinary course of our business is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact income tax and deferred income tax provisions in the period in which such determination is made.

We recognize deferred income tax assets relating to certain temporary differences and tax losses to the extent it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

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Impairment of Receivables

We determine the provision for impairment of trade and other receivables based on an assessment of their recoverability. This assessment is based on the credit history of our customers and other debtors and current market conditions, and requires the use of judgments and estimates. We reassess the provisions for impairment of receivables at each balance sheet date.

Impairment of Non-financial Assets

We review non-financial assets, including property, plant and equipment, land use rights and intangible assets, for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. We determine the recoverable amount of a non-financial asset based on the value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

DESCRIPTION OF KEY INCOME STATEMENT LINE ITEMS

The following table sets forth selected consolidated income statement items for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Revenue	10,247.4	11,501.2	12,928.2
Cost of sales	(6,419.9)	(6,830.5)	(7,565.5)
Gross profit	3,827.5	4,670.7	5,362.7
Distribution costs and selling expenses	(778.6)	(876.8)	(982.2)
Administrative expenses	(762.5)	(907.6)	(1,031.3)
Research and development expenses	(236.5)	(388.8)	(517.9)
Other income	62.9	54.3	46.0
Other (losses)/gains – net	(48.3)	0.2	(43.1)
Operating profit	2,064.5	2,552.0	2,834.2
Finance income	2.2	3.1	14.4
Finance costs	(226.2)	(202.3)	(241.3)
Finance costs – net	(224.0)	(199.2)	(226.9)
Share of results of joint ventures	21.6	25.8	31.0

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	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Profit before income tax	1,862.1	2,378.6	2,638.3
Income tax expense	(338.0)	(461.9)	(421.5)
Profit for the year	1,524.1	1,916.7	2,216.8
Profit attributable to:			
Equity holders of the Company	1,524.2	1,917.1	2,219.2
Non-controlling interests	(0.1)	(0.4)	(2.4)

Revenue

We derive revenue primarily from the sale of automotive glass. We also generate a small portion of our revenue by selling float glass and architectural glass. The following table sets forth our revenue by product, in absolute amount and as a percentage of total revenue, for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	(RMB in millions, except percentages)					
Automotive glass	9,514.8	92.9%	10,912.0	94.9%	12,439.4	96.2%
OEM customers	7,673.0	74.9	9,014.9	78.4	10,321.1	79.8
ARG customers	1,841.8	18.0	1,897.1	16.5	2,118.3	16.4
Float glass	2,271.8	22.2	2,238.9	19.5	2,129.7	16.5
Others ⁽¹⁾	342.2	3.3	429.5	3.7	487.0	3.8
Less: intra-group sales ⁽²⁾	(1,881.4)	(18.4)	(2,079.2)	(18.1)	(2,127.9)	(16.5)
Total	10,247.4	100.0%	11,501.2	100.0%	12,928.2	100.0%

(1) Primarily include revenue from the sale of architectural glass.

(2) Primarily represent intra-group sales of float glass.

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We sell our products to OEM and ARG customers in 69 countries and regions, including the PRC, the United States, the United Kingdom, Hong Kong, Germany, Japan, Australia, Canada, Brazil, South Korea and Russia. We derive most of our revenue from sales in the PRC. As we continue to expand our global operations, we expect international sales to constitute an increasing portion of our total revenue. The following table sets forth our revenue by geographic area, in absolute amount and as a percentage of total revenue, for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	Revenue	%	Revenue	%	Revenue	%
	(RMB in millions, except percentages)					
China	6,911.4	67.4%	7,823.3	68.0%	8,597.9	66.5%
Outside China ⁽¹⁾	3,336.0	32.6	3,677.9	32.0	4,330.3	33.5
Total	10,247.4	100.0%	11,501.2	100.0%	12,928.2	100.0%

(1) Primarily include revenue from the export of our products to the United States, the United Kingdom, Canada, Russia, Germany, Japan and South Korea.

Cost of Sales, Gross Profit and Gross Margin

The following table sets forth our cost of sales and gross profit, in absolute amount and as a percentage of total revenue, for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	% of revenue		% of revenue		% of revenue	
	(RMB in millions, except percentages)					
Revenue	10,247.4	100.0%	11,501.2	100.0%	12,928.2	100.0%
Cost of sales	(6,419.9)	(62.6)	(6,830.5)	(59.4)	(7,565.5)	(58.5)
Gross profit	3,827.5	37.4%	4,670.7	40.6%	5,362.7	41.5%

Please see “– Results of Operations” for an analysis of the reasons for the fluctuation of gross profit and gross profit margin during the Track Record Period.

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Our cost of sales consists primarily of raw materials and consumables, energy costs, salaries and benefits for production personnel and depreciation and amortisation. The following table sets forth the components of our cost of sales by product for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
(RMB in million, except percentage)						
Automotive glass						
Raw materials and consumables						
Float glass	2,294.8	36.5%	2,483.8	35.5%	2,671.9	33.8%
PVB layers	815.5	13.0	893.7	12.8	1,061.8	13.4
Other materials	1,059.9	16.9	1,227.4	17.5	1,419.9	17.9
Subtotal	4,170.2	66.4	4,604.9	65.8	5,153.6	65.1
Energy costs	646.0	10.3	710.6	10.2	788.4	10.0
Salaries and benefits	624.6	9.9	772.0	11.0	917.1	11.6
Depreciation and amortisation	440.9	7.0	483.9	6.9	524.0	6.6
Others ⁽¹⁾	403.1	6.4	425.0	6.1	527.6	6.7
Subtotal	6,284.8	100.0%	6,996.4	100.0%	7,910.7	100.0%
Float glass						
Raw materials and consumables						
Soda ash	301.1	16.1%	239.6	14.0%	231.2	14.9
Other materials	226.2	12.1	232.6	13.6	196.8	12.7
Subtotal	527.3	28.2	472.2	27.6	428.0	27.6
Energy costs	827.0	44.1	763.8	44.7	698.2	45.0
Salaries and benefits	70.1	3.7	64.8	3.8	59.0	3.8
Depreciation and amortisation	215.1	11.5	211.3	12.4	195.6	12.6
Others ⁽²⁾	233.8	12.5	195.9	11.5	169.5	11.0
Subtotal	1,873.3	100.0%	1,708.0	100.0%	1,550.3	100.0%
Others⁽³⁾	143.2		205.3		232.4	
Less: Intra-group sales	(1,881.4)		(2,079.2)		(2,127.9)	
Total	6,419.9		6,830.5		7,565.5	

(1) Primarily include business taxes and surcharges and provisions for declines in inventories prices.

(2) Primarily include other production overheads, business taxes and surcharges and provisions for declines in inventories prices.

(3) Primarily include the cost of sales of architectural glass and business taxes and surcharges.

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The cost of raw materials and consumables is the largest component of our cost of sales. The principal raw materials used in our production are float glass and PVB layers. The principal raw materials used in our production of float glass are silica sand, soda ash and lime stone. Float glass constitutes a significant proportion of our raw material costs. In 2012, 2013 and 2014, 83.3%, 86.6% and 76.0% by carrying value, respectively, of float glass used in automotive glass sold was sourced internally. The use of our high-quality internally produced float glass for the production of automotive glass help improve production yield and minimize product defects, thereby enabling us to lower our production costs by reducing the consumption of raw materials and consumables in our production process. The market prices of other raw materials used in our production fluctuated due to changes in market conditions during the Track Record Period and although we are generally unable to pass through the entire increase in these raw material costs to our customers, such fluctuations did not have a material impact on our cost of sales given the magnitude of the fluctuations and the contribution of these raw materials to our total cost of sales.

Energy costs also constitute a significant portion of our cost of sales. The principle components of energy costs include the cost of major fuels, such as natural gas and heavy oil. In 2012, 2013 and 2014, energy costs accounted for 22.9%, 21.6% and 19.6% of our total cost of sales, respectively.

The following table sets forth our gross profit and gross profit margins by product for the periods indicated.

	Year Ended December 31,					
	2012		2013		2014	
	(RMB in millions, except percentages)					
	Gross Profit	Gross Profit Margin (%)	Gross Profit	Gross Profit Margin (%)	Gross Profit	Gross Profit Margin (%)
Automotive Glass	3,230.0	33.9	3,915.6	35.9	4,528.7	36.4
Float Glass (before deduction of intra-group sales)	398.5	17.5	530.9	23.7	579.4	27.2
Others	199.0	58.2	224.2	52.2	254.6	52.3

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Operating Expenses, Operating Profit and Operating Margin

The following table sets forth our operating expenses and operating profit, in absolute amount and as a percentage of total revenue, for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
(RMB in millions, except percentages)						
Gross profit	3,827.5	37.4%	4,670.7	40.6%	5,362.7	41.5%
Operating expenses						
Distribution costs and selling expenses	(778.6)	(7.6)	(876.8)	(7.6)	(982.2)	(7.6)
Administrative expenses	(762.5)	(7.4)	(907.6)	(7.9)	(1,031.3)	(8.0)
Research and development expenses	(236.5)	(2.3)	(388.8)	(3.4)	(517.9)	(4.0)
Other income	62.9	0.6	54.3	0.5	46.0	0.4
Other (losses)/gains – net	(48.3)	(0.5)	0.2	0.0	(43.1)	(0.3)
Operating profit	<u>2,064.5</u>	<u>20.1%</u>	<u>2,552.0</u>	<u>22.2%</u>	<u>2,834.2</u>	<u>21.9%</u>

Please see “– Results of Operations” for an analysis of the reasons for the fluctuations in operating profit and operating profit margin during the Track Record Period.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses consist primarily of packaging expenses, storage and distribution expenses, transportation expenses, salaries and benefits for sales and marketing personnel and after-sales expenses. The following table sets forth the components of our distribution costs and selling expenses for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
(RMB in millions, except percentages)						
Packaging expenses	234.8	30.2%	262.1	29.9%	286.5	29.2%
Storage and distribution expenses	178.5	22.9	206.4	23.5	231.0	23.5
Transportation expenses	166.0	21.3	193.3	22.0	225.3	22.9
Salaries and benefits	63.4	8.1	77.7	8.9	84.2	8.6
After-sales expenses	35.6	4.6	36.7	4.2	44.7	4.6
Others ⁽¹⁾	100.3	12.9	100.6	11.5	110.5	11.2
Total	<u>778.6</u>	<u>100.0%</u>	<u>876.8</u>	<u>100.0%</u>	<u>982.2</u>	<u>100.0%</u>

(1) Primarily include insurance expenses, online service fees, customs declaration expenses and travel expenses.

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Distribution costs and selling expenses amounted to 7.6%, 7.6% and 7.6% of our total revenue in 2012, 2013 and 2014, respectively. To control the distribution costs and selling expenses, we build more satellite warehouses near our OEM customers, which will reduce the packaging, storage and distribution and transportation costs associated with product delivery.

Administrative Expenses

Our administrative expenses consist primarily of salaries and benefits for administrative and management personnel, repair and maintenance expenses, depreciation and amortisation of equipment and facilities used for administrative purposes and tax expenses. The following table sets forth the components of our administrative expenses for the periods indicated.

	Year ended December 31,					
	2012			2013		
(RMB in millions, except percentages)						
Salaries and benefits	330.6	43.4%	421.1	46.4%	470.2	45.6%
Repairing and maintenance expenses	136.3	17.9	141.1	15.5	162.1	15.7
Depreciation and amortisation	89.4	11.7	101.8	11.2	100.4	9.7
Tax expenses ⁽¹⁾	41.7	5.5	51.8	5.7	57.7	5.6
Others ⁽²⁾	164.5	21.5	191.8	21.2	240.9	23.4
Total	762.5	100.0%	907.6	100.0%	1,031.3	100.0%

(1) Includes stamp duty, property tax and land use tax.

(2) Primarily include technology licensing fees, insurance premium and lease expenses.

Administrative expenses amounted to 7.4%, 7.9% and 8.0% of our total revenue in 2012, 2013 and 2014, respectively. We expect administrative expenses as a percentage of revenues to increase as a result of the rising employee compensation levels in China.

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Research and Development Expenses

Our research and development expenses consist primarily of materials and consumables used in research and development activities, salaries and benefits for research and development personnel and depreciation and amortisation of equipment and facilities used for research and development purposes. The following table sets forth the components of our research and development expenses for the periods indicated.

	Year ended December 31,					
	2012		2013		2014	
	(RMB in millions, except percentages)					
Materials and consumables	92.7	39.2%	152.8	39.3%	209.8	40.5%
Salaries and benefits	74.3	31.4	140.3	36.1	195.8	37.8
Depreciation and amortisation	41.4	17.5	55.7	14.3	52.5	10.1
Utilities	6.9	2.9	10.2	2.6	29.5	5.7
Others ⁽¹⁾	21.2	9.0	29.8	7.7	30.3	5.9
Total	236.5	100.0%	388.8	100.0%	517.9	100.0%

(1) Primarily include office expenses, travel expenses, sample delivery expenses and laboratory expenses.

Research and development expenses amounted to 2.3%, 3.4% and 4.0% of our total revenue in 2012, 2013 and 2014, respectively. We expect research and development expenses as a percentage of revenue to increase as we continue to increase our research and development activities to develop new products and production equipment and enhance our existing products.

Other Income

Our other income consists primarily of government subsidies for constructing new manufacturing facilities and government rewards for our contributions to the local economy. In 2012, 2013 and 2014, our other income was RMB62.9 million, RMB54.3 million and RMB46.0 million, respectively.

FINANCIAL INFORMATION

Net Other (Losses)/Gains

In 2012, 2013 and 2014, we recorded net other losses of RMB48.3 million, net other gains of RMB0.2 million and net other losses of RMB43.1 million, respectively. The following table sets forth the components of our net other (losses)/gains for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Exchange losses – net	(17.2)	(42.2)	(48.7)
Donation	(16.5)	(6.2)	(0.9)
Impairment provision on property, plant and equipment	(20.5)	–	–
Impairment provision on assets of disposal group classified as held for sale	–	(17.5)	(4.1)
Gain on disposal of leasehold land and land use rights	–	130.4	–
Loss on disposal of property, plant and equipment	(8.5)	(64.5)	(10.4)
Changes in fair value of derivative financial instruments (foreign exchange forward contract)	1.0	(6.8)	8.5
Others	13.4	7.0	12.5
Total	(48.3)	0.2	(43.1)

FINANCIAL INFORMATION

Finance Costs – Net

In 2012, 2013 and 2014, we recorded net finance costs of RMB224.0 million, RMB199.2 million and RMB226.9 million, respectively. The following table sets forth the components of our finance income and finance costs for the periods indicated.

	Year ended December 31,					
	2012	2013		2014		
	(RMB in millions, except percentages)					
Finance income						
Interest income	(2.2)	(1.0)%	(3.1)	(1.6)%	(14.4)	(6.3)%
Finance Cost						
Interest on borrowings	223.0	99.6	196.3	98.6	237.3	104.6
Less: borrowing costs capitalized	(3.0)	(1.4)	(1.8)	(0.9)	–	–
Interest expense on borrowings	220.0	98.2	194.5	97.7	237.3	104.6
Amortisation of transaction costs in respect of issuance of medium-term note and commercial papers	6.2	2.8	7.8	3.9	4.0	1.7
	226.2	101.0	202.3	101.6	241.3	106.3
Total	224.0	100.0%	199.2	100.0%	226.9	100.0%

Share of Results of Joint Ventures

Share of results of joint ventures includes our share of the results of investments in joint ventures. Investments in joint ventures are accounted for using the equity method. In 2012, 2013 and 2014, we recorded share of profits of joint ventures of RMB21.6 million, RMB25.8 million and RMB31.0 million, respectively.

FINANCIAL INFORMATION

Income Tax Expense

We and our PRC subsidiaries are subject to income tax in the PRC. According to the 2008 EIT Law and its implementation rules, all PRC incorporated companies became subject to the enterprise income tax at a single rate of 25% from January 1, 2008. The 2008 EIT Law provided for a five-year transition period to enterprises that had preferential tax treatment prior to the promulgation of the 2008 EIT Law. A number of our PRC subsidiaries were certified by the PRC government authorities as high-and-new technology enterprises, and therefore enjoyed preferential enterprise income tax rates of 15% during the Track Record Period. The 15% preferential enterprise income tax rate is subject to review and approval by relevant government authorities every three years.

Our subsidiaries in Hong Kong, Russia and Germany were subject to income tax rates of 16.5%, 20.0% and 15.0%, respectively. Our subsidiaries in North America were subject to income tax rates ranging between 34.0% and 40.0%.

In addition to applicable enterprise income tax rates, our effective enterprise income tax rates may also be affected by amounts relating to portions of income not subject to taxation and expenses, not deductible for tax purpose, unrecognized tax losses carried forward and utilization of tax losses for which no deferred income tax assets were recognized. In 2012, 2013 and 2014, our effective tax rate was 18.1%, 19.4% and 16.0%, respectively.

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

RESULTS OF OPERATIONS

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Revenue

Revenue increased by 12.4% from RMB11,501.2 million in 2013 to RMB12,928.2 million in 2014. The increase was primarily due to (i) an increase in automotive glass sales volumes, from 82.4 million sq.m. in 2013 to 90.9 million sq.m. in 2014, primarily driven by increased market demand and (ii) an increase in the average selling price of automotive glass, from RMB132.5 per sq.m. in 2013 to RMB136.8 per sq.m. in 2014, primarily attributable to an increase in sales of sunroof glass as a percentage of our total sales, and our increased use of functionalized technologies, such as tempered-laminated technology and coating technology, to meet increased demand for high value-added automotive glass products from OEM customers.

Cost of Sales

Cost of sales increased by 10.8% from RMB6,830.5 million in 2013 to RMB7,565.5 million in 2014. The increase was primarily due to (i) a RMB498.3 million increase in raw material and energy costs, reflecting our higher sales volume during the period and (ii) a RMB142.6 million increase in salaries and benefits, resulting from increased headcount of production personnel due to the increased production volume and the rising employee compensation levels in China.

FINANCIAL INFORMATION

Gross Profit and Gross Profit Margin

As a result of the foregoing, gross profit increased by 14.8% from RMB4,670.7 million in 2013 to RMB5,362.7 million in 2014. Gross profit margin increased from 40.6% in 2013 to 41.5% in 2014, primarily attributable to an increase in the average selling price of our automotive products, from RMB132.5 per sq.m. in 2013 to RMB136.8 per sq.m. in 2014, primarily attributable to increased sales of sunroof glass and our increased use of functionalized technologies to meet increased demand for high value-added automotive glass products from OEM customers.

Distribution Costs and Selling Expenses

Distribution costs and selling expenses increased by 12.0% from RMB876.8 million in 2013 to RMB982.2 million in 2014. The increase was primarily due to (i) a RMB81.0 million increase in packaging, storage and transportation expenses, reflecting the increase in sales volumes during the period and (ii) a RMB6.5 million increase in salaries and benefits, resulting from rising employee compensation levels in China.

Administrative Expenses

Administrative expenses increased by 13.6% from RMB907.6 million in 2013 to RMB1,031.3 million in 2014. The increase was primarily due to increased headcount of administrative personnel and rising employee compensation levels in China.

Research and Development Expenses

Research and development expenses increased by 33.2% from RMB388.8 million in 2013 to RMB517.9 million in 2014. The increase was primarily due to (i) a RMB57.0 million increase in materials and consumables used in research and development activities, primarily resulting from our continuous efforts to develop new products and improve our existing products; and (ii) a RMB55.5 million increase in salaries and benefits for research and development personnel, reflecting our efforts to retain talents by offering them better compensation packages.

Other Income

Other income decreased by 15.3% from RMB54.3 million in 2013 to RMB46.0 million in 2014, primarily due to decreased governmental subsidies.

Net Other (Losses)/Gains

We had a net other loss of RMB43.1 million in 2014 as compared with a net other gain of RMB0.2 million in 2013. Our net other gain in 2013 was primarily due to exchange losses due to the appreciation of RMB.

Operating Profit and Operating Profit Margin

Operating profit increased from RMB2,552.0 million in 2013 to RMB2,834.2 million in 2014. Operating profit margin decreased from 22.2% in 2013 to 21.9% in 2014, primarily resulting from our net other losses in 2014.

FINANCIAL INFORMATION

Finance Income

Finance income increased by 364.5% from RMB3.1 million in 2013 to RMB14.4 million in 2014, primarily attributable to an increase in our bank deposits.

Finance Costs

Finance costs increased by 19.3% from RMB202.3 million in 2013 to RMB241.3 million in 2014. The increase was primarily due to an increase in borrowings to fund the expansion of our businesses.

Share of Results of Joint Ventures

Our share of profits of joint ventures increased by 20.2% from RMB25.8 million in 2013 to RMB31.0 million in 2014, primarily as a result of increased sales and profits of our joint ventures during the period, driven by increased market demand.

Income Tax Expense

Income tax expense decreased by 8.7% from RMB461.9 million in 2013 to RMB421.5 million in 2014, primarily resulting from the decrease in our effective tax rate. Our effective tax rate decreased from 19.4% in 2013 to 16.0% in 2014, primarily because our Fuyao Chongqing and Fuyao Changchun began to enjoy the preferential tax treatment for high-and-new technology enterprises in December 2014 and September 2014, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 15.7% from RMB1,916.7 million in 2013 to RMB2,216.8 million in 2014, and our net profit margin increased from 16.7% in 2013 to 17.1% in 2014.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

Revenue

Revenue increased by 12.2% from RMB10,247.4 million in 2012 to RMB11,501.2 million in 2013. The increase was primarily due to (i) an increase in sales volumes of automotive glass, from 72.6 million sq.m. in 2012 to 82.4 million sq.m. in 2013, driven by increased market demand and (ii) an increase in the average selling price of automotive glass, from RMB131.1 per sq.m. in 2012 to RMB132.5 per sq.m. in 2013, primarily attributable to an increase in sales of sunroof glass as a percentage of our total sales, and our increased use of functionalized technologies, such as tempered-laminated technology and coating technology, to meet increased demand for high value-added automotive glass products from OEM customers.

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Cost of Sales

Cost of sales increased by 6.4% from RMB6,419.9 million in 2012 to RMB6,830.5 million in 2013. The increase was primarily due to (i) a RMB220.6 million increase in raw material and energy costs, reflecting our higher sales volume during the period and (ii) a RMB147.0 million increase in salaries and benefits, resulting from increased headcount of production personnel and the rising employee compensation levels in China.

Gross Profit

As a result of the foregoing, gross profit increased by 22.0% from RMB3,827.5 million in 2012 to RMB4,670.7 million in 2013. Gross profit margin increased from 37.4% in 2012 to 40.6% in 2013, primarily attributable to increased float glass self-sufficiency and reduced sales of construction-grade float glass, which is a low-end float glass product and has relatively lower profit margin than automotive-grade float glass.

Distribution Costs and Selling Expenses

Distribution costs and selling expenses increased by 12.6% from RMB778.6 million in 2012 to RMB876.8 million in 2013. The increase was primarily due to (i) a RMB82.5 million increase in packaging, storage and transportation expenses, reflecting the increase in sales volumes during the period and (ii) a RMB14.3 million increase in salaries and benefits, resulting from increased headcount of sales and marketing personnel and the rising employee compensation levels in China.

Administrative Expenses

Administrative expenses increased by 19.0% from RMB762.5 million in 2012 to RMB907.6 million in 2013. The increase was primarily due to a RMB90.5 million increase in salaries and benefits, resulting from increased headcount of administrative personnel and the rising employee compensation levels in China.

Research and Development Expenses

Research and development expenses increased by 64.4% from RMB236.5 million in 2012 to RMB388.8 million in 2013. The increase was primarily due to (i) a RMB63.4 million increase in material and utility expenses associated with our research and development activities, (ii) and a RMB14.3 million increase in depreciation and amortisation of research and development equipment, resulting from our continuous efforts to develop new products and improve our existing products and (iii) a RMB66.0 million increase in salaries and benefits for research and development personnel, reflecting increased headcount of research and development personnel and our efforts to retain top talents by offering them better compensation packages.

Other Income

Other income decreased by 13.7% from RMB62.9 million in 2012 to RMB54.3 million in 2013. We had higher other income in 2012, primarily attributable to our receipt of government subsidies as compensation for the increased natural gas prices in 2012.

FINANCIAL INFORMATION

Net Other (Losses)/Gains

We had a net other gain of RMB0.2 million in 2013 as compared with a net other loss of RMB48.3 million in 2012.

Operating Profit and Operating Profit Margin

Operating profit increased from RMB2,064.5 million in 2012 to RMB2,552.0 million in 2013. Operating profit margin increased from 20.1% in 2012 to 22.2% in 2013, primarily resulting from increased gross profit margin and a decrease in other losses.

Finance Income

Finance income increased by 41.8% from RMB2.2 million in 2012 to RMB3.1 million in 2013, primarily attributable to an increase in our bank deposits.

Finance Costs

Finance costs decreased by 10.6% from RMB226.2 million in 2012 to RMB202.3 million in 2013. The decrease was primarily due to a decrease in interest expenses on borrowings, reflecting (i) lower interests on our bank loans resulting from our efforts to negotiate more favorable terms for our banking facilities and (ii) our issuance of commercial paper with lower interest rates to optimize our financing structure.

Share of Results of Joint Ventures

Our share of profits of joint ventures increased by 19.5% from RMB21.6 million in 2012 to RMB25.8 million in 2013, primarily as a result of increased sales and profits of our joint ventures, driven by increased market demand.

Income Tax Expense

Income tax expense increased by 36.7% from RMB338.0 million in 2012 to RMB461.9 million in 2013, resulting from the increases in our profit before tax and effective tax rate. Our effective tax rate increased from 18.1% in 2012 to 19.4% in 2013, primarily due to the expiration of preferential tax treatment of some of our PRC subsidiaries, such as Fuyao Shuangliao Co., Ltd., and Fuyao (Fujian) Architecture Glass Co. Ltd.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 25.8% from RMB1,524.1 million in 2012 to RMB1,916.7 million in 2013, and our net profit margin for the year increased from 14.9% in 2012 to 16.7% million in 2013.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of liquidity are cash generated from our operations, bank loans and proceeds from issuance of short-term commercial paper, medium-term notes and commercial bills. Our principal uses of cash primarily include capital expenditures to fund the expansion of our business and working capital. As of December 31, 2012, 2013 and 2014, we had cash and cash equivalents of RMB487.3 million, RMB490.5 million and RMB499.1 million, respectively.

Cash Flows

The following table sets forth a summary of our net cash flows for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Net cash generated from operating activities	2,426.5	2,817.0	3,130.6
Net cash used in investing activities	(1,382.5)	(1,416.9)	(2,611.9)
Net cash used in financing activities	(1,364.2)	(1,395.5)	(502.8)
Cash and cash equivalents at the beginning of the year	807.5	487.3	491.9
Exchange losses on cash and cash equivalents	—	—	(8.4)
	487.3	491.9	499.4
Add: Cash and cash equivalents of disposable assets held for sale by the Group	—	(1.4)	(0.3)
Cash and cash equivalents at the end of the year	487.3	490.5	499.1

Operating activities

Net cash generated from operating activities in 2014 was RMB3,130.6 million, primarily attributable to profit before income tax of RMB2,638.3 million, adjusted mainly to reflect non-cash charges of RMB857.0 million related to depreciation of property, plant and equipment and a RMB511.1 million increase in trade and other payables, partially offset by a RMB323.8 million increase in inventories and a RMB351.7 million increase in trade and other receivables. The increases in inventories, trade and other receivables and trade and other payables were in line with our increased sales during the period.

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Net cash generated from operating activities in 2013 was RMB2,817.0 million, primarily attributable to profit before income tax of RMB2,378.6 million, adjusted mainly to reflect interests on bank borrowing and non-cash interest expenses of RMB202.3 million due to the amortisation of transaction costs associated with our issuance of medium-term notes and short-term commercial paper, non-cash charges of RMB864.9 million related to depreciation of property, plant and equipment and a RMB408.5 million increase in trade and other payables, partially offset by a RMB516.2 million increase in trade and other receivables and a RMB130.4 million gain on disposals of leasehold land and land use rights. The increases in trade and other receivables and trade and other payables were in line with our increased sales during the period.

Net cash generated from operating activities in 2012 was RMB2,426.5 million, primarily attributable to profit before income tax of RMB1,862.1 million, adjusted mainly to reflect interests on bank borrowing and non-cash interest expenses of RMB226.2 million due to the amortisation of transaction costs associated with our issuance of medium-term notes and short-term commercial paper, non-cash charges of RMB805.5 million related to depreciation of property, plant and equipment and a RMB251.7 million increase in trade and other payables, partially offset by a RMB319.5 million increase in trade and other receivables. The increases in trade and other receivables and trade and other payables were in line with our increased sales during the period.

Investing activities

Net cash used in investing activities in 2014 was RMB2,611.9 million, primarily due to (i) RMB2,618.5 million for the purchase of property, plant and equipment and (ii) RMB115.4 million for the purchase of leasehold land and land use rights principally in connection with the expansion of our manufacturing facilities, partially offset by (i) RMB92.5 million in government grants related to property, plant and equipment and (ii) RMB50.0 million in proceeds from disposal of leasehold land and land use right and intangible assets.

Net cash used in investing activities in 2013 was RMB1,416.9 million, primarily due to (i) RMB1,570.4 million for the purchase of property, plant and equipment and (ii) RMB305.2 million for the purchase of leasehold land and land use rights principally in connection with the expansion of our manufacturing facilities, partially offset by (i) RMB150.8 million in government grants related to property, plant and equipment and (ii) RMB102.1 million in proceeds from disposal of leasehold land and land use right and intangible assets.

Net cash used in investing activities in 2012 was RMB1,382.5 million, primarily due to (i) RMB1,368.4 million for the purchase of property, plant and equipment and (ii) RMB131.8 million for the purchase of leasehold land and land use rights, principally in connection with the expansion of our manufacturing facilities.

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Financing activities

Net cash used in financing activities in 2014 was RMB502.8 million, primarily attributable to RMB6,254.9 million in repayments of bank borrowings and RMB1,001.5 million in dividends paid to shareholders, partially offset by an increase of RMB6,955.6 million in bank borrowings.

Net cash used in financing activities in 2013 was RMB1,395.5 million, primarily attributable to RMB5,921.5 million in repayments of bank borrowings and RMB1,001.5 million in dividends paid to shareholders, partially offset by an increase of RMB5,735.9 million in bank borrowings.

Net cash used in financing activities in 2012 was RMB1,364.2 million, primarily due to RMB5,512.7 million in repayments of bank borrowings and RMB801.2 million in dividends paid to shareholders, partially offset by an increase of RMB5,132.6 million in bank borrowings.

CAPITAL EXPENDITURES

Our capital expenditures, which consist primarily of expenditures on land use rights, property, plant and equipment and intangible assets, were RMB1,598.4 million, RMB1,939.8 million and RMB2,714.3 million in 2012, 2013 and 2014, respectively. We fund these expenditures primarily with cash generated from our operating activities and bank borrowings. The following table sets forth our capital expenditure for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
	(RMB in millions)		
Property, plant and equipment	1,462.5	1,628.9	2,539.3
Interest in leasehold land	131.8	305.2	115.4
Intangible assets	4.1	5.7	59.6
Total	1,598.4	1,939.8	2,714.3

FINANCIAL INFORMATION

We expect to incur capital expenditures of RMB2,990 million and RMB3,005 million in 2015 and 2016, respectively, mainly relating to construction of new automotive glass and float glass manufacturing facilities in and outside China and upgrading and transformation of existing manufacturing facilities. The following table sets forth our current capital expenditure plan for the periods indicated.

	Year ending December 31,	
	2015	2016
	(RMB in millions)	
Automotive glass manufacturing facility in Shenyang	190	–
Automotive glass manufacturing facility in the United States	760	255
Automotive glass manufacturing facility in Russia	32	470
Other automotive glass manufacturing facilities and technology transformation	1,400	1,000
Float glass manufacturing facility in the United States	250	455
Float glass manufacturing facility in Russia	–	525
Technology transformation of float glass manufacturing facilities	200	200
Others	158	100
Total	2,990	3,005

We expect to fund these capital expenditures with cash generated from our operations, bank and other borrowings and proceeds from the Global Offering.

Net Current Assets/(Liabilities)

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of January 31,
	2012	2013	2014	2015
	(RMB in millions)			(unaudited)
Current assets				
Inventories	1,907.4	1,877.2	2,169.0	2,335.5
Trade and other receivables	2,646.8	3,215.1	3,548.7	3,564.5
Derivative financial instruments ⁽¹⁾	0.3	1.6	3.7	2.6
Restricted cash	23.6	10.9	8.1	7.2
Cash and cash equivalents	487.3	490.5	499.1	487.4
	5,065.4	5,595.3	6,228.6	6,397.2

FINANCIAL INFORMATION

	As of December 31,			As of
	2012	2013	2014	January 31, 2015
	(RMB in millions)			(unaudited)
Assets of disposal group classified as held-for-sale	–	417.0	401.7	389.5
	5,065.4	6,012.3	6,630.3	6,786.7
Current liabilities				
Trade and other payables	1,824.9	2,374.0	2,795.2	2,889.7
Current income tax liabilities	206.1	259.5	282.5	233.2
Borrowings	3,125.8	2,899.3	3,335.6	3,383.6
Derivative financial instruments ⁽¹⁾	–	8.1	1.7	1.6
Current portion of deferred income on government grants	3.4	7.3	14.1	14.1
	5,160.2	5,548.2	6,429.1	6,522.2
Liabilities of disposal group classified as held-for-sale	–	32.4	21.7	24.8
	5,160.2	5,580.6	6,450.8	6,547.0
Net current assets/(liabilities)	(94.8)	431.7	179.5	239.7

(1) consist of forward foreign exchange contracts

We had net current assets of RMB179.5 million as of December 31, 2014 as compared with net current assets of RMB431.7 million as of December 31, 2013. The decrease in net current assets was primarily attributable to (i) a RMB436.3 million increase in borrowings to fund our business expansion, and (ii) a RMB421.1 million increase in trade and other payables as a result of the expansion of our business, partially offset by (i) a RMB291.8 million increase in inventories and (ii) a RMB333.6 million increase in trade and other receivables as a result of the expansion of our business.

We had net current assets of RMB431.7 million as of December 31, 2013 as compared with net current liabilities of RMB94.8 million as of December 31, 2012, which was primarily attributable to (i) a RMB568.3 million increase in trade and other receivables, (ii) a RMB417.0 million increase in assets of disposal group classified as held-for-sale resulting from our sale of equity interests in Fuyao Shuangliao to an Independent Third Party and (iii) a RMB226.5 million decrease in short-term borrowings.

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We have not experienced any material obstacle in obtaining financing despite our increased capital expenditures because:

- We have maintained long-term relationships with domestic and foreign financial institutions from which we are able to obtain banking facilities on preferential terms to fund our business expansion; and
- We actively optimized our financing structure by issuing commercial paper and medium-term notes.

During the Track Record Period, we did not experience any difficulties in refinancing our bank loans upon maturity of existing loans. As of January 31, 2015, we had committed unutilized banking facilities of RMB13,167.9 million. Such committed unutilized banking facilities can be drawdown without any additional conditions precedent.

WORKING CAPITAL

Taking into account our internal resources, our cash flow from operations, available banking facilities and the net proceeds available to us from the Global Offering, our Directors are of the opinion that we have sufficient working capital for at least the next 12 months following the date of this prospectus.

Inventories

The following table sets forth the components of our inventories as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Raw materials	941.1	876.8	969.3
Work in progress	59.7	53.1	50.0
Finished goods	917.2	940.1	1,144.1
Low value consumables	10.2	16.8	17.8
	<u> </u>	<u> </u>	<u> </u>
Less: write down to net realizable value	(20.8)	(9.6)	(12.2)
	<u> </u>	<u> </u>	<u> </u>
Total	<u>1,907.4</u>	<u>1,877.2</u>	<u>2,169.0</u>

Inventories decreased from RMB1,907.4 million as of December 31, 2012 to RMB1,877.2 million as of December 31, 2013, primarily due to our reclassification of inventory held by Fuyao Group Shuangliao Co., Ltd. to assets of disposal group classified as held-for-sale as a result of our sale of our equity interest in Fuyao Shuangliao to an Independent Third Party, and a decrease in the inventory of raw materials due to our higher operating efficiency. Inventories increased to RMB2,169.0 million as of December 31, 2014, primarily reflecting our increased

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purchase of raw materials due to increased sales and production volumes and in preparation for the commencement of commercial production of Fuyao Tongliao in October 2014. As of January 31, 2015, RMB844.3 million, or 38.9%, of our inventories as of December 31, 2014 were utilized or sold.

We make provisions for impairment of inventories when the carrying value of inventories declines below net realizable value. As of December 31, 2012, 2013 and 2014, we made provisions of RMB20.8 million, RMB9.6 million and RMB12.2 million for the impairment of inventories, respectively.

The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Inventory turnover days ⁽¹⁾	109	102	98

(1) Calculated by dividing the average balance of cost of inventories by cost of sales for the relevant period multiplied by 365 days. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our inventory turnover days remained stable at 98 days in 2014 as compared with 102 days in 2013 and 109 days in 2012, primarily attributable to our effective monitoring of our inventory level. Our inventory turnover days decreased to 102 days in 2013, primarily due to a decrease in inventories as a result of our reclassification of inventory held by Fuyao Shuangliao.

Trade and Other Receivables

The following table sets forth the components of our trade and other receivables as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Trade receivables from third parties:			
Account receivable	1,744.7	2,053.0	2,430.7
Less: Provision for impairment	(2.1)	(0.3)	(0.2)
	1,742.6	2,052.7	2,430.5
Notes receivable	556.2	680.3	544.5
	2,298.8	2,733.0	2,975.0

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	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Other receivables from third parties			
Other receivables	100.1	121.9	82.1
Less: Provision for impairment	—	—	—
	100.1	121.9	82.1
Amount due from related parties			
Account receivables	1.1	0.3	4.3
Other receivables	8.1	4.1	0.6
	9.2	4.4	4.9
Prepayments to suppliers	135.7	226.4	281.6
Prepaid current income tax and value-added tax recoverable	103.0	129.4	205.1
Interest receivables	—	—	—
	238.7	355.8	486.7
Trade and other receivables – net	2,646.8	3,215.1	3,548.7

Trade Receivables from Third Parties

Trade receivables from third parties consist of account receivables and notes receivables. Trade receivables from third parties increased from RMB2,298.8 million as of December 31, 2012 to RMB2,733.0 million as of December 31, 2013 and further increased to RMB2,975.0 million as of December 31, 2014, primarily reflecting our increased sales during the period. As of January 31, 2015, RMB1,475.4 million, or 49.6%, of our trade receivables from third parties as of December 31, 2014 were settled.

We recognize a provision for impairment of trade receivables from third parties as general and administrative expenses when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the trade receivables. As of December 31, 2012, 2013 and 2014, we recognize provisions for the impairment of trade receivables from third parties of RMB2.1 million, RMB0.3 million and RMB0.2 million, respectively.

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We generally grant our customers a credit period of one to four months. Our senior management evaluates requests for extension of credit term on a case-by-case basis according to the customer's credit history, reputation and business relationship with us. The table below sets forth an aging analysis of our trade receivables from third parties as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Within three months	2,025.5	2,399.4	2,706.2
Three to six months	234.0	304.7	240.4
Six months to one year	38.0	27.8	28.0
Over one year	3.4	1.4	0.6
Total	2,300.9	2,733.3	2,975.2

The following table sets forth the turnover days for our trade receivables for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Trade receivables turnover days ⁽¹⁾	77.7	79.9	80.6

(1) Calculated by dividing the average balance of trade receivables by revenues for the relevant period multiplied by 365 days. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade receivables turnover days remained stable at 80.6 days in 2014 as compared with 79.9 days in 2013 and 77.7 days in 2012. As we sell our products primarily to reputable OEM manufacturers and ARG customers, we expect our trade receivables turnover days to generally remain stable in the future.

Other Receivables from Third Parties

Other receivables from third parties consist primarily of guarantee deposits to suppliers. Other receivables from third parties increased from RMB100.1 million as of December 31, 2012 to RMB121.9 million as of December 31, 2013, primarily reflecting the outstanding balance of the proceeds from sales of the land owned by Fuyao Tongliao to the PRC government. Other receivables from third parties decreased to RMB82.1 million as of December 31, 2014, primarily reflecting receipt of the outstanding balance of the proceeds from sales of the land owned by Fuyao Tongliao to the PRC government.

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Trade and Other Payables

The following table sets forth the components of our trade and other payables as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Trade payables to third parties:			
Account payable	499.6	708.0	887.9
Notes payable	378.1	484.5	566.6
Subtotal	877.7	1,192.5	1,454.5
Other payables to third parties			
Staff salary and welfare payables	187.8	242.3	295.3
Interest payables	20.7	19.9	35.9
Advances from customers	18.8	19.3	35.2
Payables for purchase of property, plant and equipment	298.1	354.8	291.3
Accrued taxes other than income tax	26.6	43.1	59.1
Other payables and accruals ⁽¹⁾	375.5	453.9	561.4
Subtotal	927.5	1,133.3	1,278.2
Due to related parties			
Account payable	19.5	48.2	61.6
Other account payable	0.2	–	0.9
Subtotal	19.7	48.2	62.5
Total	1,824.9	2,374.0	2,795.2

(1) Primarily include transportation expenses payable, warehousing and distribution expenses payable, water and electricity charges payable, packing charges payable, and third party's security deposit for loan recoveries.

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Trade Payables to Third Parties

Trade payables to third parties consist of account payables and notes payables. Trade payables to third parties increased from RMB877.7 million as of December 31, 2012 to RMB1,192.5 million as of December 31, 2013, primarily due to our increased purchases of PVB layers in advance of negotiations with suppliers to increase our bargaining power. Trade payables to third parties increased to RMB1,454.5 million as of December 31, 2014, primarily reflecting increased production and sales volumes during the period. As of January 31, 2015, RMB582.6 million, or 40.1%, of our trade payables to third parties as of December 31, 2014 were settled.

Our suppliers generally grant us a credit period of 30 days to 120 days. The table below sets forth an aging analysis of our trade payables to third parties as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Within three months	642.8	875.4	1,157.7
Three to six months	152.0	88.0	245.5
Six months to one year	66.2	208.1	35.1
Over one year	16.7	21.0	16.2
Total	877.7	1,192.5	1,454.5

The following table sets forth the turnover days for our trade payable for the periods indicated.

	Year ended December 31,		
	2012	2013	2014
Trade payables turnover days ⁽¹⁾	45.4	55.3	63.9

(1) Calculated by dividing the average balance of trade payable by cost of sales for the relevant period multiplied by 365 days. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade payable turnover days increased from 45.4 days in 2012 to 55.3 days in 2013 and further increased to 63.9 days in 2014, primarily because we were able to obtain extended credit terms from our suppliers because of our reputation and good credit history.

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Other Payables to Third Parties

Other payables to third parties consist primarily of payables for purchase of property, plant and equipment and staff salaries and welfares. Other payables to third parties increased from RMB927.5 million as of December 31, 2012 to RMB1,133.3 million as of December 31, 2013, primarily due to increased staff salary and welfare payables, as well as our increased purchase of land use rights and equipment in connection with the expansion of our manufacturing facilities. Other payables to third parties increased to RMB1,278.2 million as of December 31, 2014, primarily due to increased staff salary and welfare payables.

Amount Due from/to Related Parties

Amount due from related parties primarily arises from our special ancillary parts installation arrangements with certain related parties, under which we sell semi-finished automotive glass to our related parties for installation of ancillary parts, who then sell the finished automotive glass products back to us. As of December 31, 2012, 2013 and 2014, amount due from related parties were RMB9.3 million, RMB4.6 million and RMB5.3 million respectively. The following table sets forth the components of amount due from related parties as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Trade receivables from related parties			
Fujian Fuyao Automobile Parts Co., Ltd.	1,131	306	2,640
Hubei Jierui Automobile Glass Co., Ltd.	–	–	961
Hunan Jierui Automobile Glass Co., Ltd.	–	–	716
Other receivables from related parties			
Tri-wall Packaging (Fuzhou) Co., Ltd	7,821	3,807	306
Fujian Fuyao Automobile Parts Co., Ltd.	139	185	177
Chongqing Fuyao Automobile Parts Co., Ltd.	142	114	155
Ningbo Fuyao Automobile Parts Co., Ltd.	–	6	3
Prepayments			
Ningbo Fuyao Automobile Parts Co., Ltd.	92	225	–
Fujian Fuyao Automobile Parts Co., Ltd.	–	–	353
Total	9,325	4,643	5,311

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Trade payables due to related parties consist primarily of outstanding amounts for the purchase of ancillary parts from certain related parties.

As of December 31, 2012, 2013 and 2014, amount due to related parties were RMB19.7 million, RMB48.2 million and RMB62.5 million, respectively. The following table sets forth the components of amount due to related parties as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Trade payables to related parties			
Fujian Fuyao Automobile Parts Co., Ltd.	4,788	13,907	19,935
Chongqing Fuyao Automobile Parts Co., Ltd.	4,529	4,598	6,081
Ningbo Fuyao Automobile Parts Co., Ltd.	8,162	17,904	26,361
Tri-wall Packaging (Fuzhou) Co.,Ltd.	2,047	11,782	9,232
Other payables to related parties			
Ningbo Fuyao Automobile Parts Co., Ltd.	197	–	907
Fujian Fuyao Automobile Parts Co., Ltd.	–	–	18
Total	19,723	48,191	62,534

The Directors have confirmed that transactions with the related parties were conducted on normal commercial terms and were fair and reasonable and in the interest of the Shareholders as a whole, and all non-trade receivables will be settled prior to the Listing. The Directors also believe that those transactions with related parties and amounts due to and due from related parties did not distort the Group's result of operations during the Track Record Period.

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INDEBTEDNESS

Borrowings

As of January 31, 2015, we had outstanding borrowings of RMB4,596.9 million. The following table sets forth the components of our borrowings as of the dates indicated.

	As of December 31,			As of January 31,
	2012	2013	2014	2015
	(RMB in millions)			
Non-current:				
Long-term bank borrowings	617.0	924.0	1,198.0	1,198.6
Medium-term notes	399.5	399.5	399.6	399.7
Less: current portion of non-current borrowings	(136.3)	(406.0)	(385.0)	(385.0)
Subtotal	880.2	917.5	1,212.6	1,213.3
Current:				
Short-term bank borrowings	1,146.4	1,260.6	2,640.9	2,687.3
Short-term commercial papers	1,843.1	1,232.7	309.7	311.3
Current portion of non-current borrowings	136.3	406.0	385.0	385.0
Subtotal	3,125.8	2,899.3	3,335.6	3,383.6
Total	4,006.0	3,816.8	4,548.2	4,596.9

Bank Borrowings

We had long-term banking borrowings of RMB617.0 million, RMB924.0 million, RMB1,198.0 million and RMB1,198.6 million as of December 31, 2012, 2013 and 2014 and January 31, 2015, respectively. We incurred long-term banking borrowings to satisfy our working capital requirements, and to finance our capital expenditures, including purchase of equipment and land use rights and construction of manufacturing facilities.

We had short-term bank borrowings of RMB1,146.4 million, RMB1,260.6 million, RMB2,640.9 million and RMB2,687.3 million as of December 31, 2012, 2013 and 2014 and January 31, 2015. We incurred short-term banking borrowings primarily to satisfy our working capital requirements.

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As of December 31, 2012, 2013 and 2014 and January 31, 2015, RMB68.0 million, RMB35.0 million, RMB220.0 million and RMB220.0 million of bank borrowings were guaranteed by us. None of our bank borrowings were secured by bank deposits as of December 31, 2012 and 2013 and 2014 and January 31, 2015.

The following table sets forth the maturity profile of our borrowings as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Within one year	3,112.5	2,899.3	3,335.6
Between one and two years	397.0	439.0	1,206.6
Between two and five years	496.5	478.5	6.0
Total	4,006.0	3,816.8	4,548.2

Most of our bank borrowings outstanding as of December 31, 2012, 2013 and 2014 were denominated in RMB. The effective interest rates of our RMB-denominated bank borrowings were 5.21%, 4.66% and 4.86%, respectively.

Medium-term Notes

In May 2011, we issued medium-term notes with an aggregate principal amount of RMB400.0 million on the PRC inter-bank market (the “2011 Notes”), from which we received net proceeds of RMB399.5 million. The 2011 Notes bear a coupon rate of 5.67% per annum. We pay interest on the 2011 Notes on May 5 of each year, beginning from May 2012. The 2011 Notes will mature in May 2016. As of December 31, 2014, the remaining balance of the 2011 Notes was RMB399.6 million. We used the net proceeds received from the issuance of the 2011 Notes to satisfy our work capital requirements and repay bank loans.

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Commercial Paper

During the Track Record Period, we issued seven tranches of commercial paper with an aggregate principal amount of RMB3,800.0 million on the PRC inter-bank market. We used the net proceeds from the issuance of short-term commercial paper to satisfy our working capital requirements and repay bank loans. The following table sets forth certain information on the short-term commercial paper issued by us.

	<u>Issuance date</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Principal amount</u> (RMB in thousands)
First tranche	January 11, 2011	One year	4.19%	500,000
Second tranche	February 21, 2012	One year	5.01%	600,000
Third tranche	June 26, 2012	One year	3.89%	600,000
Fourth tranche	September 11, 2012	One year	4.64%	600,000
Fifth tranche	March 12, 2013	One year	4.27%	600,000
Sixth tranche	July 22, 2013	One year	5.30%	600,000
Seventh tranche	May 20, 2014	One year	5.58%	300,000

As of the Latest Practicable Date, there were no material covenants on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date.

We intend to register two commercial paper programs with the NAFMII, which will allow us to issue commercial paper with maturities not exceeding one year in the maximum aggregate principal amount of RMB800.0 million, and commercial paper with maturities not exceeding 270 days in the maximum aggregate principal amount of RMB1,200.0 million on the PRC inter-bank market during the respective two-year terms of the programs. We will issue the commercial paper on an as needed basis in accordance with our working capital requirements in consideration of market conditions, such as the cost of alternative funding. We plan to use the net proceeds from such issuances to satisfy our working capital requirements and repay bank loans.

Except as disclosed above, we do not have any material external financing plans.

Contingent Liabilities

As of the Latest Practicable Date, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, or other similar indebtedness, or hire purchase commitments, liabilities under acceptances or acceptance credits, any guarantees or other material contingent liabilities.

We are not currently involved in any material legal, arbitration or administrative proceedings that if adversely determined, would materially adversely affect our financial position or results of operations, although there can be no assurance that this will be the case in the future.

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Commitments

The table below sets forth our commitments as of the dates indicated.

	As of December 31,		
	2012	2013	2014
	(RMB in millions)		
Capital commitments			
Authorized and contracted for:			
– Property, plant and equipment	312.3	732.7	1,049.3
Authorized but not contracted for:			
– Company to be established	604.7	687.8	903.3
– Property, plant and equipment	1,026.1	4,505.0	4,288.9
	1,630.8	5,192.8	5,192.2
Operating lease obligations			
Within one year	17.3	17.3	17.3
After one year but not more than two years	17.3	17.3	–
After two years but not more than five years	17.3	–	–
	51.9	34.6	17.3

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SUMMARY OF KEY FINANCIAL RATIOS

	Year ended December 31,		
	2012	2013	2014
Revenue growth ⁽¹⁾	5.8%	12.2%	12.4%
Net profit growth ⁽²⁾	0.8%	25.8%	15.7%
Gross margin ⁽³⁾	37.4%	40.6%	41.5%
Net profit margin before interest and taxes ⁽⁴⁾	20.4%	22.4%	22.3%
Net profit margin ⁽⁵⁾	14.9%	16.7%	17.1%
Interest coverage ratio ⁽⁶⁾	9.23	12.76	11.93
Return on equity ⁽⁷⁾	21.8%	24.4%	25.1%
Return on total assets ⁽⁸⁾	11.6%	13.1%	13.1%

(1) Calculated by dividing revenue for the period by revenue for the previous period, minus one and multiplied by 100%.

(2) Calculated by dividing net profit for the period divided by net profit for the previous period, minus one and multiplied by 100%.

(3) Calculated by dividing gross profit by revenue for the period and multiplied by 100%.

(4) Calculated by dividing the sum of net profit before interest and income tax expenses by revenue for the period and multiplied by 100%.

(5) Calculated by dividing net profit for the period by revenue for the period and multiplied by 100%.

(6) Calculated by dividing net profit before interest, taxes, depreciation and amortisation by finance costs for the period.

(7) Calculated by dividing net profit for the period by total equity as at the end of the period and multiplied by 100%.

(8) Calculated by dividing net profit for the period by total assets as at the end of the period and multiplied by 100%.

	As of December 31,		
	2012	2013	2014
Current ratio ⁽¹⁾	0.98	1.08	1.03
Quick ratio ⁽²⁾	0.61	0.74	0.69
Gearing ratio ⁽³⁾	0.57	0.49	0.52
Net debt to equity ratio ⁽⁴⁾	0.50	0.42	0.46

(1) Calculated by dividing current assets by current liabilities as at the end of the period.

(2) Calculated by dividing the sum of current assets less inventories by current liabilities as at the end of the period.

(3) Calculated by dividing total debt by total equity as at the end of the period.

(4) Calculated by dividing net debt by total equity as at the end of the period. Net debt is the sum of current and non-current borrowings less cash and cash equivalents.

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Please refer to “– Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013”, “– Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012” for a discussion of the factors affecting the growth of revenue and net profit and our gross and net profit margins during the respective periods.

Return on Equity and Return on Total Assets

Return on equity increased from 24.4% as of December 31, 2013 to 25.1% as of December 31, 2014. The increase in return on equity was mainly due to the increases in sales and gross profits. Return on total assets remained stable at 13.1% as of December 31, 2013 and 2014.

Return on equity increased from 21.8% as of December 31, 2012 to 24.4% as of December 31, 2013, and return on total assets increased from 11.6% as of December 31, 2012 to 13.1% as of December 31, 2013. The increases in return on equity and return on assets were mainly due to (i) the increases in sales and gross profits and (ii) non-recurring gains from the disposal of property, plant and equipment and land use rights by Tongliao Float and Shuangliao Float in 2013.

Current Ratio and Quick Ratios

Our current ratio decreased from 1.08 as of December 31, 2013 to 1.03 as of December 31, 2014, and our quick ratio decreased from 0.74 as of December 31, 2013 to 0.69 as of December 31, 2014. The decreases in our current ratio and quick ratios primarily reflected an increase in short-term borrowings to fund our business expansion.

Our current ratio increased from 0.98 as of December 31, 2012 to 1.08 as of December 31, 2013, and our quick ratio increased from 0.61 as of December 31, 2012 to 0.74 as of December 31, 2013. The increases in current ratio and quick ratios primarily reflected (i) an increase in trade and other receivables due to our increased sales during the period and (ii) an increase in assets of disposal group classified as held-for-sale resulting from our sale of equity interests in Fuyao Shuangliao to an Independent Third Party and (iii) a decrease in short-term borrowings.

Gearing Ratio and Net Debt to Equity Ratio

Our gearing ratio increased from 0.49 as of December 31, 2013 to 0.52 as of December 31, 2014. Our net debt to equity ratio increased from 0.42 as of December 31, 2013 to 0.46 as of December 31, 2014. The increases in gearing ratio and net debt to equity ratio were due to increased borrowings to fund our business expansion.

Our gearing ratio decreased from 0.57 as of December 31, 2012 to 0.49 as of December 31, 2013. Our net debt to equity ratio decreased from 0.50 as of December 31, 2012 to 0.42 as of December 31, 2013. The decreases in gearing ratio and net debt to equity ratio were mainly due to decreases in our borrowings during the period.

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Interest Coverage Ratio

Our interest coverage ratio decreased from 12.76 in 2013 to 11.93 in 2014, mainly due to an increase in our finance costs.

Our interest coverage ratio increased from 9.23 in 2012 to 12.76 in 2013, mainly due to (i) an increase in our profit before interest, taxes, depreciation and amortisation (ii) a decrease in our finance costs.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We are exposed to various types of financial risk in the ordinary course of business, including market risk (consisting of foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Foreign Exchange Risk

We operate in countries other than the PRC and also export our products outside China. Foreign currency fluctuations may have a significant positive or negative effect on our results of operations.

We are exposed to foreign currency risks related to purchasing, selling, financing and investing in currencies other than the local currencies in which we operate. As we enter into transactions denominated in currencies other than the local currencies in which we or our subsidiaries and affiliates operate, we face foreign currency transaction risk to the extent that the amounts and relative proportions of various currencies in which our costs and liabilities are denominated deviate from the amounts and relative proportions of the various currencies in which sales and assets are denominated. To the extent that we begin to operate overseas manufacturing facilities, for example in Russia and the United States, to sell our products locally to customers located in the same country, we might be able to mitigate our foreign exchange risk by increasing the proportion of revenue and costs incurred in the same currency.

Our consolidated financial information is reported in the RMB. Our foreign subsidiaries prepare financial statements in their reporting currencies which are then translated to the RMB prior to being consolidated in our financial statements. As a result, changes in the value of the RMB relative to the reporting currencies of these subsidiaries create translation gains and losses upon consolidation of overseas subsidiaries or recognition of equity in earnings of overseas affiliates. Assets or liabilities denominated in foreign currencies are generally translated into the RMB at the prevailing exchange rate as of the end of each financial year. Sales, purchases or other transaction denominated in foreign currencies are generally translated into the RMB for reporting purpose at the average exchange rate during the financial year.

As of December 31, 2012, 2013 and 2014, if the RMB had strengthened/weakened by 10% against the U.S. dollar, Euro and Russian Ruble, with all other variables held constant, our net profit for the respective period then ended would have been lower/higher by RMB63.5 million, RMB74.5 million and RMB82.1 million, respectively, mainly as a result of foreign

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exchange gains/losses arising from the translation of cash and cash equivalents, trade receivables and payable balances denominated in foreign currencies. We hedge our foreign exchange exposure by entering into forward contracts to lock in the exchange rates for trade receivables arising from sales denominated in foreign currency. Pursuant to our foreign exchange management policies, our finance department monitors and manages our foreign exchange exposure. Based on monthly expenditure and cash collection plans submitted by our subsidiaries, our vice president of finance, Mr. Wang Changhua, estimates our foreign-currency cash flows and submits an application to our chief financial officer for the purchase of forward contracts to manage our foreign currency exposure, taking into account information provided by banks on movements in foreign exchange rates and related research reports. Our chief financial officer evaluates and approves the proposal in light of our overall risk management objectives. Mr. Wang has over 25 years' experience in accounting and finance, including nearly 10 years working in foreign currency related treasury functions. Mr. Wang is very knowledgeable about foreign currency risk management and has extensive day-to-day operational experience. Mr. Chen Xiangming was our chief financial officer during the Track Record Period. Mr. Zuo Min was appointed as our chief financial officer on November 29, 2014. See "Directors, Supervisors and Senior Management" for the experience and qualifications of Mr. Chen Xiangming and Mr. Zuo Min.

We enter into forward foreign exchange contracts for hedging purposes only and not for speculative purposes. We only transact with larger financial institutions, and spread out our contracts among multiple counterparties to avoid concentration risks. Accordingly, we believe the default risks associated with these contracts are low. We also limit the contract amount of forward contracts to not more than 40% of our projected annual revenue. In 2012, 2013 and 2014, the contract amount of foreign-exchange forward contracts accounted for 0.5%, 9.5% and 8.9% of our total revenue. As of December 31, 2014, we had outstanding foreign currency forward contracts to buy RMB254,069,000 for US\$41,000,000, buy US\$38,169,000 for EUR30,830,000 and buy US\$5,748,000 for GBP3,661,000. We were also able to fix the exchange rate for some of our foreign currency-dominated loans to limit our foreign exchange risk.

The table below sets forth our positions in forward foreign exchange contracts as of the dates indicated:

	As of December 31,		
	2012	2013	2014
	(RMB in thousands)		
Derivative financial liabilities			
– forward foreign exchange contract	–	8,116	1,703
Derivative financial assets			
– forward foreign exchange contract	341	1,637	3,687

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Interest rate risk

We are exposed to interest rate risk arising primarily from long-term receivables and borrowings. Borrowings obtained at variable interest rates expose us to cash flow interest rate risk. Borrowings obtained at fixed interest rates and long-term receivables exposed us to fair value interest rate risk. We currently do not use any financial instruments to hedge against interest rate risk. We will, however, continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As of December 31, 2012, 2013 and 2014, if the interest rate on bank borrowings had increased/decreased by 50 basis points, with all other variables held constant, our net profit for the respective period then ended would have been lower/higher by RMB2.0 million, RMB2.1 million and RMB3.4 million, respectively, mainly as a result of higher/lower interest expenses on bank borrowings.

Credit Risk

Credit risk primarily arises from cash and cash equivalents, restricted cash, trade and other receivables and long-term receivables. We deposit all of our cash and cash equivalents (including restricted cash) with major financial institutions in China. We assess the credit qualities of customers, taking into account their financial positions, past experiences and the volume of sales. Our management makes periodic collective and individual assessments of the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

Liquidity Risk

We adopt prudent liquidity risk management to ensure sufficient cash and funding sources through committed credit facility and to maintain flexibility in funding by maintaining committed credit lines. Our objective is to maintain adequate committed credit lines to ensure that sufficient and flexible funding is available to us. We have historically met our working capital requirements primarily from cash generated from operations and borrowings from financial institutions.

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The following table sets forth the maturity profile of our financial liabilities as of the dates indicated.

	Within one year	Between one and two years	Between two and five years	Total
	(RMB in millions)			
As of December 31, 2012				
Borrowings (including interest payables)	3,222.2	447.6	519.8	4,189.6
Financial liabilities included in trade and other payables	1,591.6	–	–	1,591.6
	4,813.8	447.6	519.8	5,781.2
As of December 31, 2013				
Borrowings (including interest payables)	3,027.0	478.8	503.3	4,009.1
Derivative financial instruments ⁽¹⁾	8.1	–	–	8.1
Financial liabilities included in trade and other payables	2,084.4	–	–	2,084.4
	5,119.5	478.8	503.3	6,101.6
As of December 31, 2014				
Borrowings (including interest payables)	3,456.9	1,249.3	6.2	4,712.4
Derivative financial instruments ⁽¹⁾	1.7	–	–	1.7
Financial liabilities included in trade and other payables	2,420.6	–	–	2,420.6
	5,879.2	1,249.3	6.2	7,134.7

(1) consist of forward foreign exchange contracts

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DIVIDEND POLICY

We may distribute dividends in the form of cash, shares or a combination of cash and shares. Our board of directors formulates our profit distribution plan based on our results of operations, cash flow, financial condition, future business prospects, statutory and regulatory restrictions on the payment of dividends and other factors that our board deems relevant. All of our Shareholders have equal rights to dividends and other distributions proportionate to their shareholding.

According to PRC law and our Articles of Association, we shall pay dividends out of our after-tax profit only after we have made the following allocations:

- recovery of accumulated losses from previous years, if any.
- allocations to statutory reserve fund of 10% of our after-tax profit until the amount in the statutory reserve fund reach 50% of our registered capital.
- allocations to a discretionary reserve fund.

We generally pay dividends out of our distributable profits, which are equal to our net profit as determined under PRC GAAP or IFRS, whichever is lower, less allocation to the statutory and discretionary reserve funds. Pursuant to the Articles of Association, we shall distribute cash dividends of at least 20% of our distributable profits each year unless we expect to make significant investment or incur significant capital expenditures in the following year. Upon satisfaction of the cash dividend payout ratios, we may distribute stock dividends if our board determines there is a mismatch between returns on equity and stock prices and our total capital and capital structure. In addition, we may declare interim dividends based on our financial performance and working capital requirements. If our board does not propose a cash dividend distribution plan when we have distributable profits, we shall consult our independent directors and disclose the reasons and the use of the retained funds in our periodic report. We will continue to evaluate and adjust our dividend policy in light of our operating environment and financial position.

We declared cash dividends of RMB1,001.5 million, RMB1,001.5 million and RMB1,502.2 million for 2012, 2013 and 2014, respectively, representing RMB0.5, RMB0.5 and RMB0.75 per A Share, respectively, and our A Share dividend payout ratio was 65.7%, 52.3% and 67.8%, respectively. The cash dividends of RMB1,502.2 million for 2014 are only payable to holders of our A Shares no later than May 10, 2015 from our internal resources. Our historical dividends may not be indicative of the amount of our future dividends.

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DISTRIBUTABLE RESERVES

Pursuant to our Articles of Association, following the Listing of our H Shares on the Hong Kong Stock Exchange, the amount of retained reserves available for distribution shall be as determined under PRC GAAP or IFRS, whichever is lower. As of December 31, 2014, we had RMB5,752.5 million in retained earnings, as determined under IFRS. Such amount is available for distribution to our equity holders.

LISTING EXPENSES

Listing expenses represent professional fees, underwriting commission and fees incurred in connection with the Listing and the Global Offering. Listing expenses to be borne by us are estimated to be approximately RMB248.3 million (assuming an Offer Price of HK\$15.80, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus and that the Over-allotment Option will not be exercised), of which approximately RMB240.0 million is directly attributable to the issue of H Shares to the public and to be capitalized, and approximately RMB8.3 million has been or is expected to be reflected in our consolidated income statements. Approximately RMB2.7 million of the listing expenses in relation to services already performed has been reflected in our consolidated income statements during the Track Record Period, and the remaining amount of approximately RMB5.6 million is expected to be reflected in our consolidated income statements subsequent to the Track Record Period. Our Directors do not expect such expenses to materially impact our results of operations for 2015.

In accordance with International Accounting Standard 32 “Financial Instruments: Presentation” issued by the International Accounting Standards Board, those expenses which are incremental and directly attributable to offering of new shares are transaction costs of equity transaction and should be deducted from equity, while those expenses relating to the listing of existing shares are not related to equity transaction and thus should be charged to the income statement. After the Global Offering, the existing shares held by the promoters remains listed in A-share market and will not be listed or traded on the Hong Kong Stock Exchange until relevant requisite internal approval processes are duly completed and the approval from relevant PRC regulatory authorities, including CSRC, are obtained. Therefore the Global Offering is purely offering of new shares without listing of existing shares.

Accordingly, those expenses relating to the Global Offering, other than roadshow expenses and public relationship costs which are marketing expense in nature and will be expensed off when incurred, are incremental and directly attributable to offering of new shares and should be deducted from equity instead of charged to the income statement.

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UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on December 31, 2014, based on our audited consolidated net assets attributable to the owners of our Company as of December 31, 2014 as shown in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus, and adjusted as follows.

The statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of our net tangible assets had the Global Offering been completed as of December 31, 2014 or at any future date.

	Audited consolidated net tangible assets attributable to the equity holders of the Company as of December 31, 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to the equity holders of the Company as of December 31, 2014	Unaudited pro forma adjusted net tangible assets per Share	
	(RMB in thousands)			(RMB) ⁽³⁾	(HK\$) ⁽⁵⁾
Based on an Offer Price of HK\$14.80 per Share	8,656,769	4,899,917	13,556,686	5.55	7.04
Based on an Offer Price of HK\$16.80 per Share	8,656,769	5,569,284	14,226,053	5.82	7.38

(1) The audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as at December 31, 2014 is extracted from the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity holders of our Company as at December 31, 2014 of RMB8,813,646,000 with an adjustment for the intangible assets as at December 31, 2014 of RMB156,877,000.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$14.80 (equivalent to RMB11.68) and HK\$16.80 (equivalent to RMB13.25) per Share, respectively, after deduction of estimated underwriting fees and other related expenses payable by the Company (excluding approximately RMB2.7 million listing expenses which have been incurred as at December 31, 2014) and takes no accounts of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma net tangible assets per Share are determined after the adjustments as described in the paragraph above and on the basis that 2,442,665,932 Shares are in issue (assuming that the Global Offering had been completed on December 31, 2014), without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustments have been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2014. In particular, the unaudited pro forma net adjusted tangible assets of our Group has not taken into

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account the cash dividend of approximately RMB1,502.2 million approved at the Company's shareholders meeting on 10 March 2015. The unaudited pro forma net tangible assets per Share would have been HK\$6.25 (equivalent to RMB4.93) per Share based on the Offer Price of HK\$14.80 and HK\$6.60 (equivalent to RMB5.21) per Share based on the Offer Price of HK\$16.80, respectively, if the dividend of approximately RMB1,502.2 million had been accounted for.

- (5) In connection with the preparation of this unaudited pro forma statement of adjusted net tangible assets, the translation of Renminbi into Hong Kong dollars has been made at a rate of RMB0.78887 to HK\$1.00.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that they are not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

As a company listed on the Shanghai Stock Exchange, we are required to publish our quarterly (for the first and third quarters of each year), semi-annual (for the first six months of each year) and annual reports with respect to our A Shares under the Shanghai Listing Rules. These reports will be prepared in conformity with PRC GAAP. Our quarterly financial information in both English and Chinese will also be released in Hong Kong simultaneously pursuant to Rule 13.10B of the Hong Kong Listing Rules subsequent to our Listing on the Hong Kong Stock Exchange. We will publish annual and semi-annual financial information under IFRS for H Share disclosure purpose and annual, semi-annual and quarterly financial information under PRC GAAP for A Share disclosure purpose simultaneously.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since December 31, 2014 (being the date of our latest audited financial statements) and there has been no event since December 31, 2014 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business – Our Strategies” for a detailed description of our Company’s future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$6,635.6 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commission and other estimated offering expenses payable by us and assuming an Offer Price of HK\$15.80 per H Share, being the mid-point of the indicative offer price range set forth on the cover page of this prospectus.

We intend to use these net proceeds for the following purposes:

- approximately 35%, or HK\$2,322.4 million (equivalent to approximately RMB1,832.1 million), is expected to be used for the investment in an automotive glass production facility in Ohio, United States with a designed annual production capacity of 12.1 million sq.m., the construction of which is expected to be completed by December 2015;
- approximately 30%, or HK\$1,990.7 million (equivalent to approximately RMB1,570.4 million), is expected to be used for the investment in an automotive grade float glass production facility in Russia with an annual production capacity of 450,000 tons, the construction of which is expected to commence by the end of 2016 and to complete by the end of 2017;
- approximately 15%, or HK\$995.3 million (equivalent to approximately RMB785.2 million), is expected to be used for the investment in and construction of the second phase of an automotive glass production facility in Kaluga City, Russia with a designed annual production capacity of 8.1 million sq.m., which is under construction and is expected to commence commercial production in the fourth quarter of 2016;
- approximately 10%, or HK\$663.6 million (equivalent to approximately RMB523.5 million), is expected to be used for our working capital; and
- approximately 10%, or HK\$663.6 million (equivalent to approximately RMB523.5 million), is expected to be used for repaying our bank loans we obtained from various commercial banks for general corporate purposes. Such bank loans bear an annual interest rate ranging from 3% to 6%, and will be due and repayable by the end of the second quarter of 2015.

To the extent that the net proceeds of the Global Offering derived from unused capital are not immediately applied towards the above purposes, we intend to deposit the proceeds in interest-bearing bank accounts, such as short-term savings accounts or basic short-term money market funds, with licensed commercial banks and/or authorized financial institutions.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors will continue to closely monitor the developments in Russia. We have designated the general manager and the chief accountant of our Russian subsidiary to monitor and report developments in Russia to our Directors from time to time. If there is any material change to the use of proceeds of the Global Offering after the Listing, we will make announcements in compliance with the Listing Rules as and when necessary.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range and assuming the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$7,059.8 million. The additional net proceeds of approximately HK\$424.3 million (when compared to the net proceeds to us with the Offer Price being determined at the mid-point of the stated range and without exercising the Over-allotment Option) will be allocated to the above purposes on a pro rata basis. In the event that the Offer Price is set at the high-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$8,128.9 million. The additional net proceeds of approximately HK\$1,069.1 million will be allocated to the above purposes on a pro rata basis.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range and assuming the Over-allotment Option is not exercised at all, we will receive net proceeds of approximately HK\$6,211.3 million. In the event that the Offer Price is set at the low-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, we will receive net proceeds of approximately HK\$7,153.2 million. Under such circumstances, the net proceeds allocated to working capital will be reduced.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”) with eight cornerstone investors (the “**Cornerstone Investors**”) who agreed to subscribe for (i) such number of Offer Shares (rounded down to the nearest whole board lot of 400 H Shares) at the Offer Price with an aggregate amount of US\$310.9 million (equivalent to approximately HK\$2,411.9 million) and (ii) 30 million Offer Shares at the Offer Price (the “**Cornerstone Investor Shares**”), subject to adjustments that may be required under Rules 8.08(3) of the Listing Rules. Assuming an Offer Price of HK\$15.80 (being the mid-point of the Offer Price range set out in this prospectus), and subject to any adjustments, the total number of Offer Shares subscribed by the Cornerstone Investors would be 182,648,400, representing approximately 41.54% of the Offer Shares, and approximately 7.48% of the total issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The following table sets forth certain information regarding the anticipated holding of Offer Shares of the Cornerstone Investors:

Cornerstone Investors	Assuming an Offer Price of HK\$14.80 (being the low end of the Offer Price range)		Assuming an Offer Price of HK\$15.80 (being the mid-point of the Offer Price range)		Assuming an Offer Price of HK\$16.80 (being the high end of the Offer Price range)	
	Approximate % of Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)	Total number of Cornerstone Investor Shares to be subscribed for ⁽⁸⁾	Approximate % of Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)	Total number of Cornerstone Investor Shares to be subscribed for ⁽⁸⁾	Approximate % of Shares immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)	Total number of Cornerstone Investor Shares to be subscribed for ⁽⁸⁾
Gaoling Fund, L.P. and YHG Investment, L.P. ⁽¹⁾	2.15	52,409,600	2.01	49,092,800	1.89	46,170,400
Genesis Investment Management, LLP ⁽²⁾	1.72	41,927,600	1.61	39,274,000	1.51	36,936,400
CMI Financial Holding Corporation ⁽³⁾	1.23	30,000,000	1.23	30,000,000	1.23	30,000,000
Gatherspring Limited ⁽⁴⁾	0.66	16,216,000	0.63	15,189,600	0.58	14,285,600
China Lounge Investments Limited ⁽⁵⁾	0.64	15,722,800	0.60	14,727,600	0.57	13,850,800
ESAS Holding A.Ş. ⁽⁶⁾	0.64	15,722,800	0.60	14,727,600	0.57	13,850,800
Greenland Financial Overseas Investment Group Co., Ltd. ⁽⁷⁾	0.64	15,722,800	0.60	14,727,600	0.57	13,850,800
7-Industries Holding B.V. ⁽⁸⁾	0.22	5,240,800	0.20	4,909,200	0.19	4,616,800
Total	7.90	192,962,400	7.48	182,648,400	7.11	173,561,600

CORNERSTONE INVESTORS

Notes:

- (1) The committed investment amount of Gaoling Fund, L.P. and YHG Investment, L.P. is US\$100 million (or approximately HK\$775.7 million based on an exchange rate of HK\$7.7567 = US\$1.0000).
- (2) The committed investment amount of Genesis Investment Management, LLP is US\$80 million (or approximately HK\$620.5 million based on an exchange rate of HK\$7.7567 = US\$1.0000).
- (3) CMI Financial Holding Corporation has committed to subscribe for 30 million H Shares.
- (4) The committed investment amount of Gatherspring Limited is HK\$240 million.
- (5) The committed investment amount of China Lounge Investments Limited is US\$30 million (or approximately HK\$232.7 million based on an exchange rate of HK\$7.7567 = US\$1.0000).
- (6) The committed investment amount of ESAS Holding A.Ş. is US\$30 million (or approximately HK\$232.7 million based on an exchange rate of HK\$7.7567 = US\$1.0000).
- (7) The committed investment amount of Greenland Financial Overseas Investment Group Co., Ltd. is US\$30 million (or approximately HK\$232.7 million based on an exchange rate of HK\$7.7567 = US\$1.0000).
- (8) The committed investment amount of 7-Industries Holding B.V. is US\$10 million (or approximately HK\$77.6 million based on an exchange rate of HK\$7.7567 = US\$1.0000).
- (9) Rounded down to the nearest whole board lot of 400 H Shares.

Each of the Cornerstone Investors is independent from our Company, our connected persons and their respective associates. Each of the Cornerstone Investors has represented, warranted and undertaken to us that, none of itself and none of its close associates held or would hold any of our issued A Shares during the period from the date of the Cornerstone Investment Agreements and ending on the Listing Date; with respect to those Cornerstone Investors who have direct or indirect discretionary investment power over their investment funds and managed accounts, each of them has represented that to its respective knowledge, none of its underlying clients and their respective close associates held or would hold any of our issued A Shares during the period from the date of the Cornerstone Investment Agreements and ending on the Listing Date. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company or be a substantial shareholder of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. The shareholdings of the Cornerstone Investors will be counted towards the public float of our H Shares.

The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section entitled “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in this prospectus. Details of the actual allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on Monday, March 30, 2015.

CORNERSTONE INVESTORS

THE CORNERSTONE INVESTORS

Details of the Cornerstone Investors are set forth below:

1. Gaoling Fund, L.P. and YHG Investment, L.P. (collectively, the “Hillhouse Funds”)

The Hillhouse Funds have agreed to subscribe for such number of Cornerstone Investor Shares (rounded down to the nearest board lot of 400 H Shares) which may be subscribed for with an aggregate amount of US\$100 million (equivalent to approximately HK\$775.7 million) at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, the Hillhouse Funds will subscribe for approximately 49,092,800 H Shares, representing approximately 2.01% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

The Hillhouse Funds are Asia-focused funds managed by Hillhouse Capital Management, Ltd. (“Hillhouse”). Hillhouse manages capital for world-class institutional investors, concentrating on making equity investments over a long-term investment horizon. Hillhouse takes a research intensive, bottom-up approach to investing that is highly focused on business fundamentals. The Hillhouse Funds are limited partnerships incorporated under the laws of Cayman Islands.

2. Genesis Investment Management, LLP (“Genesis”)

Genesis has agreed to procure certain investment funds or managed accounts that Genesis directly or indirectly has actual discretionary investment management power over, to subscribe for such number of Cornerstone Investor Shares (rounded down to the nearest board lot of 400 H Shares) which may be subscribed for with an aggregate amount of US\$80 million (equivalent to approximately HK\$620.5 million) at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, Genesis will subscribe for approximately 39,274,000 H Shares, representing approximately 1.61% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Genesis and its affiliates within the Genesis Group (the “Genesis Group”) were established in 1989. The Genesis Group provides investment management and advisory services to institutional clients. The Genesis Group specializes in emerging market equities and employs a bottom-up investment approach and long-term investment horizon. The Genesis Group is majority owned by Affiliated Managers Group, Inc. (NYSE listed: AMG). Genesis is a limited liability partnership organized under the laws of the United Kingdom.

3. CMI Financial Holding Corporation (“CMIF”)

CMIF has agreed to subscribe for 30 million Offer Shares at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, CMIF will subscribe for 30 million H Shares for an aggregate amount of HK\$474 million, representing approximately 1.23% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

CMIF is a company incorporated in the British Virgin Islands, which is wholly owned and controlled by Minsheng (Shanghai) Assets Management Co., Ltd. Minsheng (Shanghai) Assets Management Co., Ltd. is a company incorporated in China (Shanghai) Pilot Free Trade Zone, which is wholly owned and controlled by China Minsheng Investment Corp., Ltd. (“CMI”). CMIF is one of the overseas investment platforms of CMI. China Minsheng Investment Corp., Ltd. is a large private investment company organized by ACFIC and launched by 59 well-known private enterprises from throughout China. Its businesses encompass equity investment and investment management.

4. Gatherspring Limited (“Gatherspring”)

Gatherspring has agreed to subscribe for such number of Cornerstone Investor Shares (rounded down to the nearest board lot of 400 H Shares) which may be subscribed for with an aggregate amount of HK\$240 million at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, Gatherspring will subscribe for approximately 15,189,600 H Shares, representing approximately 0.63% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Gatherspring is a company incorporated in the British Virgin Islands, it is wholly owned by Haixia Industrial Investment Fund (Fujian) Limited Partnership, which is raised by Haixia Capital Management Co., Ltd.. Haixia Capital Management Co., Ltd. is jointly established in the PRC by SDIC Capital Holdings Co., Ltd., Fujian Investment & Development Group Co., Ltd. and Fubon Xingji Investment Co., Ltd., and principally engaged in investment of enterprises in energy, equipment manufacturing and finance industries and related management and consulting services.

5. China Lounge Investments Limited (“China Lounge”)

China Lounge has agreed to subscribe for such number of Cornerstone Investor Shares (rounded down to the nearest board lot of 400 H Shares) which may be subscribed for with an aggregate amount of US\$30 million (equivalent to approximately HK\$232.7 million) at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, China Lounge will subscribe for approximately 14,727,600 H Shares, representing approximately 0.60% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

CORNERSTONE INVESTORS

China Lounge is a limited company incorporated on August 27, 1992 in Hong Kong, which is a wholly-owned subsidiary of Guangzhou Automobile Group Co., Ltd. (“GAC”). Certain affiliates of GAC are customers of our Company. China Lounge is the overseas investment and financing platform of GAC, which is mainly engaged in investment and trade.

6. ESAS Holding A.Ş. (“ESAS”)

ESAS has agreed to subscribe for such number of Cornerstone Investor Shares (rounded down to the nearest board lot of 400 H Shares) which may be subscribed for with an aggregate amount of US\$30 million (equivalent to approximately HK\$232.7 million) at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, ESAS will subscribe for approximately 14,727,600 H Shares, representing approximately 0.60% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Founded in 2000 by Sevket Sabancı family, one of the most respected and influential names in Turkey, ESAS is the largest family office out of Turkey actively investing in private equity, asset portfolios and real estate both in Turkey and abroad. ESAS manages total assets of US\$3 billion and has exposure to aviation, food and beverage, healthcare, retail, leisure sectors through its 11 portfolio companies, 3 of which are cross-border. ESAS also holds a real estate portfolio in Turkey, US and UK. ESAS is a company incorporated in Turkey, its shareholders comprise 10 individuals, none of whom holds more than 30% of ESAS.

7. Greenland Financial Overseas Investment Group Co., Ltd. (“Greenland”)

Greenland has agreed to subscribe for such number of Cornerstone Investor Shares (rounded down to the nearest board lot of 400 H Shares) which may be subscribed for with an aggregate amount of US\$30 million (equivalent to approximately HK\$232.7 million) at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, Greenland will subscribe for approximately 14,727,600 H Shares, representing approximately 0.60% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Greenland is incorporated in British Virgin Islands and is the foreign investment vehicle of Greenland Financial Investment Holdings Group Co., Ltd., (“Greenland Financial”), which is strategically and specifically established by its parent company, Greenland Holding Group Co., Ltd. (綠地控股集團有限公司) (“Greenland Group”), as its main investment and finance platform to conduct domestic and overseas investments in accordance with Greenland Group’s strategy on domestic and overseas investment projects. Established in 2011, Greenland Financial is the key financial platform prioritized by Greenland Group for development. Its main businesses include IPO investments, pre-IPO investments, mergers and acquisitions, real estate private equity, micro finance, financial leasing. Greenland Financial will also be the key driver in Greenland Group to originate and integrate new real estate related products, such as asset-backed securities (ABS) and real estate investment trusts (REIT).

8. 7-Industries Holding B.V. (“7-Industries”)

7-Industries has agreed to subscribe for such number of Cornerstone Investor Shares (rounded down to the nearest board lot of 400 H Shares) which may be subscribed for with an aggregate amount of US\$10 million (equivalent to approximately HK\$77.6 million) at the Offer Price. Assuming an Offer Price of HK\$15.80 being the mid-point of the Offer Price range set forth in this prospectus, 7-Industries will subscribe for approximately 4,909,200 H Shares, representing approximately 0.20% of the Shares upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

7-Industries is a professional single family office, specializes in very long term (unlimited time) minority partnerships in best in class family owned industrial companies. 7-Industries enter into relationships with companies and entrepreneurs it feels aligned with, based on mutual trust and respect. It sees its role as building on the strength of the current management team and existing anchor shareholders. 7-Industries is equipped with rich proven industrial experience and insight into family business practices. 7-Industries is incorporated in the Netherlands and is ultimately owned by Ms. Ruthi Wertheimer.

CONDITIONS PRECEDENT

The obligations of the Cornerstone Investors under the Cornerstone Investment Agreements are subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in such agreement;
- (b) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (c) the Listing Committee of the Hong Kong Stock Exchange having granted the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked, by no later than 180 days after the date of the Cornerstone Investment Agreement;
- (d) the price determination agreement in relation to the Global Offering having been signed;

CORNERSTONE INVESTORS

- (e) no laws having been enacted or promulgated by any governmental authority which prohibit the consummation of the Hong Kong Public Offering or the International Offering or the consummation of the subscription of the Cornerstone Investor Shares by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing of the Cornerstone Investment Agreements; and

- (f) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors in the Cornerstone Investment Agreements being accurate and true in all material respects and that there is no material breach of the Cornerstone Investment Agreements by the Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, among other things, without the prior written consent of our Company and the Joint Global Coordinators, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the Cornerstone Investment Agreements) any of the H Shares subscribed for, or any interest in any company or entity holding any of the H Shares subscribed for, pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances such as transfers to wholly-owned subsidiaries of the Cornerstone Investors who will be bound by the same obligations of such Cornerstone Investors, including the lock-up period restriction.

UNDERWRITING

HONG KONG UNDERWRITERS

China Merchants Securities (HK) Co., Limited

UBS AG Hong Kong Branch

The Hongkong and Shanghai Banking Corporation Limited

Goldman Sachs (Asia) L.L.C.

BOCI Asia Limited

J.P. Morgan Securities (Asia Pacific) Limited

BNP Paribas Securities (Asia) Limited

INTERNATIONAL UNDERWRITERS

China Merchants Securities (HK) Co., Limited

UBS AG Hong Kong Branch

The Hongkong and Shanghai Banking Corporation Limited

Goldman Sachs (Asia) L.L.C.

BOCI Asia Limited

J.P. Morgan Securities plc

BNP Paribas Securities (Asia) Limited

UNDERWRITING AGREEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 43,968,000 Hong Kong Public Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares (including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option) to be

UNDERWRITING

issued pursuant to the Global Offering; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Public Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (i) there shall develop, occur, exist or come into effect:
 - (A) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Singapore, Russia or Japan (each a “Relevant Jurisdiction”); or
 - (B) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets, in or affecting the Relevant Jurisdiction); or
 - (C) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shenzhen Stock Exchange or the Shanghai Stock Exchange; or
 - (D) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company listed or quoted on a stock exchange or an over-the-counter market; or

UNDERWRITING

- (E) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, Singapore, the PRC, the European Union (including Germany or any member thereof), Japan or any other jurisdiction relevant to any member of the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or
- (F) any new law or regulation, or any change or any development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application by any court or other competent authority of existing laws and regulations, in each case, in or affecting any Relevant Jurisdiction; or
- (G) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in or affecting any Relevant Jurisdiction; or
- (H) any litigation or claim of any third party being threatened or instigated against any member of the Group; or
- (I) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or an announcement by any governmental, political, regulatory body that it intends to take any such action; or
- (J) Mr. Cho vacating his office as an executive Director or Chairman of the Board; or
- (K) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group; or
- (L) any contravention by any member of the Group or any executive Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the SFO and the Hong Kong Listing Rules; or

UNDERWRITING

- (M) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the H Shares (including up to 65,951,600 additional H Shares to be purchased by, or by investors procured by, the International Underwriters from the Company pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (N) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the H Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (O) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (after consultation with the Company) (1) has or will have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position of the Company or the Group as a whole; or (2) has or will have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make it incapable or impracticable or inadvisable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable or inadvisable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (ii) there has come to the notice of the Joint Global Coordinators:
 - (A) that any statement contained in any of this prospectus, the Application Forms and/or in any, announcements, communications or other documents issued or approved by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or

UNDERWRITING

any announcements, communications or other documents issued or approved by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions, when taken as a whole; or

- (B) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (C) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, result in a material misstatement in or constitute a material omission in the context of the Global Offering; or
- (D) any material breach of any of the obligations imposed upon the Company in the Hong Kong Underwriting Agreement or any breach of Mr. Cho Tak Wong's undertakings to the Hong Kong Stock Exchange as disclosed in this prospectus; or
- (E) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties as set out in the Hong Kong Underwriting Agreement which liability has a material adverse effect on the business or financial or trading position of the Group as a whole; or
- (F) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial or trading position or condition of the Group as a whole; or
- (G) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any material respect, any of the representations, warranties, agreements and undertakings of the Company and Mr. Cho Tak Wong set out in the Hong Kong Underwriting Agreement and Mr. Cho Tak Wong's undertaking to the Underwriters; or
- (H) that approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is withdrawn, qualified or revoked; or
- (I) a withdrawal by the Company of this prospectus or the Global Offering.

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UNDERTAKINGS TO THE HONG KONG STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking By Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further H Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of H Shares or our securities will be completed within such period), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking By Us

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained), except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of the Company, or any interest in any of the foregoing (meaning any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares), or deposit any H Shares or other securities of the Company, with a depositary in connection with the issue of depositary receipts; or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of the Company, or any interest in any of the foregoing (meaning any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

UNDERWRITING

- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of H Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Undertaking By Mr. Cho Tak Wong

Mr. Cho Tak Wong has undertaken to each of the Company, the Hong Kong Stock Exchange and the Underwriters that he shall not and shall procure that the relevant registered holder(s) controlled by him shall not, in the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which Mr. Cho Tak Wong or the relevant registered holder(s) controlled by him (the “Relevant Parties”), as shown in this prospectus to be the beneficial owner(s), save for a pledge or charge of any securities of the Company as security in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

Mr. Cho Tak Wong has further undertaken to each of the Company, the Hong Kong Stock Exchange and the Underwriters that, in the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Listing Date, he will:

- (a) when any of the Relevant Parties pledge or charge any securities of the Company beneficially owned by himself or the relevant registered holder(s) controlled by him in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when any of the Relevant Parties receive indications, whether verbal or written, from the pledgee or chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Company of such indications.

UNDERWRITING

HONG KONG UNDERWRITERS' INTEREST IN OUR COMPANY

As of the Latest Practicable Date, (a) CSMHK and its affiliates were interested in 97,088 A Shares; (b) UBS and its affiliates were interested in 12,897,216 A Shares; (c) The Hongkong and Shanghai Banking Corporation Limited and its affiliates were interested in 1,486,414 A Shares; (d) Goldman Sachs (Asia) L.L.C. and its affiliates were interested in 4,947,716 A Shares; (e) BOCI Asia Limited, its direct holding company and its fellow subsidiaries were interested in 29,630,075 A Shares; and (f) J.P. Morgan Securities (Asia Pacific) Limited and its affiliates were interested in 686,506 A Shares. Save as disclosed above, other than their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested legally or beneficially, directly or indirectly, in any H Shares or other securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any H Shares or other securities in our Company or any other member of the Group. Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters, among other parties. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, in whole or in part at one or more times, at any time from the Listing Date until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 65,951,600 additional H Shares, representing in aggregate not more than approximately 15.0% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering.

We have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING COMMISSION AND LISTING EXPENSES

The Underwriters will receive an underwriting commission per Offer Share of 2.5% of the Offer Price for the Offer Shares (including Offer Shares sold pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees. In

UNDERWRITING

addition, the Company may, in its sole discretion, pay certain Underwriters an incentive fee of up to 1.0% of the Offer Price per Offer Share. For any unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate commission and fees, together with the Hong Kong Stock Exchange listing fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately HK\$314.8 million in aggregate (based on an Offer Price of HK\$15.80 per Share, being the mid-point of the stated price range of the Offer Price between HK\$14.80 and HK\$16.80 per Share, and the assumption that the Over-allotment Option is not exercised) is to be borne by us.

INDEPENDENCE OF JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 43,968,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in “– The Hong Kong Public Offering”; and
- the International Offering of initially 395,711,600 Offer Shares (subject to adjustments as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, and in the United States solely to Qualified Institutional Buyers, or QIBs, as described below in “– The International Offering”.

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters. The Over-allotment Option gives the Joint Global Coordinators the right, exercisable at any time from the Listing Date up to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 65,951,600 additional H Shares, representing approximately 15% of the initial size of the Global Offering, at the Offer Price to cover, among other things, over allocations, if any, in the International Offering. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either:

- apply for the Hong Kong Public Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 439,679,600 Offer Shares in the Global Offering will represent approximately 18% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 20.16% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 43,968,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of H Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in “– Conditions of the Global Offering”.

Allocation

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Public Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable); and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK\$5.0 million (excluding the brokerage fee, the Hong Kong Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 21,984,000 Hong Kong Public Offer Shares will be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that:

- (i) 43,968,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 10.0% of the Offer Shares initially available under the Global Offering;
- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 10 times or more but less than 30 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 54,960,000 H Shares, representing approximately 12.5% of the Offer Shares initially available under the Global Offering;
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 30 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 76,944,000 H Shares, representing approximately 17.5% of the Offer Shares initially available under the Global Offering; and
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 142,896,000 H Shares, representing approximately 32.5% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

STRUCTURE OF THE GLOBAL OFFERING

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$16.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share amounting to a total of HK\$6,787.72 for each board lot of 400 H Shares. If the Offer Price, as finally determined in the manner described in “– Pricing and Allocation”, is less than the maximum price of HK\$16.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see “How to Apply for Hong Kong Public Offer Shares”.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 395,711,600 Offer Shares, representing approximately 90.0% of the Offer Shares under the Global Offering and approximately 16.2% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

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Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its H Shares, after the listing of the H Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Public Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “– The Hong Kong Public Offering – Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time during the 30 day period from the last date for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 15.0% of the total number of the Offer Shares under the Global Offering at the Offer Price under the International Offering to cover, among other things, over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.7% of our issued share capital immediately following the completion of the Global Offering before the issue of such additional Offer Shares. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent

STRUCTURE OF THE GLOBAL OFFERING

a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing, or agreeing to purchase, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (v) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in H Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Thursday, April 23, 2015, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of any security (including the H Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

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- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Joint Global Coordinators (on behalf of the Underwriters), on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around March 25, 2015 (Hong Kong time), and in any event, not later than March 30, 2015 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$16.80 and is expected to be not less than HK\$14.80, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum offer price of HK\$16.80 per Offer Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee. This means that for one board lot of 400 H Shares, you should pay HK\$6,787.72 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$16.80, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see “How to Apply for Hong Kong Public Offer Shares”.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

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The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in South China Morning Post (in English), Hong Kong Economic Journal (in Chinese) of the reduction and posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on our website (www.fuyaogroup.com) (the contents of the website do not form a part of this prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section “Summary”, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Joint Global Coordinators (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Public Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section “How to Apply for Hong Kong Public Offer Shares – Despatch/Collection of Share Certificates and Refund Monies”.

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UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

- the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares (including any H Shares which may be issued by us pursuant to the Global Offering and upon the exercise of the Over-allotment Option) to be issued pursuant to the Global Offering;
- the Offer Price being duly determined;
- the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Saturday, April 18, 2015, being the 30th Day after the date of this prospectus. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Monday, March 30, 2015, the Global Offering will not proceed and will lapse. The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in South China Morning Post (in English), Hong Kong Economic Journal (in Chinese) and on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on our website (www.fuyaogroup.com) on the next day following such lapse. In such situation, all application

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monies will be returned, without interest, on the terms set forth in the section “How to Apply for Hong Kong Public Offer Shares – Despatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, March 31, 2015, it is expected that dealings in our H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Tuesday, March 31, 2015.

The H Shares will be traded in board lots of 400 H Shares each and the stock code of the H Shares will be 3606.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the **White Form eIPO** Service Provider, referred herein as the “**White Form eIPO**”; or
- give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Public Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a United States person (as defined in Regulation S under the U.S. Securities Act);
- are outside the United States and will be acquiring the Hong Kong Public Offer Shares in an offshore transaction (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **White Form eIPO** Service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

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If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Public Offer Shares.

We, the Joint Global Coordinators or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company (or its subsidiaries) or will become a connected person of the Company (or its subsidiaries) immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, March 19, 2015 until 12:00 noon on Tuesday, March 24, 2015 from:

- any of the following offices of the Joint Bookrunners and the Joint Lead Managers:

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68th Floor, Cheung Kong Center
2 Queen's Road Central
Hong Kong

BOCI Asia Limited
26/F Bank of China Tower
1 Garden Road, Central
Hong Kong

J.P. Morgan Securities (Asia Pacific) Limited
28th Floor, Chater House
8 Connaught Road Central
Central
Hong Kong

BNP Paribas Securities (Asia) Limited
59/F-63/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- any of the following branches of the receiving bank, Bank of China (Hong Kong) Limited, for the Hong Kong Public Offering:

District	Branch	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Shatin
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, March 19, 2015 until 12:00 noon on Tuesday, March 24, 2015 from:

- The Depository Counter of HKSCC at 1/F One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- Your stockbroker, who may have such Application Forms and this prospectus available.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Fuyao Glass Public Offer" for the payment, should be securely stapled and deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, March 19, 2015 – 9:00 a.m. to 5:00 p.m.
- Friday, March 20, 2015 – 9:00 a.m. to 5:00 p.m.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- Saturday, March 21, 2015 – 9:00 a.m. to 1:00 p.m.
- Monday, March 23, 2015 – 9:00 a.m. to 5:00 p.m.
- Tuesday, March 24, 2015 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, March 24, 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you:

- undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Companies Ordinance and the Articles of Association;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form(s) and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- agree to disclose to the Company, our H Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form(s);
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO

General

Individuals who meet the criteria in “Who can apply” may apply by filling out the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application by filling out the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** Service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, March 19, 2015 until 11:30 a.m. on Tuesday, March 24, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, March 24, 2015 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

If you are suspected of submitting more than one application by filling out the **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Fuyao Glass Industry Group Co., Ltd” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang – Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HKSCC Nominees will do the following things on your behalf:

- (a) agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;
- (b) agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
- (c) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (d) declare that only one set of **electronic application instructions** has been given for your benefit;
- (e) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- (f) confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- (g) authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (h) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (i) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (j) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (k) agree to disclose your personal data to the Company, our H Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- (l) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (m) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (n) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- (o) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- (p) agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance and the Articles of Association, the Company Law, the Special Regulations on Listing Overseas; and
- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;
 - (b) that any award made in such arbitration shall be final and conclusive; and
 - (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
 - agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders; and
 - authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company;
- (q) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 400 Hong Kong Public Offer Shares. Instructions for more than 400 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

March 19, 2015, Thursday	– 9:00 a.m. to 8:30 p.m. ⁽¹⁾
March 20, 2015, Friday	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
March 21, 2015, Saturday	– 8:00 a.m. to 1:00 p.m. ⁽¹⁾
March 23, 2015, Monday	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
March 24, 2015, Tuesday	– 8:00 a.m. ⁽¹⁾ to 12:00 noon

⁽¹⁾ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, March 19, 2015 until 12:00 noon on Tuesday, March 24, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, March 24, 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the H Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares by filling out the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying by filling out the **White Form eIPO** will be allotted any Hong Kong Public Offer Shares.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, March 24, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by filling out the **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or by filling out the **White Form eIPO** in respect of a minimum of 400 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 400 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For more details on the Offer Price, see “Structure of the Global Offering – Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, March 24, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, March 24, 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Monday, March 30, 2015 in South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese), on the Company's website at www.fuyaogroup.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.fuyaogroup.com and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than Monday, March 30, 2015;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m., Monday, March 30, 2015 to 12:00 midnight, Sunday, April 5, 2015;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, March 30, 2015 to Thursday, April 2, 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, March 30, 2015 to Wednesday, April 1, 2015 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For more details, see "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

- (a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- (b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

(c) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$16.80 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Monday, March 30, 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, March 30, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., on Tuesday, March 31, 2015 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, March 30, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, March 30, 2015, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, March 30, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, March 30, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, March 30, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply by filling out the White Form eIPO

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, March 30, 2015, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, March 30, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, March 30, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, March 30, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, March 30, 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, March 30, 2015. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 5:00 p.m. on Monday, March 30, 2015.

HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

15. COMMENCEMENT OF DEALINGS IN THE H SHARES

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence from 9:00 a.m. on Tuesday, March 31, 2015.

The H Shares will be traded in board lots of 400 each. The stock code of the H Shares is 3606.

16. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

19 March 2015

The Directors
Fuyao Glass Industry Group Co., Ltd.

China Merchants Securities (HK) Co., Limited
UBS Securities Hong Kong Limited

Dear Sirs,

We report on the financial information of Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司, the "Company") and its subsidiaries (together, the "Group") which comprises the consolidated balance sheets as at 31 December 2012, 2013 and 2014, the balance sheets of the Company as at 31 December 2012, 2013 and 2014, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2012, 2013 and 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 19 March 2015 (the "Prospectus") in connection with the initial listing of H-shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in Fujian Province, the People's Republic of China (the "PRC") on 21 June 1992 as a joint stock limited liability company under the Company Law of the PRC (中華人民共和國公司法), as amended by the Standing Committee of the National People's Congress on 28 December 2013 and effective on 1 March 2014, as amended, supplemented and otherwise modified from time to time (the "PRC Company Law").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and joint ventures as set out in Note 39 and Note 10 of Section II below, respectively. All of these companies are private companies.

All companies comprising the Group have adopted 31 December as their financial year end date. The financial statements of the Company and its subsidiaries were prepared in accordance with the relevant accounting principles and financial regulations applicable in their respective places of incorporation. The statutory auditor of the Company for the year ended 31 December 2012 was PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司), and for each of the years ended 31 December 2013 and 2014 was PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥)). The details of the statutory auditors of these companies are set out in Note 39 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “ISAs”) issued by the International Auditing and Assurance Standards Board (the “IAASB”) pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2012, 2013 and 2014 and of the state of affairs of the Group as at 31 December 2012, 2013 and 2014, and of the Group's results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2012, 2013 and 2014 and for each of the years ended 31 December 2012, 2013 and 2014 (the "Financial Information").

Consolidated Balance Sheets

	Note	As at 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	7,141,710	7,415,533	8,822,546
Leasehold land and land use rights	7	522,988	779,771	874,692
Intangible assets	8	120,770	111,449	156,877
Investments in joint ventures	10	104,268	130,016	161,045
Long-term receivables	11	24,806	18,824	–
Long-term prepaid rental expenses	12	67,021	62,103	56,166
Deferred income tax assets	13	113,360	153,070	189,318
		<u>8,094,923</u>	<u>8,670,766</u>	<u>10,260,644</u>
Current assets				
Inventories	14	1,907,388	1,877,167	2,169,036
Trade and other receivables	15	2,646,800	3,215,182	3,548,756
Derivative financial instruments	3.1(c)	341	1,637	3,687
Restricted cash	16	23,622	10,875	8,089
Cash and cash equivalents	16	487,285	490,475	499,072
		<u>5,065,436</u>	<u>5,595,336</u>	<u>6,228,640</u>
Assets of disposal group classified as held-for-sale	17	–	417,039	401,653
		<u>5,065,436</u>	<u>6,012,375</u>	<u>6,630,293</u>
Total assets		<u>13,160,359</u>	<u>14,683,141</u>	<u>16,890,937</u>
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	18	2,002,986	2,002,986	2,002,986
Share premium	19	184,347	184,347	184,347
Other reserves	19	853,782	943,770	873,803
Retained earnings	20	3,946,889	4,727,379	5,752,510
		<u>6,988,004</u>	<u>7,858,482</u>	<u>8,813,646</u>
Non-controlling interests		<u>3,545</u>	<u>3,113</u>	<u>4,320</u>
Total equity		<u>6,991,549</u>	<u>7,861,595</u>	<u>8,817,966</u>

Consolidated Balance Sheets (Continued)

	Note	As at 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	21	880,171	917,529	1,212,558
Deferred income tax liabilities	13	7,934	63,149	73,755
Deferred income on government grants	22	<u>120,519</u>	<u>260,228</u>	<u>335,893</u>
		<u>1,008,624</u>	<u>1,240,906</u>	<u>1,622,206</u>
Current liabilities				
Trade and other payables	23	1,824,879	2,374,063	2,795,198
Current income tax liabilities		206,041	259,478	282,477
Borrowings	21	3,125,849	2,899,300	3,335,627
Derivative financial instruments	3.1(c)	–	8,116	1,703
Current portion of deferred income on government grants	22	<u>3,417</u>	<u>7,286</u>	<u>14,074</u>
		5,160,186	5,548,243	6,429,079
Liabilities of disposal group classified as held-for-sale	17	<u>–</u>	<u>32,397</u>	<u>21,686</u>
		<u>5,160,186</u>	<u>5,580,640</u>	<u>6,450,765</u>
Total liabilities		<u>6,168,810</u>	<u>6,821,546</u>	<u>8,072,971</u>
Total equity and liabilities		<u>13,160,359</u>	<u>14,683,141</u>	<u>16,890,937</u>
Net current (liabilities)/assets		<u>(94,750)</u>	<u>431,735</u>	<u>179,528</u>
Total assets less current liabilities		<u>8,000,173</u>	<u>9,102,501</u>	<u>10,440,172</u>

Balance Sheets

	Note	As at 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	1,112,658	974,956	845,380
Leasehold land and land use rights	7	43,801	42,720	41,639
Intangible assets	8	84,265	75,348	72,556
Investments in subsidiaries	9	3,707,922	3,631,364	4,501,986
Investments in joint ventures	10	44,439	44,439	44,439
Long-term receivables	11	–	–	334,613
Deferred income tax assets	13	8,058	9,043	12,170
		<u>5,001,143</u>	<u>4,777,870</u>	<u>5,852,783</u>
Current assets				
Inventories	14	425,100	495,287	512,920
Trade and other receivables	15	2,770,982	3,349,452	4,411,864
Derivative financial instruments		341	987	–
Cash and cash equivalents	16	251,145	302,341	288,830
		<u>3,447,568</u>	<u>4,148,067</u>	<u>5,213,614</u>
Asset held-for-sale	17	–	280,000	280,000
		<u>3,447,568</u>	<u>4,428,067</u>	<u>5,493,614</u>
Total assets		<u><u>8,448,711</u></u>	<u><u>9,205,937</u></u>	<u><u>11,346,397</u></u>
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	18	2,002,986	2,002,986	2,002,986
Share premium	19	184,347	184,347	184,347
Other reserves	19	774,401	909,517	1,102,138
Retained earnings	20	1,021,135	1,212,909	1,918,465
Total equity		<u><u>3,982,869</u></u>	<u><u>4,309,759</u></u>	<u><u>5,207,936</u></u>

Balance Sheets (Continued)

	Note	As at 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
LIABILITIES				
Non-current liabilities				
Borrowings	21	840,501	882,529	1,012,558
Deferred income tax liabilities	13	85	19,084	27,228
Deferred income on government grants		13,089	11,549	10,009
		<u>853,675</u>	<u>913,162</u>	<u>1,049,795</u>
Current liabilities				
Trade and other payables	23	1,165,574	1,645,178	3,135,201
Current income tax liabilities		15,034	15,795	–
Borrowings	21	2,430,019	2,320,503	1,951,132
Derivative financial instruments		–	–	793
Current portion of deferred income on government grants		1,540	1,540	1,540
		<u>3,612,167</u>	<u>3,983,016</u>	<u>5,088,666</u>
Total liabilities		<u>4,465,842</u>	<u>4,896,178</u>	<u>6,138,461</u>
Total equity and liabilities		<u>8,448,711</u>	<u>9,205,937</u>	<u>11,346,397</u>
Net current (liabilities)/assets		<u>(164,599)</u>	<u>445,051</u>	<u>404,948</u>
Total assets less current liabilities		<u>4,836,544</u>	<u>5,222,921</u>	<u>6,257,731</u>

Consolidated Income Statements

	Note	Year ended 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Revenue	24	10,247,391	11,501,210	12,928,182
Cost of sales	24, 27	<u>(6,419,884)</u>	<u>(6,830,550)</u>	<u>(7,565,501)</u>
Gross profit		3,827,507	4,670,660	5,362,681
Distribution costs and selling expenses	27	(778,540)	(876,776)	(982,165)
Administrative expenses	27	(762,544)	(907,576)	(1,031,342)
Research and development expenses	27	(236,461)	(388,758)	(517,924)
Other income	25	62,917	54,297	46,017
Other (losses)/gains – net	26	<u>(48,342)</u>	<u>177</u>	<u>(43,091)</u>
Operating profit		2,064,537	2,552,024	2,834,176
Finance income	30	2,198	3,116	14,362
Finance costs	30	<u>(226,203)</u>	<u>(202,297)</u>	<u>(241,223)</u>
Finance costs – net		(224,005)	(199,181)	(226,861)
Share of results of joint ventures	10	<u>21,539</u>	<u>25,748</u>	<u>31,029</u>
Profit before income tax		1,862,071	2,378,591	2,638,344
Income tax expense	31	<u>(337,942)</u>	<u>(461,924)</u>	<u>(421,567)</u>
Profit for the year		<u>1,524,129</u>	<u>1,916,667</u>	<u>2,216,777</u>
Profit attributable to:				
Equity holders of the Company	32	1,524,259	1,917,099	2,219,245
Non-controlling interests		<u>(130)</u>	<u>(432)</u>	<u>(2,468)</u>
Profit for the year		<u>1,524,129</u>	<u>1,916,667</u>	<u>2,216,777</u>
Earnings per share for profit attributable to equity holders of the Company during the year				
– Basic and diluted earnings per share (expressed in RMB per share)	33	<u>0.76</u>	<u>0.96</u>	<u>1.11</u>
Dividends proposed	34	<u>1,001,493</u>	<u>1,001,493</u>	<u>1,502,240</u>

Consolidated Statements of Comprehensive Income

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Profit for the year	<u>1,524,129</u>	<u>1,916,667</u>	<u>2,216,777</u>
Other comprehensive income/(loss): <i>Items that may be subsequently reclassified to profit or loss</i>			
Currency translation differences	<u>5,967</u>	<u>(45,128)</u>	<u>(262,588)</u>
Other comprehensive income/(loss) for the year, net of tax	<u>5,967</u>	<u>(45,128)</u>	<u>(262,588)</u>
Total comprehensive income for the year	<u>1,530,096</u>	<u>1,871,539</u>	<u>1,954,189</u>
Total comprehensive income attributable to:			
Equity holders of the Company	<u>1,530,226</u>	<u>1,871,971</u>	<u>1,956,657</u>
Non-controlling interests	<u>(130)</u>	<u>(432)</u>	<u>(2,468)</u>
Total comprehensive income for the year	<u>1,530,096</u>	<u>1,871,539</u>	<u>1,954,189</u>

Consolidated Statements of Changes in Equity

	Note	Attributable to equity holders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000 (Note 18)	RMB'000 (Note 19)	RMB'000 (Note 19)	RMB'000 (Note 20)	RMB'000		
As at 1 January 2012		2,002,986	184,347	733,721	3,327,419	6,248,473	–	6,248,473
Comprehensive income:								
Profit for the year		–	–	–	1,524,259	1,524,259	(130)	1,524,129
Currency translation differences		–	–	5,967	–	5,967	–	5,967
Total comprehensive income		–	–	5,967	1,524,259	1,530,226	(130)	1,530,096
Transactions with equity holders:								
Capital contributions by the non-controlling interests		–	–	–	–	–	3,675	3,675
Dividends declared	34	–	–	–	(801,195)	(801,195)	–	(801,195)
Others		–	–	10,500	–	10,500	–	10,500
Total transaction with equity holders, recognized directly in equity		–	–	10,500	(801,195)	(790,695)	3,675	(787,020)
Appropriation to statutory reserve	19(a)	–	–	103,594	(103,594)	–	–	–
As at 31 December 2012		<u>2,002,986</u>	<u>184,347</u>	<u>853,782</u>	<u>3,946,889</u>	<u>6,988,004</u>	<u>3,545</u>	<u>6,991,549</u>
As at 1 January 2013		2,002,986	184,347	853,782	3,946,889	6,988,004	3,545	6,991,549
Comprehensive income:								
Profit for the year		–	–	–	1,917,099	1,917,099	(432)	1,916,667
Currency translation differences		–	–	(45,128)	–	(45,128)	–	(45,128)
Total comprehensive income		–	–	(45,128)	1,917,099	1,871,971	(432)	1,871,539
Total transaction with equity holders:								
Dividends declared	34	–	–	–	(1,001,493)	(1,001,493)	–	(1,001,493)
Total transaction with equity holders, recognized directly in equity		–	–	–	(1,001,493)	(1,001,493)	–	(1,001,493)
Appropriation to statutory reserve	19(a)	–	–	135,116	(135,116)	–	–	–
As at 31 December 2013		<u>2,002,986</u>	<u>184,347</u>	<u>943,770</u>	<u>4,727,379</u>	<u>7,858,482</u>	<u>3,113</u>	<u>7,861,595</u>

Consolidated Statements of Changes in Equity (Continued)

	Note	Attributable to equity holders of the Company					Non-controlling interests RMB'000	Total equity RMB'000
		Share capital	Share premium	Other reserves	Retained earnings	Total		
		RMB'000 (Note 18)	RMB'000 (Note 19)	RMB'000 (Note 19)	RMB'000 (Note 20)	RMB'000		
As at 1 January 2014		2,002,986	184,347	943,770	4,727,379	7,858,482	3,113	7,861,595
Comprehensive income:								
Profit for the year		–	–	–	2,219,245	2,219,245	(2,468)	2,216,777
Currency translation differences		–	–	(262,588)	–	(262,588)	–	(262,588)
Total comprehensive income		–	–	(262,588)	2,219,245	1,956,657	(2,468)	1,954,189
Total transaction with equity holders:								
Dividends declared	34	–	–	–	(1,001,493)	(1,001,493)	–	(1,001,493)
Capital injections from non-controlling interest		–	–	–	–	–	3,675	3,675
Total transaction with equity holders, recognized directly in equity		–	–	–	(1,001,493)	(1,001,493)	3,675	(997,818)
Appropriation to statutory reserve	19(a)	–	–	192,621	(192,621)	–	–	–
As at 31 December 2014		<u>2,002,986</u>	<u>184,347</u>	<u>873,803</u>	<u>5,752,510</u>	<u>8,813,646</u>	<u>4,320</u>	<u>8,817,966</u>

Consolidated Cash Flow Statements

	Note	Year ended 31 December		
		2012 RMB'000	2013 RMB'000	2014 RMB'000
Cash flow from operating activities				
Cash generated from operations	35(a)	2,772,054	3,198,688	3,565,215
Income tax paid		(345,628)	(381,667)	(434,639)
Net cash generated from operating activities		<u>2,426,426</u>	<u>2,817,021</u>	<u>3,130,576</u>
Cash flow from investing activities				
Increase in investments in joint ventures		(2,487)	–	–
Proceeds from disposal of property, plant and equipment	35(b)	25,578	135,706	21,853
Proceeds from disposal of leasehold land and land use right and intangible assets	35(c)	–	102,062	50,000
Purchases of property, plant and equipment		(1,368,387)	(1,570,409)	(2,618,496)
Purchases of leasehold land and land use rights		(131,838)	(305,163)	(115,357)
Purchases of intangible assets		(4,063)	(5,669)	(59,612)
Deposits received in connection with the sales of a subsidiary		–	60,000	–
Interest received		2,198	3,116	14,362
Decrease in restricted cash		13,924	12,747	2,786
Government grants received relating to property, plant and equipment		82,570	150,758	92,546
Net cash used in investing activities		<u>(1,382,505)</u>	<u>(1,416,852)</u>	<u>(2,611,918)</u>
Cash flows from financing activities				
Capital contributions from non-controlling interests of subsidiaries		3,675	–	3,675
Proceeds from borrowings		5,132,559	5,735,935	6,995,607
Repayments of borrowings		(5,512,694)	(5,921,464)	(6,254,910)
Dividends paid to the Company's shareholders		(801,195)	(1,001,493)	(1,001,493)
Interest paid		(197,018)	(208,510)	(245,722)
Capital injections from government authorities		10,500	–	–
Net cash used in financing activities		<u>(1,364,173)</u>	<u>(1,395,532)</u>	<u>(502,843)</u>

Consolidated Cash Flow Statements (Continued)

	<i>Note</i>	Year ended 31 December		
		2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Net (decrease)/increase in cash and cash equivalents		(320,252)	4,637	15,815
Cash and cash equivalents at beginning of the year		807,537	487,285	491,922
Exchange losses on cash and cash equivalents		—	—	(8,412)
Cash and cash equivalents at end of the year		<u>487,285</u>	<u>491,922</u>	<u>499,325</u>
Analysis of balances of cash and cash equivalents				
Cash and cash equivalents as stated in the consolidated balance sheets	16	487,285	490,475	499,072
Add: Cash and cash equivalents attributable to the disposal group	17	—	1,447	253
Cash and cash equivalents as stated in the consolidated cash flow statements		<u>487,285</u>	<u>491,922</u>	<u>499,325</u>

II NOTES TO THE FINANCIAL INFORMATION

1 CORPORATE INFORMATION

The Company was formerly known as Fujian Yaohua Glass Industry Group Co., Ltd. (福建省耀華玻璃工業有限公司), which was established in the People's Republic of China (the "PRC") on 14 April 1987 as a sino-foreign equity joint venture. On 21 June 1992, the Company was converted into a sino-foreign joint stock company with limited liability under the PRC Company Law and was renamed as the current name.

The Company's shares have been listed on the Shanghai Stock Exchange ("A shares") since 10 June 1993. As at 31 December 2012, 2013 and 2014, the Company had 2,002,986,332 A shares in total, among which, Mr. Cho Tak Wong (曹德旺), the single largest shareholder, held 20.1% equity interests in the Company.

The address of the Company's registered office is Fuyao Industrial Zone II, Fuqing, Fujian Province, the PRC. The Company and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sale of automobile glass and float glass, which are carried out internationally, through the production complexes located in the PRC.

The English names of companies mentioned in this report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information is set out below. These policies have been consistently applied during the Relevant Periods.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are designated as financial assets or liabilities at fair value through profit or loss.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

Standards, amendments and interpretations that are effective during the Relevant Periods have been adopted and applied by the Group consistently throughout the Relevant Periods.

A number of new standards, amendments and interpretations published by the International Accounting Standards Board ("IASB") are effective for annual periods beginning after 1 January 2015, which are relevant to the Group have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation	The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business' (as defined in IFRS 3, Business combinations. Specifically, an investor will need to:	1 January 2016
	<ul style="list-style-type: none"> • measure identifiable assets and liabilities at fair value; • expense acquisition-related costs; • recognise deferred tax; and • recognise the residual as goodwill. 	

Effective for annual periods
beginning on or after

All other principles of business combination accounting apply unless they conflict with IFRS 11.

The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

Annual improvements 2014

The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' 1 January 2016

It clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'.

Annual improvements 2014

- IFRS 7, 'Financial instruments: Disclosures' 1 January 2016

There are two amendments:

- (i) Service contracts

If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.

Effective for annual periods
beginning on or after

(ii) Interim financial statements

It clarifies the additional disclosure required by the amendments to IFRS 7, 'Disclosure – offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

- IAS 19, 'Employee benefits'

It clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

- IAS 34, 'Interim financial reporting'

It clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. It also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

IFRS 15 "Revenue from
Contracts with
Customers"

IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes, to an 'asset-liability' approach based on transfer of control.

1 January 2017

**Effective for annual periods
beginning on or after**

IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition:

IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 9 “Financial
Instruments”

IFRS 9 (2014), “Financial instruments”
replaces the whole of IAS 39.

1 January 2018

IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

Effective for annual periods
beginning on or after

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of IAS39.

The Group is in the process of assessing the impact of these standards, amendments and interpretations on the Financial Information of the Group. The adoption of the above is currently not expected to have a material impact on the Financial Information of the Group other than the disclosure changes.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial information

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Financial Information of the investee's net assets including goodwill.

2.3 Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method in the Group's consolidated financial statements.

Under the equity method of accounting, investments in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investments in the joint venture are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and their carrying value and recognises the amount adjacent to share of results of joint ventures, in the consolidated income statements.

Investments in joint ventures are accounted for at cost less impairment in the Company's separate financial statements.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statements within "finance costs – net". All other foreign exchange gains and losses are presented in the consolidated income statements within "other gains/(losses) – net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at the spot exchange rate which is determined through a systematic and rational method and which is approximate to the spot exchange rate of the transaction date; and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 to 20 years
Machinery and equipment	10 to 12 years
Electronic and office equipment	5 years
Tools, dies, vehicles and others	3 to 5 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the consolidated income statements.

2.7 Leasehold land and land use rights

Leasehold land and land use rights represent upfront payments made for the land use rights. It is stated at cost less accumulative amortisation and accumulated impairment losses, if any (Note 2.9). Amortisation is calculated using the straight-line method to allocate the cost of leasehold land and land use rights over the remaining period of the lease.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Patents

Acquired patents are shown at historical cost. Patents have a finite life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives.

(c) Licenses

Acquired licenses are shown at historical cost. Licenses have a finite life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

(d) *Computer software*

Acquired computer software license are capitalized on the basis of the costs incurred to acquire the specific software. Computer software is carried at cost less accumulated amortisation and impairment, if any. These costs are amortised over their estimated useful lives.

(e) *Other intangible assets*

Other intangible assets acquired are initially recognised at cost and amortised on a straight-line method over their estimated useful lives.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Property, plant and equipment, intangible assets, deferred tax assets, inventories, and financial assets, even if held-for-sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted cash" and "cash and cash equivalents", in the consolidated balance sheets (Note 15 and 16).

2.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statements. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statements within 'other (losses)/gains – net' in the period in which they arise.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated cash flows statements, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Restricted cash

Restricted cash represents guaranteed deposits pledged to the bank for issuance of trade facilities, such as security deposits for borrowing agreement and guaranteed deposits for issuance of letter of credit. Such restricted cash will be released when the Group repays the related trade facilities or bank loans.

2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.21 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.22 Derivative financial instruments

Derivative financial instruments refer to the forward foreign exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group uses these currency forward contracts to mitigate exposure to changes in foreign exchange rate. These forward foreign exchange contracts are held for “economic hedge”, which do not qualify for hedge accounting.

Changes in the fair value of all derivative instruments are recognised immediately in the consolidated income statements within ‘other gains/(losses)-net’.

2.23 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the areas where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax*Inside basis differences*

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for joint ventures. Only when there is an agreement in place that gives the group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.24 Employee benefits**(a) Pension obligations**

The full-time employees of the Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for

post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. The non-PRC employees are covered by other defined contribution pension plans sponsored by local government.

The contributions are recognised as employee benefit expense when they are due.

(b) *Housing funds, medical insurances and other social insurances*

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period, and recognised as employee benefit expense when they are due.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.25 Provision and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.26 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

2.27 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of products

Revenue from the sales of products is recognised when the risk and reward of the goods have been transferred to the customer, which is usually at the time when the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income from operating lease

Rental income from operating lease is recognised in the consolidated income statements on a straight-line basis over the term of the lease.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated income statements on a straight-line basis over the expected useful lives of the related asset.

For those cash injection received from government with clear instruction as capital injection from government authorities, they have been recorded as "other reserve" during the Relevant Periods.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders, where appropriate.

2.30 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The primary economic environment in which the Group operates in the PRC and their functional currency is RMB. However, the Group exports the products to overseas and the sales are carried out in United States Dollar ("USD") and Euro ("EUR"). Moreover, certain cash and cash equivalents, trade and other receivables and trade and other payables are denominated in foreign currencies, which expose the Group to foreign currency risk, primarily with respect to USD, EUR and Russian Ruble ("RBL"). The Group currently uses forward foreign exchange contracts to partially reduce the risk of changes in foreign exchange rates.

As at 31 December 2012, 2013 and 2014, if RMB had strengthened/weakened by 10% against the foreign currencies while all other variables had been held constant, the Group's net profit for the year would have changed as follows, mainly as a result of exchange gains/losses on translation of various financial assets and liabilities denominated in foreign currencies:

Group	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Net profit increase/(decrease)			
USD			
– Strengthened 10%	(48,196)	(52,604)	(67,485)
– Weakened 10%	48,196	52,604	67,485
	<u> </u>	<u> </u>	<u> </u>
EUR			
– Strengthened 10%	(14,196)	(19,293)	(21,641)
– Weakened 10%	14,196	19,293	21,641
	<u> </u>	<u> </u>	<u> </u>
RBL			
– Strengthened 10%	(1,062)	(2,571)	7,076
– Weakened 10%	1,062	2,571	(7,076)
	<u> </u>	<u> </u>	<u> </u>

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term receivables and borrowings.

Long-term receivables expose the Group to fair value interest-ratio risk. The interest rates and terms of collections are disclosed in Note 11.

Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 21.

As at 31 December 2012, 2013 and 2014, if interest rates on bank borrowings had risen/fallen by 50 basis points with all other variables held constant, the Group's net profit for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

Group	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Net profit increase/(decrease)			
– risen 50 basis points	(1,967)	(2,087)	(3,373)
– fallen 50 basis points	1,967	2,087	3,373
	<u>1,967</u>	<u>2,087</u>	<u>3,373</u>

(b) Credit risk

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and long-term receivables included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and cash equivalents, including restricted cash, were deposited in the major financial institutions in the PRC, which the directors believe are of high credit quality.

The Group established policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers and volume of sales. Please refer to Note 15 for ageing analysis. Management make periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

The Group uses credit insurance to control the default risk of trade receivables.

For long-term receivables, the Group manages, limits and controls credit risk wherever they are identified, in particular, to assess the counterparty repayment ability periodically.

(c) Liquidity risk

Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and issuing debt instruments, as necessary.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2012				
Borrowings, including interest payables	3,222,155	447,590	519,752	4,189,497
Financial liabilities included in trade and other payables	1,591,625	–	–	1,591,625
	<u>4,813,780</u>	<u>447,590</u>	<u>519,752</u>	<u>5,781,122</u>

Group	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2013				
Borrowings, including interest payables	3,027,038	478,772	503,301	4,009,111
Derivative financial instruments (Note (i))	8,116	–	–	8,116
Financial liabilities included in trade and other payables	2,084,396	–	–	2,084,396
	<u>5,119,550</u>	<u>478,772</u>	<u>503,301</u>	<u>6,101,623</u>
As at 31 December 2014				
Borrowings, including interest payables	3,456,940	1,249,297	6,223	4,712,460
Derivative financial instruments (Note (i))	1,703	–	–	1,703
Financial liabilities included in trade and other payables	2,420,581	–	–	2,420,581
	<u>5,879,224</u>	<u>1,249,297</u>	<u>6,223</u>	<u>7,134,744</u>

(i) Derivatives holding for economic hedge purpose are classified as a current asset or liability. As at 31 December 2014, the Group has outstanding net-settled foreign currency forward contracts to buy RMB254,069,000 for USD41,000,000 and buy USD38,169,000 for EUR30,830,000 and buy USD5,748,000 for GBP3,661,000 (As at 31 December 2013: buy RMB134,753,000 for USD22,000,000 and buy USD36,107,000 for EUR26,758,000 and buy USD15,293,000 for GBP9,654,000; as at 31 December 2012: nil).

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and capital reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the Financial Information plus net debts.

The gearing ratios as at 31 December 2012, 2013 and 2014 are as follows:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Total borrowings (Note 21)	4,006,020	3,816,829	4,548,185
Less: Cash and cash equivalents (Note 16)	<u>(487,285)</u>	<u>(490,475)</u>	<u>(499,072)</u>
Net debt	3,518,735	3,326,354	4,049,113
Total equity	<u>6,991,549</u>	<u>7,861,595</u>	<u>8,817,966</u>
Total capital	<u>10,510,284</u>	<u>11,187,949</u>	<u>12,867,079</u>
Gearing ratio (%)	<u>33%</u>	<u>30%</u>	<u>31%</u>

3.3 Fair value estimation

(a) The Group adopts the amendment to IFRS 7 for financial instruments that are measured in the consolidated balance sheets at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(b) Financial instruments in level 2

Level 2 economic hedging derivatives are forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives.

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2012				
Assets				
Derivative financial assets				
– forward foreign exchange contract	–	341	–	341
	<u>–</u>	<u>341</u>	<u>–</u>	<u>341</u>
As at 31 December 2013				
Assets				
Derivative financial assets				
– forward foreign exchange contract	–	1,637	–	1,637
	<u>–</u>	<u>1,637</u>	<u>–</u>	<u>1,637</u>
Liabilities				
Derivative financial assets				
– forward foreign exchange contract	–	8,116	–	8,116
	<u>–</u>	<u>8,116</u>	<u>–</u>	<u>8,116</u>
As at 31 December 2014				
Assets				
Derivative financial assets				
– forward foreign exchange contract	–	3,687	–	3,687
	<u>–</u>	<u>3,687</u>	<u>–</u>	<u>3,687</u>
Liabilities				
Derivative financial assets				
– forward foreign exchange contract	–	1,703	–	1,703
	<u>–</u>	<u>1,703</u>	<u>–</u>	<u>1,703</u>

(c) Valuation techniques used to derive Level 2 fair values

Level 2 derivative financial instruments forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rate that are quoted in an active market.

- (d) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Long-term receivables;
- Short-term borrowings;
- Trade and other receivables (excluding prepayments to suppliers and prepaid current income tax or value-added tax recoverable);
- Cash and cash equivalents (including restricted cash);
- Trade and other payables (excluding advance from customers and statutory liabilities).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in future periods.

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy as stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

In the opinion of the directors of the Company, the recoverable amount of the CGU will not be lower than the carrying amount of a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount occurs.

(c) Net realisable value of inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Current and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

(e) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provisions at each balance sheet date.

(f) Impairment of non-financial assets

Non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statements (Note 6).

5 SEGMENT INFORMATION

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The Group is principally engaged in manufacturing and sale of automobile glass and float glass, which are carried out internationally, through the production complexes located in the PRC during the Relevant Periods.

None of the revenue derived from any single external customer amounted for more than 10% of the Group's revenue during the Relevant Periods.

6 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings and freehold land RMB'000	Machinery and equipment RMB'000	Electronic and office equipment RMB'000	Tools, dies, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2012						
Cost	2,664,403	6,118,537	556,749	502,200	513,891	10,355,780
Accumulated depreciation	(677,092)	(2,491,625)	(289,656)	(317,689)	–	(3,776,062)
Impairment	–	(40,342)	–	–	–	(40,342)
Net book amount	<u>1,987,311</u>	<u>3,586,570</u>	<u>267,093</u>	<u>184,511</u>	<u>513,891</u>	<u>6,539,376</u>
Year ended 31 December 2012						
Opening net book amount	1,987,311	3,586,570	267,093	184,511	513,891	6,539,376
Transfer	49,301	603,669	47,869	1,826	(702,665)	–
Other additions	81,520	47,709	89,715	113,678	1,129,835	1,462,457
Disposals (Note 35(b))	(170)	(21,782)	(10,122)	(1,973)	–	(34,047)
Depreciation (Note 27)	(129,663)	(501,463)	(83,162)	(91,245)	–	(805,533)
Impairment	(359)	(20,175)	(9)	–	–	(20,543)
Closing net book amount	<u>1,987,940</u>	<u>3,694,528</u>	<u>311,384</u>	<u>206,797</u>	<u>941,061</u>	<u>7,141,710</u>
At 31 December 2012						
Cost	2,794,846	6,687,003	666,316	555,982	941,061	11,645,208
Accumulated depreciation	(806,547)	(2,932,652)	(354,923)	(349,185)	–	(4,443,307)
Impairment	(359)	(59,823)	(9)	–	–	(60,191)
Net book amount	<u>1,987,940</u>	<u>3,694,528</u>	<u>311,384</u>	<u>206,797</u>	<u>941,061</u>	<u>7,141,710</u>
Year ended 31 December 2013						
Opening net book amount	1,987,940	3,694,528	311,384	206,797	941,061	7,141,710
Transfer	206,240	628,845	59,136	390	(894,611)	–
Other additions	17,395	72,216	96,226	131,707	1,311,390	1,628,934
Disposals (Note 35(b))	(67,908)	(120,203)	(10,399)	(1,688)	–	(200,198)
Depreciation (Note 27)	(129,250)	(539,310)	(84,603)	(111,756)	–	(864,919)
Classified to disposal group held-for-sale (Note 17)	(115,246)	(171,848)	(1,748)	(1,131)	(21)	(289,994)
Closing net book amount	<u>1,899,171</u>	<u>3,564,228</u>	<u>369,996</u>	<u>224,319</u>	<u>1,357,819</u>	<u>7,415,533</u>
At 31 December 2013						
Cost	2,623,591	6,473,833	762,491	671,119	1,357,819	11,888,853
Accumulated depreciation	(724,420)	(2,909,605)	(392,494)	(446,800)	–	(4,473,319)
Impairment	–	–	(1)	–	–	(1)
Net book amount	<u>1,899,171</u>	<u>3,564,228</u>	<u>369,996</u>	<u>224,319</u>	<u>1,357,819</u>	<u>7,415,533</u>
Year ended 31 December 2014						
Opening net book amount	1,899,171	3,564,228	369,996	224,319	1,357,819	7,415,533
Currency translation difference	(21,233)	(61,009)	(335)	(649)	(159,728)	(242,954)
Transfer	758,054	526,173	103,103	1,031	(1,388,361)	–
Transfer to leasehold land and land use rights (Note 7)	–	–	–	–	(107,006)	(107,006)
Other additions	96,517	57,818	87,088	125,318	2,279,537	2,646,278
Disposals (Note 35(b))	(1,543)	(12,655)	(17,316)	(766)	–	(32,280)
Depreciation (Note 27)	(127,595)	(509,175)	(107,944)	(112,311)	–	(857,025)
Closing net book amount	<u>2,603,371</u>	<u>3,565,380</u>	<u>434,592</u>	<u>236,942</u>	<u>1,982,261</u>	<u>8,822,546</u>

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and office equipment <i>RMB'000</i>	Tools, dies, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2014						
Cost	3,454,573	6,946,522	906,583	763,515	1,982,261	14,053,454
Accumulated depreciation	(851,202)	(3,381,142)	(471,990)	(526,573)	–	(5,230,907)
Impairment	–	–	(1)	–	–	(1)
Net book amount	<u>2,603,371</u>	<u>3,565,380</u>	<u>434,592</u>	<u>236,942</u>	<u>1,982,261</u>	<u>8,822,546</u>

- (a) Movements on the Group's provision for impairment of property, plant and equipment are as follows:

	Year ended 31 December		
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
At beginning of the year	40,342	60,191	1
Provision for impairment	20,543	–	–
Disposals	(694)	(60,190)	–
At end of the year	<u>60,191</u>	<u>1</u>	<u>1</u>

It represented the provision for impairment of certain idle float glass production lines.

- (b) Depreciation of property, plant and equipment has been charged to the consolidated income statements (Note 27) as follows:

	Year ended 31 December		
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Cost of sales	699,470	732,609	733,444
Administrative expenses	61,519	73,777	67,655
Research and development expenses	40,808	55,347	52,171
Selling and marketing expenses	3,736	3,186	3,755
	<u>805,533</u>	<u>864,919</u>	<u>857,025</u>

- (c) As at 31 December 2012, 2013 and 2014, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB37,032,000, RMB160,584,000 and RMB232,998,000 respectively.

Company

	Buildings RMB'000	Machinery and equipment RMB'000	Electronic and office equipment RMB'000	Tools, dies, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2012						
Cost	517,106	1,368,597	74,162	56,428	17,493	2,033,786
Accumulated depreciation	(161,581)	(547,830)	(52,081)	(45,259)	–	(806,751)
Net book amount	<u>355,525</u>	<u>820,767</u>	<u>22,081</u>	<u>11,169</u>	<u>17,493</u>	<u>1,227,035</u>
Year ended 31 December 2012						
Opening net book amount	355,525	820,767	22,081	11,169	17,493	1,227,035
Transfer	1,007	8,909	9,733	–	(19,649)	–
Other additions	351	2,701	6,087	13,394	11,629	34,162
Disposals	–	(9,312)	(571)	(391)	–	(10,274)
Depreciation	(22,341)	(105,156)	(6,402)	(4,366)	–	(138,265)
Closing net book amount	<u>334,542</u>	<u>717,909</u>	<u>30,928</u>	<u>19,806</u>	<u>9,473</u>	<u>1,112,658</u>
At 31 December 2012						
Cost	518,463	1,363,212	86,558	64,267	9,473	2,041,973
Accumulated depreciation	(183,921)	(645,303)	(55,630)	(44,461)	–	(929,315)
Net book amount	<u>334,542</u>	<u>717,909</u>	<u>30,928</u>	<u>19,806</u>	<u>9,473</u>	<u>1,112,658</u>
Year ended 31 December 2013						
Opening net book amount	334,542	717,909	30,928	19,806	9,473	1,112,658
Transfer	591	3,181	2,255	–	(6,027)	–
Other additions	606	1,343	5,206	8,599	38,973	54,727
Disposals	(3,982)	(49,758)	(1,198)	(320)	–	(55,258)
Depreciation	(21,846)	(102,373)	(7,120)	(5,832)	–	(137,171)
Closing net book amount	<u>309,911</u>	<u>570,302</u>	<u>30,071</u>	<u>22,253</u>	<u>42,419</u>	<u>974,956</u>
At 31 December 2013						
Cost	511,557	1,265,929	82,809	69,081	42,419	1,971,795
Accumulated depreciation	(201,646)	(695,627)	(52,738)	(46,828)	–	(996,839)
Net book amount	<u>309,911</u>	<u>570,302</u>	<u>30,071</u>	<u>22,253</u>	<u>42,419</u>	<u>974,956</u>
Year ended 31 December 2014						
Opening net book amount	309,911	570,302	30,071	22,253	42,419	974,956
Transfer	1,527	24,191	6,676	1,949	(34,343)	–
Other additions	–	2,000	2,135	2,267	762	7,164
Disposals	(270)	(1,741)	(618)	(92)	–	(2,721)
Depreciation	(22,365)	(97,830)	(6,881)	(6,943)	–	(134,019)
Closing net book amount	<u>288,803</u>	<u>496,922</u>	<u>31,383</u>	<u>19,434</u>	<u>8,838</u>	<u>845,380</u>
At 31 December 2014						
Cost	511,695	1,288,789	89,463	69,608	8,838	1,968,393
Accumulated depreciation	(222,892)	(791,867)	(58,080)	(50,174)	–	(1,123,013)
Net book amount	<u>288,803</u>	<u>496,922</u>	<u>31,383</u>	<u>19,434</u>	<u>8,838</u>	<u>845,380</u>

7 LEASEHOLD LAND AND LAND USE RIGHTS

Leasehold land and land use rights represent prepaid operating lease payments for land mainly located in the PRC which are held on leases between 10 to 50 years.

Group

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
In PRC, held on:			
Leases of between 10 to 50 years	509,384	766,744	861,786
In Hong Kong, held on:			
Leases of between 10 to 50 years	13,604	13,027	12,906
	<u>522,988</u>	<u>779,771</u>	<u>874,692</u>
Cost	599,304	864,798	980,204
Accumulated amortisation	<u>(76,316)</u>	<u>(85,027)</u>	<u>(105,512)</u>
Net book amount	<u>522,988</u>	<u>779,771</u>	<u>874,692</u>
	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Opening net book value	406,226	522,988	779,771
Currency translation difference	–	–	44
Additions	131,838	305,163	8,351
Transferred in from construction in progress (Note 6)	–	–	107,006
Disposals	–	(21,617)	–
Classified to disposal group held-for-sale (Note 17)	–	(11,029)	–
Amortisation charges (Note 27)	<u>(15,076)</u>	<u>(15,734)</u>	<u>(20,480)</u>
Closing net book value	<u>522,988</u>	<u>779,771</u>	<u>874,692</u>

Amortisation charges of leasehold land and land use rights have been charged to administrative expenses in the consolidated income statements.

Company

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Cost	52,957	52,957	52,957
Accumulated amortisation	<u>(9,156)</u>	<u>(10,237)</u>	<u>(11,318)</u>
Net book amount	<u>43,801</u>	<u>42,720</u>	<u>41,639</u>
	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Opening net book value	44,965	43,801	42,720
Disposals	(82)	–	–
Amortisation charges	<u>(1,082)</u>	<u>(1,081)</u>	<u>(1,081)</u>
Closing net book value	<u>43,801</u>	<u>42,720</u>	<u>41,639</u>

8 INTANGIBLE ASSETS

Group

	Goodwill RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012						
Cost	74,678	38,238	35,821	28,922	26,011	203,670
Accumulated amortisation	–	(20,194)	(21,355)	(17,464)	(14,224)	(73,237)
Net book amount	<u>74,678</u>	<u>18,044</u>	<u>14,466</u>	<u>11,458</u>	<u>11,787</u>	<u>130,433</u>
Year ended 31 December 2012						
Opening net book amount	74,678	18,044	14,466	11,458	11,787	130,433
Additions	–	451	–	781	2,831	4,063
Amortisation (Note 27)	–	(3,628)	(2,891)	(4,158)	(3,049)	(13,726)
Closing net book amount	<u>74,678</u>	<u>14,867</u>	<u>11,575</u>	<u>8,081</u>	<u>11,569</u>	<u>120,770</u>
At 31 December 2012						
Cost	74,678	38,689	35,821	29,703	28,842	207,733
Accumulated amortisation	–	(23,822)	(24,246)	(21,622)	(17,273)	(86,963)
Net book amount	<u>74,678</u>	<u>14,867</u>	<u>11,575</u>	<u>8,081</u>	<u>11,569</u>	<u>120,770</u>
Year ended 31 December 2013						
Opening net book amount	74,678	14,867	11,575	8,081	11,569	120,770
Additions	–	350	–	3,802	1,517	5,669
Classified to disposal group held-for-sale (Note 17)	–	(1,506)	–	(44)	–	(1,550)
Amortisation (Note 27)	–	(2,966)	(3,213)	(4,329)	(2,932)	(13,440)
Closing net book amount	<u>74,678</u>	<u>10,745</u>	<u>8,362</u>	<u>7,510</u>	<u>10,154</u>	<u>111,449</u>
At 31 December 2013						
Cost	74,678	32,583	35,821	33,274	30,359	206,715
Accumulated amortisation	–	(21,838)	(27,459)	(25,764)	(20,205)	(95,266)
Net book amount	<u>74,678</u>	<u>10,745</u>	<u>8,362</u>	<u>7,510</u>	<u>10,154</u>	<u>111,449</u>
Year ended 31 December 2014						
Opening net book amount	74,678	10,745	8,362	7,510	10,154	111,449
Currency translation difference	–	–	–	(238)	(537)	(775)
Additions	–	–	36,714	12,323	10,575	59,612
Amortisation (Note 27)	–	(2,352)	(3,604)	(4,743)	(2,710)	(13,409)
Closing net book amount	<u>74,678</u>	<u>8,393</u>	<u>41,472</u>	<u>14,852</u>	<u>17,482</u>	<u>156,877</u>
At 31 December 2014						
Cost	74,678	32,583	72,535	45,358	40,397	265,551
Accumulated amortisation	–	(24,190)	(31,063)	(30,506)	(22,915)	(108,674)
Net book amount	<u>74,678</u>	<u>8,393</u>	<u>41,472</u>	<u>14,852</u>	<u>17,482</u>	<u>156,877</u>

- (a) Amortisation of intangible assets has been charged to the consolidated income statements (Note 27) as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cost of sales	2,140	838	875
Research and development expenses	584	324	281
Administrative expenses	11,002	12,278	12,253
	<u>13,726</u>	<u>13,440</u>	<u>13,409</u>

- (b) Impairment tests for goodwill

The goodwill is monitored by the management at cash generating units ("CGU") level. The following is a summary of goodwill allocation for each CGU:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fujian Wanda Automobile Glass Industry Co., Ltd. ("Fujian Wanda") (Note (i))	62,744	62,744	62,744
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (Note (ii))	11,934	11,934	11,934
	<u>74,678</u>	<u>74,678</u>	<u>74,678</u>

For the purpose of impairment test, goodwill has been allocated to the smallest individual of CGU identified. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on the financial budget made by managements, with reference to the prevailing market condition, covering a period of five years and assuming the cash flow beyond the five years period would be stable. The key assumptions used for value-in-use are as follows:

- (i) *Fujian Wanda*

	Year ended 31 December		
	2012	2013	2014
Sales growth rate	11%	14%	13%
Gross profit margin	30%	34%	34%
Pre-tax discount rate	14%	14%	14%

- (ii) *Hainan Wenchang Fuyao Silica Sand Co., Ltd.*

	Year ended 31 December		
	2012	2013	2014
Sales growth rate	5%	5%	5%
Gross profit margin	81%	56%	62%
Pre-tax discount rate	13%	12%	11%

As at 31 December 2012, 2013 and 2014, management did not foresee any change in key assumptions (including sales growth rate and gross profit margin) used in the value-to-use calculation that would cause the recoverable of amount of goodwill below its carrying amount.

Company

	Goodwill <i>RMB'000</i>	Patent <i>RMB'000</i>	License fee <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2012						
Cost	48,490	33,441	28,970	21,453	15,277	147,631
Accumulated amortisation	–	(14,492)	(19,162)	(13,050)	(9,232)	(55,936)
Net book amount	<u>48,490</u>	<u>18,949</u>	<u>9,808</u>	<u>8,403</u>	<u>6,045</u>	<u>91,695</u>
Year ended 31 December 2012						
Opening net book amount	48,490	18,949	9,808	8,403	6,045	91,695
Additions	–	–	–	703	2,830	3,533
Amortisation	–	(2,533)	(2,597)	(3,157)	(2,676)	(10,963)
Closing net book amount	<u>48,490</u>	<u>16,416</u>	<u>7,211</u>	<u>5,949</u>	<u>6,199</u>	<u>84,265</u>
At 31 December 2012						
Cost	48,490	33,441	28,970	22,155	18,107	151,163
Accumulated amortisation	–	(17,025)	(21,759)	(16,206)	(11,908)	(66,898)
Net book amount	<u>48,490</u>	<u>16,416</u>	<u>7,211</u>	<u>5,949</u>	<u>6,199</u>	<u>84,265</u>
Year ended 31 December 2013						
Opening net book amount	48,490	16,416	7,211	5,949	6,199	84,265
Additions	–	–	–	207	–	207
Amortisation	–	(2,133)	(2,897)	(2,145)	(1,949)	(9,124)
Closing net book amount	<u>48,490</u>	<u>14,283</u>	<u>4,314</u>	<u>4,011</u>	<u>4,250</u>	<u>75,348</u>
At 31 December 2013						
Cost	48,490	33,441	28,970	22,362	18,107	151,370
Accumulated amortisation	–	(19,158)	(24,656)	(18,351)	(13,857)	(76,022)
Net book amount	<u>48,490</u>	<u>14,283</u>	<u>4,314</u>	<u>4,011</u>	<u>4,250</u>	<u>75,348</u>
Year ended 31 December 2014						
Opening net book amount	48,490	14,283	4,314	4,011	4,250	75,348
Additions	–	–	–	7,769	–	7,769
Amortisation	–	(2,133)	(2,897)	(3,645)	(1,886)	(10,561)
Closing net book amount	<u>48,490</u>	<u>12,150</u>	<u>1,417</u>	<u>8,135</u>	<u>2,364</u>	<u>72,556</u>
At 31 December 2014						
Cost	48,490	33,441	28,970	30,131	18,107	159,139
Accumulated amortisation	–	(21,291)	(27,553)	(21,996)	(15,743)	(86,583)
Net book amount	<u>48,490</u>	<u>12,150</u>	<u>1,417</u>	<u>8,135</u>	<u>2,364</u>	<u>72,556</u>

The goodwill is monitored by the management at cash generating units ("CGU") level. The following is a summary of goodwill allocation for each CGU:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Fujian Wanda	39,538	39,538	39,538
Hainan Wenchang Fuyao Silica Sand Co., Ltd.	8,952	8,952	8,952
	<u>48,490</u>	<u>48,490</u>	<u>48,490</u>

9 INVESTMENTS IN SUBSIDIARIES – COMPANY

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Investment at cost:			
Unlisted, at cost	3,990,123	3,913,565	4,501,986
Less: Impairment of investments in subsidiary	<u>(282,201)</u>	<u>(282,201)</u>	<u>–</u>
	<u>3,707,922</u>	<u>3,631,364</u>	<u>4,501,986</u>

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Opening net book value	2,708,123	3,707,922	3,631,364
Additions of investments in subsidiaries	999,799	212,724	870,622
Classified as held-for-sale (<i>Note 17</i>)	<u>–</u>	<u>(289,282)</u>	<u>–</u>
Closing net book value	<u>3,707,922</u>	<u>3,631,364</u>	<u>4,501,986</u>

As at 31 December 2012 and 2013, full impairment of RMB282,201,000 was provided for an investment in a subsidiary, which was liquidated on 18 June 2014.

Particulars of the Company's subsidiaries are set out in Note 39.

10 INVESTMENTS IN JOINT VENTURES

Group

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Share of net assets, unlisted	<u>104,268</u>	<u>130,016</u>	<u>161,045</u>
Beginning of the year	80,242	104,268	130,016
Additions of investments in joint ventures	2,487	–	–
Share of results	<u>21,539</u>	<u>25,748</u>	<u>31,029</u>
End of the year	<u>104,268</u>	<u>130,016</u>	<u>161,045</u>

Company

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Investment at cost:			
Unlisted shares	44,439	44,439	44,439
Beginning of year	41,952	44,439	44,439
Additions of investments in joint ventures	2,487	–	–
End of year	44,439	44,439	44,439

11 LONG-TERM RECEIVABLES

Group

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Long-term receivables	24,806	25,558	11,936
Less: current portion reclassified to trade and other receivables	–	(6,734)	(11,936)
	24,806	18,824	–

- (a) As of 31 December 2012, 2013 and 2014, the maturities of the Group's long-term receivables, which mainly represented the balance due from a third-party electric supplier, are set out as follows:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Within 1 year	–	6,734	11,936
1 to 2 years	12,713	12,713	–
2 to 5 years	12,093	6,111	–
	24,806	25,558	11,936

- (b) The fair values of long-term receivables are as follows:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Fair value of long-term receivables	24,806	18,824	–

The fair values of non-current receivables are based on cash flows discounted using a rate based on the current market rate of 3% to 5% during the years ended 31 December 2012 and 2013.

(c) The long-term receivables are all denominated in RMB.

Company

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Long-term receivables (i)	–	–	334,613

(i) As of 31 December 2014, the company's long-term receivables represented the long-term loans to Fuyao Glass Rus Co., Ltd., which form part of net investment in the foreign operation.

12 LONG-TERM PREPAID RENTAL EXPENSES – GROUP

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Cost	67,021	72,516	78,795
Accumulated amortisation	–	(10,413)	(22,629)
Net book amount	67,021	62,103	56,166

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Opening net book value	–	67,021	62,103
Additions (Note 35(a))	67,021	5,495	6,279
Amortisation charges (Note 27)	–	(10,413)	(12,216)
Closing net book value	67,021	62,103	56,166

Amortisation charges of long-term prepaid rental expenses have been charged to cost of sales in the consolidated income statements.

13 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Group

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Deferred income tax assets:			
– to be recovered within 12 months	67,865	67,275	89,035
– to be recovered after more than 12 months	45,495	85,795	100,283
	113,360	153,070	189,318
Deferred income tax liabilities:			
– to be recovered within 12 months	479	458	109
– to be recovered after more than 12 months	7,455	62,691	73,646
	7,934	63,149	73,755

Movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets	Tax losses carried forward (a) RMB'000	Impairment provision RMB'000	Accruals RMB'000	Unrealized profit (b) RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	696	5,684	7,973	41,896	11,303	719	68,271
Recognized in the consolidated income statements	616	614	179	24,872	18,498	310	45,089
At 31 December 2012	1,312	6,298	8,152	66,768	29,801	1,029	113,360
Recognized in the consolidated income statements	4,272	(2,808)	(742)	4,909	34,875	(111)	40,395
Classified as held-for-sale (Note 17)	–	(453)	(232)	–	–	–	(685)
At 31 December 2013	5,584	3,037	7,178	71,677	64,676	918	153,070
Recognized in the consolidated income statements	(3,766)	(201)	2,734	18,125	19,126	230	36,248
At 31 December 2014	1,818	2,836	9,912	89,802	83,802	1,148	189,318

(a) Deferred tax assets are recognised for tax losses carried forward to the extent that realization of related tax benefits through future taxable profits is probable. As at 31 December 2012, 2013 and 2014, the Group did not recognise deferred income tax assets of RMB28,555,000, RMB29,988,000 and RMB98,170,000 in respect of the accumulated tax losses of certain subsidiaries. These tax losses will be expired within year 2012 to 2024.

(b) Deferred income tax assets of unrealized profit mainly attributed to the unrealized profit from intra-group sales.

Deferred income tax liabilities	Difference in intangible assets amortisation between tax and accounting RMB'000	Withholding taxation on unremitted earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	–	–	2,361	2,361
Recognized in the consolidated income statements	3,900	–	1,673	5,573
At 31 December 2012	3,900	–	4,034	7,934
Recognized in the consolidated income statements	29,059	25,016	1,140	55,215
At 31 December 2013	32,959	25,016	5,174	63,149
Recognized in the consolidated income statements	(134)	10,497	243	10,606
At 31 December 2014	32,825	35,513	5,417	73,755

Company

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Deferred income tax assets:			
– to be recovered within 12 months	4,786	6,156	9,668
– to be recovered after more than 12 months	3,272	2,887	2,502
	<u>8,058</u>	<u>9,043</u>	<u>12,170</u>
Deferred income tax liabilities:			
– to be recovered within 12 months	85	247	–
– to be recovered after more than 12 months	–	18,837	27,228
	<u>85</u>	<u>19,084</u>	<u>27,228</u>

Movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets	Impairment provision RMB'000	Tax losses carried forward RMB'000	Unrealized profit RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	2,208	–	2,471	4,042	–	8,721
Recognized in the income statements	<u>(163)</u>	<u>–</u>	<u>(115)</u>	<u>(385)</u>	<u>–</u>	<u>(663)</u>
At 31 December 2012	2,045	–	2,356	3,657	–	8,058
Recognized in the income statements	<u>179</u>	<u>–</u>	<u>1,191</u>	<u>(385)</u>	<u>–</u>	<u>985</u>
At 31 December 2013	2,224	–	3,547	3,272	–	9,043
Recognized in the income statements	<u>519</u>	<u>–</u>	<u>2,795</u>	<u>(385)</u>	<u>198</u>	<u>3,127</u>
At 31 December 2014	<u>2,743</u>	<u>–</u>	<u>6,342</u>	<u>2,887</u>	<u>198</u>	<u>12,170</u>
Deferred income tax liabilities			Withholding taxation on unremitted earnings of certain subsidiaries RMB'000	Others RMB'000	Total RMB'000	
At 1 January 2012			–	–	–	
Recognized in the income statements			<u>–</u>	<u>85</u>	<u>85</u>	
At 31 December 2012			–	85	85	
Recognized in the income statements			<u>18,837</u>	<u>162</u>	<u>18,999</u>	
At 31 December 2013			18,837	247	19,084	
Recognized in the income statements			<u>8,391</u>	<u>(247)</u>	<u>8,144</u>	
At 31 December 2014			<u>27,228</u>	<u>–</u>	<u>27,228</u>	

14 INVENTORIES

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Raw materials	941,110	876,810	969,316
Work in process	59,714	53,088	49,987
Finished goods	917,217	940,102	1,144,113
Low value consumables	10,194	16,753	17,831
	<u>1,928,235</u>	<u>1,886,753</u>	<u>2,181,247</u>
Less: write-down to net realisable value	(20,847)	(9,586)	(12,211)
	<u>1,907,388</u>	<u>1,877,167</u>	<u>2,169,036</u>

The cost of inventory recognized as 'cost of sales' amounted to approximately RMB2,995,498,000, RMB3,269,138,000, and RMB3,820,390,000 for the year ended 31 December 2012, 2013 and 2014 respectively (Note 27).

Inventories are valued at the lower of cost and estimated net realisable value. Write-down of inventories to net realisable value recognised in the consolidated income statements during the Relevant Periods are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At beginning of the year	19,534	20,847	9,586
Write-down to net realisable value (Note 27)	14,181	4,875	10,810
Write-off of inventory provision (Note 27)	(12,868)	(16,136)	(8,185)
	<u>20,847</u>	<u>9,586</u>	<u>12,211</u>

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Raw materials	187,011	212,312	180,962
Work in process	1,009	1,152	1,355
Finished goods	243,834	289,113	341,072
Low value consumables	1,425	1,604	502
	<u>433,279</u>	<u>504,181</u>	<u>523,891</u>
Less: write-down to net realisable value	(8,179)	(8,894)	(10,971)
	<u>425,100</u>	<u>495,287</u>	<u>512,920</u>

15 TRADE AND OTHER RECEIVABLES

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade receivables due from third parties			
<i>(Note (a)):</i>			
Notes receivables	556,183	680,366	544,506
Accounts receivables	1,744,683	2,053,001	2,430,682
Less: provision for impairment	(2,086)	(324)	(231)
Trade receivables – net	<u>2,298,780</u>	<u>2,733,043</u>	<u>2,974,957</u>
Other receivables due from third parties			
<i>(Note (b)):</i>			
Other receivables	100,091	121,896	82,071
Less: provision for impairment	–	–	–
Other receivables – net	<u>100,091</u>	<u>121,896</u>	<u>82,071</u>
Amount due from related parties (Note 38(c)):			
Accounts receivables	1,131	306	4,317
Other receivables	8,102	4,112	641
	<u>9,233</u>	<u>4,418</u>	<u>4,958</u>
Others:			
Prepayments to suppliers	135,674	226,367	281,696
Prepaid current income tax and value-added tax recoverable and refundable	103,022	129,458	205,074
	<u>238,696</u>	<u>355,825</u>	<u>486,770</u>
Trade and other receivables – net	<u><u>2,646,800</u></u>	<u><u>3,215,182</u></u>	<u><u>3,548,756</u></u>

As at 31 December 2012, 2013 and 2014, the fair value of the current portion of trade and other receivables of the Group, except for the prepayments to suppliers which are not financial assets, approximated their carrying amounts.

As at 31 December 2012, 2013 and 2014, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
RMB	1,742,826	2,206,548	2,409,692
USD	688,418	697,580	879,635
EUR	183,938	229,626	217,462
Others	31,618	81,428	41,967
	<u>2,646,800</u>	<u>3,215,182</u>	<u>3,548,756</u>

- (a) Trade receivables, including notes receivables and account receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2012, 2013 and 2014 was as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade receivables – gross			
– Within 3 months	2,025,492	2,399,447	2,706,173
– 3 to 6 months	234,016	304,700	240,412
– 6 to 12 months	37,976	27,798	28,015
– Over 1 year	3,382	1,422	588
	2,300,866	2,733,367	2,975,188
	2,300,866	2,733,367	2,975,188

As at 31 December 2012, 2013 and 2014, trade receivables of RMB2,086,000, RMB324,000 and RMB231,000, respectively, were impaired and fully provided for impairment. The individually impairment receivables mainly related to certain customers, which are in unexpected difficult economic situations.

As at 31 December 2012, 2013 and 2014, trade receivables of RMB154,817,000, RMB126,808,000 and RMB209,803,000, respectively, were past due but not impaired. Based on the past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there is no significant change in their credit quality and the balances are considered fully recoverable. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of these trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
– Within 3 months	33,742	43,049	185,142
– 3 to 6 months	80,511	54,996	20,278
– 6 to 12 months	37,291	27,341	3,502
– Over 1 year	3,273	1,422	881
	154,817	126,808	209,803
	154,817	126,808	209,803

Movements in impairment of trade receivables are as follows:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At beginning of the year	3,253	2,086	324
Reversal of impairment (<i>Note 27</i>)	(535)	(765)	(87)
Write-off against uncollectible receivables	(632)	(997)	(6)
	2,086	324	231
At the end of the year	2,086	324	231

Impairment provision for trade receivables is charged to administrative expenses in the consolidated income statements. Amounts charged to the allowance account are generally written off when there is no expectation of recovery of additional cash.

(b) Details of other receivables are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Quality and performance guarantee deposits to customers	58,149	17,809	15,958
Receivables of proceeds from sales of leasehold land and land use rights	–	50,000	–
Others (i)	41,942	54,087	66,113
	<u>100,091</u>	<u>121,896</u>	<u>82,071</u>

(i) These other receivables are arising from employee advances, etc.

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade receivables due from third parties:			
Notes receivables	452,874	587,747	487,360
Accounts receivables	192,521	226,833	134,694
Less: provision for impairment	–	–	–
Trade receivables – net	<u>645,395</u>	<u>814,580</u>	<u>622,054</u>
Other receivables due from third parties:			
Other receivables	54,574	19,930	40,422
Less: provision for impairment	–	–	–
Other receivables – net	<u>54,574</u>	<u>19,930</u>	<u>40,422</u>
Amount due from subsidiaries or jointly controlled entities:			
Accounts receivables	295,213	313,864	400,322
Other receivables	1,674,323	2,130,407	3,195,123
Less: provision for impairment of other receivables (Note (a))	(38,416)	–	–
Dividends receivables	100,187	–	70,789
	<u>2,031,307</u>	<u>2,444,271</u>	<u>3,666,234</u>
Others:			
Prepayments to suppliers	31,768	45,844	65,727
Prepaid current income tax and value-added tax recoverable	7,938	24,827	17,427
	<u>39,706</u>	<u>70,671</u>	<u>83,154</u>
Trade and other receivables – net	<u>2,770,982</u>	<u>3,349,452</u>	<u>4,411,864</u>

- (a) The Company proposed to liquidate a subsidiary, Fuyao Hainan Float Glass Co., Ltd. (福耀海南浮法玻璃有限公司) in 2010. As a result, a full provision of RMB38,416,000 had been made as at 31 December 2012, and such provision had been written off in 2013. This subsidiary was liquidated on 18 June 2014.

16 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Group

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	510,907	501,350	507,161
Less: restricted cash (<i>Note (a)</i>)	(23,622)	(10,875)	(8,089)
Cash and cash equivalents	<u>487,285</u>	<u>490,475</u>	<u>499,072</u>

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents are denominated in:			
– RMB	264,971	270,318	223,138
– USD	104,075	146,215	192,364
– EUR	16,138	36,340	67,973
– RBL	89,188	1,372	1,912
– Others	12,913	36,230	13,685
	<u>487,285</u>	<u>490,475</u>	<u>499,072</u>

- (a) Details of restricted cash are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Deposits pledged for notes issuance	18,326	4,925	1,542
Others	5,296	5,950	6,547
	<u>23,622</u>	<u>10,875</u>	<u>8,089</u>

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Restricted cash is denominated in:			
– RMB	18,326	4,924	1,542
– USD	3,458	4,090	4,750
– EUR	1,838	1,861	1,797
	<u>23,622</u>	<u>10,875</u>	<u>8,089</u>

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	251,145	302,341	288,830

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents are denominated in:			
– RMB	171,052	205,823	168,026
– USD	67,159	80,798	65,194
– EUR	12,934	15,610	55,143
– Others	–	110	467
	<u>251,145</u>	<u>302,341</u>	<u>288,830</u>

17 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

Group

The assets and liabilities related to Fuyao Group Shuangliao Co., Ltd. (福耀集團雙遼有限公司), a 100% owned subsidiary of the Group, was presented as held-for-sale. On 19 August 2013, the Company's board of directors approved to sell share of 75% in Fuyao Group Shuangliao Co., Ltd. to Jinyuan Glass Manufacturing Co., Ltd. ("Jinyuan Glass"), an independent third party, at a cash consideration of RMB280,000,000. On 9 September 2014, Jinyuan Glass committed to further purchase the remaining equity, 25% shares of Fuyao Group Shuangliao Co., Ltd., at a cash consideration of RMB110,000,000 after the completion of the 75% equity transfer.

On 26 September 2014, the Group and Jinyuan Glass entered into a supplementary agreement on the payment schedule in respect of the equity transfer. Pursuant to the payment schedule, Jinyuan Glass agreed to settle the consideration of RMB280,000,000 by 30 September 2015.

(a) Assets of disposal group classified as held-for-sale

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Land use rights (Note 7)	–	11,029	10,765
Property, plant and equipment (Note 6)	–	272,475	231,854
Intangible assets (Note 8)	–	1,550	890
Deferred income tax assets (Note 13)	–	685	573
Inventories	–	123,448	152,868
Trade and other receivables	–	6,405	4,450
Cash and cash equivalents	–	1,447	253
Total	<u>–</u>	<u>417,039</u>	<u>401,653</u>

(b) Liabilities of disposal group classified as held-for-sale

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade and other payables	–	24,759	21,229
Current income tax liabilities	–	7,638	457
	<u>–</u>	<u>32,397</u>	<u>21,686</u>

Company*Assets held-for-sale*

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Investment in a subsidiary (Note 9)	–	289,282	289,282
Less: Impairment of investments in subsidiary	–	(9,282)	(9,282)
	<u>–</u>	<u>280,000</u>	<u>280,000</u>

18 SHARE CAPITAL**Group and Company**

	Note	As at 31 December		
		2012	2013	2014
		RMB'000	RMB'000	RMB'000
Registered, issued and fully paid of RMB1.00 each:				
Tradable shares held by Heren Charitable Foundation (河仁慈善基金會) with trading moratorium	(a)	39,790	–	–
Tradable shares without trading moratorium		<u>1,963,196</u>	<u>2,002,986</u>	<u>2,002,986</u>
Total A share listed on the Shanghai Stock Exchange		<u>2,002,986</u>	<u>2,002,986</u>	<u>2,002,986</u>

- (a) Pursuant to the Share Reform Plan announced by the Company on 15 February 2006, except for the shares held by Heren Charitable Foundation (河仁慈善基金會), other shares were tradable without moratorium before the Relevant Periods. During the years ended 31 December 2012, 39,790,000 shares held by Heren Charitable Foundation (河仁慈善基金會) with trading moratorium have been converted into tradable shares without trade moratorium. Thereafter, all Company's shares are tradable without moratorium.

19 SHARE PREMIUM AND OTHER RESERVES

Group

	Share premium RMB'000	Statutory reserves RMB'000	Other reserves Currency translation differences RMB'000	Capital reserve RMB'000	Total RMB'000
At 1 January 2012	184,347	670,807	47,934	14,980	918,068
Appropriate to statutory reserves (a)	–	103,594	–	–	103,594
Capital injections from government authorities	–	–	–	10,500	10,500
Currency translation differences	–	–	5,967	–	5,967
At 31 December 2012	184,347	774,401	53,901	25,480	1,038,129
Appropriate to statutory reserves (a)	–	135,116	–	–	135,116
Currency translation differences	–	–	(45,128)	–	(45,128)
At 31 December 2013	184,347	909,517	8,773	25,480	1,128,117
Appropriate to statutory reserves (a)	–	192,621	–	–	192,621
Currency translation differences	–	–	(262,588)	–	(262,588)
At 31 December 2014	184,347	1,102,138	(253,815)	25,480	1,058,150

- (a) In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

Company

	Share premium RMB'000	Statutory reserve RMB'000	Total RMB'000
At 1 January 2012	184,347	670,807	855,154
Appropriate to statutory reserves	–	103,594	103,594
At 31 December 2012	184,347	774,401	958,748
Appropriate to statutory reserves	–	135,116	135,116
At 31 December 2013	184,347	909,517	1,093,864
Appropriate to statutory reserves	–	192,621	192,621
At 31 December 2014	184,347	1,102,138	1,286,485

20 RETAINED EARNINGS

	Group RMB'000	Company RMB'000
At 1 January 2012	3,327,419	908,403
Profit for the year	1,524,259	1,017,521
Dividends paid	(801,195)	(801,195)
Appropriation to statutory reserves (<i>Note 19(a)</i>)	(103,594)	(103,594)
At 31 December 2012	3,946,889	1,021,135
Profit for the year	1,917,099	1,328,383
Dividends paid	(1,001,493)	(1,001,493)
Appropriation to statutory reserves (<i>Note 19(a)</i>)	(135,116)	(135,116)
At 31 December 2013	4,727,379	1,212,909
Profit for the year	2,219,245	1,899,670
Dividends paid	(1,001,493)	(1,001,493)
Appropriation to statutory reserves (<i>Note 19(a)</i>)	(192,621)	(192,621)
At 31 December 2014	5,752,510	1,918,465

21 BORROWINGS

Group

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Non-current:			
– Bank borrowings – unsecured	549,000	889,000	978,000
– Bank borrowings (a)	68,000	35,000	220,000
– Medium-term notes (b)	399,501	399,529	399,558
Less: current portion of non-current Borrowings	(136,330)	(406,000)	(385,000)
	<u>880,171</u>	<u>917,529</u>	<u>1,212,558</u>
Current:			
– Bank borrowings – unsecured	1,146,422	1,260,578	2,640,903
– Commercial papers (c)	1,843,097	1,232,722	309,724
Add: current portion of non-current borrowings	136,330	406,000	385,000
	<u>3,125,849</u>	<u>2,899,300</u>	<u>3,335,627</u>
Total borrowings	<u><u>4,006,020</u></u>	<u><u>3,816,829</u></u>	<u><u>4,548,185</u></u>

Company

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Non-current:			
– Bank borrowings – unsecured	549,000	889,000	978,000
– Medium-term notes (c)	399,501	399,529	399,558
Less: current portion of non-current Borrowings	(108,000)	(406,000)	(365,000)
	<u>840,501</u>	<u>882,529</u>	<u>1,012,558</u>
Current:			
– Bank borrowings – unsecured	478,922	681,781	1,276,408
– Commercial papers (b)	1,843,097	1,232,722	309,724
Add: current portion of non-current borrowings	108,000	406,000	365,000
	<u>2,430,019</u>	<u>2,320,503</u>	<u>1,951,132</u>
Total borrowings	<u><u>3,270,520</u></u>	<u><u>3,203,032</u></u>	<u><u>2,963,690</u></u>

(a) As at 31 December 2012, 2013 and 2014, the Group's certain bank borrowings of RMB68,000,000, RMB35,000,000 and RMB220,000,000, respectively, were guaranteed by the Company.

(b) Medium term notes and commercial papers.

During the years ended 31 December 2012, 2013 and 2014, the Group has registered with the National Association of Financial Market Institutional Investors of the PRC (中國銀行間市場交易商協會) the issuance of the medium term notes and commercial papers to the investors in the national inter-bank market in the PRC. Details of the terms of medium term notes and commercial papers are analyzed as follows:

	Issuance date	Maturity	Interest rate	Principal amount RMB'000
Medium term notes				
Note-11 Fuyao MTN1	4 May 2011	Five years	5.67%	400,000
Commercial papers				
Note-11 Fuyao CP001	11 Jan 2011	One year	4.19%	500,000
Note-12 Fuyao CP001	21 Feb 2012	One year	5.01%	600,000
Note-12 Fuyao CP002	26 Jun 2012	One year	3.89%	600,000
Note-12 Fuyao CP003	11 Sep 2012	One year	4.64%	600,000
Note-13 Fuyao CP001	12 Mar 2013	One year	4.27%	600,000
Note-13 Fuyao CP002	22 Jul 2013	One year	5.30%	600,000
Note-14 Fuyao CP001	20 May 2014	One year	5.58%	300,000

Medium-term notes and commercial papers are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost by using effective interest method. The carrying amounts of medium term notes and commercial papers as at 31 December 2012, 2013 and 2014 are as follows:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Medium term notes			
Note-11 Fuyao MTN1	399,501	399,529	399,558
Commercial papers			
Note-12 Fuyao CP001	625,529	–	–
Note-12 Fuyao CP002	610,853	–	–
Note-12 Fuyao CP003	606,715	–	–
Note-13 Fuyao CP001	–	620,222	–
Note-13 Fuyao CP002	–	612,500	–
Note-14 Fuyao CP001	–	–	309,724
	1,843,097	1,232,722	309,724
	2,242,598	1,632,251	709,282

(c) The borrowings are denominated in the following currencies:

Group	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Borrowings:			
– RMB	3,936,320	3,774,151	4,384,394
– USD	69,700	42,678	69,908
– Others	–	–	93,883
	4,006,020	3,816,829	4,548,185

Company	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Borrowings:			
– RMB	3,200,820	3,166,451	2,893,782
– USD	69,700	36,581	69,908
	<u>3,270,520</u>	<u>3,203,032</u>	<u>2,963,690</u>

- (d) The exposure of the borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

Group	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
6 months or less	3,112,519	2,669,800	3,028,402
Between 6 and 12 months	397,000	712,500	336,225
Between 1 and 5 years	496,501	434,529	1,183,558
	<u>4,006,020</u>	<u>3,816,829</u>	<u>4,548,185</u>

Company	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
6 months or less	1,964,304	2,091,003	1,974,132
Between 6 and 12 months	906,715	712,500	6,000
Between 1 and 5 years	399,501	399,529	983,558
	<u>3,270,520</u>	<u>3,203,032</u>	<u>2,963,690</u>

- (e) The maturity of borrowings is as follows:

Group	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 1 year	3,112,519	2,899,300	3,335,627
Between 1 and 2 years	397,000	439,000	1,206,558
Between 2 and 5 years	496,501	478,529	6,000
	<u>4,006,020</u>	<u>3,816,829</u>	<u>4,548,185</u>

Company	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Within 1 year	2,430,019	2,320,503	1,951,132
Between 1 and 2 years	397,000	404,000	1,006,558
Between 2 and 5 years	443,501	478,529	6,000
	<u>3,270,520</u>	<u>3,203,032</u>	<u>2,963,690</u>

(f) The weighted average effective interest rates per annum at each balance sheet date were as follows:

Group	As at 31 December		
	2012	2013	2014
Borrowings:			
– USD	2.55%	1.68%	3.30%
– RBL	–	–	6.63%
– RMB	5.21%	4.66%	4.86%
	<u> </u>	<u> </u>	<u> </u>
Company	As at 31 December		
	2012	2013	2014
Borrowings:			
– USD	3.34%	1.67%	2.53%
– RMB	4.95%	4.59%	4.80%
	<u> </u>	<u> </u>	<u> </u>

Interest rates of bank borrowings denominated in RMB are reset periodically according to the benchmark rates announced by the People's Bank of China.

(g) The fair values of current borrowings approximate their carrying amounts as the impact of discounting is not significant. The carrying amount and fair value of non-current borrowings as at each balance sheet date are set out as follows:

Group	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount	880,171	917,529	1,212,558
	<u> </u>	<u> </u>	<u> </u>
Fair value	854,265	891,863	1,171,334
	<u> </u>	<u> </u>	<u> </u>
Company	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount	840,501	882,529	1,012,558
	<u> </u>	<u> </u>	<u> </u>
Fair value	815,688	857,612	981,512
	<u> </u>	<u> </u>	<u> </u>

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates and are within level 2 of the fair value hierarchy.

22 DEFERRED INCOME ON GOVERNMENT GRANTS

Group

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Current portion	3,417	7,286	14,074
Non-current portion	120,519	260,228	335,893
	<u>123,936</u>	<u>267,514</u>	<u>349,967</u>
	For the year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
At beginning of the year	45,212	123,936	267,514
Government grants received during the year (i)	82,570	150,758	92,546
Credited to the consolidated income statements (Note 25)	(3,846)	(7,180)	(10,093)
At end of the year	<u>123,936</u>	<u>267,514</u>	<u>349,967</u>

- (i) These mainly represented government grants received from certain municipal governments of the PRC as an incentive for the purchase of property, plant and equipment.

23 TRADE AND OTHER PAYABLES

Group

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Trade payables to third parties	499,619	708,041	887,898
Notes payable	378,102	484,474	566,620
Staff salaries and welfare payables	187,838	242,311	295,326
Interest payables	20,671	19,943	35,933
Advance from customers	18,808	19,321	35,239
Payables for purchasing of property, plant and equipment	298,092	354,795	291,261
Amount due to related parties (Note 38(c))	19,723	48,191	62,534
Accrued taxes other than income tax	26,608	43,112	59,130
Other payables and accruals	375,418	453,875	561,257
	<u>1,824,879</u>	<u>2,374,063</u>	<u>2,795,198</u>

- (a) As at 31 December 2012, 2013 and 2014, all trade and other payables of the Group were non-interest bearing, and their fair value, except for the advance from customers and accrued taxes other than income tax which are not financial liabilities, approximate to their carrying amounts due to their short maturities.

- (b) The Group's trade and other payables are denominated in the following currencies:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
– RMB	1,572,632	2,171,041	2,538,474
– USD	145,609	150,152	219,053
– EUR	20,932	20,937	23,103
– RBL	76,435	23,679	7,861
– Other	9,271	8,254	6,707
	<u>1,824,879</u>	<u>2,374,063</u>	<u>2,795,198</u>

- (c) Ageing analysis of the notes payable and trade payables to third parties at the respective balances sheet dates are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
– Within 3 months	642,796	875,394	1,157,718
– 3 to 6 months	152,043	88,027	245,481
– 6 to 12 months	66,182	208,112	35,071
– Over 1 year	16,700	20,982	16,248
	<u>877,721</u>	<u>1,192,515</u>	<u>1,454,518</u>

Company

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade payables to third parties	66,438	111,739	124,674
Notes payable	164,488	219,166	520,131
Staff salaries and welfare payables	43,996	64,660	80,319
Interest payables	17,328	17,407	28,412
Advance from customers	7,140	98,630	105,648
Amount due to subsidiaries or joint ventures	787,474	953,317	2,082,421
Accrued taxes other than income tax	1,704	1,211	2,427
Other payables and accruals	77,006	179,048	191,169
	<u>1,165,574</u>	<u>1,645,178</u>	<u>3,135,201</u>

- (a) As at 31 December 2012, 2013 and 2014, all trade and other payables of the Company were non-interest bearing, and their fair value, except for the advance from customers and other taxes and levies payable which are not financial liabilities, approximate to their carrying amounts due to their short maturities.

(b) The Company's trade and other payables are denominated in the following currencies:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
– RMB	1,143,574	1,527,790	2,590,885
– USD	20,932	114,538	431,477
– EUR	1,068	2,696	112,839
– Other	–	154	–
	<u>1,165,574</u>	<u>1,645,178</u>	<u>3,135,201</u>

(c) Ageing analysis of the notes payable and trade payables to third parties at the respective balances sheet dates are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
– Within 3 months	103,615	145,459	407,553
– 3 to 6 months	124,923	15,344	234,860
– 6 to 12 months	1,034	168,246	552
– Over 1 year	1,354	1,856	1,840
	<u>230,926</u>	<u>330,905</u>	<u>644,805</u>

24 REVENUE AND COST OF SALES

Revenue and cost of sales by product

	Year ended 31 December					
	2012		2013		2014	
	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Automobile glasses	9,514,829	6,284,813	10,912,030	6,996,353	12,439,377	7,910,691
Float glasses	2,271,824	1,873,306	2,238,927	1,708,015	2,129,748	1,550,337
Others	342,217	143,244	429,446	205,375	486,969	232,385
	<u>12,128,870</u>	<u>8,301,363</u>	<u>13,580,403</u>	<u>8,909,743</u>	<u>15,056,094</u>	<u>9,693,413</u>
Less: Intra-group sales	<u>(1,881,479)</u>	<u>(1,881,479)</u>	<u>(2,079,193)</u>	<u>(2,079,193)</u>	<u>(2,127,912)</u>	<u>(2,127,912)</u>
	<u>10,247,391</u>	<u>6,419,884</u>	<u>11,501,210</u>	<u>6,830,550</u>	<u>12,928,182</u>	<u>7,565,501</u>

Revenue by geographical areas

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
The PRC	6,911,391	7,823,250	8,597,917
Other countries	3,336,000	3,677,960	4,330,265
	<u>10,247,391</u>	<u>11,501,210</u>	<u>12,928,182</u>

25 OTHER INCOME

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Government grants			
– relating to income (Note (a))	59,071	47,117	35,924
– relating to assets (Note 22)	3,846	7,180	10,093
	<u>62,917</u>	<u>54,297</u>	<u>46,017</u>

- (a) Governments grants received during the Relevant Periods primarily comprised the financial subsidies received from various local government authorities in the PRC. There are no unfulfilled conditions or contingencies relating to these governments grants.

26 OTHER LOSSES/(GAINS) – NET

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Exchange losses – net	17,173	42,155	48,656
Donation	16,500	6,194	900
Impairment provision on property, plant and equipment (Note 6)	20,543	–	–
Impairment provision on assets of disposal group classified as held- for-sale (a)	–	17,519	4,128
Gain on disposal of leasehold land and land use rights	–	(130,445)	–
Loss on disposal of property, plant and equipment	8,469	64,492	10,427
Changes in fair value of the derivative financial instruments	(1,047)	6,820	(8,463)
Others	(13,296)	(6,912)	(12,557)
	<u>48,342</u>	<u>(177)</u>	<u>43,091</u>

- (a) The non-current assets of the disposal group are stated at the lower of carrying amount and fair value less costs to sell. Impairment provision on such assets amounted to RMB17,519,000 and RMB4,128,000 were recorded in “other losses – net” for the years ended 31 December 2013 and 2014, respectively.

27 EXPENSES BY NATURE

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Raw materials and consumables used	2,974,760	3,170,728	3,596,435
Changes in inventories of finished goods and work in progress	20,738	98,410	223,955
Utilities	1,491,148	1,501,484	1,534,271
Employee benefit expenses (Note 28)	1,198,085	1,493,789	1,714,226
Depreciation of property, plant and equipment (Note 6)	805,533	864,919	857,025
Amortisation of leasehold land and land use rights (Note 7)	15,076	15,734	20,480
Amortisation of intangible assets (Note 8)	13,726	13,440	13,409
Amortisation of long-term prepaid rental expenses (Note 12)	–	10,413	12,216
Transportation and storage expenses	344,518	399,659	456,306
Packing expenses	234,757	262,123	286,471
Royalty fee	29,681	28,568	27,911
Repair and maintenance fee	136,294	141,129	162,052
Operating lease expenses	36,969	36,490	43,198
Taxes and levies	109,442	137,949	155,881
Insurance expenses	47,069	56,474	56,530
After-sale service costs	35,564	36,737	44,682
Reversal for impairment of trade and other receivables (Note 15)	(535)	(765)	(87)
Write-down of inventories to the net realisable value (Note 14)	14,181	4,875	10,810
Write-off of inventory provision (Note 14)	(12,868)	(16,136)	(8,185)
Auditor's remuneration	2,350	3,100	3,550
Others	700,941	744,540	885,796
	<u>8,197,429</u>	<u>9,003,660</u>	<u>10,096,932</u>

28 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT'S EMOLUMENTS)

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Salaries, wages and bonuses	1,044,789	1,292,057	1,484,969
Pension, housing fund, medical insurance and other social insurance	126,842	164,507	186,900
Others	26,454	37,225	42,357
	<u>1,198,085</u>	<u>1,493,789</u>	<u>1,714,226</u>

29 DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors, supervisors and chief executive's emoluments

Directors, supervisors and chief executive's emoluments for the Relevant Periods are set out as follows:

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2012 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
Executive directors					
Mr. Cho Tak Wong (i)	–	909	–	251	1,160
Mr. Tso Fai (ii)	–	1,313	33	–	1,346
Mr. Bai Zhaohua	–	1,967	9	–	1,976
Mr. Chen Xiangming	–	1,236	42	–	1,278
Non-executive directors					
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Mr. Li Changqing	90	–	–	–	90
Mr. Meng Linming	90	–	–	–	90
Ms. Cheng Yan	90	–	–	–	90
Supervisors					
Mr. Lin Houtan	–	104	–	–	104
Mr. Zhou Zunguang	–	805	42	–	847
Ms. Zhu Xuanli	–	160	42	–	202
	450	6,494	168	251	7,363

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2013 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
Executive directors					
Mr. Cho Tak Wong (i)	–	855	–	246	1,101
Mr. Tso Fai (ii)	–	2,097	39	–	2,136
Mr. Bai Zhaohua	–	2,133	11	–	2,144
Mr. Chen Xiangming	–	1,456	50	–	1,506
Non-executive directors					
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
Independent non-executive directors					
Mr. Li Changqing	75	–	–	–	75
Mr. Meng Linming	75	–	–	–	75
Ms. Cheng Yan	90	–	–	–	90
Ms. Liu Xiaozhi (iii)	23	–	–	–	23
Mr. Wu Yuhui (iv)	23	–	–	–	23
Supervisors					
Mr. Lin Houtan	–	106	–	–	106
Mr. Zhou Zunguang	–	1,034	50	–	1,084
Ms. Zhu Xuanli	–	207	50	–	257
	466	7,888	200	246	8,800

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2014 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
Executive directors					
Mr. Cho Tak Wong (i)	–	443	–	244	687
Mr. Tso Fai (ii)	–	2,179	39	–	2,218
Mr. Bai Zhaohua	–	2,161	12	–	2,173
Mr. Chen Xiangming	–	1,546	51	–	1,597
Non-executive directors					
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheng Yan	150	–	–	–	150
Ms. Liu Xiaozhi (iii)	150	–	–	–	150
Mr. Wu Yuhui (iv)	150	–	–	–	150
Supervisors					
Mr. Lin Houtan	–	165	–	–	165
Mr. Zhou Zunguang	–	1,354	51	–	1,405
Ms. Zhu Xuanli	–	273	49	–	322
	630	8,121	202	244	9,197

- (i) Mr. Cho Tak Wong was the chairman of the board during the Relevant Periods.
- (ii) Mr. Tso Fai was the chief executive during the Relevant Periods.
- (iii) Ms. Liu Xiaozhi was appointed as an independent non-executive director on 11 October 2013.
- (iv) Mr. Wu Yuhui was appointed as an independent non-executive director on 11 October 2013.

(b) Five highest paid individual

The five individuals whose emoluments were the highest in the Group include two, three and three directors for the years ended 31 December 2012, 2013 and 2014 respectively. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three, two and two individuals during the Relevant Periods are as follows:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and bonuses	4,651	3,825	4,479
Pension, housing fund, medical insurance and other social insurance	84	50	150
Others	13	13	10
	<u>4,748</u>	<u>3,888</u>	<u>4,639</u>

The emoluments fell within the following bands:

Emoluments bands	Year ended 31 December		
	2012	2013	2014
HKD1,500,001 to HKD2,000,000	2	–	–
HKD2,000,001 to HKD2,500,000	1	1	–
Above HKD2,500,001	–	1	2
	<u>3</u>	<u>2</u>	<u>2</u>

During the Relevant Periods, no director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

30 FINANCE COSTS – NET

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Finance income:			
Interest income	(2,198)	(3,116)	(14,362)
Finance cost:			
Interest on borrowings	222,958	196,334	237,310
Less: borrowing costs capitalised	(2,999)	(1,822)	–
Interest expense on borrowings	219,959	194,512	237,310
Amortisation of transaction costs in respect of issuance of medium-term note and commercial papers	6,244	7,785	3,913
	226,203	202,297	241,223
Finance costs – net	224,005	199,181	226,861

31 INCOME TAX EXPENSE

(a) Income tax expense

The amounts of income tax expense charged to the consolidated income statements represent:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Current income tax	377,458	447,104	447,208
Deferred income tax (<i>Note 13</i>)	(39,516)	14,820	(25,641)
Income tax expense	337,942	461,924	421,567

(i) PRC corporate income tax

The corporate income tax (“CIT”) is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

Pursuant to the PRC Corporate Income Tax Law (“the CIT Law”), the CIT is unified at 25% for all type of entities, effective from 1 January 2008. Under the CIT Law, certain subsidiaries of the Group which were entitled to preferential treatment or reduced tax rates granted by relevant tax authorities, the new CIT rate was gradually increased to 25% within 5 years from 1 January 2008.

Certain subsidiaries of the Group obtained approvals from the relevant tax authorities in the PRC for their entitlement to exemption from income tax for the first two years and a 50% reduction in the income tax for the next three years, commencing from the first profitable year after offsetting all unexpired tax losses carried forward from the previous years pursuant to the relevant tax rules and regulations applicable to foreign investment enterprises in the PRC.

Certain subsidiaries are qualified for new/high-tech technology enterprises status and enjoyed preferential income tax rate of 15% during the Relevant Periods.

(ii) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the Relevant Periods.

(iii) North American profits tax

North American profits tax has been provided for at the rates between 34% and 40% on the estimated assessable profits during the Relevant Periods.

(iv) Russian profits tax

Russian profits tax has been provided for at the rate of 20% on the estimated assessable profits during the Relevant Periods.

(v) German profits tax

German profits tax has been provided for at the rate of 15% on the estimated assessable profits during the Relevant Periods.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory tax rates of 11% to 40% applicable to respective years as follows:

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	1,862,071	2,378,591	2,638,344
Tax calculated at the applicable income tax rate	349,456	444,209	385,443
Tax effect of:			
Expenses not deductible for tax purpose	7,154	9,405	10,441
Income not subject to income tax	(5,385)	(6,437)	(7,757)
Effect of change in tax rate	46	753	929
Unrecognised tax losses carried forward	9,548	12,036	72,670
Utilisation of previously unrecognized deductible temporary differences	–	–	(25,810)
Utilisation of previously unrecognized tax losses	(1,993)	(14,910)	(4,486)
Tax refund for purchasing domestic equipments	(13,062)	–	–
Withholding taxation on unremitted earnings of certain subsidiaries	–	25,016	10,497
Others	(7,822)	(8,148)	(20,360)
Income tax expense	<u>337,942</u>	<u>461,924</u>	<u>421,567</u>

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company excluded non-controlling interest for each of years ended 31 December 2012, 2013 and 2014 have been dealt with in the financial statements of the Company to the extent of approximately RMB1,017,521,000, RMB1,328,383,000, RMB1,899,670,000, respectively.

33 EARNINGS PER SHARE

- (a) Basic earnings per share is calculated by dividing the net profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the Relevant Periods.

	Year ended 31 December		
	2012	2013	2014
Net profit attributable to the equity holders of the Company (<i>RMB'000</i>)	1,524,259	1,917,099	2,219,245
Weighted average number of ordinary shares in issue (thousand)	<u>2,002,986</u>	<u>2,002,986</u>	<u>2,002,986</u>
Basic earnings per share (RMB)	<u>0.76</u>	<u>0.96</u>	<u>1.11</u>

- (b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the Relevant Periods.

34 DIVIDENDS

	Year ended 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends proposed by the Company	<u>1,001,493</u>	<u>1,001,493</u>	<u>1,502,240</u>

The dividend of RMB0.5 per share in respect of the net profit for the year ended 31 December 2012, amounting to a total dividend of RMB1,001,493,166 was approved at the Company's shareholders meeting on 7 May 2013. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2013 and paid out.

The dividend of RMB0.5 per share in respect of the net profit for the year ended 31 December 2013, amounting to a total dividend of RMB1,001,493,166 was approved at the Company's shareholders meeting on 20 March 2014. It has been reflected as an appropriation of retained earnings for the year ended 31 December 2014 and paid out.

The dividend of RMB0.75 per share in respect of the net profit for the year ended 31 December 2014, amounting to a total dividend of RMB1,502,239,749 was approved at the Company's shareholders meeting on 10 March 2015. It will be reflected as an appropriation of retained earnings for the year ending 31 December 2015 and only payable to Company's A Shares holders.

35 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Profit for the year before income tax	1,862,071	2,378,591	2,638,344
Adjustments for:			
– Depreciation of property, plant and equipment (Note 6)	805,533	864,919	857,025
– Amortisation of leasehold land and land use rights (Note 7)	15,076	15,734	20,480
– Amortisation of intangible assets (Note 8)	13,726	13,440	13,409
– Losses on disposals of property, plant and equipment (Note 26)	8,469	64,492	10,427
– Gains on disposals of leasehold land and land use rights (Note 26)	–	(130,445)	–
– Amortisation of deferred income on government grants (Note 22)	(3,846)	(7,180)	(10,093)
– Amortisation of long-term prepaid rental expense (Note 12)	–	10,413	12,216
– Interest income (Note 30)	(2,198)	(3,116)	(14,362)
– Interest expenses (Note 30)	226,203	202,297	241,223
– Share of results of joint ventures (Note 10)	(21,539)	(25,748)	(31,029)
– Impairment provision on property, plant and equipment (Note 6)	20,543	–	–
– Impairment provision on assets of disposal group classified as held-for-sale (Note 26)	–	17,519	4,128
– Reversal of provision for impairment of receivables (Note 15)	(535)	(765)	(87)
– Provision for impairment of inventories (Note 27)	1,313	(11,261)	2,625
– Change in fair value of derivatives (Note 26)	(1,047)	6,820	(8,463)
	2,923,769	3,395,710	3,735,843
Changes in working capital:			
– Increase in long-term prepaid rental expenses	(67,021)	(5,495)	(6,279)
– Increase in inventories	(16,919)	(83,778)	(323,790)
– Increase trade and other receivables	(319,462)	(516,228)	(351,687)
– Increase trade and other payables	251,687	408,479	511,128
Cash generated from operations	2,772,054	3,198,688	3,565,215

(b) In the consolidated cash flow statements, proceeds from disposal of properties, plant and equipment comprise:

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Net book amount (Note 6)	34,047	200,198	32,280
Loss on disposal (Note 26)	(8,469)	(64,492)	(10,427)
Proceeds from disposal	25,578	135,706	21,853

- (c) In the consolidated cash flow statements, proceeds from disposal of leasehold land and land use rights comprise:

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Net book amount (<i>Note 7</i>)	–	21,617	–
Gain on disposal (<i>Note 26</i>)	–	130,445	–
Movement of receivable of proceeds from sales of leasehold land and land use rights (<i>Note 15(b)</i>)	–	(50,000)	50,000
Proceeds from disposal	–	102,062	50,000

36 CONTINGENCIES

As at 31 December 2012, 2013 and 2014, the Group did not have any significant contingent liabilities.

37 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at each balance sheet date, but not yet incurred is as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Group			
Authorised and contracted for:			
– Property, plant and equipment	312,285	732,675	1,049,302
Authorised but not contracted for:			
– Investment in subsidiaries	604,700	687,794	903,327
– Property, plant and equipment	1,026,072	4,505,006	4,288,909
	1,630,772	5,192,800	5,192,236
Company			
Authorised and contracted for:			
– Property, plant and equipment	7,069	14,746	8,123
Authorised but not contracted for:			
– Investment in subsidiaries	488,875	508,969	903,327

(b) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December		
	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Group			
No later than 1 year	17,301	17,301	17,301
Later than 1 year and no later than 2 year	17,301	17,301	–
Later than 2 year and no later than 5 year	17,301	–	–
	<u>51,903</u>	<u>34,602</u>	<u>17,301</u>
Company			
No later than 1 year	17,301	17,301	17,301
Later than 1 year and no later than 2 year	17,301	17,301	–
Later than 2 year and no later than 5 year	17,301	–	–
	<u>51,903</u>	<u>34,602</u>	<u>17,301</u>

38 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2012, 2013 and 2014, and balances arising from related party transactions as at 31 December 2012, 2013 and 2014.

(a) Name and relationship with related parties

Name of related party	Relationship
Mr. Cho Tak Wong (曹德旺)	Single largest shareholder
Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司)	Controlled by the Mr. Cho Tak Wong and Ms. Chan Fung Ying (the spouse of Mr. Cho Tak Wong)
Sanyi Development Ltd. (三益發展有限公司)	Shareholder of the Company, which is controlled by the single largest shareholder
Home Bridge Overseas Ltd. (鴻橋海外有限公司)	Shareholder of the Company, which is controlled by the single largest shareholder
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly venture of the Group
Ningbo Fuyao Automobile Parts Co., Ltd. (寧波福耀汽車零部件有限公司)	Jointly venture of the Group
Fujian Fuyao Automobile Parts Co., Ltd. (福建福耀汽車零部件有限公司)	Jointly venture of the Group
Chongqing Fuyao Automobile Parts Co., Ltd. (重慶福耀汽車零部件有限公司)	Subsidiary of a jointly venture of the Group
Hubei Jierui Automotive Glass Co., Ltd. (湖北捷瑞汽車玻璃有限公司)	Controlled by the senior management of the Group
Hunan Jierui Automotive Glass Co., Ltd. (湖南捷瑞汽車玻璃有限公司)	Controlled by the senior management of the Group

(b) The following transactions were carried out with related parties:

Continuing transactions

(i) Sales of goods

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fujian Fuyao Automobile Parts Co., Ltd.	11,154	9,905	13,533
Tri-Wall Packaging (Fuzhou) Co., Ltd.	1,247	1,138	2,809
Chongqing Fuyao Automobile Parts Co., Ltd.	486	607	729
Hubei Jierui Automotive Glass Co., Ltd.	-	-	859
Hunan Jierui Automotive Glass Co., Ltd.	-	-	620
Ningbo Fuyao Automobile Parts Co., Ltd.	-	-	55
	<u>12,887</u>	<u>11,650</u>	<u>18,605</u>

(ii) Purchase of goods

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	100,935	111,754	129,262
Ningbo Fuyao Automobile Parts Co., Ltd.	33,674	47,462	89,210
Fujian Fuyao Automobile Parts Co., Ltd.	50,158	67,679	93,030
Chongqing Fuyao Automobile Parts Co., Ltd.	18,441	23,102	29,470
	<u>203,208</u>	<u>249,997</u>	<u>340,972</u>

(iii) Rental income

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Chongqing Fuyao Automobile Parts Co., Ltd.	827	757	687
Fujian Fuyao Automobile Parts Co., Ltd.	-	56	111
Tri-Wall Packaging (Fuzhou) Co., Ltd.	-	-	66
	<u>827</u>	<u>813</u>	<u>864</u>

(iv) Rental expenses

	Year ended 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Fujian Yaohua Industry Zone Development Co., Ltd.	<u>13,126</u>	<u>17,301</u>	<u>17,301</u>

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the term of the underlying agreements.

(v) Key management compensation

	Year ended 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Salaries, wages and bonuses	13,414	14,883	15,567
Pension, housing fund, medical insurance and other social insurance	336	342	401
Others	264	258	255
	<u>14,014</u>	<u>15,483</u>	<u>16,223</u>

(c) Balances with related parties

Amount due from related parties

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Trade receivables (i)	1,131	306	4,317
Other receivables (ii)	8,102	4,112	641
Prepayments (iii)	92	225	353
	<u>9,325</u>	<u>4,643</u>	<u>5,311</u>

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
(i) Trade receivables:			
– Fujian Fuyao Automobile Parts Co., Ltd.	1,131	306	2,640
– Hubei Jierui Automotive Glass Co., Ltd.	–	–	961
– Hunan Jierui Automotive Glass Co., Ltd.	–	–	716
	<u>1,131</u>	<u>306</u>	<u>4,317</u>

Ageing analysis of trade receivables due from related parties are as follows:

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Within 3 months	<u>1,131</u>	<u>306</u>	<u>4,317</u>

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
(ii) Other receivables:			
– Tri-Wall Packaging (Fuzhou) Co.,Ltd.	7,821	3,807	306
– Fujian Fuyao Automobile Parts Co., Ltd.	139	185	177
– Chongqing Fuyao Automobile Parts Co., Ltd.	142	114	155
– Ningbo Fuyao Automobile Parts Co., Ltd.	–	6	3
	<u>8,102</u>	<u>4,112</u>	<u>641</u>

Other receivables are all non-trade receivables and will be settled upon before listing.

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
(iii) Prepayment:			
– Ningbo Fuyao Automobile Parts Co.,Ltd.	92	225	–
– Fujian Fuyao Automobile Parts Co., Ltd.	–	–	353
	<u>92</u>	<u>225</u>	<u>353</u>

Amount due to related parties

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Trade payables (iv)	19,526	48,191	61,609
Other payables (v)	197	–	925
	<u>19,723</u>	<u>48,191</u>	<u>62,534</u>

	As at 31 December		
	2012 RMB'000	2013 RMB'000	2014 RMB'000
(iv) Trade payables:			
– Fujian Fuyao Automobile Parts Co., Ltd.	4,788	13,907	19,935
– Chongqing Fuyao Automobile Parts Co., Ltd.	4,529	4,598	6,081
– Ningbo Fuyao Automobile Parts Co.,Ltd.	8,162	17,904	26,361
– Tri-Wall Packaging (Fuzhou) Co.,Ltd.	2,047	11,782	9,232
	<u>19,526</u>	<u>48,191</u>	<u>61,609</u>

Ageing analysis of trade payables due to related parties are as follows:

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
– Within 3 months	17,860	46,843	57,910
– 3 to 6 months	843	1,268	3,671
– 6 to 12 months	823	80	28
	<u>19,526</u>	<u>48,191</u>	<u>61,609</u>

	As at 31 December		
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
(v) Other payables to related parties:			
– Ningbo Fuyao Automobile Parts Co.,Ltd.	197	–	907
– Fujian Fuyao Automobile Parts Co., Ltd.	–	–	18
	<u>197</u>	<u>–</u>	<u>925</u>

Other payables are all non-trade payables and will be settled upon before listing.

39 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at the date of this report and during the Relevant Periods are set out below:

Company name	Country/Place and date of incorporation	Issued and paid up capital/ registered capital ('000)	Effective interests held by the Group %			Direct or Indirect	Principle activities
			2012	2013	2014		
Fuyao (Hong Kong) Co., Ltd. (福耀(香港)有限公司)	Hong Kong, December 1994	USD41,000	100%	100%	100%	Direct	Investment holding company
Fuyao Group (Hongkong) Limited (福耀集團(香港)有限公司)	Hong Kong, January 2010	USD1,000	100%	100%	100%	Direct	Sales of automobile glass
Yung Tak Investment Limited (融德投資有限公司)	Hong Kong, May 1993	HKD100	100%	100%	100%	Indirect	Property lease
Meadland Limited (Meadland Limited)	Hong Kong, December 1998	USD8,200	100%	100%	100%	Indirect	Investment holding company
Fuyao North America Incorporated (福耀北美玻璃工業有限公司)	U.S.A., August 2001	USD8,000	100%	100%	100%	Direct	Sales of automobile glass
Fuyao Automotive North America, INC. (福耀玻璃配套北美有限公司)	U.S.A., June 2008	USD16,000	100%	100%	100%	Direct	Sales of automobile glass
Fuyao Group Korea Co., Ltd. (福耀集團韓國株式會社)	Korea, September 2007	KRW500,000	100%	100%	100%	Direct	Sales of automobile glass
Fuyao Japan Co., Ltd. (福耀日本株式會社)	Japan, July 2008	JPY10,000	100%	100%	100%	Direct	Sales of automobile glass
Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司)	Germany, June 2007	EUR25	100%	100%	100%	Indirect	Distribution service of automobile glass
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司)	PRC, March, 1994	RMB34,000	100%	100%	100%	Direct	Machinery manufacturing

Company name	Country/Place and date of incorporation	Issued and paid up capital/ registered capital ('000)	Effective interests held by the Group %			Direct or Indirect	Principle activities
			2012	2013	2014		
Fujian Wanda Automobile Glass Industry Co., Ltd. (福建省萬達汽車玻璃工業有限公司)	PRC, July 1994	RMB535,150	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	PRC, September 2000	RMB300,000	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Chongqing) Fittings Co., Ltd. (福耀玻璃(重慶)配件有限公司)	PRC, July 2002	RMB80,000	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao Group Shanghai Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	PRC, April 2002	USD68,049	100%	100%	100%	Direct	Production and sales of automobile glass
Shanghai Fuyao Bus Glass Co., Ltd. (上海福耀客車玻璃有限公司)	PRC, March 2007	RMB200,000	100%	100%	100%	Indirect	Production of special glass and high class bus glass
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	PRC, November 2007	USD30,000	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao Group Tongliao Co., Ltd. (福耀集團通遼有限公司)	PRC, October 2003	RMB100,000	100%	100%	100%	Direct	Production and sales of float glass
Fuyao Group (Fujian) Engineering Glass Co., Ltd. (福耀集團(福建)工程玻璃有限公司)	PRC, October 1996	USD40,000	100%	100%	100%	Indirect	Production and sales of Engineering Glass
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	PRC, April 2003	USD55,200	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao Group Shuangliao Co., Ltd. (福耀集團雙遼有限公司)	PRC, August 2003	USD50,028	100%	100%	100%	Direct	Production and sales of float glass
Fuyao Glass Chongqing Co., Ltd. (福耀玻璃(重慶)有限公司)	PRC, March 2004	USD35,000	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao (Fujian) Bus Glass Co., Ltd. (福耀(福建)巴士玻璃有限公司)	PRC, November 2006	RMB200,000	100%	100%	100%	Direct	Production of special glass and inorganic non-metallic material
Fuyao Glass (Hubei) Co., Ltd. (福耀玻璃(湖北)有限公司)	PRC, November 2007	USD43,000	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao Hainan Float Glass Co., Ltd. (福耀海南浮法玻璃有限公司)	PRC, May 2006	USD48,500	100%	100%	100%	Direct	Production and sales of floating glass
Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司)	PRC, June 2006	USD75,000	100%	100%	100%	Indirect	Production of special glass and inorganic non-metallic material
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀硅砂有限公司)	PRC, July 2006	RMB40,000	100%	100%	100%	Direct	Exploitation and sales of mineral
Fuyao Fujian Glass Encapsulation Co., Ltd. (福耀(福建)玻璃包邊有限公司)	PRC, August 2006	RMB10,000	100%	100%	100%	Direct	Production and sales of plastic bonding and rubber
Fuyao Guangzhou Nansha Automotive Glass CO., Ltd. (廣州南沙福耀汽車玻璃有限公司)	PRC, November 2005	USD700	100%	100%	100%	Indirect	Sales of automobile glass
Fuyao (Changchun) Bus Glass Co., Ltd. (福耀(長春)巴士玻璃有限公司)	PRC, January 2004	USD4,850	100%	100%	100%	Direct	Production of special glass and high class bus glass
Chongqing Wansheng Float Glass Co., Ltd. (重慶萬盛浮法玻璃有限公司)	PRC, April 2009	RMB300,000	100%	100%	100%	Direct	Production and sales of float glass

Company name	Country/Place and date of incorporation	Issued and paid up capital/ registered capital ('000)	Effective interests held by the Group %			Direct or Indirect	Principle activities
			31 December 2012	2013	2014		
Zhengzhou Fuyao Glass Co., Ltd. (鄭州福耀玻璃有限公司)	PRC, April 2011	RMB200,000	100%	100%	100%	Direct	Production and sales of automobile glass
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	PRC, March 2012	RMB10,000	100%	100%	100%	Indirect	Sales of automobile glass
Xupu Fuyao Silica Sand Co., Ltd. (瀋浦福耀硅砂有限公司)	PRC, July 2012	RMB15,000	51%	51%	51%	Indirect	Exploitation and sales of mineral
Fuyao Group (Shenyang) Automotive Glass Co., Ltd. (福耀集團(瀋陽)汽車玻璃有限公司)	PRC, June 2012	RMB100,000	100%	100%	100%	Direct	Production and sales of automobile glass
Fuyao Glass Rus Co., Ltd. (福耀玻璃俄羅斯有限公司)	Russia, November 2011	USD60,000	100%	100%	100%	Direct	Production and sales of automobile glass
Fuzhou Fuyao Float Glass Co., Ltd. (福州福耀浮法玻璃有限公司)	PRC, November 2012	RMB700,000	100%	100%	100%	Direct	Production and sales of float glass
Chengdu Lvrong Automotive Glass Co., Ltd. (成都綠榕汽車玻璃有限公司)	PRC, December 2012	RMB25,000	100%	100%	100%	Indirect	Production and sales of automobile glass
Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司)	PRC, May 2013	RMB300,000	–	100%	100%	Direct	Research and development of mould
Yantai Fuyao Glass Co., Ltd. (煙台福耀玻璃有限公司)	PRC, June 2013	RMB60,000	–	100%	100%	Indirect	Sales of automobile glass
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	PRC, July 2013	RMB30,000	–	100%	100%	Indirect	Sales of automobile glass
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	PRC, September 2013	RMB20,000	–	100%	100%	Indirect	Storage and assembly of automobile glass
Baoding Fuyao Glass Co., Ltd. (保定福耀玻璃有限公司)	PRC, March 2014	RMB15,000	–	–	100%	Indirect	Storage and assembly of automobile glass
Benxi Fuyao Silica Sand Co., Ltd. (本溪福耀硅砂有限公司)	PRC, May 2014	RMB60,000	–	–	51%	Indirect	Exploitation and sales of mineral
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	U.S.A., March 2014	USD160,000	–	–	100%	Direct	Production and sales of automobile glass
Fuyao Asset Management A, LLC (福耀資產A公司)	U.S.A., November 2013	USD0.8	–	–	100%	Indirect	Property lease
Fuyao Glass Illinois Inc. (福耀玻璃伊利諾伊有限公司)	U.S.A., August 2014	USD1.0	–	–	100%	Indirect	Production and sales of float glass
Fuyao Asset Management C, LLC (福耀資產C公司)	U.S.A., August 2014	USD0.8	–	–	100%	Indirect	Property lease

The statutory auditors of the subsidiaries of the Group during the years ended 31 December 2012, 2013 and 2014 are set out below:

Company name	Name of statutory auditors		
	2012	2013	2014
Fuyao (Hong Kong) Co., Ltd. (福耀(香港)有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)
Fuyao Group (Hongkong) Limited (福耀集團(香港)有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)
Yung Tak Investment Limited (融德投資有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)
Meadland Limited	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)	Kreston CAC CPA Limited (陳與陳會計師事務所有限公司)
Fuyao North America Incorporated (福耀北美玻璃工業有限公司)	Norman Johnson & Co., PA	Norman Johnson & Co., PA	Norman Johnson & Co., PA
Fuyao Automotive North America, Inc. (福耀玻璃配套北美有限公司)	Doeren Mayhew	Doeren Mayhew	Doeren Mayhew
Fuyao Group Korea Co., Ltd. (福耀集團韓國株式會社) (a)	Not required	Not required	Not required
Fuyao Japan Co., Ltd. (福耀日本株式會社) (a)	Not required	Not required	Not required
Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司)	Diehm Treuhand Steuerberatungsgesellschaft mbH	Diehm Treuhand Steuerberatungsgesellschaft mbH	Diehm Treuhand Steuerberatungsgesellschaft mbH
Fuyao Glass Rus Co., Ltd. (福耀玻璃俄羅斯有限公司)	Business Audit Co., Ltd	Business Audit Co., Ltd	CJSC KPMG
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	Not applicable	Not applicable	Not required
Fuyao Asset Management A, LLC (福耀資產A公司)	Not applicable	Not applicable	Doeren Mayhew
Fuyao Glass Illinois Inc. (福耀玻璃伊利諾伊有限公司)	Not applicable	Not applicable	Not required
Fuyao Asset Management C, LLC (福耀資產C公司)	Not applicable	Not applicable	Not required
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fujian Wanda Automobile Glass Industry Co., Ltd. (福建省萬達汽車玻璃工業有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group Changchun Co., Ltd. (福耀集團長春春有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Glass (Chongqing) Fittings Co., Ltd. (福耀玻璃(重慶)配件有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group Shanghai Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))

Company name	2012	Name of statutory auditors 2013	2014
Shanghai Fuyao Bus Glass Co., Ltd. (上海福耀客車玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group Tongliao Co., Ltd. (福耀集團通遼有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group (Fujian) Engineering Glass Co., Ltd. (福耀集團(福建)工程玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group Shuangliao Co., Ltd. (福耀集團雙遼有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Glass Chongqing Co., Ltd. (福耀玻璃(重慶)有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao (Fujian) Bus Glass Co., Ltd. (福耀(福建)巴士玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Hainan Float Glass Co., Ltd. (福耀海南浮法玻璃有限公司)	Not applicable	Not applicable	Not applicable
Fuyao Glass (Hubei) Co., Ltd. (福耀玻璃(湖北)有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀硅砂有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Fujian Glass Encapsulation Co., Ltd. (福耀(福建)玻璃包邊有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Guangzhou Nansha Automotive Glass Co., Ltd. (廣州南沙福耀汽車玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao (Changchun) Bus Glass Co., Ltd. (福耀(長春)巴士玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))

Company name	2012	Name of statutory auditors 2013	2014
Chongqing Wansheng Float Glass Co., Ltd. (重慶萬盛浮法玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Zhengzhou Fuyao Glass Co., Ltd. (鄭州福耀玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Xupu Fuyao Silica Sand Co., Ltd. (溱浦福耀硅砂有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuyao Group (Shenyang) Automotive Glass Co., Ltd. (福耀集團(瀋陽)汽車玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuzhou Fuyao Float Glass Co., Ltd. (福州福耀浮法玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Chengdu Lvrong Automotive Glass Co., Ltd. (成都綠榕汽車玻璃有限公司)	PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司)	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司)	Not applicable	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Yantai Fuyao Glass Co., Ltd. (煙台福耀玻璃有限公司)	Not applicable	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	Not applicable	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	Not applicable	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Baoding Fuyao Glass Co., Ltd. (保定福耀玻璃有限公司)	Not applicable	Not applicable	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))
Benxi Fuyao Silica Sand Co., Ltd. (本溪福耀硅砂有限公司)	Not applicable	Not applicable	PricewaterhouseCoopers ZhongTian LLP (普華永道中天會計師事務所(特殊普通合夥))

(a) Except for the above companies, no audited statutory financial statements were prepared for other subsidiaries as they are not required to issue audited financial statements under the local statutory requirements.

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or available.

40 SUBSEQUENT EVENTS

- (a) On 8 January 2015, Fuyao Glass America Inc. was committed to donate USD7,000,000 to support the University of Dayton China Institute in Suzhou Industrial Park. The university and the Group will collaborate in research and development, technology and management, developing new technology and improving management effectiveness.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2014 and up to the date of this report. Save as disclosed elsewhere in this report, no dividend or distribution have been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountant's report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purpose only, and is set out herein to illustrate the effect of the Global Offering on the net tangible assets of our Group attributable to equity holders of the Company as at December 31, 2014 as if it had taken place on December 31, 2014.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at December 31, 2014 or as at any future dates.

Audited consolidated net tangible assets of our Group attributable to equity holders of the Company as at December 31, 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share		
<i>(in thousands of RMB)</i>			<i>RMB⁽³⁾</i>	<i>HK\$⁽⁵⁾</i>	
Based on the Offer Price of HK\$14.80 per Share	<u>8,656,769</u>	<u>4,899,917</u>	<u>13,556,686</u>	<u>5.55</u>	<u>7.04</u>
Based on the Offer Price of HK\$16.80 per Share	<u>8,656,769</u>	<u>5,569,284</u>	<u>14,226,053</u>	<u>5.82</u>	<u>7.38</u>

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as at December 31, 2014 is extracted from the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity holders of our Company as at December 31, 2014 of RMB8,813,646,000 with an adjustment for the intangible assets as at December 31, 2014 of RMB156,877,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$14.80 (equivalent to RMB11.68) and HK\$16.80 (equivalent to RMB13.25) per Share, respectively, after deduction of estimated underwriting fees and other related expenses payable by the Company (excluding approximately RMB2.7 million listing expenses which have been incurred as at December 31, 2014) and takes no accounts of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma net tangible assets per Share are determined after the adjustments as described in the paragraph above and on the basis that 2,442,665,932 Shares are in issue (assuming that the Global Offering had been completed on December 31, 2014), without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) No adjustments have been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2014. In particular, the unaudited pro forma net adjusted tangible assets of our Group has not taken into account the cash dividend of approximately RMB1,502.2 million approved at the Company's shareholders meeting on 10 March 2015. The unaudited pro forma net tangible assets per Share would have been HK\$6.25 (equivalent to RMB4.93) per Share based on the Offer Price of HK\$14.80 and HK\$6.60 (equivalent to RMB5.21) per Share based on the Offer Price of HK\$16.80, respectively, if the dividend of approximately RMB1,502.2 million had been accounted for.
- (5) In connection with the preparation of this unaudited pro forma statement of adjusted net tangible assets, the translation of Renminbi into Hong Kong dollars has been made at a rate of RMB0.78887 to HK\$1.00.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The Directors
Fuyao Glass Industry Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fuyao Glass Industry Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets of the Group as at December 31, 2014, and related notes as set out on pages II-1 to II-2 of the Company's prospectus dated March 19, 2015, in connection with the proposed initial public offering of the H-shares of the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on page II-1 to II-2 of this prospectus.

The Unaudited Pro Forma Financial Information has been prepared by the directors of Company to provide information about how the proposed initial public offering might have affected the financial position of the Group as at December 31, 2014 as if the proposed initial public offering had taken place at December 31, 2014. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial information for the year ended December 31, 2014, on which an accountant's report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (the "AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

*PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting accountant's responsibilities for the Unaudited Pro Forma Financial Information

Our responsibility is to express an opinion, as required by Rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information, in accordance with Rule 4.29 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of a particular material event or transaction on unadjusted financial information of the entity as if the event or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering as at December 31, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, March 19, 2015

This appendix contains a summary of the laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

1. TAXATION IN THE PRC

Taxes Applicable to the Company

(i) *Enterprise Income Tax*

According to the *Enterprise Income Tax Law of the People's Republic of China*, which was promulgated on March 16, 2007 and became effective on January 1, 2008 and *Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (Order No. 512 of the State Council), which was promulgated on December 6, 2007 and became effective on January 1, 2008, the applicable enterprise income tax rate of both domestic and foreign-funded enterprises shall be 25%. Enterprises are classified into resident and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its incomes derived from both inside and outside China. The enterprise income tax rate shall be 25%. For a non-resident enterprise having offices or establishments inside China, it shall pay enterprise income tax on its incomes derived from China as well as on incomes that it earns outside China but which has real connection with the said offices or establishments. The enterprise income tax rate shall be 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax on the incomes derived from China. The enterprise income tax rate shall be 10%.

According to the *Notice of the State Council on the Implementation of the Transitional Preferential Policies in Respect of Enterprise Income Tax* (No. 39 [2007] of the State Council) and *Notice of the Ministry of Finance and State Administration of Taxation about Implementation of Preferential Policies of the State Council on Transition of Enterprise Income Tax* (No. 21 [2008] of the Ministry of Finance), as from January 1, 2008, enterprises originally entitled to low rate preferential policies shall be gradually subjected to the statutory tax rate within five years after the implementation of the *Enterprise Income Tax Law of the People's Republic of China*. In particular, enterprises enjoying an enterprise income tax rate of 15% shall be subject to a tax rate of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012; those originally enjoying a tax rate of 24% shall be subject to a tax rate of 25% since 2008. In addition, since January 1, 2008, enterprises originally enjoying fixed term preferential tax treatment like “full exemption for two years and 50% exemption for three years” and “full exemption for five years and 50% exemption for five years” will continue to enjoy the preferential treatment in accordance with the original laws and administrative regulations on taxation and related documents after the implementation of the *Enterprise Income Tax Law of the People's Republic of China* until the term expires. However, for enterprises which have not made any profits and thus have not enjoyed such preferential treatments, their preferential term shall start from 2008.

According to the *Administrative Measures for Determination of High and New Tech Enterprises* (No. 172 [2008] of the Ministry of Science and Technology), which was promulgated on April 14, 2008 and became effective on January 1, 2008, an enterprise which is determined as a high and new tech enterprise may apply for a preferential enterprise income tax rate of 15% pursuant to the *Enterprise Income Tax Law of the People's Republic of China* and *Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China*.

(ii) Value-added Tax

Pursuant to the *Provisional Regulations of the People's Republic of China on Value-added Tax* (Order No. 538 of the State Council), which was promulgated on December 13, 1993, revised on November 10, 2008, and became effective on January 1, 2009, and *Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax*, which was promulgated on December 18, 2008, revised and became effective on October 28, 2011, entities and individuals engaged in the sale of goods, provision of processing, repair and replacement services, and the importation of goods within the territory of the People's Republic of China must pay value-added tax and the tax rate is generally 17%, unless otherwise specified. Since 2012, China has implemented the pilot plan of levying value added tax in lieu of business tax (referred to as "levying value added tax in lieu of business tax"). As of 2013, the policy of "levying value added tax in lieu of business tax" has been implemented across China. Currently, the tax payable services rendered under the pilot plan of "levying value added tax in lieu of business tax" implemented across China include land transportation services, marine transportation services, air transport services, pipeline transportation services, universal post services, special post services, other post services, R&D and technical services, information technology services, cultural creation services, logistic assistance services, rental services of movable tangible assets, forensics consulting services, radio and television services as well as telecommunication services. The value added tax rate ranges from 6% to 17% of the assessable items.

(iii) Business Tax

According to the *Provisional Regulations of the People's Republic of China on Business Tax* (Order No. 540 of the State Council), which was promulgated on December 13, 1993, revised on November 10, 2008 and became effective on January 1, 2009, and *Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Business Tax*, which was promulgated on December 18, 2008, revised and became effective on October 28, 2011, entities and individuals engaged in the provision of taxable labour services (excluding the tax payable services within the scope of "levying value added tax in lieu of business tax" above), the transfer of intangible assets or the sale of immovable properties within the territory of the People's Republic of China shall pay business tax. The applicable tax rate shall range from 3% to 20%.

(iv) Urban Maintenance and Construction Tax

According to the *Interim Regulations on Urban Maintenance and Construction Tax of the People's Republic of China*, which was promulgated on February 8, 1985 and became effective on January 1, 1985 (on January 8, 2011, the *Decision of the State Council on Abolishing and*

Amending Some Administrative Regulations (Order No. 588 of the State Council amended Article 2, Article 3 and Article 5 of the said Interim Regulations), all units and individuals paying consumption tax, value-added tax and business tax shall pay urban maintenance and construction tax. The urban maintenance and construction tax shall be collected according to the location of the taxpayers, namely by the rate of 1%, 5% or 7% respectively. According to the *Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens* (No. 35 [2010] of the State Council), from December 1, 2010, foreign-funded enterprises, foreign enterprises and individuals shall be subject to the *Interim Regulations on Urban Maintenance and Construction Tax of the People's Republic of China* promulgated by the State Council in 1985 respectively, and the urban maintenance and construction tax-related regulations, rules and policies issued by the State Council and tax department of the State Council in 1985.

(v) **Stamp Duty**

According to the *Provisional Rules of the People's Republic of China on Stamp Duty*, which was promulgated on August 6, 1988 and became effective on October 1, 1988 (on January 8, 2011, the *Decision of the State Council on Abolishing and Amending Some Administrative Regulations* (Order No. 588 of the State Council amended Article 14 of the said Provisional Rules), and *Detailed Rules for Implementation of Provisional Rules of the People's Republic of China on Stamp Duty*, which was promulgated on September 29, 1988 and became effective on October 1, 1988, all units and individuals creating and obtaining taxable documents within the People's Republic of China shall pay stamp duty. The taxable documents include purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble a contract in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by the Ministry of Finance. The taxable items and rates of stamp duty shall be subject to the *Table of Taxable Items and Rates of Stamp Duty* attached to the *Provisional Rules of the People's Republic of China on Stamp Duty*.

Taxation Applicable to Shareholders of the Company

(vi) **Dividend-related Tax**

(A) *Individual*

Pursuant to the *Individual Income Tax Law of the People's Republic of China*, which was promulgated on September 10, 1980, amended respectively on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, and became effective on September 1, 2011, a 20% individual income tax shall generally be levied on dividends paid by PRC companies. For a foreign individual who is not a resident of the PRC, his receipt of dividends from a PRC company shall be subject to an individual income tax of 20% unless reduced or exempted under an applicable tax treaty or specially exempted by the competent tax authority under the State Council.

On June 28, 2011, the State Administration of Taxation issued *Notice of State Administration of Taxation on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Document Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348). Pursuant to the said Notice, dividends received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are subject to individual income tax, which shall be withheld and paid by such domestic non-foreign invested enterprises acting as a withholding agent according to the items of “interest, dividend and bonus income”. Overseas resident individual shareholders of domestic non-foreign invested enterprises which have issued shares in Hong Kong are entitled to relevant preferential tax treatment pursuant to the provisions in the tax treaties between the countries in which they are residents and China, and the tax arrangements between Mainland China and Hong Kong (Macau). According to the *Notice of SAT in relation to the Administrative Measures on Preferential Treatment entitled by Non-residents under Tax Treaties (Tentative)* (Guo Shui Fa [2009] No. 124), overseas resident individuals shall apply for relevant preferential tax treatment and complete relevant formalities in person or through a proxy appointed in writing. Since dividends are generally subject to income tax at a rate of 10% as required by the above tax treaties and tax arrangements, and there is a large number of shareholders and in order to simplify the collection of tax, individual shareholders are generally subject to a withholding tax rate of 10% without any application when domestic non-foreign invested enterprises which have issued shares in Hong Kong distribute dividends. Where the tax rates on dividends are not 10%, the following requirements shall apply: (1) For individuals receiving dividends who are citizens from countries that have entered into tax treaties with China with tax rates lower than 10%, the withholding agent will apply on behalf of them to seek entitlement of preferential tax treatments pursuant to Guo Shui Fa [2009] No. 124, and upon approval by the competent tax authorities, the excess amounts withheld will be refunded; (2) For individuals receiving dividends who are citizens from countries that have entered into tax treaties with China with tax rates higher than 10% but lower than 20%, the withholding agent will, upon distribution of dividends, withhold and pay the individual income tax at the agreed effective tax rates under the treaties, without seeking such approval; (3) For individuals receiving dividends who are citizens from countries without tax treaties with China or under other circumstances, the withholding agent will, upon distribution of dividends, withhold and pay the individual income tax at the rate of 20%.

(B) *Enterprise*

In accordance with the *Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident including natural person and legal person from a PRC company, but such tax shall not exceed 10% of the total sum of dividends payable. If a Hong Kong resident company holds more than 25% of the entire shareholders’ equity and voting shares in a PRC company at any time for 12 consecutive months before the distribution of dividends, such tax shall not exceed 5% of the dividends payable by that PRC company.

According to the *Enterprise Income Tax Law of the People's Republic of China*, which was promulgated on March 16, 2007 and became effective on January 1, 2008, and *Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (Order No. 512 of the State Council), which was promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008, for a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax on the incomes derived from China. The enterprise income tax rate shall be 10%. Such enterprise income tax may be reduced or exempted according to the applicable double taxation treaty.

Pursuant to the *Notice Regarding Questions on Withholding Enterprise Income Tax When China Resident Enterprises Distribute Dividends to Foreign Non-resident Enterprise Shareholders of H Shares* (Guo Shui Han [2008] No. 897), which was promulgated by the State Administration of Taxation of the PRC and became effective on November 6, 2008, a PRC resident enterprise, when distributing dividends to foreign non-resident enterprise shareholders of H shares for 2008 and for the years onwards, shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authority, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

In addition, according to the *Notice on the Issues Concerning the Application of the Dividends Clauses of Tax Agreements* (Guo Shui Han [2009] No. 81), which was promulgated by the SAT and became effective on February 2, 2009, under the provisions on dividends of the tax treaties, where a PRC resident company pays dividends to a fiscal resident of the other contracting party to a tax treaty and such fiscal resident of the other party (or dividend recipient) is the beneficiary of such dividends, such dividends received by the fiscal resident of the other party are entitled to the preferential tax treatment, i.e. payment of its income tax payable in China at the rate stated in the tax treaties. If the tax rate stated in the tax treaties is higher than that as stipulated in the PRC tax laws. The taxpayer shall meet the following requirements to enjoy the preferential tax treatment under the tax treaties provided in the clause above: (1) the taxpayer entitled to the preferential tax treatment under the tax treaties shall be the fiscal resident of the other contracting party; (2) the taxpayer entitled to the preferential tax treatment under the tax treaties shall be the beneficiary of relevant dividends; (3) dividends entitled under the preferential tax treatment in the tax treaties shall be the equity investment income such as dividends and bonuses determined under the PRC tax laws; (4) other requirements provided by the SAT. Guo Shui Han [2009] No. 81 also provides that, under the provisions of dividends under the preferential tax treatment in the tax treaties, where the fiscal resident of the other contracting party directly owns more than a certain proportion

of the capital in the PRC resident company which pays dividends (usually 25% or 10%), the fiscal resident of the other party shall pay tax for the dividends received at the tax rate stated under the tax treaties. Such fiscal resident of the other party shall meet the following requirements to enjoy such preferential tax treatment under the tax treaties: (1) the fiscal resident of the other contracting party shall be a company; (2) the fiscal resident of the other contracting party shall directly hold a specified percentage of all the owners' equity and voting shares of the said PRC resident company as per relevant regulations; (3) the percentage of the capital of the said PRC company held by the fiscal resident of the other contracting party shall consistently comply with the tax agreements in the 12 months before obtaining dividends.

In accordance with the *Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation)* promulgated by State Administration of Taxation on August 24, 2009 and effective as from October 1, 2009, any non-resident needing to enjoy the treatments of tax treaties shall submit relevant applications to the competent tax authority or approving tax authority. Non-resident enterprises not granted approval shall not enjoy the treatment of tax treaties.

(vii) Tax on Equity Transfer

(A) Individual

In accordance with the *Individual Income Tax Law of the People's Republic of China* and *Detailed Rules for the Implementation of the Individual Income Tax Law of the People's Republic of China*, which was promulgated on January 28, 1994, revised respectively on December 19, 2005, February 18, 2008 and July 19, 2011, and became effective on September 1, 2011, the individual income tax shall be levied at a rate of 20% of the gains from selling company shares by any individual who has domicile inside the PRC or who does not have any domicile inside the PRC but has lived for one year inside the PRC.

The Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China stipulates that, the measure to impose individual income tax for shares transfer shall be determined separately by MOF under the State Council and to be implemented after an approval is obtained by the State Council. Pursuant to *Notice On Continuing The Income Tax-Free Policy On the Share Transfer of Individual Holders* (Cai Shui Zi No. [1998]61) jointly promulgated by MOF and SAT, from January 1, 1997 onwards, the income from transfer of shares of listed companies by individuals continues to provisionally exempt from individual income tax. Pursuant to *Notice of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies* (Cai Shui No. [2009]167) jointly promulgated on December 31, 2009 by MOF, SAT and CSRC, individual income tax shall be continued exempted for transfer of shares held from open offer by listed company on the Shanghai Stock Exchange and Shenzhen Stock Exchange or transfer of listed shares purchased from the market, except for the income from the transfer of restricted shares of certain specific companies (as defined by the Notice and *Supplemental Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation* promulgated on November 10, 2010).

As of the Latest Practicable Date, no legislation has expressly provided individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, individual income tax from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges has not been collected by the PRC tax authorities. However, we cannot assure that the PRC tax authorities will not change these practices which could result in levying individual income tax on non-Chinese resident individuals on gains from the sale of our H Share.

(B) Enterprise

In accordance with the *Enterprise Income Tax Law of the People's Republic of China and Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China*, a resident enterprise shall pay enterprise income tax at a rate of 25% for the capital gains obtained from selling company shares. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China, it shall pay enterprise income tax at the rate of 10% for the capital gains from selling company shares.

Pursuant to the *Enterprise Income Tax Law of the People's Republic of China, Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* and *Notice of the State Administration of Taxation on Some Tax Issues Concerning the Implementation of the Enterprise Income Tax Law* (Guo Shui Han [2010] No. 79), revenue of an enterprise arising from the equity transfer shall be recognized upon the transfer agreement becoming effective and the completion of formalities relating to the change in equity. The amount of revenue generated from the equity transfer less costs incurred for the acquisition of such equity shall be deemed as income arising from the equity transfer. In computing its income arising from the equity transfer, an enterprise should not deduct the amount of retained earnings (unallocated profit) of the investee that might be attributable to the equity transferred.

(viii) Stamp Duty

According to the *Provisional Rules of the People's Republic of China on Stamp Duty*, the applicable stamp duty of PRC on transfers of shares of PRC public companies shall not apply to purchases and disposals of H shares that take place outside the PRC. The said Provisional Rules specifies that PRC stamp duty shall apply only to documents executed or received and legally binding inside the PRC and protected under PRC laws.

(ix) Estate Duty

Currently, no estate duty is payable in China.

2. TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on gains from sale

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate on individuals of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purpose. Trading gains from sale of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arising in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sale of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for, or the market value of, the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares.

Where one of the parties to a transfer is resident outside Hong Kong and does not pay the ad valorem duty due by it, the outstanding duty will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If stamp duty is not paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

3. FOREIGN EXCHANGE CONTROL IN PRC**PRC Laws and Regulations Concerning Foreign Exchange Control**

China exercises control on foreign exchange. Legal tender of PRC is RMB, which cannot be converted to foreign currencies freely as limited by foreign exchange control for now. State Administration of Foreign Exchange (SAFE) under the People's Bank of China is responsible for administrating all affairs related to foreign exchange, including executing foreign exchange control regulations.

The *Regulation of the People's Republic of China on Foreign Exchange Administration* (Order No. 193 of the State Council, hereinafter referred to as "*Regulation on Foreign Exchange Administration*"), which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and revised respectively on January 14, 1997 and August 1, 2008, specifies the principles and penalties on management of matters like foreign exchange revenues and expenditures. The People's Bank of China stipulates the basic rules of foreign exchange control, and the SAFE and its lower organs are responsible for the implementation of the specific rules and foreign exchange control.

Under the *Regulation on Foreign Exchange Administration*, there are two categories of foreign exchange transactions: those under the current account and those under the capital account. Current account refers to the transactions concerning goods, services and current transfers in balance of payments (BoP), such as trade income and expenditure, labour service income and expenditure and one-off transfer of funds; capital account refers to the transactions that will result in the increase/decrease of assets and liabilities in BoP, such as capital transfer, direct investment, securities investments, derivative products and loans. China does not restrict the international payment and account transfer under current accounts. Convertibility of foreign exchange under the capital accounts, including direct investments and capital contributions, is still subject to restrictions, and approval from the SAFE and its subordinates must be obtained.

The *Provisions on the Settlement, Sale of and Payment in Foreign Exchange* promulgated by the People's Bank of China on June 20, 1996 and effective as from July 1, 1996 specifies the rules for foreign exchange control, aiming to regulate the settlement and sale of and payment of foreign exchange inside the PRC conducted by any enterprise, individual, economic organization and social organization inside the PRC. *Clarification and Explanation of Issues relating to Regulations for the Settlement, Sale and Payment of Foreign Exchange* promulgated by SAFE on July 4, 1996 specifies that the outbound remittance of profits and bonus by foreign-funded enterprises is considered a current account.

On July 21, 2005, People's Bank of China promulgated *Announcement of the People's Bank of China on Reforming the RMB Exchange Rate Regime*, providing that starting from July 21, 2005, PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day. Furthermore, the People's Bank of China will, with reference to exchange rate on international foreign exchange market, publish exchange rates of RMB traded against other major currencies. In foreign exchange transactions, designated foreign exchange banks may by themselves draw up applicable foreign exchange rate within specific scope in accordance with the exchange rate published by the People's Bank of China.

Registration Certificate of Overseas Listing

According to the *Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing* promulgated on and effective as from January 28, 2013, the SAFE and its subordinates shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conducts involved in overseas listing. A domestic company shall, within 15 working days upon the end of its initial public offering overseas, handle registration formalities for overseas listing at the foreign exchange authority at its place of registration upon the strength of relevant documentation. Such company may engage in overseas listing-related business as per the registration certificate of overseas listing issued by the foreign exchange authority upon verification of relevant documentation.

A domestic company shall, based on its registration certificate of overseas listing, open respective special domestic account for the initial public offering (or additional offering) overseas and buy-back business at the bank where it is located so as to handle corresponding funds remittance and transfer. Where a domestic company or its domestic shareholder needs to open special overseas accounts for the purpose of handling overseas listing business, the scope of balance of such special overseas accounts shall meet the requirements as specified in the aforesaid Notice.

A domestic enterprise's proceeds from the overseas listing may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus or other disclosure documents. The proceeds which is from the corporate bonds convertible to share certificates and intends to be remitted to the domestic account shall be remitted to its foreign debts account and used in accordance with the relevant regulations of foreign debts administration; the proceeds which is from other types of securities and intends to be remitted to the domestic account shall be remitted to its corresponding special domestic account for overseas listing.

A domestic enterprise applying for a special domestic account for settlements of funds for overseas listing shall obtain an approval document for settlements issued by the local SAFE to complete the settlement procedures at a bank.

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in “Appendix III – Taxation and Foreign Exchange” to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law, the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

1. PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the *Constitution of the People’s Republic of China* (hereinafter referred to as “the *Constitution*”) and is made up of written laws, administrative regulations, local regulations and rules, autonomy regulations and separate rules and regulations of State Council departments, regulations of local governments and international treaties of which the PRC Government is a signatory. Court judgments and arbitral awards do not constitute legally binding precedents, although they are used for judicial reference and guidance.

According to the *Constitution* and the *Legislation Law of the People’s Republic of China* (hereinafter referred to as “*Legislation Law*”), the National People’s Congress of the People’s Republic of China (hereinafter referred to as “National People’s Congress”) and the Standing Committee of the National People’s Congress are empowered to exercise the legislative power of the State. The National People’s Congress has the power to enact and amend basic laws governing criminal offence, civil affairs, the State organs and other matters. The Standing Committee of the National People’s Congress has the power to enact and amend laws other than those that shall be formulated by the National People’s Congress, and during the period of adjournment of the National People’s Congress, may partially supplement and amend the laws enacted by the National People’s Congress, but not in contradiction to the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to enact administrative regulations based on the *Constitution* and laws.

The people’s congresses of the provinces, autonomous regions and municipalities directly under the Central Government and their standing committees may, in light of the specific circumstances and actual needs of their respective administrative areas, enact local regulations, provided that such local regulations do not contravene any provision of the *Constitution*, laws or administrative regulations. The people’s congresses of comparatively larger cities and their standing committees may, in light of the specific local conditions and actual needs, enact local regulations, provided that such local regulations do not contravene any provision of the

Constitution, laws, administrative regulations or local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of such local regulations which are submitted for approval, and shall approve them within four months if they do not contravene any provision of the *Constitution*, laws, administrative regulations, or local regulations of their respective provinces or autonomous regions. When the standing committee of the people's congress of a province or autonomous region examines the local regulations of a comparatively larger city submitted for approval, it shall make a decision to deal with the matter if it finds that the said regulations contravene the rules of the people's government of the province or autonomous region. A comparatively larger city refers to a city where a provincial or autonomous regional people's government is located or where a special economic zone is located, or a city approved as such by the State Council.

The people's congresses of the national autonomous regions have the power to enact autonomous regulations and separate regulations on the basis of the political, economic and cultural characteristics of the local nationality (nationalities). The autonomous regulations and separate regulations of the autonomous regions shall be submitted to the Standing Committee of the National People's Congress for approval and shall go into effect upon approval. The autonomous regulations and separate regulations of the autonomous prefectures or counties shall be submitted to the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government for approval and shall go into effect upon approval. Where certain provisions of the laws and administrative regulations are concerned, adaptation on the basis of the characteristics of the local nationality (nationalities) may be made in autonomous regulations and separate regulations, but such adaptation may not contradict the basic principles of the laws and administrative regulations; where the provisions of the *Constitution* and the *Law on Regional National Autonomy of the People's Republic of China* as well as the provisions in other laws and administrative regulations specially formulated to govern the national autonomous areas are concerned, no adaptation may be made.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate departmental rules. Matters governed by the departmental rules shall be those for the enforcement of the laws or the administrative regulations, decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the Central Government and the comparatively larger cities may, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities directly under the Central Government, formulate rules of local governments.

According to the *Constitution*, the power of legal interpretation belongs to the Standing Committee of the National People's Congress. According to *Resolutions of the Standing Committee of the National People's Congress on Improving Interpretation of Laws* passed on June 10, 1981, in cases where the scope of provisions of laws or decrees needs to be further defined or additional stipulations need to be made, the Standing Committee of the National People's Congress shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in procuratorial work of the procuratorates shall be provided by the Supreme People's Court. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the National People's Congress for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and the competent departments. In cases where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of the provinces, autonomous regions, and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments under the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government.

The PRC Judicial System

According to the *Constitution* and the *Law of Organization of the People's Courts of the People's Republic of China* (hereinafter referred to as "*Law of Organization of the People's Courts*"), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal, economic and administrative divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other special divisions, such as the intellectual property division, where necessary. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the litigation proceedings of people's courts at the same level or below. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and by the special people's courts.

The people's courts have adopted a second instance as final appellate system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level before the judgment or the ruling of the first instance is legally effective. The judgment or the ruling of the second instance by the people's court at the next

higher level is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. In the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment or ruling by the people's court at a lower level, or the presiding judge of the people's court finds definite error(s) in the legally effective judgement or ruling by the court over which he/she presides, the case may then be retried in accordance with the judicial supervisory procedures.

The Civil Procedure Law of the People's Republic of China (hereinafter referred to as "*Civil Procedure Law*") sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the *Civil Procedure Law*. A civil case is generally heard by a local court in the defendant's place of domicile. The parties to a contract may, by express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction is located in either the plaintiff's or the defendant's place of domicile, or the place of execution or implementation of the contract, or the place of the object of the action, and provided that the provisions of the *Civil Procedure Law* regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should the judicial system of a foreign country limit the litigation rights of PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country in PRC according to principle of reciprocity. If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or a legally effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for compulsory enforcement of the judgment, ruling or award within a stipulated time. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for compulsory enforcement shall be two years. The suspension or cessation of the time limit for the submission of an application for compulsory enforcement shall be governed by the provisions on suspension or cessation.

When a party applies to a people's court for enforcing a legally effective judgment or ruling by a people's court against a party that is not located within the territory of the PRC or does not have any property in the PRC, the party may directly apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. Likewise, a foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the relevant judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interests.

The Company Law of the People’s Republic of China, Special Provisions and Mandatory Provisions

On December 29, 1993, the *Company Law of the People’s Republic of China* was adopted at the 5th meeting of the Standing Committee of the 8th National People’s Congress, which came into effect on July 1, 1994 and was amended for the first time on December 25, 1999, the second time on August 28, 2004, the third time on October 27, 2005 and the fourth time on December 28, 2013. The newly amended *Company Law of the People’s Republic of China* (hereinafter referred to as “*Company Law*”) came into effect on March 1, 2014.

The *Special Provisions of the State Council Concerning the Floatation and Listing Abroad of Shares by Joint Stock Limited Companies* (Order No. 160 of the State Council, hereinafter referred to as “*Special Provisions*”) were adopted at the 22nd Standing Committee Meeting of the State Council on July 4, 1994. The *Special Provisions* was promulgated and came into effect on August 4, 1994. The *Special Provisions* are applicable to overseas offering and listing of shares by joint stock limited companies. The *Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas* (Zheng Wei Fa [1994] No. 21, hereinafter referred to as “*Mandatory Provisions*”) were jointly promulgated by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994. The *Letter of Opinions on Supplementary Amendments to Articles of Association of Companies to be Listed in Hong Kong* (Zheng Jian Hai Han [1995] No. 1, hereinafter referred to as “*Letter of Opinions on Amendments*”) were promulgated by Overseas Listing Department of China Securities Regulatory Commission and the Production System Department of the former State Economic System Restructuring Commission on April 3, 1995. The above provisions have specified mandatory provisions which shall be incorporated in the articles of association of joint stock limited companies, whose shares are listed on an overseas stock exchange. Such provisions have been set out in the Articles of Association. A “company” herein refers to a joint stock limited company that is incorporated under the *Company Law* and issues H shares.

Major provisions of the *Company Law*, *Special Provisions* and *Mandatory Provisions* are summarized as below:

(i) General

A “company” is a corporate legal person incorporated under the *Company Law* and has independent corporate property right. The registered capital of the company is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they subscribe, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with law and business ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are only limited to the capital contributions paid or shares subscribed. Unless otherwise provided by laws, a company shall not be the capital contributor bearing joint and several liabilities associated with the debts of the invested enterprises.

(ii) Incorporation

A company may be incorporated by means of promotion or public offering. A company may be incorporated by promotion by no less than two but no more than 200 promoters, with at least half of them residing within the territory of China.

For a company incorporated by means of promotion, all the registered capital thereof shall be subscribed by the promoters. Before the registered capital subscribed by the promoters is paid, no stock can be offered to others for subscription. Where a company is incorporated by public offer, its registered capital shall be the total paid-in capital registered with the registration authority.

When incorporating a company by promotion, the promoters shall subscribe, in writing, to the full amount of shares provided in the articles of association and make capital contributions as per the articles of association. In the case of making capital contributions in non-monetary properties, the promoters shall go through the procedures for the transfer of property rights according to laws. If any of the promoters fails to make capital contributions by following the aforesaid provisions, it shall bear the liabilities for breach of contract under the stipulations in the promoter's agreement. After the promoters fully subscribe to the capital contributions provided for in the articles of association, the promoters shall elect the board of directors and board of supervisors. The board of directors shall file an application for registration with the company registration authority and submit therewith the articles of association and any other documents required by laws or administrative regulations.

For a company incorporated by share offer, the shares subscribed by the promoters shall not be less than 35% of the total shares, and the remaining shares may be offered to the general public or to a group of specified people for subscription, unless otherwise specified by any law or administrative regulation. For the public offering, the promoters shall publish a prospectus and prepare share subscription forms. After full payments have been made for the public offer shares, they shall be verified by a lawfully established capital verification institution and a certification shall be issued thereby. The promoters shall hold a company establishment meeting within 30 days after full payment is made. The promoters shall notify each subscriber of the date of the establishment meeting or make a public announcement about the meeting 15 days in advance. The establishment meeting shall be composed of the promoters and subscribers. The establishment meeting shall be held only if shareholders representing over half of the total shares issued by the company are present. The establishment meeting shall be responsible for reviewing the draft articles of association drafted by the promoters and electing the board of directors and the board of supervisors. Any resolution adopted at the establishment meeting requires a simple majority of votes by the subscribers attending the meeting. The board of directors shall, within 30 days after the establishment meeting ends, file a registration application with the company registration authority and submit thereto relevant documents.

A company shall be deemed formally established as legal entity after relevant administrative bureau for industry and commerce examined and approved the registration and issued a business license.

The promoters of the company shall severally and jointly bear the following liabilities:

- (A) In the event of failure to incorporate the company, being liable for the expenses and debts incurred from the activities related to the company incorporation;
- (B) In the event of failure to incorporate the company, being liable for refunding the subscribers with their paid capital plus the interests calculated according to the bank interest rate for the same period of time; and
- (C) If the company's interest is injured in the course of its incorporation due to the negligence of the promoters, being liable for making compensations to the company.

(iii) Share Capital

The promoter of the company may make capital contributions in cash, in kind, or intellectual property right, land use right, or other non-monetary properties that may be assessed on the basis of currency and may be transferred according to the law, excluding the properties that shall not be treated as capital contributions under any law or administrative regulation. The value of the non-monetary properties as capital contributions shall be assessed and verified, which shall not be over-valued or under-valued.

There is no limitation on the shareholders' shareholding percentage in the company under the *Company Law*.

The company may issue registered shares or bearer shares. However, shares issued to promoters or legal persons shall be in the form of registered shares and shall be registered under the name of such promoter or legal person and shall not be registered under a different name or the name of a representative.

According to the *Special Provisions* and *Mandatory Provisions*, the shares issued by the company to overseas investors and listed overseas shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency.

(iv) Increase Share Capital

According to the *Company Law*, if the company plans to increase the capital by issuing new shares, such a plan shall be subject to the consideration and approval of the general meeting; and a resolution made at a general meeting on increasing the capital shall be adopted by shareholders representing 2/3 or more of the voting rights of the shareholders in presence.

In addition to the *Company Law* which specifies that the company's issuance of new shares shall be subject to the approval of the general meeting as above mentioned, the *Securities Law of the People's Republic of China* (hereinafter referred to as the "*Securities Law*") also specifies that the company shall satisfy the following requirements in issuing new shares within China:

- (A) Having a complete and well-operated organization;
- (B) Having the capability of making profits successively and a sound financial status;
- (C) Having no false record in its financial statements over the latest three years and having no other major irregularity; and
- (D) Meeting any other requirements as prescribed by the securities regulatory authority under the State Council, which has been approved by the State Council.

(v) ***Reduce Share Capital***

According to the *Company Law*, if the company plans to reduce the capital, such a plan shall be subject to the consideration and approval of the general meeting; and a resolution made at a general meeting on reducing the capital shall be adopted by shareholders representing 2/3 or more of the voting rights of the shareholders in presence.

The company may reduce its registered capital according to the following procedures specified in the *Company Law*:

- (A) The company must prepare balance sheets and checklists of assets;
- (B) Reducing registered capital shall be subject to the approval of the general meeting of the company;
- (C) The company shall, within 10 days after the resolution of reduction of registered capital is made, inform the creditors and make a public announcement on a newspaper within 30 days;
- (D) The company's creditors shall have the right to require the company to repay debts or provide corresponding guarantees within the statutory period;
- (E) The company must apply for changing registration of reducing registered capital with the company registration authority.

(vi) Share Repurchase

A company shall not buy back its own shares except under any of the following circumstances:

- (A) To decrease the registered capital of the company;
- (B) To merge another company holding shares of the company;
- (C) To award the employees of the company with shares;
- (D) It is requested by any shareholder to purchase his shares because this shareholder objects to the company's resolution on merger or split-up made by the general meeting; and
- (E) Other purposes permitted by laws and administrative regulations.

Where a company needs to purchase its own shares for any of the reasons as mentioned in Items (A) through (C) above, it shall be subject to a resolution of the general meeting. After the company purchases its own shares pursuant to the aforesaid provisions, it shall, under the circumstance as mentioned in Item (A), write them off within 10 days after the purchase; while under either circumstance as mentioned in Item (B) or (D), transfer them or write them off within six months.

The shares purchased by the company according to Item (C) above shall not exceed 5% of the total shares already issued by the company. The fund used for the share acquisition shall be paid from the after-tax profits of the company. The shares purchased by the company shall be transferred to the company's employees within one year.

The *Mandatory Provisions* specifies that the company may, according to procedures specified in the articles of association and upon approval of relevant competent authorities, buy back its issued shares for the aforesaid purposes by way of general offer to the shareholders or transaction in the stock exchange or through agreement outside the stock exchange.

In addition, no company may accept any subject matter taking the stocks of this company as a pledge.

(vii) Share Transfer

The shares held by the shareholders may be transferred according to relevant laws and regulations.

Where a shareholder of the company intends to transfer its shares, it shall transfer its shares in a lawfully established stock exchange or by any other means as prescribed by the State Council. Registered shares may be transferred by their shareholders' endorsement or by any other means prescribed by the relevant laws or administrative regulations. Bearer shares shall be transferred as their shareholders deliver the shares to the transferee. Within 20 days before a general meeting is held, or within five days prior to the benchmark date decided by the company for the distribution of dividends, no share transfer registration may be made to the register of shareholders. However, if any law provides otherwise for registration of change of the register of shareholders of listed companies, the latter shall prevail.

According to the *Special Provisions*, no changes of share transfer registration may be made to the register of shareholders within 30 days prior to a general meeting of the company is held, or within five days prior to the benchmark date decided by the company for the distribution of dividends.

(viii) Shareholder

The articles of association of the company specify the rights and obligations of shareholders, and shall be binding on all shareholders of the company. A shareholder shall be entitled to:

- (A) Attend general meetings in person or entrust an agent to attend general meetings on its behalf and exercise voting rights according to the number of shares it held;
- (B) Transfer its shares in the company according to laws, regulations and articles of association;
- (C) Where the resolutions adopted at general meetings and Board meetings run counter to laws and administrative regulations or infringe upon the legitimate rights of the shareholders, institute legal proceedings to the people's court for revoking such resolutions;
- (D) Review the articles of association, the register of the shareholders, the counterfoil of company debentures, the minutes of general meetings, resolutions of the board of directors, resolutions of the board of supervisors, and financial reports, and put forward proposals or raise questions about the business operations of the company;

- (E) Collect dividends according to shares it held;
- (F) Distribute remaining assets of the company in proportion to the number of shares it held during the termination or liquidation of the company;
- (G) Other rights of shareholders as specified in the articles of association.

A shareholder's obligations and responsibilities include: Abide by the articles of association, pay subscription funds as per the shares it subscribed, bear liability for the company to the extent of the shares subscribed, not injure any of the interests of the company or of other shareholders of the company by abusing the shareholder's rights, or injure the interests of any creditor of the company by abusing the independent status of legal person or the shareholder's limited liabilities, and any other obligations of shareholders as specified in the articles of association.

(ix) General Meeting

The general meeting is the company's organ of power, which shall exercise its powers according to the *Company Law*. It shall exercise the following powers:

- (A) Determining the company's operational guidelines and investment plans;
- (B) Electing or dismissing the directors and supervisors assumed by non-representatives of the employees and deciding the matters relating to their salaries and compensations;
- (C) Deliberating and approving reports of the board of directors;
- (D) Deliberating and approving reports of the board of supervisors;
- (E) Deliberating and approving annual financial budget plans and final account plans of the company;
- (F) Deliberating and approving company profit distribution plans and loss recovery plans;
- (G) Making resolutions about the increase or reduction of the company's registered capital;
- (H) Making resolutions about the issuance of corporate bonds;
- (I) Adopting resolutions about the merger, split-up, dissolution and liquidation and other matters of the company;
- (J) Revising the articles of association of the company;
- (K) Other functions as specified in the articles of association.

The general meeting shall be convened once a year. Under any of the following circumstances, an extraordinary general meeting shall be held within two months:

- (A) The number of directors is less than two-thirds of the number of directors as required by the Company Law or the number of directors as specified in the articles of association;
- (B) The un-recovered losses of the company reach one-third of the total paid-in capital;
- (C) At the request of the shareholders separately or aggregately holding 10% or more of the company's shares;
- (D) The board of directors deems it necessary;
- (E) At the request of the board of supervisors; and
- (F) Other circumstances as specified in the articles of association.

A general meeting shall be convened by the board of directors and shall be presided over by the chairman. If the chairman is unable or fails to perform his duties, the meetings thereof shall be presided over by the vice chairman. If the vice chairman is unable or fails to perform his duties, the meetings shall be presided over by a director jointly recommended by half or more of the directors. If the board of directors is unable or fails to fulfil the obligation of convening general meetings, the board of supervisors shall convene and preside over such meetings. If the board of supervisors does not convene or preside over such meetings, the shareholders separately or aggregately holding more than 10% of the shares of the company for consecutively 90 days may convene and preside over such meetings on their own initiative.

According to the *Company Law*, for a general meeting to be held, a notice shall be given to each shareholder 20 days in advance, which shall state the time and place of the meeting, and the matters to be deliberated at the meeting. For an extraordinary general meeting, a notice shall be given to each shareholder 15 days in advance, which shall state the time and place of the meeting, and the matters to be deliberated at the meeting. For issuance of bearer shares, a notice shall be given to each shareholder 30 days in advance, which shall state the time and place of the meeting, and the matters to be deliberated at the meeting.

According to the *Special Provisions* and *Mandatory Provisions*, a notice of a general meeting shall be given to each shareholder 45 days in advance, which shall state the matters to be deliberated at the meeting. According to the *Special Provisions* and *Mandatory Provisions*, any shareholder intending to attend the meeting shall deliver to the company a confirmation letter showing his intention to attend 20 days before the

meeting. In addition, according to the *Special Provisions*, on the annual general meeting of the company, shareholders holding more than 5% shares of the company shall have the right to submit new proposals in writing to the company for deliberation at the said general meeting. If the contents of such proposals fall within the scope to be decided by the general meeting, such proposals shall be placed on the agenda for the said general meeting.

When a shareholder attends a general meeting, he shall have one voting right for each share he holds. However, the company has no voting right for its own shares it holds. When any resolution is to be made at the general meeting, it shall be adopted by shareholders representing more than half of the voting rights of the shareholders in presence. However, when the general meeting makes a decision to modify the articles of association, or to increase or reduce the registered capital, or a resolution about the merger, split-up, dissolution or change of the company form, such a decision shall be adopted by shareholders representing 2/3 or more of the voting rights of the shareholders in presence.

A shareholder may entrust a representative to attend a general meeting on his behalf. The representative shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. The *Company Law* does not specify the number of shareholders attending the general meeting. However, the *Special Provisions* and *Mandatory Provisions* specify that a company may hold a general meeting if it receives replies from shareholders concerning the said general meeting 20 days prior to the date of the meeting, and the number of voting shares represented by such shareholders amounts to 50% or more of the company's total voting shares. Where the number of voting shares represented by such attending shareholders does not reach 50% of the company's total voting shares, the company shall, within five days from the deadline for reply, notify the shareholders again of the issues to be considered, the time and place of the meeting in the form of public announcements. The company may then convene a general meeting after such announcements have been made. The *Mandatory Provisions* specifies that a class general meeting shall be held if the rights of classified shareholders are changed or abolished. Holders of domestic shares and overseas listed foreign shares are deemed to be different classes of shareholders.

A general meeting shall make the minutes for the decisions about the matters discussed at the meeting. The presider of the meeting and the directors in presence shall affix their signatures to the minutes, which shall be preserved together with the book of signatures of the shareholders in presence as well as the power of attorney thereof.

(x) Directors

A company shall set up a board of directors, which shall be composed of 5-19 persons. The board of directors may include representatives of the company's employees. The representatives of the employees who are to serve as members of the board of directors shall be democratically elected by the employees of the company through employee representatives' meetings, employees' meetings or by any other means. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may, after the expiry of their term of office, hold a consecutive term upon re-election. If no re-election is timely carried out after the expiry of the term of office of the directors, or if the number of the members of the board of directors is less than the quorum due to the resignation of some directors from the board of directors prior to the expiry of their term of office, the original directors shall, before the newly elected directors assume their posts, perform the powers of the directors according to the laws, administrative regulations, as well as the articles of association.

The board of directors shall convene at least two meetings every year and shall give a notice to all directors and supervisors 10 days before it holds a meeting. The board of directors may decide the different method and time limit for the notification about convening extraordinary meetings of the board of directors. Pursuant to the *Company Law*, the board of directors shall exercise the following powers:

- (A) Convening general meetings and presenting reports thereto;
- (B) Implementing the resolutions made at the general meetings;
- (C) Determining the company's business and investment plans;
- (D) Working out the company's annual financial budget plans and final account plans;
- (E) Working out the company's profit distribution plans and loss recovery plans;
- (F) Working out the company's plans on the increase or reduction of registered capital, as well as on the issuance of corporate bonds;
- (G) Working out the company's plans on merger, split-up, dissolution, or change of the company form, etc.;
- (H) Making decisions on the establishment of the company's internal management departments;
- (I) Making decisions on hiring or dismissing the company's manager and his salary and compensation, and, according to the nomination of the manager, deciding on the hiring or dismissal of vice manager(s) and the persons in charge of finance as well as their salaries and compensations;

(J) Working out the company's basic management system; and

(K) Other functions as specified in the articles of association.

The *Mandatory Provisions* specifies that the board of directors shall also be responsible for working out and amending the proposal of articles of association of the company.

No meeting of the board of directors may be held unless more than half of the directors are present. When the board of directors makes a resolution, it shall be approved by more than half of all the directors. For the voting on a resolution of the board of directors, each director shall have one vote only. The meetings of the board of directors shall be attended by the directors in person. Where any director is unable to attend the meeting for a certain reason, he may, by issuing a written power of attorney, entrust another director to attend the meeting on his behalf, and the power of attorney shall state the scope of authorization.

The directors shall be responsible for the resolutions of the board of directors. Where a resolution of the board of directors is in violation of any law, administrative regulation, articles of association, or resolution of the general meeting and causes any serious loss to the company, the directors who participate in approving the resolution shall make compensation. However, if a director is proven to have expressed his objection to the vote on such resolution and his objection was recorded in the minutes, then the director may be exempted from liability.

According to the *Company Law*, anyone who is under any of the following circumstances shall not assume the post of a director of a company:

- (A) Being without civil capacity or with only limited civil capacity;
- (B) Having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the economic order of the socialist market and 5 years have not elapsed since the completion date of the execution of the penalty; or he has ever been deprived of his political rights due to any crime and 5 years have not elapsed since the completion date of the execution of the penalty;
- (C) Having been a former director, factory director or manager of a company or enterprise which was bankrupt and liquidated, whereby he was personally liable for the bankruptcy of such company or enterprise, and three years have not elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

- (D) Having been the legal representative of a company or enterprise, but the business license of this company or enterprise was revoked and this company or enterprise was ordered to close due to a violation of the law, whereby he is personally liable for the revocation, and three years have not elapsed since the date of the revocation of the business license thereof;
- (E) Having been a relatively large amount of debt which is due but has not been paid.

The board of directors shall have one chairman and may have a vice chairman. The chairman and vice chairmen shall be elected by more than half of all the directors. The chairman shall exercise the following powers:

- (A) Preside over general meetings and call and preside over the meetings of the board of directors;
- (B) Check the implementation of the resolutions of the board of directors;
- (C) Exercise other powers conferred by the board of directors.

The *Special Provisions* specifies that the directors, supervisors, managers and other senior management of the company shall fulfil obligation of integrity and diligence to the company. Such persons shall fulfil their duties honestly, safeguard the interests of the company, and shall not take advantage of their positions and powers in the company to seek personal gains.

(xi) Supervisors

A company shall set up a board of supervisors, which shall be composed of at least three persons. The board of supervisors shall include shareholders' representatives and representatives of the employees' of the company at an appropriate ratio (which shall not be less than 1/3 and shall be specifically prescribed in the articles of association). The employees' representatives who are to serve as members of the board of supervisors shall be democratically elected by the employees of the company through employee representatives' meetings, employees' meetings or by any other means. No director or senior manager may concurrently serve as a supervisor.

Each term of office of the supervisors shall be three years. The supervisors may, after the expiry of their term of office, hold a consecutive term upon re-election. If no re-election is timely carried out after the expiry of the term of office of the supervisors, or if the number of the members of the board of supervisors is less than the quorum due to the resignation of some supervisors from the board of supervisors prior to the expiry of their term of office, the original supervisors shall, before the newly elected supervisors assume their posts, exercise the powers of the supervisors according to laws, administrative regulations, as well as the articles of association.

The board of supervisors shall exercise the following powers:

- (A) To check the financial affairs of the company;
- (B) To supervise the duty-related acts of the directors and senior executives, to put forward proposals on the removal of any director or senior executive who violates any law, administrative regulation, the articles of association or any resolution of the general meeting;
- (C) To demand any director or senior executive to make corrections if his act has injured the interests of the company;
- (D) To propose to call extraordinary general meetings, to call and preside over general meetings when the board of directors does not exercise the function of calling and presiding over general meetings as prescribed in the Company Law;
- (E) To put forward proposals at general meetings;
- (F) To initiate actions against directors or senior executives;
- (G) Other functions as specified in the articles of association.

The supervisors may attend the meetings of the board of directors as non-voting attendees, and may raise questions or suggestions about the meeting agenda discussed by the board of directors.

The aforesaid circumstances causing people unqualified for serving as directors of a company shall also apply to the supervisors of a company.

(xii) Managers and Senior Executives

A company shall have a manager, who shall be appointed or dismissed by the board of directors. The manager shall be responsible to the board of directors and shall exercise the following powers:

- (A) Taking charge of the management of the production and business operations of the company, organizing the implementation of the resolutions of the board of directors;
- (B) Organizing the execution of the company's annual business plans and investment plans;

- (C) Drafting plans on the establishment of the company's internal management departments;
- (D) Drafting the company's basic management system;
- (E) Formulating the company's specific rules and policies;
- (F) Proposing to hire or dismiss the company's vice manager(s) and the person in charge of finance;
- (G) Deciding on the hiring or dismissal of the persons-in-charge other than those who shall be decided by the board of directors; and
- (H) Other powers conferred by the board of directors.

The *Special Provisions* and *Mandatory Provisions* specify that senior executives of the company include chief financial officer (person in charge of finance), secretary of the board of directors, and other persons specified in the articles of association.

The aforesaid circumstances causing people unqualified for serving as directors of a company shall also apply to the managers and other senior executives of a company.

The articles of association shall be binding upon the shareholders, directors, supervisors, managers, and other senior executives of the company, who shall have the right to exercise rights, apply for arbitration and initiate legal proceedings in accordance with the articles of association.

(xiii) Duties of directors, supervisors, general manager and other senior executives

According to the *Company Law*, the directors, supervisors and senior executives of the company shall comply with relevant laws, regulations, and articles of association. They shall bear the obligations of fidelity and diligence to the company. No director, supervisor or senior executive of the company may accept any bribe or other illegal gains by taking the advantage of his powers, or encroach on the property of the company. The directors, supervisors and senior executives of the company shall also bear confidential obligations to the company, and shall not disclose any confidential information of the company unless otherwise permitted by relevant laws, regulations or shareholders.

Where any director, supervisor or senior executive violates any law, administrative regulation, or the articles of association during the course of performing his duties, if any loss is caused to the company, he shall be liable for compensation.

The *Special Provisions* and *Mandatory Provisions* specify that the directors, supervisors and senior executives of the company shall observe the articles of association, fulfil obligation of integrity and diligence to the company, fulfil duties honestly and protect the interests of the company, and shall not take advantage of their positions in the company to seek personal gains.

(xiv) *Financial Affairs and Accounting*

A company shall establish its own financial and accounting systems according to the laws, administrative regulations, and provisions of the treasury department of the State Council. A company shall, after the end of each fiscal year, formulate a financial report and shall have it audited by an accounting firm.

The financial report of a company shall be ready at the company for reference by the shareholders at least 20 days before the annual general meeting is held. A company of public offer stocks shall make a public announcement about its financial report.

Where a company distributes its after-tax profits of the current year, it shall draw 10% of the profits as the company's statutory common reserve. The company may stop drawing the profits if the aggregate balance of the statutory common reserve has already accounted for over 50% of the company's registered capital. If the aggregate balance of the company's statutory common reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is drawn according to the above regulation. After the company has drawn statutory common reserve from the after-tax profits, it may, upon a resolution made by the general meeting, draw a discretionary common reserve from the after-tax profits. After the losses have been made up and common reserves have been drawn, the remaining after-tax profits shall be distributed to shareholders in the proportion of their shareholding percentages, unless otherwise specified in the articles of association.

The premium of a company from the issuance of stocks at a price above the par value of the stocks, and other incomes listed in the capital reserve under provisions of the treasury department of the State Council shall be listed as the company's capital reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital reserve shall not be used for making up the company's losses. When the statutory common reserve is changed to capital, the remainder of the common reserve shall not be less than 25% of the registered capital prior to the increase.

(xv) *Engagement and Dismissal of Accountants*

The *Special Provisions* specifies that the company shall appoint a qualified independent accounting firm to audit the annual reports of the company and examine and check other financial reports of the company. The term of appointment of the accountant engaged by the company shall be from conclusion of the current annual general meeting to conclusion of the next annual general meeting.

Where the company dismisses or discontinues the engagement of the accounting firm providing auditing services for it, according to the *Special Provisions*, the company shall give a notice to the said accounting firm in advance, and the accounting firm shall have the right to state its opinions at the general meeting. The company's appointment, dismissal or disengagement of the accounting firm shall be decided at the general meeting and shall be filed with CSRC.

(xvi) Profit Distribution

According to the *Company Law*, the company shall not distribute profits before making up accumulated losses and drawing statutory common reserve. The *Special Provisions* specifies that the dividends and other allocations paid by the company to holders of overseas listed foreign shares shall be declared and stated in Renminbi and paid in foreign currency.

According to the *Mandatory Provisions*, the company shall appoint receiving agents on behalf of holders of the overseas-listed foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas-listed foreign invested shares.

(xvii) Amendment to the Articles of Association

Amendment to the articles of association shall follow procedures specified in laws, regulations and the articles of association. According to the *Mandatory Provisions*, if the amendment to the articles of association involves any content of *Mandatory Provisions*, the said amendment shall be subject to approval by CSRC and the company approval authority authorized by the State Council. If the amendment to the articles of association relates to company registration matters, the company shall have such amendment registered according to laws and regulations.

(xviii) Dissolution and Liquidation

According to the *Company Law*, a company may be dissolved under one of the following circumstances:

- (A) The term of business operation as prescribed by the articles of association expires or any of the situations for dissolution prescribed in the company's articles of association occurs;
- (B) The general meeting decides to dissolve the company;
- (C) It is necessary to be dissolved due to merger or split-up of the company;
- (D) The business license is cancelled, or it is ordered to close down or to be dissolved according to laws; or

- (E) Where any company meets any serious difficulty in its operations or management so that the interests of the shareholders will face heavy loss if the company continues to exist and the difficulty cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of all the shareholders of the company may plead the people's court to dissolve the company.

Where any company is dissolved according to the provisions of Items (A), (B), (D), or (E) above, a liquidation group shall be formed within 15 days after the occurrence of the cause of dissolution. The liquidation group shall be composed of people determined by the board meeting or general meeting. Where no liquidation group is formed within the time limit, the creditors may plead the people's court to designate relevant persons to form a liquidation group. The people's court shall accept such request and form a liquidation group so as to carry out the liquidation in a timely manner.

The liquidation group shall, notify the creditors within 10 days after its formation and make a public announcement on newspapers within 60 days after its formation. The creditors shall, within 30 days after receiving the notice or within 45 days after the issuance of the public announcement in the case of failing to receiving a notice, declare their credits before the liquidation group. To declare credits, a creditor shall describe the relevant matters and provide relevant evidential materials. The liquidation group shall record the declared credits and may not pay off any debts to any creditors during the period of credit declaration.

The liquidation group may exercise the following functions during the process of liquidation:

- (A) Liquidating the properties of the company, producing balance sheets and checklists of properties;
- (B) Notifying creditors by mail or public announcement;
- (C) Handling and liquidating the unfinished business of the company;
- (D) Paying off the outstanding taxes and the taxes incurred in the process of liquidation;
- (E) Claiming credits and paying off debts;
- (F) Disposing the remaining properties after all the debates being paid off; and
- (G) Participating in the civil proceedings of the company.

The liquidation group shall, after liquidating the properties of the company and producing balance sheets and checklists of properties, make a plan of liquidation and report the report to the general meeting or the people's court for confirmation. After paying off the liquidation expenses, wages of employees, social insurance premiums and legal indemnities, the outstanding taxes and the debts of the company, the remaining properties may be distributed according to the proportion of shares held by the shareholders of the company. During the liquidation, the company continues to exist but may not carry out any business operation that has nothing to do with liquidation. None of the properties of the company may be distributed to any shareholder before payments are made as specified above.

If the liquidation group finds that the properties of the company are not sufficient for paying off the debts after liquidating the properties of the company and producing balance sheets and checklists of properties, it shall file an application to the people's court for bankruptcy. Once the people's court makes a ruling declaring the company bankrupt, the liquidation group shall hand over the liquidation matters to the people's court.

After the liquidation of the company is completed, the liquidation group shall make a liquidation report and submit the report to the general meeting or the people's court for confirmation, and the company registration authority to deregister the company. The liquidation group shall also make a public announcement regarding the cease of the company.

The members of the liquidation group shall devote themselves to their duties and perform their obligations of liquidation according to law. None of the members of the liquidation group may take advantage of his position to take any bribe or any other illegal proceeds, nor may he misappropriate any of the properties of the company. Where any of the members of the liquidation group causes any loss to the company or any creditor by intention or due to gross negligence, he shall make respective compensations.

(xix) Overseas Listing

According to the *Special Provisions*, the overseas listing of the company's shares shall be subject to the approval of CSRC and follow procedures specified by the State Council.

According to the *Special Provisions*, the company scheme for issue of overseas listed foreign shares and domestic shares approved by CSRC may be carried out independently and separately within 15 months from the date of approval of CSRC.

(xx) Share Loss

Where any registered shares are stolen, lost or destroyed, the shareholder may request the people's court to declare these shares invalid according to the *Civil Procedural Law of the People's Republic of China*. After the people's court has invalidated these shares, the shareholder may file an application to the company for the issuance of new stocks.

(xxi) Merger and Split-up

The merger or split-up of the company shall be approved by votes representing more than two-thirds of voting rights held by the shareholders present at the meeting.

To carry out a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company. If an absorption merger is adopted, the company being absorbed shall be dissolved. If two companies merge to establish a new company, the two companies being merged shall be dissolved.

To split a company, the properties thereof shall be divided accordingly. The post-split companies shall bear several and joint liabilities for the debts of the company before its split unless it is otherwise prescribed in a written agreement reached by the company and the creditors before the split regarding the debt pay-off.

Where, in the process of company merger or split, any of the registered items is changed, the companies shall go through modification registration with the company registration authority. Where a company is dissolved, it shall be deregistered according to law. If a new company is established, it shall go through the procedures for company establishment according to law.

(xxii) Suspension and Termination of Listing

The *Company Law* has deleted regulations on suspension and termination of listing. But the *Securities Law* specifies that:

Where a listed company is under any of the following circumstances, the stock exchange shall decide to suspend the listing of its shares:

- (A) the total amount of capital stock or share distribution of the company changes and thus fails to meet the requirements for listing;
- (B) the company fails to publicize its financial status according to the relevant provisions or has any false record in its financial report, which may mislead the investors;
- (C) the company has any major irregularity;
- (D) the company has been operating at a loss for the latest three consecutive years;
or
- (E) under any other circumstance as prescribed in the listing rules of the stock exchange.

Where a company is under any of the following circumstances, the stock exchange shall decide to terminate the listing of its shares:

- (A) the total amount of capital stock or share distribution of the company changes and thus fails to meet the requirements of listing, and the company fails again to meet the requirements of listing within the period as prescribed by the stock exchange;
- (B) the company fails to publicize its financial status according to the relevant provisions or has any false record in its financial report, and refuses to make any correction;
- (C) the company has been operating at a loss for the latest three consecutive years and fails to gain profits in the last year;
- (D) the company is dissolved or is declared bankrupt; or
- (E) under any other circumstance as prescribed in the listing rules of the stock exchange.

Laws, Regulations and Regulatory System on Securities

Since 1992, China has promulgated multiple regulations related to stock issuance, transaction and information disclosure. In October 1992, the State Council set up the Securities Commission of the State Council and CSRC. In 1998, the State Council decided to cancel the Securities Commission of the State Council and have its functions borne by CSRC. As the securities regulator of China, CSRC is responsible for formulating securities-related policies, drawing up laws and regulations on securities, supervising stock market, listed companies and intermediary organs and other participants, supervising and regulating public securities offering at home and abroad by Chinese companies and securities trading.

On April 22, 1993, the State Council promulgated *Interim Provisions on the Management of the Issuing and Trading of Stocks* (Order No. 112 of the State Council). It specifies procedures for application and approval of public stocks and securities offering, the trading of stocks and securities, acquisition of listed companies, the custody, settlement and transfer of listed stocks and securities, and data disclosure, law enforcement, punishment and dispute resolution of listed companies.

On June 12, 1993, CSRC promulgated *Rules for the Implementation of Information Disclosure of the Listed Company* (for trial implementation) (Zheng Jian Shang Zi [1993] No. 43) based on *Interim Provisions on the Management of the Issuing and Trading of Stocks*. However, *Administrative Measures for the Disclosure of Information of Listed Companies* (Order No. 40 of CSRC) promulgated by CSRC on January 30, 2007 revoked the said Implementation Rules, and specifies that CSRC shall be responsible for supervising information disclosure of companies publicly offering shares at home and abroad, and making regulations on publishing of Interim and Annual Reports and announcement of major transactions and matters by companies which publish listing documents and reports and publicly offer stocks in China.

On December 25, 1995, the State Council promulgated *Regulations of the State Council on Domestic Listing of Foreign-oriented Stocks by Share-holding Companies*, which mainly specifies distributions including issuance, subscription, trading, dividend declaration of domestically listed foreign-oriented stocks, and information disclosure of share-holding companies with domestically listed foreign-oriented stocks. The issuance and listing of overseas listed foreign shares are mainly subject to a series of rules and regulations promulgated by the State Council and CSRC, and shall comply with *Special Provisions*.

On December 29, 1998, the Standing Committee of the National People's Congress promulgated *Securities Law of the People's Republic of China*, which became effective on July 1, 1999. It is the first national securities law of China, and a fundamental law comprehensively regulating the activities on China's stock market. The *Securities Law of the People's Republic of China* underwent two major revisions on August 28, 2004 and October 27, 2005 respectively. On June 29, 2013, *Decision of the Standing Committee of the National People's Congress on Amending the Cultural Relics Protection Law of the People's Republic of China and Other Eleven Laws* revised Article 129 of *Securities Law of the People's Republic of China*. On August 31, 2014, *Decision of the Standing Committee of the National People's Congress on Amending Five Laws Including the Insurance Law of the People's Republic of China* further revised *Securities Law of the People's Republic of China*. The *Securities Law of the People's Republic of China* shall apply to the issuance and trading of stocks, corporate bonds as well as any other securities as lawfully recognized by the State Council within China, and it shall regulate the issuance and trading of stocks, acquisition of listed companies, duties and responsibilities of stock exchanges, securities companies and securities regulatory authorities of the State Council. Where there is no such provision in the present Law, the provisions of the *Company Law* and other relevant laws and administrative regulations shall apply.

On March 26, 1999, the former State Economic and Trade Commission and CSRC jointly promulgated the *Proposals on Accelerating Standardized Operation of Companies Listed Overseas and Deepening Their Reforms* (Guo Jing Mao Qi Gai [1999] No. 230), aiming to regulate internal operation and management of Chinese companies listed overseas. The Proposals specifies the appointment and duties of outside directors and independent directors of the board of directors, and appointment and duties of outside supervisors of board of supervisors.

On July 14, 1999, CSRC promulgated the *Notice on Relevant Issues relating to Enterprises Applying for Overseas Listing* (Zheng Jian Fa Xing Zi [1999] No. 83). However, the *Regulatory Guidelines in Relation to the Document Submission and Review Procedure for Stocks Issuance and Overseas Listing by Joint Stock Companies* (CSRC Announcement [2012] No. 45) promulgated by CSRC on December 20, 2012, which specifies issues such as documents to be submitted and approval procedures for companies to apply for overseas listing, revoked the *Notice on Relevant Issues relating to Enterprises Applying for Overseas Listing*.

Joint Ventures

Domestic organizations and overseas investors may participate in China's joint ventures in two forms: Sino-foreign equity joint ventures and sino-foreign contractual joint ventures. Sino-foreign equity joint ventures are mainly subject to the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* promulgated on July 1, 1979 and revised and becoming effective on April 4, 1990 and March 15, 2001, and *Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment* promulgated on September 20, 1983 and revised on January 15, 1986, December 21, 1987, July 22, 2001, January 8, 2011 and February 19, 2014 respectively; while the sino-foreign contractual joint ventures are mainly subject to *Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures* promulgated on April 13, 1988 and revised and becoming effective on October 31, 2000 and *Detailed Rules on the Implementation of the Law of People's Republic of China on Sino-Foreign Joint Cooperative Ventures* which was promulgated and became effective on September 4, 1995 and revised on February 19, 2014.

(xxiii) Procedures for Establishing Joint Ventures

Approval from Ministry of Commerce (or its authorized representative offices) is required for establishing joint ventures. Before a joint venture is established, documents including feasibility study report, contract and articles of association of the joint venture must be submitted to the Ministry of Commerce or its authorized representative offices for approval. The applicant must apply for business license to State Administration for Industry & Commerce or local administrative bureau for industry and commerce within 30 days after the Ministry of Commerce issues approval. A joint venture shall be formally established on the day its business license is issued.

(xxiv) Chinese-Foreign Equity Joint Ventures

According to the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and *Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment*, a sino-foreign equity joint venture shall take the form of a limited liability company, enjoy civil rights and bear civil liability independently as an independent legal entity. All parties to a joint venture shall take responsibilities towards the joint venture to the extent of their respective capital contributions paid. They shall contribute to the registered capital in cash, in kind, in land use right, industrial property right or other properties according to the terms and conditions as agreed in the contract of the joint venture. Where one party to the joint venture transfers all or part of its equity to a third party, it shall obtain consent of the other parties to the joint venture, report the transfer to the examination and approval authority for approval, and change registration with the registration administration authorities. When a party to a joint venture transfers all or part of its equity interests to a third party, the other party has pre-emptive right. When a party to a joint venture transfers its equity interests to a third party, the terms of transfer shall not be more favourable than those to the other party to the joint venture.

The total amount of investment (including loans) of an equity joint venture refers to the sum of capital construction funds and the circulating funds needed for the equity joint venture's production scale as stipulated in the contract and the articles of association of the joint venture. A foreign investor shall contribute no less than 25% of the registered capital of the equity joint venture.

In general, the parties to the equity joint venture shall share the profits, risks and losses in proportion to their respective contributions to the registered capital.

According to the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and *Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment*, a joint venture shall not have shareholders meeting. The board of directors of a joint venture shall have the supreme power and be responsible for daily management of the company. A joint venture shall have a board of directors, which shall have its size and composition stipulated in the contract and the articles of association after consultation between the parties to the venture, and the directors shall be appointed and replaced by the parties to the venture. The chairman and the vice chairman are determined by the parties to the venture or elected by the board of directors. Either party of the Chinese-foreign joint venture may be the chairman and the other shall assume the office of vice chairman. In handling major problems, the board of directors shall reach a decision through consultation by the parties to the venture, in accordance with the principle of equality and mutual benefit. According to *Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment*, decisions on the following matters shall be made only after being unanimously agreed upon by the directors present at the board meeting:

- (A) amendment of the articles of association of the joint venture;
- (B) termination and dissolution of the joint venture;
- (C) increase or reduction of the registered capital of the joint venture;
- (D) merger or division of the joint venture.

(xv) Chinese-Foreign Contractual Joint Ventures

A contractual joint venture may be registered as independent legal entity or unincorporated entity. If it is registered as an independent legal entity, the joint venture will be established as a limited company; if it is not established as a legal entity, it shall bear corresponding civil liability according to applicable PRC civil law.

According to *Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures* and *Detailed Rules on the Implementation of the Law of People's Republic of China on Sino-Foreign Joint Cooperative Ventures*, parties to a joint venture may share profits and losses of the contractual joint venture in a manner agreed upon among the parties to the joint venture. Furthermore, if, upon the expiration of the period of a venture's operation, all the fixed assets of the contractual joint venture, as agreed upon by the Chinese and foreign parties in the contractual joint venture contract, are to belong to the Chinese party, the Chinese and foreign parties may prescribe in the contractual joint venture contract the ways for the foreign party to recover its investment ahead of time during the period of the venture's operation. The contractual joint venture contract stipulates that, where the foreign party recovers the investment before the payment of income tax, such foreign party shall make an application to the tax authorities for examination and approval in accordance with the tax provisions stipulated by the State. Under the above provision, where the foreign party recovers the investment in advance during the contractual period, the Chinese and foreign parties shall take responsibilities for the liabilities of the joint venture in accordance with the relevant laws and the requirements of the contractual joint venture contract.

(xxvi) **Management**

According to the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and *Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures*, supreme power of a joint venture resides in the board of directors. A joint venture does not need to hold shareholders meeting.

Generally, rights and functions of the board of directors are specified in the contract and the articles of association of the joint venture. A joint venture shall hold board meetings at least once a year. The board of directors shall make major decisions of the joint venture in relation to expansion plans, plans for production and operating activities, the budget, distribution of profits, the termination of business, the appointment of key personnel, etc. The management department, including a general manager and several deputy general managers appointed by the board of directors, shall be responsible for the daily operation and management of a joint venture. The general manager shall act as instructed by the board of directors.

(xxvii) **Equity Transfer**

According to *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and *Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment*, where a party to the sino-foreign equity joint venture transfers its equity interests in whole or in part to any third party, such party shall obtain the consent from the other party of the equity joint venture and submit to the examination and approval authorities for approval and file the changes in registration with the registration administration authorities. When a party to a joint venture transfers all or part of its investment to a third party, the other party has pre-emptive right. When a party to a joint venture transfers its equity interests to a third party, the terms of transfer shall not be more favourable than those to the other party to the joint venture.

According to *Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures* and *Detailed Rules on the Implementation of the Law of People's Republic of China on Sino-Foreign Joint Cooperative Ventures*, for transfer of all or part of its interests in the contractual joint venture contract between the parties to the sino-foreign contractual joint venture or by one party to a party other than the other party to the contractual joint venture contract, a written consent must be obtained from the other party to the contractual joint venture contract and be filed with the examination and approval authorities for approval.

Termination

According to the *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and *Regulations for the Implementation of the Law of the People's Republic of China on Joint Ventures Using Chinese and Foreign Investment*, a sino-foreign equity joint venture may be dissolved in the following situations:

- (A) expiration of the term of the joint venture;
- (B) inability to continue operations due to heavy losses;
- (C) inability to continue operations due to the failure of one of the parties to the joint venture to fulfil the obligations prescribed by the agreement, contract or articles of association;
- (D) inability to continue operations due to heavy losses caused by force majeure such as natural disasters and wars;
- (E) failure of the joint venture to achieve its business objective, coupled with no possibility for future development; or
- (F) occurrence of other reasons for dissolution described in contract and articles of association of the joint venture.

In cases described in Items (B), (D), (E) and (F) above, the board of directors shall make an application for dissolution to the examination and approval authority for approval. In situation described in Item (C) above, the party that performs the contract shall make an application for examination and approval by the examination and approval authorities.

In the situation described in Item (C) above, the party which has failed to fulfil its obligations prescribed in the agreement, contract and articles of association shall be liable for the losses arising therefrom.

According to the *Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures* and *Detailed Rules on the Implementation of the Law of People's Republic of China on Sino-Foreign Joint Cooperative Ventures*, a sino-foreign contractual joint venture may be dissolved in the following situations:

- (A) expiration of the term of the joint venture;
- (B) inability to continue operations due to heavy losses or heavy losses as a result of force majeure events;
- (C) inability to continue operations due to the failure of one or more of the parties to the sino-foreign joint venture to fulfil the obligations prescribed by the contract or articles of association;
- (D) occurrence of other reasons for dissolution described in contract and articles of association of the joint venture;
- (E) order of closure due to its violation of laws or administrative regulations.

In cases described in Items (B) and (D), the board of directors or joint management committee of the joint venture shall make a decision and file with the examination and approval authority for approval; In situation described in Item (C) above, the party or parties to the sino-foreign joint venture which has failed to fulfil its obligations prescribed in the contract and articles of association shall be liable for the losses arising therefrom to the other party. The non-defaulting party or parties shall have the right to make an application to the examination and approval authorities to dissolve the joint venture.

Arbitration and Enforcement of Arbitral Award

The Standing Committee of the National People's Congress passed *Arbitration Law of the People's Republic of China* (hereinafter referred to as "*Arbitration Law*") on August 31, 1994, which was effective as from September 1, 1995. On August 27, 2009, *Decision of the Standing Committee of the National People's Congress on Amending Some Laws* revised Articles 63, 70 and 71 of the *Arbitration Law*. The *Arbitration Law* applies to circumstances where all parties have entered into written agreement, agreeing to refer disputes concerning contract or properties to arbitration commissions formed in accordance with *Arbitration Law* for arbitration. According to the *Arbitration Law*, before the China Arbitration Association has promulgated arbitration rules, arbitration commissions may formulate interim rules for arbitration according to the *Arbitration Law* and *Civil Procedure Law of the People's Republic of China*. Whereas the parties concerned have reached an agreement for settling disputes by arbitration, the people's court shall not accept the suit brought to the court by any one single party involved, except in case where the agreement for arbitration is invalid.

According to *Arbitration Law* and *Civil Procedure Law of the People's Republic of China*, the arbitral award is final and binding upon all parties concerned. If one party fails to abide by the arbitral award, the other party of the arbitration may apply to the people's court for enforcement of the arbitral award. If the procedure for arbitration is not in conformity with the rules of arbitration (e.g. the composition of the arbitration commission violates the legal proceedings, the matters ruled are out the scope of the agreement for arbitration or the limits of authority of an arbitration commission), the people's court may refuse to enforce the arbitration decision made by the arbitration commission.

The *Hong Kong Listing Rules* and the *Special Provisions* require an arbitration clause to be included in the articles of association of a company listed in Hong Kong, and the *Hong Kong Listing Rules* also stipulate that the written contract entered into between the company and each of the directors, supervisors and senior management shall contain the following arbitration clauses:

- (a) Whenever a dispute or claim arises from any right or obligation provided in contract, the articles of association, the PRC Company Law and other relevant laws and administrative regulations concerning the affairs of the company between (i) the company and its directors, supervisors and senior management officers; and (ii) a holder of overseas-listed foreign invested shares and the directors, supervisors or senior management officers, such parties shall be required to refer such dispute or claim to arbitration.
- (b) Where a dispute or claim referred above involves the above parties, the entire claim or dispute must be referred to arbitration and all persons (being the company or shareholders, directors, supervisors, general managers or other senior management officers of the company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall submit to arbitration.
- (c) Disputes regarding definition of shareholders and register of members may be resolved other than by way of arbitration.
- (d) The claimant may refer the arbitration to either the China International Economic Centre in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral tribunal elected by the claimant.
- (e) If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.
- (f) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (a) above shall be resolved in accordance with the laws of the People's Republic of China.

- (g) The award made by the arbitral tribunal shall be final and conclusive, and shall be binding on the parties.
- (h) This arbitration agreement is made by the directors, supervisors or senior management officers with the company on its own behalf and on behalf of each shareholder.
- (i) Any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award.

China International Economic and Trade Arbitration Commission (CIETAC) is a Chinese arbitration agency targeting at economic and trade affairs. According to *Arbitration Rules of the China International Economic and Trade Arbitration Commission* which was revised on February 3, 2012 and became effective on May 1, 2012, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. CIETAC is based in Beijing and its branches or centres have been set up in Shenzhen, Shanghai, Tianjin and Chongqing respectively.

If one party to the arbitration requires enforcement of the award made by the foreign affairs arbitration agency of China against the other party not located or with properties not located in China, it may apply to an overseas court having jurisdiction on the matter to be enforced for enforcement of the award. Similarly, Chinese courts may, pursuant to the principle of reciprocity or any international conventions that China has signed or is committed to, confirm and enforce the arbitral award made by overseas arbitration agency. On December 2, 1986, the Standing Committee of the National People's Congress passed a resolution: China is committed to in *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (hereinafter referred to as the "New York Convention") promulgated on June 10, 1958. The *New York Convention* specifies that each Contracting State shall recognize and enforce all arbitral awards made by another Contracting State. However, any Contracting State reserves the right to refuse to enforce under certain circumstances (e.g. the award runs count to the public policy of that country). The Standing Committee of the National People's Congress announced at the time of China's signing of the Convention: (1) China will recognize and enforce foreign arbitral awards only on the basis of reciprocity principle; (2) the *New York Convention* only applies to the disputes arising from contractual or non-contractual commercial legal relations as recognized by PRC laws. On June 18, 1999, Hong Kong and Mainland China made arrangement on the mutual enforcement of arbitral awards. The new arrangement, which was made based on *New York Convention*, was approved by the Supreme People's Court of China and the Legislative Council of Hong Kong and became effective as from February 1, 2000. According to this arrangement, arbitral awards made by arbitration agencies of mainland China can be enforced in Hong Kong, and vice versa.

Foreign Exchange Control

China exercises control on foreign exchange. Legal tender of PRC is RMB, which cannot be converted to foreign currencies freely as limited by foreign exchange control for now. State Administration of Foreign Exchange (SAFE) under the People's Bank of China is responsible for administrating all affairs related to foreign exchange, including executing foreign exchange control regulations.

The *Regulation of the People's Republic of China on Foreign Exchange Administration* (Order No. 193 of the State Council, hereinafter referred to as "*Regulation on Foreign Exchange Administration*") promulgated by the State Council on January 29, 1996, effective as from April 1, 1996 and revised on January 14, 1997 and August 1, 2008, specifies the principles and penalties on management of matters like foreign exchange revenues and expenditures. The People's Bank of China formulates basic rules for foreign exchange control; SAFE and its subordinates are responsible for implementation of specific rules and foreign exchange control.

Under the *Regulation on Foreign Exchange Administration*, there are two categories of foreign exchange transactions: those under the current account and those under the capital account. Current account refers to the transactions concerning goods, services and current transfers in balance of payments (BoP), such as trade income and expenditure, labour service income and expenditure and one-off transfer of funds; capital account refers to the transactions that will result in the increase/decrease of assets and liabilities in BoP, such as capital transfer, direct investment, securities investments, derivative products and loans. China does not restrict the international payment and account transfer under current accounts. Convertibility of foreign exchange under the capital accounts, including direct investments and capital contributions, is still subject to restrictions, and approval from the SAFE and its subordinates must be obtained.

The *Provisions on the Settlement, Sale of and Payment in Foreign Exchange* promulgated by the People's Bank of China on June 20, 1996 and effective as from July 1, 1996 specifies the rules for foreign exchange control, aiming to regulate the settlement and sale of and payment of foreign exchange inside the PRC conducted by any enterprise, individual, economic organization and social organization inside the PRC. *Clarification and Explanation of Issues relating to Regulations for the Settlement, Sale and Payment of Foreign Exchange* promulgated by SAFE on July 4, 1996 specifies that the outbound remittance of profits and bonus by foreign-invested enterprises is considered a current account.

On July 21, 2005, PBOC promulgated *Announcement of the People's Bank of China on Reforming the RMB Exchange Rate Regime*, providing that starting from July 21, 2005, PRC will reform the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The People's Bank of China will announce the closing price of a foreign currency such as the US dollar traded against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for the trading against the RMB on the following working day. Furthermore, the People's Bank of China will, with reference to exchange rate on international foreign exchange market, publish exchange rates of RMB traded against other major currencies. In foreign exchange transactions, designated foreign exchange banks may by themselves draw up applicable foreign exchange rate within specific scope in accordance with the exchange rate published by the People's Bank of China.

Regulations on Overseas Investment

According to *Interim Measures for the Administration of Examination and Approval of the Overseas Investment Projects* (Order No. 21 of the NDRC) promulgated and implemented by the NDRC on October 9, 2004, any types of legal persons in China shall be examined and approved by an agency under the State Council or NDRC or local development and reform authorities before it makes direct or indirect overseas investment. In case investors or equity holding of approved projects is changed, the investors shall apply for amendment to the agency under the State Council or relevant development and reform authorities. According to *Interim Measures for the Administration of Examination and Approval of the Overseas Investment Projects* and *Circular of the National Development and Reform Commission on Properly Handling the Delegation of Approval Authority over Overseas Investment Projects to Lower-level Authorities* (Fa Gai Wai Zi [2011] No. 235), with respect to an overseas investment project to be carried out by a local enterprise, where the investment of Chinese party (parties) for resource development project is less than US\$300 million or where the investment of Chinese party (parties) for non-resource development project is less than US\$100 million (excluding special projects), such project shall be verified and approved by the provincial development and reform authorities; decisions on the foregoing overseas investment projects to be carried out by centrally governed enterprises shall be made by such enterprises at their discretion and filed with the NDRC for the record. With respect to an overseas investment project where the investment of Chinese party (parties) for resource development project is no less than US\$300 million or where the investment of Chinese party (parties) for non-resource development project is no less than US\$100 million, such project shall be verified and approved by the NDRC.

The *Interim Measures for the Administration of Examination and Approval of Overseas Investment Projects* (境外投資項目核准暫行管理辦法) (Order No. 21 of the NDRC) was abolished on May 8, 2014 and replaced by the *Measures for the Administration of Examination and Approval and Filing of Overseas Investment Project* (境外投資項目核准和備案管理辦法) (Order No. 9 [2014] of the NDRC).

According to the *Measures for the Administration of Examination and Approval and Filing of Overseas Investment Project* (境外投資項目核准和備案管理辦法) (Order No. 9 [2014] of the NDRC) promulgated on April 8, 2014 and implemented on May 8, 2014 by the NDRC, and then revised by *Decision of the National Development and Reform Commission on the Amendment of Relevant Provisions of the Measures for the Administration of Examination and Approval and Filing of Overseas Investment Project and the Measures for the Administration of Examination and Approval and Filing of Foreign-Invested Project* (Order No. 20 of the NDRC) on December 27, 2014, overseas investment projects must be approved by the NDRC or the State Council or filed with the development and reform authorities. The overseas investment projects involving sensitive countries and regions and sensitive industries shall be approved by the NDRC. In particular, for overseas investment projects with US\$2 billion or above invested by the Chinese party shall be reviewed by the NDRC and the opinion formed shall be filed with the State Council for approval. Other overseas investment projects shall be reported to the NDRC or its provincial counterparts for the record depending on the amount invested and the type of investors.

According to *Measures for Overseas Investment Management* (Order No. 5 [2009] of the Ministry of Commerce) that Ministry of Commerce promulgated on March 16, 2009 and became effective as from May 1, 2009, enterprises shall obtain the approval of commercial departments before they carry out overseas investments as prescribed in these Measures. Where, after an overseas investment application is approved, any matter in the original application changes, the enterprise shall apply to the original approving organ for handling the approval formalities for modification. The Chinese party shall obtain the approval of the Ministry of Commerce when it makes overseas investment with an amount no less than US\$100 million; the Chinese party shall obtain the approval of the provincial commerce department when it makes overseas investment with an amount no less than US\$10 million and below US\$100 million.

The Measures for Overseas Investment Management (Order No. 5 [2009] of the Ministry of Commerce) will be abolished on October 6, 2014 and replaced by the Measures for Overseas Investment Management (Order No. 3 [2014] of the Ministry of Commerce).

According to the Measures for Overseas Investment Management (Order No. 3 [2014] of the Ministry of Commerce, effective from October 6, 2014), the filing and approval management will be applied by the Ministry of Commerce and the provincial commerce administrative department according to different situations of enterprise overseas investments. The approval management will be applied where the enterprise overseas investments involving in sensitive countries and regions as well as sensitive sectors. The filing management will be applied in other cases of enterprise overseas investments.

According to *Notice of the State Council on Release of the List of Government Approved Investment Projects (2013)* (Guo Fa [2013] No.47) promulgated and implemented by the State Council on December 2, 2013, overseas projects in which the Chinese party invests no less than US\$1 billion and projects involving sensitive countries and regions or sensitive industries shall be approved by competent department for investment under the State Council. Projects invested by centrally governed enterprises other than those specified in the preceding paragraph and projects in which local enterprises invest no less than US\$300 million shall be reported to the competent department for investment under the State Council for the record. Where a domestic enterprise establishes overseas enterprises (excluding financial enterprises), it shall obtain approval of the Ministry of Commerce if sensitive countries and regions or sensitive industries are involved; otherwise, it shall report the establishment to the Ministry of Commerce for the record if it is a central enterprise, or report the establishment to the provincial government for the record if it is a local enterprise.

Notice of the State Council on Release of the List of Government Approved Investment Projects (2013) (Guo Fa [2013] No.47) will be abolished on October 31, 2014 and replaced by *Notice of the State Council on Release of the List of Government Approved Investment Projects (2014)* (Guo Fa [2014] No.53).

According to *Notice of the State Council on Release of the List of Government Approved Investment Projects (2014)* (Guo Fa [2014] No.53), investment projects involving sensitive countries and regions or sensitive industries shall be approved by competent department for

investment under the State Council. Other outbound investments of US\$300 million or above by centrally governed enterprises and local enterprises are required to be filed with the competent department for investment under the State Council.

According to *Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions* (Hui Fa [2009] No. 30) which was promulgated by SAFE on July 13, 2009 and became effective as from August 1, 2009, Chinese enterprises approved to directly invest overseas shall register the foreign exchange for their direct overseas investment with the foreign exchange authority.

2. SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the *Companies Ordinance* and the *Companies (Winding Up and Miscellaneous Provisions) Ordinance* and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the *PRC Company Law* and all other rules and regulations promulgated pursuant to the *PRC Company Law*.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the *PRC Company Law* applicable to a joint stock limited company incorporated under the *PRC Company Law*. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the *Companies Ordinance*, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provision.

Under the *PRC Company Law*, a joint stock limited company may be incorporated by promotion or public subscription. The amended *PRC Company Law* which came into effect on March 1, 2014 has no provision on the minimum registered capital of joint stock company, except that laws, administrative regulations and the State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The *PRC Company Law* provides that any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the *Securities Law*, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the *PRC Company Law*, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no over-valuation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, the domestic shares of a joint stock limited company, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and trade by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the *PRC Company Law*, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

The *PRC Company Law* does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the *Mandatory Provisions* contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The *PRC Company Law* has no special provision relating to variation of class rights. However, the *PRC Company Law* states that the State Council can promulgate regulations relating to other kinds of shares. The *Mandatory Provisions* contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix headed "Appendix V – Summary of Articles of Association" to this prospectus.

Under the *Companies Ordinance*, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in the class in question or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The *PRC Company Law*, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The *Mandatory Provisions*, however, contain certain restrictions on major disposals and specify the circumstances under which a director or a supervisor may receive compensation for loss of office.

Board of Supervisors

Under the *PRC Company Law*, a joint stock limited company's directors and senior management are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The *Mandatory Provisions* provide that each supervisor owes a duty, in the exercise of his rights or performance of his obligations, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The *PRC Company Law* provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate the laws, administrative regulations or the provisions of the articles of association in performing the duties of the company and result in losses of the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates the laws, administrative regulations or the provisions of the articles of association in performing the duties of the company and result in losses of the company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under contingent circumstances, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The *Mandatory Provisions* provide further remedies against the directors, supervisors and senior management who breach their duties to the company.

In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favour of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either appoint a receiver or manager over the property or business of the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The *Mandatory Provisions*, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets (including but not limited to any opportunities favourable to the company) or the individual rights of other shareholders (including but not limited to any distribution rights and voting rights, but excluding company reorganization proposed at the general meeting for approval pursuant to the articles of association).

Notice of Shareholders' General Meetings

Under the *PRC Company Law*, notice of a shareholder's annual general meeting of the joint stock limited company must be given not less than 20 days before the meeting, whereas notice of a shareholder's special general meeting must be given not less than 15 days before the meeting. Under the *Special Provisions* and the *Mandatory Provisions*, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the general meeting of the joint stock limited company must return the written reply slip for attending the meeting to the company at least 20 days before the date of the meeting. Under the Hong Kong company law, for a company incorporated in Hong Kong, the minimum period of notice is 21 days in case of an annual general meeting and 14 days in other cases.

Quorum for Shareholders' General Meetings

Under Hong Kong company law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The *PRC Company Law* does not specify any quorum requirement for a shareholders' general meeting, but the *Special Provisions* and the *Mandatory Provisions* provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent more than 50% of the voting rights at least 20 days before the proposed date of the meeting, or if the number of shares represented by the shareholders who intend to attend the meeting is less than 50% of the total number of voting shares of the company, the company shall within five days notify its shareholders by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong company law, an ordinary resolution is passed by a simple majority and a special resolution is passed by a majority of at least 75%. Under the *PRC Company Law*, the passing of any resolution at a general meeting requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or reduction of registered capital, merger, division or dissolution, or change of company form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the *PRC Company Law*, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The *Companies Ordinance*

requires a company incorporated in Hong Kong to send every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before the annual general meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The *Mandatory Provisions* require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The *Special Provisions* require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The *PRC Company Law* gives shareholders the right to inspect the company's articles of association, register of members, counterfoils of corporate bonds, minutes of the shareholders' general meetings, resolutions of board meetings, resolutions of supervisory board meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the *PRC Company Law* and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The *Mandatory Provisions* require the relevant company to appoint a trust company registered under the *Hong Kong Trustee Ordinance* (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the *Companies (Winding Up and Miscellaneous Provisions) Ordinance* or a compromise or arrangement between the company and its creditors or between the company and its

members under Division 2 of Part 13 of the *Companies Ordinance*, which requires the sanction of the court. Under *PRC Company Law*, merger, division, dissolution or change of company form of a joint stock limited liability company has to be approved by shareholders in general meeting, and shall obtain approval from the government regulatory authorities in accordance with relevant laws, administrative regulations and provisions of the statutes (if applicable).

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The *Mandatory Provisions* provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the *PRC Company Law*, a joint stock limited company, in distributing profits after tax to the shareholders, is required to make transfers equivalent to certain prescribed percentages by law of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the *PRC Company Law*, if a director, supervisor or senior management officer in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management officer should be liable to the company for such damages. In addition, the *Listing Rules* require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management officer).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the *PRC Company Law*, directors, supervisors and senior management of a company should be loyal and diligent. Under the *Special Provisions*, directors, supervisors and senior management shall fulfil their duties honestly and safeguard the interests of the company in accordance with the articles of association, and shall not take advantage of their positions and powers in the company to seek personal gains.

Closure of Register of Shareholders

The *Companies Ordinance* requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the *Mandatory Provisions*, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the benchmark date set for the purpose of distribution of dividends.

3. HONG KONG LISTING RULES

The *Listing Rules* provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to the Company.

Compliance Adviser

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance adviser acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance adviser should provide professional advice on continuous compliance with the *Listing Rules* and all other applicable laws and regulations, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser in fulfilling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountant's Report

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination or his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are issued securities of a PRC issuer other than foreign invested shares which are listed on the Hong Kong Stock Exchange, the *Hong Kong Listing Rules* require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalisation at the time of listing of not less than HK\$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalisation at the time of listing of more than HK\$10 billion.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the *Listing Rules*. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the *Hong Kong Takeovers Code* and any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the *Listing Rules* to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as at the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of the Company on terms no less exacting than those of the *Model Code* (as set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the *PRC Company Law*, the *Mandatory Provisions* or the *Hong Kong Listing Rules*.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- (a) a complete duplicate register of shareholders;
- (b) a report showing the status of its issued share capital;
- (c) its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- (d) special resolutions;
- (e) reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- (f) copy of the latest annual return filed with the SAIC or other competent PRC authorities; and
- (g) for shareholders only, copies of minutes of shareholders' general meetings.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- (a) agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Provisions and its articles of association;
- (b) agrees with the company, each shareholder, director, supervisor, manager and other senior management officer and it (acting both for the company and for each director, supervisor, manager and other senior management officer), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- (c) agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- (d) authorizes the company to enter into a contract on his behalf with each director and senior management officer whereby such directors and senior management undertake to observe and comply with their obligations to shareholder as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the *PRC Company Law*, the *Special Provisions* and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- (a) an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Provisions, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;

- (b) an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and
- (c) an arbitration clause which provides that whenever any disputes or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and its directors or senior management and between a holder of H shares and a director or senior management, such disputes or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral tribunal elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral tribunal is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share registrar do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the *Hong Kong Listing Rules* to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the *Hong Kong Listing Rules* to impose additional requirements and make special conditions in respect of any company's listing.

4. OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the *SFO*, the *Hong Kong Takeovers Code* and such other relevant ordinances and regulations will apply to a PRC issuer.

5. SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the *Securities Arbitration Rules*, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Summary of some provisions of the articles of association of the company is set out as follows. The said articles of association are formulated by the company pursuant to the *Company Law, Securities Law, Special Provisions, Mandatory Provisions, Letter of Opinions on Supplementary Amendments to Articles of Association of Companies to be Listed in Hong Kong, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (hereinafter referred to as “*Hong Kong Listing Rules*”) and other provisions, and have become effective and applicable after consideration and approval by the general meeting and the Board of the company and issue and listing of H shares of the company.

1. BOARD OF DIRECTORS, DIRECTORS, SUPERVISORS AND OTHER SENIOR EXECUTIVES

Right to Allot and Issue Shares

The articles of association do not contain provisions empowering the board of directors to allot or issue shares. The board of directors shall make a plan for allotment or issue of shares, which plan shall be subject to approval by the general meeting of the company through a special resolution. The company shall increase capital according to the procedures specified in relevant laws and administrative regulations.

Right to Dispose of Assets of the Company or Any of Its Subsidiaries

The right of the board of directors to approve matters involving use of the company’s assets, such as asset disposal (including but not limited to purchase, sale, replacement and retirement of assets), external investment, consigned financial management, consigned loans, lease of assets, and provision of guarantee for the company’s debts by mortgaging or pledging the company’s assets, shall be limited to not more than 20% of the latest audited net assets of the company at a single time, and subject to a strict examination and decision making procedure; and if the aforesaid matters involve more than 20% of the latest audited net assets of the company, the board of directors shall organize relevant experts and professionals to make assessments and submit them to the general meeting for approval.

A single donation or sponsorship involving over RMB30 million but not more than RMB60 million, and involving a cumulative amount of not more than RMB70 million in a fiscal year shall be subject to consideration and approval by the board of directors. A single donation or sponsorship involving over RMB60 million or involving a cumulative amount of more than RMB70 million in a fiscal year shall be subject to consideration and approval at the general meeting of the company.

Remuneration and Compensation for Loss of Position

The company shall conclude written contracts with its directors and supervisors in relation to their remunerations, subject to prior approval at a general meeting. The aforesaid remunerations include:

- (a) Remunerations as directors, supervisors or senior executives of the company;

- (b) Remunerations as directors, supervisors or senior executives of subsidiaries of the company;
- (c) Remunerations for providing other services for the company and subsidiaries thereof;
- (d) Compensations for the said directors or supervisors for losing their positions or for retirement.

Save as specified in the aforesaid contracts, the directors or supervisors shall not pursue legal action against the company for the aforesaid interests.

The company shall specify in the contracts concluded with the directors or supervisors in relation to remunerations that if the company is acquired, the directors or supervisors have the right to seek compensations or other monies for losing their positions or for retirement under the conditions approved at the general meeting. The acquisition in the preceding paragraph refers to any of the following circumstances:

- (i) Tender offer of any person to all the shareholders;
- (ii) Tender offer of any person to become a controlling shareholder of the company. Controlling shareholder shall be as defined in the articles of association.

Any monies received by the relevant directors or supervisors in violation of the provisions herein shall belong to those who sell their shares in response to the aforesaid tender offer, and the said directors or supervisors shall bear the expenses for distributing the said monies in proportion, which expenses shall not be deducted from the said monies.

Loans to Directors, Supervisors and Other Senior Executives

The company shall not directly or indirectly provide loan or loan guarantee to the directors, supervisors, the general manager and other senior executives of the company or its parent company, or to the connected persons of the aforesaid persons. The said provisions do not apply to the following circumstances:

- (a) The company provides loan or loan guarantee for its subsidiaries;
- (b) The company, in accordance with the engagement contracts approved at the general meeting, provides loan, loan guarantee or other monies to the directors, supervisors, the general manager and other senior executives of the company so that they may pay the expenses incurred for the company or for fulfilling duties of the company;
- (c) If the normal business scope of the company includes provision of loan and loan guarantee, the company may provide loan and loan guarantee to the relevant directors, supervisors, the general manager and other senior executives and their related persons, but the conditions for providing loan or loan guarantee shall be normal business conditions.

If the company provides loan in violation of the aforesaid provisions, the recipient of the loan shall return the same immediately regardless of the loan conditions.

The company shall not be forced to execute loan guarantee provided in violation of the preceding provisions except in the following circumstances:

- (i) The loan provider does not know that it has provided loan to the related persons of the directors, supervisors, the general manager and other senior executives of the company or its parent company;
- (ii) The guarantee provided by the company has been sold by the loan provider lawfully to a bona fide buyer.

The guarantee as referred to in the preceding provisions includes the act of the guarantor to undertake the responsibility or provide property to ensure that the obligor fulfils the obligations.

Financial Assistance for Buying Company's Shares

The company or subsidiaries thereof shall not at any time or in any form provide any financial assistance to purchasers or potential purchasers of the company's shares. The aforesaid purchasers include persons directly or indirectly undertaking obligations because of purchase of shares.

The company or subsidiaries thereof shall not at any time or in any form provide financial assistance to the aforesaid obligors for reducing or exempting their obligations.

The following acts are not deemed as prohibited in the aforesaid provisions:

- (a) The company provides the relevant financial assistance for the interest of the company in good faith and the said financial assistance is not mainly intended to buy back the company's shares or the said financial assistance is part of a general plan of the company;
- (b) The company distributes its properties as dividends according to law;
- (c) The company distributes shares as dividends;
- (d) The company decreases the registered capital, buys back shares and adjusts the equity structure in accordance with the articles of association;
- (e) The company, within its business scope, provides loan for its normal business operations (but such financial assistance shall not give rise to a decrease of the net assets of the company, or despite a decrease, such financial assistance is deducted from the distributable profit of the company);

- (f) The company provides loan for the employee stock ownership plan (but such financial assistance shall not give rise to a decrease of the net assets of the company, or despite a decrease, such financial assistance is deducted from the distributable profit of the company).

Financial assistance as referred to in the articles of association includes (but is not limited to):

- (i) Gift;
- (ii) Guarantee (including the case where the guarantor undertakes liability or provides property to ensure fulfilment of obligations by the obligor), compensation (excluding compensation for the company's own error), termination or waiver of rights;
- (iii) Provision of loan or conclusion of contract under which the company fulfils obligations prior to other parties, change of the said loan and the parties to the contract, and transfer of the said loan and rights under the contract;
- (iv) Provision of any other form of financial assistance when the company is insolvent, has no net assets or its net assets are likely to decrease significantly.

Obligations as referred to herein include the obligations undertaken by the obligor for concluding a contract or making an arrangement (regardless whether the said contract or arrangement is enforceable or whether it is undertaken by the obligor alone or jointly with others) or for changing his financial position in any form.

Disclosure of Interests in Contracts of the Company or Its Subsidiaries and Matters Concerning Voting on the Said Contracts

If directors, supervisors, the general manager and other senior executives of the company have any direct or indirect material interests in any contract, transaction or arrangement already concluded or under planning with the company (exclusive of engagement contract with the company), they shall responsively disclose the nature and extent of the said interests to the board of directors regardless whether the relevant matters are subject to approval by the board of directors in normal circumstances.

Other than under the exceptional circumstances specified in Note 1 of Appendix 3 of *Hong Kong Listing Rules* or by the SEHK, a director shall not vote on any resolutions of the board of directors with contract or arrangement or any other suggestion where he or his associates (as defined in *Hong Kong Listing Rules*) own a material interest; the said director shall not be included into the quorum of the meeting.

Unless the directors, supervisors, the general manager and other senior executives of the company having material interests have disclosed the said interests to the board of directors as per the aforesaid provisions, and the board of directors has not counted them in the quorum, and the said matters are approved at the meeting at which they do not vote, the company has the right to cancel the said contract, transaction or arrangement, save for the circumstance in which the other parties are bona fide parties uninformed of the default of the said directors, supervisors, the general manager and other senior executives.

If the connected persons of the directors, supervisors, the general manager and other senior executives of the company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, the general manager and other senior executives shall also be deemed as having interests.

If, before concluding relevant contract, transaction or arrangement with the company for the first time, the directors, supervisors, the general manager and other senior executives of the company have notified the board of directors in writing that they will have interests in the contract, transaction or arrangement to be concluded in the future because of the reasons set out in the notice, they will be deemed as having executed disclosure as specified above.

Remuneration

The remunerations of the directors, supervisors or senior executives of the company shall be considered and approved at the general meeting of the company. For details, please refer to C “Remuneration and Compensation for Loss of Position” above.

Retirement, Appointment and Dismissal

Directors of the company are natural persons, and need not hold shares of the company.

Directors shall be elected or replaced at general meetings and shall each serve a term of three years. The term of a director is renewable by re-election after its expiry.

The board of directors shall consist of nine directors, including three independent directors. The board of directors shall have one chairman and one vice chairman. The chairman and vice chairman shall be elected and dismissed by more than half of all the directors.

In any of the following circumstances, a person shall not serve as director, supervisor, general manager or other senior executive of the company:

- (a) Being without civil capacity or with only limited civil capacity;
- (b) Having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the economic order of the socialist market and five years have not elapsed since the completion date of the execution of the penalty; or he has ever been deprived of his political rights due to any crime and five years have not elapsed since the completion date of the execution of the penalty;

- (c) He was a former director, factory director or manager of a company or enterprise which was bankrupt and liquidated, whereby he was personally liable for the bankruptcy of such company or enterprise, and three years have not elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;
- (d) He was the legal representative of a company or enterprise, but the business license of this company or enterprise was revoked and this company or enterprise was ordered to close due to a violation of the law, whereby he was personally liable for the revocation, and three years have not elapsed since the date of the revocation of the business license thereof;
- (e) He has a relatively large amount of debt which is due but has not been paid;
- (f) He is under a penalty of prohibited access to the securities market imposed by the securities regulatory authority under the State Council, which penalty is still effective;
- (g) He is under investigation by the judiciary authority for violation of the criminal law;
- (h) He is disqualified as corporate leader in laws and administrative regulations;
- (i) He is not a natural person;
- (j) He was ruled by the relevant regulatory authority that he has violated the relevant securities regulations and committed any fraudulent or dishonest act, and such ruling was made less than five years ago;
- (k) He is otherwise disqualified by the laws, administrative regulations or departmental rules.

The validity of an act of a director, the general manager or other senior executives on behalf of the company for a bona fide third person is not affected by any incompliance in the appointment, election or qualification thereof.

Resolutions in respect of the election of directors or supervisors may be passed by way of cumulative voting at the general meeting pursuant to the articles of association or resolution of the general meeting. Cumulative voting shall be adopted for election of more than two non-independent directors, independent directors and supervisors at the general meeting of the company.

Cumulative voting mentioned in the articles of association means that when directors or supervisors are being elected at a general meeting, each share has as many voting rights as the candidates for directors or supervisors, and the shareholders' voting rights may be used in a concentrated manner. The board of directors shall provide shareholders with the brief biographies and background information of the director or supervisor candidates.

Right to Borrow Monies

The company has the right to seek financing and borrow monies according to laws and administrative regulations, including but not limited to issuing bonds, mortgaging or pledging part or whole of the assets of the company. The company also has the right to provide guarantee for a third party, but it shall not damage or abrogate the rights of any class shareholder in exercising the said right.

The right of the board of directors to approve matters involving use of the company's assets, such as asset disposal (including but not limited to purchase, sale, replacement and retirement of assets), external investment, consigned financial management, consigned loans, lease of assets, and provision of guarantee for the company's debts by mortgaging or pledging the company's assets, shall be limited to not more than 20% of the latest audited net assets of the company at a single time, and subject to a strict examination and decision making procedure; and if the aforesaid matters involve more than 20% of the latest audited net assets of the company, the board of directors shall organize relevant experts and professionals to make assessments and submit them to the general meeting for approval.

The board of directors of the company shall:

- (a) Have the right to formulate plans for issue of corporate bonds;
- (b) Seek approval of the general meeting of the company by special resolutions for matters concerning the issue of corporate bonds.

Duties

In exercising the powers conferred by the company, directors, supervisors, the general manager and other senior executives of the company shall fulfill the following obligations to each shareholder in addition to the obligations under the relevant laws, administrative regulations or the listing rules of the stock exchange on which the shares of the company are listed:

- (a) Not to let the company operate beyond the business scope specified in its business license;
- (b) To sincerely act in the best interest of the company;
- (c) Not to seize from the company any asset, including (but not limited to) opportunity favorable to the company;
- (d) Not to seize from any shareholder any personal interests, including (but not limited to) distribution right and voting right, but excluding corporate reorganization submitted for adoption at the general meeting pursuant to the articles of association.

In exercising rights or fulfilling obligations, the directors, supervisors, the general manager and other senior executives of the company have the duty to act with due discretion, diligence and skill as a reasonable discreet person should do in similar circumstances.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

In fulfilling duties, the directors, supervisors, the general manager and other senior executives of the company shall observe the principle of honesty and shall not set themselves in a position where their own interests may conflict with their obligations. The said principle includes (but is not limited to) performance of the following obligations:

- (i) To sincerely act in the best interest of the company;
- (ii) To exercise their rights within their terms of reference;
- (iii) To exercise personally the discretion vested in them and not to allow themselves to be controlled by others and, save as permitted by laws or administrative regulations or with the informed consent of shareholders given at a general meeting, not to transfer the exercise of their discretion to others;
- (iv) To be equitable towards shareholders of the same class and fair towards shareholders of different classes;
- (v) Not to conclude any contract, conduct any transaction or make any arrangement with the company save as specified in the articles of association or with the informed consent of shareholders given at a general meeting;
- (vi) Not to seek personal gains by using the property of the company in any form without the informed consent of shareholders given at a general meeting;
- (vii) Not to abuse official powers to accept bribes or other unlawful income, and not to expropriate the company's property in any form, including (but not limited to) opportunity favorable to the company;
- (viii) Not to accept commissions in connection with the company's transactions without the informed consent of shareholders given at a general meeting;
- (ix) To observe the articles of association, fulfill duties honestly, protect the interests of the company, and not to seek personal gains by using their positions and powers in the company;
- (x) Not to compete with the company in any form without the informed consent of shareholders given at a general meeting;
- (xi) Not to appropriate the monies of the company or lend the same to others, not to open in their own names or in others' names any bank account for the purpose of depositing any of the company's assets, and not to use the company's asset to provide any guarantee for any debt of any shareholder of the company or any other individual;

(xii) Without the informed consent of the shareholders given at a general meeting, not to disclose any confidential information related to the company acquired by them during the term of their office; not to use the said information save for the interest of the company; however, they may disclose such information to a court or other governmental regulatory authorities in the following circumstances:

- (A) required by law;
- (B) required in the interests of the public;
- (C) required for the interests of the said directors, supervisors, the general manager and other senior executives.

Directors, supervisors, the general manager and other senior executives of the company shall not tell the following persons or institutions (“connected persons”) to do anything that the directors, supervisors, the general manager and other senior executives cannot do:

- (i) Spouses or minor offspring of directors, supervisors, the general manager and other senior executives of the company;
- (ii) Trustees of directors, supervisors, the general manager and other senior executives of the company or persons set out in Item (i) herein;
- (iii) Partners of directors, supervisors, the general manager and other senior executives of the company or persons set out in Items (i) and (ii) herein;
- (iv) Companies effectively independently controlled by directors, supervisors, the general manager and other senior executives of the company or companies effectively jointly controlled with the persons set out in Items (i), (ii) and (iii) herein or other directors, supervisors, the general manager and other senior executives of the company;
- (v) Directors, supervisors, the general manager and other senior executives of the companies as set out in Item (iv) herein.

The fiduciary duties of the directors, supervisors, the general manager and other senior executives of the company shall not necessarily end with the expiry of their terms of office, and their confidentiality obligation to the company shall continue after expiry of their terms of office. Other obligations may continue for such period as the principle of fairness may require depending on the amount of time which has lapsed between the termination and the act concerned and the specific circumstances under which the relationship between the company and them was terminated.

The liability of directors, supervisors, the general manager and other senior executives of the company for breaching a given obligation may be exempted through an informed resolution given by shareholders at a general meeting, save for the circumstances specified in Article 66 of the articles of association.

If the directors, supervisors, the general manager or other senior executives fail to fulfil the obligations to the company, the company has the right to take the following actions in addition to the rights and remedial measures under the relevant laws and administrative regulations:

- (i) Require the directors, supervisors, the general manager or other senior executives to compensate the company for the losses arising from their neglect of duty;
- (ii) Cancel the contracts or transactions concluded between the company and the directors, supervisors, the general manager or other senior executives, or between the company and a third person (if the third person knows or is supposed to know that the directors, supervisors, the general manager or other senior executives representing the company have breached their obligations to the company);
- (iii) Require the relevant directors, supervisors, the general manager or other senior executives to surrender gains arising from breach of obligations;
- (iv) Recover monies, including (but not limited to) commissions, received by the relevant directors, supervisors, the general manager or other senior executives but receivable by the company;
- (v) Require the relevant directors, supervisors, the general manager or other senior executives to surrender interests earned or likely to be earned from monies payable to the company.

2. AMENDMENT TO THE ARTICLES OF ASSOCIATION

The company may amend the articles of association pursuant to laws, administrative regulations and the articles of association. The company shall amend the articles of association under any of the following circumstances:

- (i) After amendments are made to *Company Law* or relevant laws and administrative regulations, the articles of association run counter to the said amendments;
- (ii) The company's conditions have changed, and such change is not covered in the articles of association;
- (iii) The general meeting has resolved to amend the articles of association.

Any amendment approved by the general meeting to the articles of association shall be submitted to the competent authority for approval where necessary; if the amendment to the articles of association involves any content of *Mandatory Provisions*, the said amendment shall be subject to approval by the company approval authority authorized by the State Council and securities regulatory authority under the State Council (if applicable); if the amendment involves registration of the company, the involved change shall be registered pursuant to law.

The board of directors shall amend the articles of association as per the resolution passed at the general meeting to amend the same and the opinions of relevant competent authorities.

Where the amendments to the articles of association involve matters requiring disclosure by laws and regulations, the amendments shall be announced in accordance with regulations and the provisions of the Hong Kong Listing Rules shall be observed.

3. VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

A. Content of Rights

In the following conditions, rights of a class of shareholders shall be deemed to have been changed or abrogated:

- (i) an increase or decrease in the number of shares of such class or an increase or decrease in the number of shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (ii) a change of all or part of the shares of such class into shares of another class, a conversion of all or part of the shares of another class into shares of such class or the grant of the right to such change;
- (iii) a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;
- (iv) a reduction or removal of a dividend preference or property distribution preference during liquidation of the company, attached to shares of such class;
- (v) an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive placing rights, or rights to acquire securities of the company attached to shares of such class;
- (vi) a removal or reduction of rights to receive amounts payable by the company in a particular currency attached to shares of such class;
- (vii) a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of such class;
- (viii) an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;
- (ix) an issuance of rights to subscribe for, or convert into, shares of such type or other classes;
- (x) an increase in the rights and privileges of shares of other classes;

- (xi) restructuring of the company causing shareholders of different categories to bear liability to different extents during the restructuring;
- (xii) an amendment or cancellation of the above provisions.

B. Procedures

Any proposed change or cancellation by the company of the rights of class shareholders shall not come into effect unless approved by special resolutions at a general meeting and a separate meeting convened by the class shareholders so affected in accordance with Articles 138 to 142 of the articles of association.

Where issues specified in Items (ii) to (viii), (xi) to (xii) above are involved, the affected class shareholders, whether or not they are entitled to vote at general meetings originally, shall have the right to vote at class general meetings. However, interested shareholder(s) shall not be entitled to vote at such class meetings.

Interested shareholders referred to above shall have the following meanings:

- (i) after the company has made a repurchase offer to all shareholders equally pro rata or made a repurchase by means of public transaction at the stock exchange in accordance with Article 31 of the articles of association, “interested shareholders” refers to the controlling shareholders defined in Article 67 of the articles of association;
- (ii) after the company has made a repurchase by means of agreement outside the stock exchange in accordance with Article 31 of the articles of association, “interested shareholders” refers to the shareholders concerned with this agreement;
- (iii) in the company’s restructuring plan, “interested shareholders” refers to those shareholders who assume responsibilities with smaller proportion than other shareholders of the same class or those shareholders who enjoy different interests from other shareholders of the same class.

Resolutions of a class general meeting shall be approved by votes representing more than two thirds of the voting rights of class shareholders present at the meeting who, in accordance with Article 138 of the articles of association, are entitled to vote at the meeting.

Other than holders of other classes of shares, holders of domestic shares and overseas listed foreign shares are deemed as shareholders of different classes.

Special procedures for voting by shareholders of different classes do not apply to the following circumstances:

- (i) where the company issues, upon the approval by special resolution of its shareholders at a general meeting, either separately or concurrently once every twelve months, not more than 20% of each of its existing issued domestic shares and overseas listed foreign shares;

- (ii) where the company's plan to issue domestic shares and overseas listed foreign shares at the time of its establishment is carried out within fifteen months from the date of approval of the securities regulatory authority under the State Council;
- (iii) domestic shares of the company, after approval from the securities regulatory authority under the State Council and other examination and approval authorities (including but not limited to Securities and Futures Commission and SEHK, if applicable) can be converted to foreign shares and be listed and traded on an overseas stock exchange.

4. SPECIAL RESOLUTIONS – MAJORITY REQUIRED

Resolutions of a general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions shall be approved by votes representing more than half of voting rights held by shareholders (including proxies thereof) present at the general meeting.

Special resolutions shall be adopted by shareholders representing two thirds or more of the voting rights of the shareholders (including proxies thereof) in presence.

5. VOTING RIGHTS

Shareholders (including proxies thereof) shall exercise their voting rights as per the voting shares they represent. Each share carries the right to one vote.

Shares in the company which are held by the company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

The board of directors, independent directors and qualified shareholders may collect voting rights from shareholders.

Shareholders may vote by hand in a general meeting, unless relevant regulations of securities regulatory authority at the location where the shares of the company are listed require ballot voting, or other laws and regulations provide otherwise, or the following persons require ballot voting before or after hand voting:

- (i) chairman of the meeting;
- (ii) at least two shareholders or their proxies with voting rights;
- (iii) one or several shareholders (including their proxies) holding more than 10% (inclusive) of the voting shares in the meeting, whether separately or aggregately.

Unless relevant regulations of securities regulatory authority at the location where the shares of the company are listed require ballot voting, or other laws and regulations provide otherwise, or someone proposes ballot voting, the chairman of the meeting shall announce the adoption status of the proposal according to the hand voting result, and record it in the meeting minutes as the final basis without demonstrating the affirmative or negative votes or their proportion for the resolution adopted in this meeting.

The request for ballot voting can be withdraw by the proposer.

If the issue required to be voted by ballot relates to election of chairman or termination of meeting, voting by ballot shall be conducted immediately; in respect of other issues required to be voted by ballot, the chairman may decide the time of voting by ballot, and the meeting may proceed to consider other issue. The voting results shall still be deemed as resolutions passed at the said meeting.

In voting, shareholders (including proxies thereof) entitled to two or more votes need not cast all his votes in the same way of pros or cons or abstain from voting.

If pros and cons are equal, either by show of hands or by ballot, the chairman shall be entitled to an additional vote.

6. ANNUAL GENERAL MEETINGS

General meetings are classified into annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year within six months from the end of the previous fiscal year.

7. ACCOUNTS AND AUDIT

The company shall formulate its financial and accounting system in accordance with relevant laws, administrative regulations and the provisions of the relevant authorities of the state.

The company shall submit annual financial report to securities regulatory authority of the State Council and the stock exchange within four months from the end of each fiscal year, submit semi-annual financial reports to CSRC Fujian Office and the stock exchange within two months from the end of the first six months of each fiscal year, and submit quarterly financial reports to CSRC Fujian Office and the stock exchange within one month from the end of the first three months and nine months respectively of each fiscal year.

The aforesaid financial reports shall be prepared in accordance with relevant laws, administrative regulations and the provisions of the relevant authorities of the state and published in accordance with regulations of securities regulatory authority at the location where the shares of the company are listed.

The board of directors shall, at each annual general meeting, submit to the shareholders the financial reports prepared by the company in accordance with the relevant laws, administrative regulations, and regulatory documents of local governments and competent authorities.

The financial reports of the company shall be kept in the company and accessible to the shareholders 20 days before convening of the annual general meeting. Every shareholder shall have the right of access to the aforesaid financial reports mentioned in the articles of association.

Save as otherwise specified in the articles of association, the company shall, at least 21 days before the annual general meeting, send by personal delivery or prepaid mail or by the method permitted by the stock exchange where the shares of the company are listed the said reports or the reports of the board of directors together with balance sheet (including every document required by laws and regulations to be annexed thereto), income statement or statement of income and expenditure, to all holders of overseas listed foreign shares at the address registered in the shareholders' register.

The financial statements of the company shall be prepared in accordance with not only PRC accounting standards and regulations, but also the international accounting standards or the accounting standards of the overseas listing place. If the financial statements prepared under the two accounting standards are discrepant significantly, such discrepancy shall be indicated in the notes to the financial statements. The company shall distribute the after-tax profit of the relevant fiscal year as per the less of the after-tax profits in the aforesaid two financial statements.

The interim results or financial data announced or disclosed by the company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas listing place.

The company shall not establish account books other than the statutory account books. The assets of the company shall not be deposited in any personal account.

The company shall conduct internal audit and assign full-time auditors to conduct internal audit and supervision on the revenues/expenditures and economic activities of the company.

The internal audit system and duties of the auditors shall be subject to the approval of the board of directors. The officer in charge of audit shall be accountable to the board of directors and report his work to the same.

8. NOTICE AND AGENDA OF MEETINGS

The general meeting is the company's organ of power, which shall exercise the following powers according to law:

- (i) Determine the Company's operational guidelines and investment plans;
- (ii) Elect and replace Directors and Supervisors served by non-employee representatives and decide upon matters relating to their remuneration;
- (iii) Consider and approve reports by the Board of Directors;

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- (iv) Consider and approve reports by the Board of Supervisors;
- (v) Consider and approve annual financial budget plans and final accounting plans of the Company;
- (vi) Consider and approve profit distribution plans and plans to make up losses of the Company;
- (vii) Adopt resolutions on the increase or decrease of registered capital of the Company;
- (viii) Adopt resolutions on the issue of corporate bonds;
- (ix) Adopt resolutions on merger, division, dissolution, liquidation and change of form of the Company;
- (x) Amend the Articles of Association;
- (xi) Adopt resolutions on the appointment, removal and non-reappointment of accounting firm;
- (xii) Consider and approve guarantees as provided in Article 69 of the Articles of Association;
- (xiii) Consider matters of major acquisition and disposal of the Company within the year exceeding 30% of the total value of net assets shown in the latest audited account of the Company;
- (xiv) Consider and approve matters of alteration of the use of proceeds;
- (xv) Consider share incentive plans;
- (xvi) Consider proposals raised by shareholders individually or collectively holding more than 3% of the Shares of the Company;
- (xvii) Consider other matters which shall be decided by the general meeting in accordance with the laws, administrative regulations, departmental rules, requirements of the securities regulatory authority of places where Shares of the Company are listed as well as provisions of the Articles of Association.

Unless the company is in a crisis or any special circumstance, the company, without prior approval by a special resolution at the general meeting, may not enter into any contract with any person (other than the directors, supervisors, the general manager and other senior executives) pursuant to which such person shall be responsible for the management of the entire or any substantial part of the company's business.

General meetings are classified into annual general meetings and extraordinary general meetings. Annual general meetings shall be convened once a year within six months from the end of the previous fiscal year.

In any of the following circumstances, the company shall convene an extraordinary general meeting within two months from the date upon which the circumstance occurs:

- (i) The number of directors is less than the number of directors as required by the *Company Law* (namely five persons) or less than two thirds of the number of directors as specified in the articles of association (namely six persons);
- (ii) The un-recovered losses of the company reach one third of the total paid-in capital;
- (iii) At the request of the shareholders separately or aggregately holding 10% or more of the company's shares;
- (iv) The board of directors deems it necessary;
- (v) At the request of the board of supervisors; and
- (vi) Other circumstances as required by laws, administrative regulations, departmental rules or the articles of association.

Where the company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders recorded in the shareholders' register of the issues to be considered at the meeting, and the date and place of the meeting. Any shareholder intending to attend the meeting shall deliver to the company a written reply showing his intention to attend at least 20 days before the meeting.

The duration of the aforesaid 45 days shall not include the day on which the meeting is convened.

Where the company convenes a general meeting, the board of directors, board of supervisors, and shareholder(s) separately or aggregately holding more than 3% shares of the company may make proposals to the company, which shall be submitted or served in writing.

Shareholder(s) separately or aggregately holding more than 3% shares of the company may submit written provisional proposal to the convener ten days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two days after receipt of the proposal, announce the contents of the proposal and submit the said provisional proposal to the general meeting for consideration.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of general meeting or add any new motion after the said notice is served.

The content of the proposals shall belong to the scope of function of the general meeting and shall have a clear agenda and a specific resolution item compliant with the laws, administrative regulations and relevant provisions of the Articles of Association. Proposals not set out in the notice of general meeting or not complying with the above provision shall not be voted on or resolved at the general meeting.

The company shall, based on the written replies received from shareholders 20 days prior to the date of the general meeting, calculate the number of voting shares held by shareholders intending to attend the meeting. Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than one half of the company's voting shares, the company may hold a general meeting; if not, the company shall, within five days, notify the shareholders again of the issues to be considered, the date and place of the meeting in the form of public announcements. The company may then convene a general meeting after such announcements have been made.

An extraordinary general meeting shall not resolve on matters not specified in public announcements.

The notice of a general meeting shall meet the following requirements:

- (i) Be in writing;
- (ii) Specify the place, date, time and duration of the meeting;
- (iii) Explain matters and proposals submitted for consideration at the meeting;
- (iv) Provide the shareholders with such information and explanation as necessary for them to make informed decisions in connection with the matters to be discussed; this principle includes (but is not limited to) where a proposal is made to merge the company, to buy back shares of the company, to reorganize its share capital or to make any other reorganization of the company, and detailed conditions of the proposed transaction shall be provided together with contracts (if any) and the cause and effect of any such proposal shall also be properly explained;
- (v) Contain a disclosure of the nature and extent of the material interests of any director, supervisor, general manager or other senior executive in the proposed transaction and the effect which the proposed transaction will have on them in their capacity as shareholders insofar as it is different from the effect on interests of shareholders of the same class;
- (vi) Contain the full text of any special resolution to be proposed at the meeting;
- (vii) Contain a clear statement that a shareholder entitled to attend and vote at such meeting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf and that such proxy need not be a shareholder;
- (viii) Specify the time and place for delivering power of attorney for voting for the relevant meeting;

- (ix) Set out the equity registration date of shareholders who are entitled to attend the meeting;
- (x) List the name(s) and telephone number(s) of the contact person(s) for the meeting.

The notice and supplementary notice of general meeting shall fully disclose particulars of all the proposals. Where the opinions of an independent director are required on the issues to be discussed, such opinions and reasons thereof shall be disclosed when the notice or supplementary notice of general meeting is served.

If a general meeting is held online or by other means, the notice of general meeting shall specify the voting time and voting procedure over network or other means. The time to start voting at a general meeting held online or by other means shall not be earlier than 3:00 PM of the day preceding the date of the onsite general meeting or later than 9:30 AM of the date of the onsite general meeting, and shall not conclude earlier than 3:00 PM of the date of the onsite general meeting.

The interval between equity registration date and the date of the meeting shall not be more than seven working days. The equity registration date shall not be changed once confirmed.

Save as otherwise specified in the articles of association, the notice of general meeting shall be delivered to shareholders (whether or not they are entitled to vote at the general meeting) by personal delivery or by prepaid mail to their addresses as shown in the shareholders' register. For holders of domestic shares, the notice of a general meeting may be issued in the form of public announcement.

Public announcement referred to in the preceding paragraph shall be published in one or more newspaper(s) designated by the securities regulatory authority at the location where the shares of the company are listed during the period between 45 days to 50 days prior to the date of the meeting. Once the announcement has been published, all holders of domestic shares shall be deemed to have received notice of the relevant meeting.

Pursuant to laws, administrative regulations, regulatory documents and relevant provisions of securities regulatory authority at the location where the shares of the company are listed and after completing relevant specified procedures, the company may issue the notice of general meeting to the holders of overseas listed foreign shares on the company's website or the websites designated by SEHK or by other means permitted by *Hong Kong Listing Rules* and the articles of association, instead of sending the same by personal delivery or prepaid mail to the holders of overseas listed foreign shares.

The accidental omission to give notice of meeting to, or non-receipt of notice of meeting by, any person entitled to receive notice shall not invalidate the meeting and the resolutions adopted at the meeting.

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The following issues shall be approved by ordinary resolutions at a general meeting:

- (i) Reports of the board of directors and board of supervisors;
- (ii) Profit distribution plans and loss recovery plans formulated by the board of directors;
- (iii) Appointment and removal of the members of the board of directors and the board of supervisors, their remunerations and the method of payment thereof;
- (iv) Annual budgets, final accounts, balance sheets, income statements, and other financial statements of the company;
- (v) Annual reports of the company; and
- (vi) Other matters other than those required by laws, administrative regulations, or by the listing rules of stock exchange on which the shares of the company are listed or by the articles of association to be approved by a special resolution.

The following issues shall be approved by special resolutions at a general meeting:

- (i) Increase or reduction in the registered capital of the company and the issue of shares of any class, warrants and other similar securities;
- (ii) Issue of corporate bonds;
- (iii) Split-up, merger, dissolution and liquidation of the company;
- (iv) Amendments to the articles of association;
- (v) The company's acquisition or disposal of major assets within one year with the transaction amount exceeding 30% of the latest audited total assets of the company;
- (vi) Buyback of the company's shares;
- (vii) Equity incentive scheme; and
- (viii) Any other matter specified in the laws, administrative regulations, the listing rules of the stock exchange on which the shares of the company are listed or the articles of association and confirmed by an ordinary resolution at a general meeting that it may have material impact on the company and accordingly shall be approved by special resolutions.

9. SHARE TRANSFER

Save as otherwise specified by laws, administrative regulations, the articles of association and relevant provisions of the securities regulatory authority at the location where the shares of the company are listed, the company's shares may be transferred freely and shall not be subject to any lien.

Transfer of the overseas listed foreign shares (H shares) listed on SEHK shall be registered with a Hong Kong securities registry entrusted by the company.

All overseas listed foreign shares listed on SEHK for which full payment has been made may be freely transferred in accordance with the articles of association and shall not be subject to any lien; unless the following conditions are met, the company's board of directors may refuse to recognize any transfer document without providing any reason:

- (i) Transfer documents and other documents relating to or affecting ownership of any shares shall be registered, and a registration fee shall be paid to the company as per the standard specified in the *Hong Kong Listing Rules*; and the said fee shall not exceed the maximum amount stipulated from time to time by SEHK in the *Hong Kong Listing Rules*;
- (ii) The transfer document shall only relate to overseas listed foreign shares listed on SEHK;
- (iii) Stamp tax as required by Hong Kong laws has been paid for the transfer document;
- (iv) It is required to provide relevant shares and evidence reasonably required by the board of directors to prove that the transferor has the right to transfer the said shares;
- (v) If the shares are transferred to joint holders, the number of joint shareholders shall not exceed four; and
- (vi) The company shall not have any liens on the relevant shares.

Should the board of directors refuse to register any transfer of shares, the company shall, within two months after the request for transfer is submitted, provide the transferor and the transferee with a notice of refusal to register the said share transfer.

Transfer of all the overseas listed foreign shares listed in Hong Kong shall be executed with a written transfer instrument (including the standard transfer format or transfer form specified by SEHK from time to time) with a common format or any other format accepted by the board of directors, which instrument may be signed by hand, or affixed with the company's seal (if the transferor or transferee is a company). If the transferor or transferee is a recognized clearing house (hereinafter referred to as "Recognized Clearing House") as defined in relevant Hong Kong ordinances which take effect from time to time or agent thereof, the said transfer form may be signed by hand or in printed form.

All transfer instruments shall be kept at the legal address of the company or other place designated by the board of directors from time to time.

The respective parts of the shareholders' register shall not overlap each other. No transfer of shares registered in any part of the shareholders' register shall, during the continuous period of such registration, be registered in any other part of the register.

Any change or correction of any part of the shareholders' register shall comply with the law of the location where the said part is kept.

Change of the shareholders' register arising from share transfer shall not be registered within 30 days before convening of a general meeting or five days before the benchmark date on which the board of directors decides to distribute dividends.

If the securities regulatory authority at the location where the shares of the company are listed has other provisions, such provisions shall prevail.

10. RIGHT OF THE COMPANY TO BUY BACK ITS OWN SHARES

The company may decrease its registered capital pursuant to *Company Law*, other relevant laws and regulations, and the articles of association.

The company may, in the following circumstances, buy back its shares pursuant to laws, administrative regulations, departmental rules and the articles of association:

- (i) To decrease the registered capital of the company;
- (ii) To merge with another company holding shares of the company;
- (iii) To award the employees of the company with shares;
- (iv) Shareholders object to resolutions of the general meeting concerning merger or split-up of the company, requiring the company to buy their shares; and
- (v) Other circumstances permitted by laws and administrative regulations.

The company shall not trade its shares unless in the aforesaid circumstances.

Where a company needs to purchase its own shares for any of the reasons as mentioned in Items (i) through (iii) above, it shall be subject to a resolution of the general meeting. After the company purchases its own shares pursuant to the aforesaid provisions, it shall, under the circumstance as mentioned in Item (i), write them off within ten days after the purchase; while under either circumstance as mentioned in Item (ii) or (iv), transfer them or write them off within six months.

The shares purchased by the company according to Item (iii) above shall not exceed 5% of the total shares already issued by the company; the fund used for the share purchase shall be paid from the after-tax profits of the company; and the shares purchased by the company shall be transferred to the company's employees within one year.

The company may buy back its shares in any of the following ways:

- (i) Offering to all the shareholders for buyback in the same proportion;

- (ii) Buying back through open transaction in the stock exchange;
- (iii) Buying back through agreement outside the stock exchange; and
- (iv) Other means stipulated by laws, administrative regulations and the securities regulatory authority at the location where the company is listed.

In buying back shares through agreement outside the stock exchange, the company shall seek prior approval at a general meeting in accordance with the articles of association. With prior approval at the general meeting in the same way, the company may cancel or change the contract already concluded in the aforesaid way or waive any right under the contract.

The share buyback contract mentioned in the articles of association includes (but is not limited to) agreement for undertaking share buyback obligations and obtaining share buyback rights.

The company shall not transfer the share buyback contract or any right thereunder.

The price of shares which the company has the right to buy back or redeem and which are listed on the main board of SEHK shall not exceed a specific price limit if the said shares are not bought back by public trading or offer; to buy back the shares by offer, the company shall tender offer to all shareholders under the same conditions.

After buying back shares according to laws, the company shall deregister the said shares before the deadline specified by the relevant laws and administrative regulations, and have the change of the registered capital registered with the original company registration authority.

The total par value of the shares deregistered shall be deducted from the registered capital of the company.

Unless the company is under liquidation, the company shall observe the following regulations when buying back its outstanding shares:

- (a) Whereas the company buys back shares at par value, the payment shall be deducted from the book balance of distributable profit of the company and the proceeds from issue of new shares for buying back old shares;
- (b) Whereas the company buys back shares at a premium to its par value, payment up to the par value shall be deducted from the book balance of its distributable profits or from the proceeds of a new issue for that purpose. Payment of the portion in excess of par value shall be effected as follows:
 - (A) Deducted from the book balance of distributable profit of the company if the shares bought back were issued at par value;

- (B) Deducted from the book balance of distributable profit of the company and the proceeds from issue of new shares for buying back old shares if the shares bought back were issued above par value; but the amount deducted from the proceeds from issue of new shares shall not exceed the total premium obtained at the time of issue of the shares bought back and shall not exceed the amount (including premium from issue of new shares) in the premium account (or capital reserve account) of the company at the time of buyback.

- (c) The company shall make the following payment from the company's distributable profits:
 - (A) Acquiring the right to buy back its shares;

 - (B) Changing the share buyback contract; and

 - (C) Cancelling its obligations under the share buyback contract.

- (d) After the total par value of the shares deregistered is deducted from the registered capital of the company pursuant to relevant regulations, the amount deducted from the distributable profit for paying the par value of the shares bought back shall be stated in the premium account (or capital reserve account) of the company.

If laws, regulations, regulatory documents and the securities regulatory authority at the location where the shares of the company are listed have provisions on financial treatment relating to share buyback, such provisions shall prevail.

11. RIGHT OF THE COMPANY'S SUBSIDIARIES TO HOLD SHARES OF THE COMPANY

The articles of association do not have provisions that limit the company's subsidiaries to hold shares of the company.

12. DISTRIBUTION METHODS OF DIVIDENDS AND OTHER PROFITS

When distributing the after-tax profits for each year, the Company shall set aside 10% of its net profit after taxation for the statutory reserve fund. Where the aggregate balance in the statutory reserve fund has reached 50% of the Company's registered capital, no further allocations to that fund is required.

Where the Company's statutory reserve fund is not sufficient to make up for the company's losses of the previous year, current year profits shall be used to make up for the losses before allocations are set aside for the statutory reserve fund in accordance with the previous clause.

Subject to a resolution of the general meeting, after the company has set aside funds from after-tax profits for the statutory reserve fund, the company may set aside funds for a discretionary common reserve fund.

After the Company has made up its losses and made allocations to its statutory reserve fund, the remaining profits are distributed in proportion to the number of shares held by the shareholders.

If the general meeting violates the above provisions and profits are distributed to the shareholders before the company makes up for losses or makes allocations to the statutory reserve fund, the profits distributed in violation of the provisions must be returned to the Company.

The Company shall not engage any of its shares held in the Company in the distribution of profits.

The Company's reserve fund shall be used to make up the Company's losses, to expand the production and operation of the Company or to increase the capital of the Company by means of conversion. However, the Company shall not use its capital reserve fund to make up its losses.

When the statutory reserve fund is converted into share capital, the amount remaining in the reserve shall not be less than 25% of the Company's newly increased registered capital.

The company's profit distribution policies are:

(i) Principles of profit distribution

The company shall attach importance to the return on reasonable contribution of investors in profit distribution, keep profit distribution policies consecutive and stable and insist on the following principles:

- (A) Profit shall be distributed in statutory order;
- (B) The same shares represent the same rights and the same earnings;
- (C) The shares of the company held by the company shall not be subject to profit distribution.

(ii) Forms of profit distribution

The company may distribute dividends in cash, in shares or in a combination of both cash and shares or in other ways permitted by laws and regulations; The company's profit distribution shall not exceed the range of the accumulated distributable profits or damage the company's ability to continue operations.

The Company shall specify the priority of cash dividend distribution relative to stock dividend in the profit distribution methods.

Where conditions for cash dividend distribution are ready, profit distribution shall be carried out in the form of cash dividend distribution. Where profit distribution is carried out in the form of stock dividends, consideration shall be given to truthful and reasonable factors such as company growth performance and dilution of net assets per share.

(iii) Intervals of profit distribution

If the company makes a profit for a year and the accumulated undistributed profit is positive, it shall distribute profits at least once a year.

The company may distribute interim cash dividends. Based on the profits, cash flows, development stage and capital demands of the company, the board of directors may advise the company to distribute interim cash dividends.

(iv) Conditions for profit distribution***(A) Specific conditions for cash dividends distribution***

On the premise of ensuring the company's sustainable operation and long-term development, if the company does not undergo matters (excluding investments with raised funds) including major investment plans and major cash expenditures, the company shall distribute dividends in cash: The profits distributed by the company in cash each year shall not be less than 20% of distributable profits achieved that year. The board of directors shall put forward a plan on percentage of dividends to be distributed each year based on the company's earnings of the year and budgets for the future.

(B) Specific conditions for share dividends distribution

When the company operates and grows well and the board of directors believes that the company's earnings per share, share price and net assets per share do not match the size of the company's share capital, the company may, on the premise of meeting the said percentage of cash dividends distribution, distribute profits by distributing share dividends. In determining the specific amount for the share dividend distribution, the company shall take full account of whether the total share capital after share dividend distribution is suitable for the current business scale, earnings growth and dilution of net assets per share, and the influence on future debt financing cost, so as to ensure that the profit distribution plan is in the interest of all shareholders as a whole in the long run.

(C) Differentiated cash dividend policies

The Board of Directors of the Company shall, taking into consideration such factors as industry characteristics, the company's development stage, business operation model, profitability level and whether they have significant capital expenditure arrangements and in accordance with the procedures specified in the Articles of Association develop differentiated cash dividend policies to be applicable in the following different situations: (1) Where a company is in a sophisticated stage of development and has no significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a

minimum of 80%; (2) Where a company is in a sophisticated stage of development has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 40%; and (3) Where a company is in growth stage and has any significant capital expenditure arrangement, the cash dividend payout ratio in the profit distribution shall reach a minimum of 20%; where a company's development stage is difficult to define, but the company has any significant capital expenditure arrangement, the preceding provisions may still be followed.

(v) The consideration and deliberation procedures and decision-making mechanism for the profit distribution plan of the board of directors

- (A) Before periodic reports are published, the management and board of directors of the company shall consider and deliberate a profit distribution plan based on the company's ability for sustainable operation, adequate funds for normal production, operation and business development, and reasonable returns of investors. The Board of Directors shall carefully examine and discuss such matters as the timing, conditions and the minimum ratio, adjustment criteria of the Company's cash dividend distribution and its decision-making procedure, and Independent Directors shall make explicit comments. The Independent Directors may solicit the opinions from small and medium-sized shareholders and make a dividend distribution proposal to be submitted directly to the Board of Directors for deliberation.
- (B) When drawing up a specific profit distribution plan, the board of directors of the company shall observe profit distribution policies as specified in relevant PRC laws, administrative regulations, departmental rules, regulatory documents, the Hong Kong Listing Rules and articles of association of the company.
- (C) The board of directors of the company shall consider and approve the profit distribution plan, notify the Hong Kong Stock Exchange of such profit distribution plan pursuant to the Hong Kong Listing Rules, announce it in periodic reports, and then submit it to the general meeting for consideration.
- (D) If the company generated profits in the previous fiscal year but the board of directors did not make any cash dividends distribution plan after the end of the previous fiscal year, the Company shall notify the Hong Kong Stock Exchange of such decision pursuant to the Hong Kong Listing Rules. The Board of the Company shall solicit the opinion of independent directors shall be solicited, and the reasons thereof and the application of funds retained by the company not available for distribution shall be explained in its periodic reports and the independent directors shall give an independent opinion in such regard and disclose it publicly.

- (E) In making decisions on and deliberating relevant profit distribution plan by the board of directors of the company and prior to the consideration of detailed cash dividend proposals by the general meeting of the Company, the Company may communicate and exchange opinions with independent directors and minority shareholders by phone, fax, correspondence, e-mail, the interactive platform for investor relations on the website of the company (<http://www.fuyaogroup.com>), etc., thereby fully listening to opinions and appeals of independent directors and minority shareholders and responsively answering questions that minority shareholders concern.
- (F) When the Company convenes a general meeting, shareholder(s) individually or collectively holding 3% or more of the total shares of the Company have the right to submit provisional proposals on profit distribution plan to the general meeting in accordance with the Company Law, the Rules for the Shareholders' General Meetings of Listed Companies and relevant provisions of the Articles of Association.

(vi) Consideration procedure for profit distribution plan

- (A) The profit distribution plan shall not be submitted to the general meeting for consideration before it is considered and approved by the board of directors. Profit distribution plan under consideration of the board of directors shall be approved by more than half of all the directors and more than half of all the independent directors before it is approved by the board of directors.
- (B) Profit distribution plan under consideration of the general meeting shall be approved by votes representing more than half of voting rights held by the shareholders (including proxies thereof) present at the general meeting. Plans for share dividends distribution or conversion of common reserve fund into share capital under consideration of the general meeting shall be adopted by shareholders representing two thirds or more of the voting rights of the shareholders (including proxies thereof) in presence.

(vii) Adjustment of profit distribution policies

- (A) If the company needs to adjust the profit distribution policy due to material changes in external operating environment or its own operating conditions, the adjustment shall be disclosed in accordance with the Hong Kong Listing Rules and relevant laws and regulations of Hong Kong and the adjusted profit distribution policy shall not breach any regulations of securities regulatory authority under the State Council and stock exchange. The said "material changes in external operating environment or its own operating conditions" refer to circumstances as follows:
 - (1) The company suffers losses due to significant changes in relevant laws, administrative regulations, policies, rules or international and domestic economic environment, instead of reasons of the company;

- (2) The company suffers losses due to events of force majeure including earthquake, debris flow, typhoon, tornado, flood, war, strike and social turmoil which are unforeseeable, unavoidable or insurmountable and impose material adverse impact on production and operation of the company;
 - (3) After the company's statutory common reserve is used for making up for previous years' losses, the net profit of the company in the year is still not enough to make up for previous years' losses;
 - (4) The net cash flows generated from operating activities of the company is lower than 20% of distributable profits that the company achieves in that year for three consecutive years;
 - (5) Other circumstances as prescribed by laws, administrative regulations, departmental rules or securities regulatory authority under the State Council and stock exchanges.
- (B) In the consideration and deliberation of adjusting profit distribution policy, the board of directors of the company shall take full account of opinions of independent directors and minority shareholders. Profit distribution policy adjustment under consideration of the board of directors shall be approved by more than half of all the directors and more than half of all the independent directors before it is approved by the board of directors.
- (C) Adjustment or changes to profit distribution policy specified by articles of association of the company shall be subject to consideration and approval by the board of directors before it is submitted to the general meeting for consideration. The company shall discuss the relevant matters in detail and explain reasons thereof in proposal of the general meeting with the protection of shareholders' interests as the starting point. Matters concerning adjustment and changes to profit distribution policy under consideration of the general meeting shall be adopted by shareholders representing two thirds or more of the voting rights of the shareholders (including proxies thereof) in presence.

(viii) Explanation on implementation of profit distribution policy in annual reports

The company shall disclose the formulation and implementation of cash dividends distribution policy in its annual reports and make special explanations on the following matters including: (1) compliance with the articles of association or resolutions of the general meeting; (2) accuracy and clarity of dividend distribution plan; (3) compliance with requirements of relevant decision-making procedures and mechanism; (4) performance and contributions of the independent directors; (5) whether or not minority shareholders' opinions have been fully taken into consideration, and whether or not the legal rights of minority shareholders have been fully protected. Where the company revises or changes its cash dividends distribution policy, it shall discuss in detail on whether the revised or changed plans are in compliance with regulations and procedure requirements and transparent.

- (ix) If there is any shareholder illegally taking up the company's capital, the company shall deduct the cash dividends allocated to such shareholder to repay the amount of capital taken.

13. AUTHORIZED PROXIES

Any shareholder entitled to attend and vote at a general meeting of the company shall be entitled to appoint one or more persons (who need not be a shareholder or shareholders) as his proxies to attend and vote on his behalf. The said proxy may exercise the following rights as granted by the said shareholder:

- (i) To exercise the shareholder's right to speak at the general meeting;
- (ii) To severally or jointly request to vote by ballot;
- (iii) Unless otherwise stated in applicable rules governing the listing of securities or other laws and regulations on securities, to exercise the right to vote by a show of hand or ballot. Where there is more than one proxy, the said proxy shall only vote by ballot.

If the shareholder is a Recognized Clearing House (or proxy thereof) as defined in relevant regulations formulated by Hong Kong from time to time, the said shareholder may authorize one or more persons as he deems appropriate to act on his behalf at any general meeting or class general meeting; however, where several persons are thus authorized, the power of attorney shall specify the numbers and classes of shares involved by the said persons. The persons thus authorized may exercise rights on behalf of the Recognized Clearing House (or proxy thereof) as if the said persons were the personal shareholders of the company.

The power of attorney shall be in writing under the hand of the principal or his proxy duly authorized in writing or, if the principal is a legal person or other institution, it shall be under seal or under the hand of its legal representative (or director) or proxy duly authorized.

A personal shareholder attending a general meeting in person shall present his/her identity card or other identity certificate or stock account card; a proxy attending a general meeting on behalf of a personal shareholder shall present his/her identity card and power of attorney of the shareholder.

For a corporate shareholder, its legal representative or a proxy appointed thereby shall attend the meeting. The legal representative attending the meeting shall present his/her identity card or valid certificate bearing evidence of his/her qualifications as legal representative; a proxy attending the meeting on behalf of the legal representative shall present his/her identity card and power of attorney issued by the legal representative of the legal person as shareholder.

The power of attorney for voting shall be deposited at the domicile of the company or such other place as specified in the notice of meeting at least 24 hours prior to the meeting at which the proxy is authorized to vote or 24 hours before the scheduled voting time. Where such a power of attorney is signed by a person authorized by the principal, the power of attorney authorizing signature or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the power of attorney for voting, be delivered to the company's domicile or other location as specified in the notice of the meeting.

Where the principal is a legal person, its legal representative or a person authorized by the board of directors or other decision making body shall attend the general meeting of the company.

A vote given in accordance with the terms of the proxy statement shall be valid notwithstanding the death, loss of capacity, revocation of the proxy statement, revocation of the power of attorney to sign the proxy statement or the transfer of the share(s) in respect of which the proxy is given prior to voting, provided that no written notice of such death, loss of capacity, revocation or transfer has been received by the company before the commencement of the meeting.

14. CALL ON SHARES OR FORFEITURE OF SHARES

The articles of association contain no rules on call on shares or forfeiture of shares.

15. RIGHTS OF SHAREHOLDERS

The holders of ordinary shares of the company shall have the following rights:

- (i) to receive dividends and other distributions in proportion to the shares they hold;
- (ii) to lawfully require, convene, preside over or attend general meetings either in person or by proxy and exercise the corresponding voting right;
- (iii) to supervise, present suggestions on or make inquiries about the business activities of the company;
- (iv) to transfer, give or pledge their shares in accordance with relevant provisions in the laws, administrative regulations, regulatory documents, securities regulatory authority at the location where the shares of the company are listed and provisions in the articles of association;
- (v) to obtain relevant information in accordance with the articles of association, including:
 - (A) receiving the articles of association after payment of production cost;

(B) having the right to consult and copy relevant information after paying reasonable expenses:

- (1) all parts of the shareholders' register;
- (2) personal data of the company's directors, supervisors, general manager, and other senior executives, including: ① present and former names and aliases; ② principal addresses (domiciles); ③ nationality; ④ full-time and all part-time occupations and positions; ⑤ identity certificates and numbers thereof;
- (3) the company's share capital;
- (4) report of the total par value, total quantity, and highest and lowest prices of each class of shares bought back by the company from the last fiscal year, and the total amount paid by the company;
- (5) counterfoils of corporate bonds;
- (6) minutes of general meetings, resolutions of board meetings or meetings of board of supervisors;
- (7) financial reports.

(vi) in the event of the termination or liquidation of the company, to participate in the distribution of the remaining assets of the company as per their shares;

(vii) shareholders object to resolutions of the general meeting concerning merger or split-up of the company, requiring the company to buy their shares; and

(viii) other circumstances stipulated by laws, administrative regulations, departmental rules or the articles of association.

16. QUORUM OF MEETINGS AND CLASS GENERAL MEETING

Where the company convenes a general meeting, a written notice shall be given 45 days prior to the date of the meeting to notify all the shareholders recorded in the shareholders' register of the issues to be considered at the meeting, and the date and place of the meeting. Any shareholder intending to attend the meeting shall deliver to the company a written reply showing his intention to attend at least 20 days before the meeting.

When calculating the starting date, the day on which the meeting is convened shall not be included.

The company shall, based on the written replies received from shareholders 20 days prior to the date of the general meeting, calculate the number of voting shares held by shareholders intending to attend the meeting. Where the number of voting shares represented by shareholders intending to attend the meeting amounts to more than one half of the company's voting shares, the company may hold a general meeting; if not, the company shall, within five days, notify the shareholders again of the issues to be considered, the date and place of the meeting in the form of public announcements. The company may then convene a general meeting after such announcements have been made.

An extraordinary general meeting shall not resolve on matters not specified in public announcements.

Resolutions of a class general meeting shall be approved by votes representing more than two thirds of the voting rights of class shareholders present at the meeting who, in accordance with Article 138 of the articles of association, are entitled to vote at the meeting.

17. RIGHTS THAT MINORITY SHAREHOLDERS CAN EXERCISE WHEN THEY ARE DEFRAUDED OR OPPRESSED

Save for the obligations under the relevant laws, administrative regulations or the listing rules of the stock exchange on which the company's shares are listed, the controlling shareholders, in exercising their rights as shareholders, shall not make any decision detrimental to all or some shareholders in connection with the following issues:

- (i) to exempt directors and supervisors from the obligation to sincerely act in the best interest of the company;
- (ii) to allow directors and supervisors to seize from the company any asset, including (but not limited to) any opportunity favorable to the company (for the interests of their own or others); and
- (iii) to allow directors and supervisors to seize from any shareholder any personal interests, including (but not limited to) any distribution right and voting right, but excluding corporate reorganization submitted for adoption at the general meeting pursuant to the articles of association (for the interests of their own or others).

Controlling shareholder means a person who satisfies any one of the following conditions:

- (i) he alone, or acting in concert with others, has the power to elect more than half of the board members;
- (ii) he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the company;
- (iii) he alone, or acting in concert with others, holds 30% or more of the issued and outstanding shares of the company;

- (iv) he alone, or acting in concert with others, in any other manner controls the company in fact.

18. LIQUIDATION PROCEDURE

The company dissolves for the following reasons:

- (i) The term of business operation as prescribed by the articles of association expires or any of the situations for dissolution prescribed in the company's articles of association occurs;
- (ii) The general meeting decides to dissolve the company;
- (iii) It is necessary to be dissolved due to merger or split-up of the company;
- (iv) The business license is cancelled, or it is ordered to close down or to be dissolved according to laws;
- (v) Where any company meets any serious difficulty in its operations or management so that the interests of the shareholders will face heavy loss if the company continues to exist and the difficulty cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of all the shareholders of the company may plead the people's court to dissolve the company;
- (vi) The company is declared insolvent according to law because it is unable to pay its debts as they fall due.

In Item (i) above, the company may continue to subsist by amending the articles of association.

Amendment to the articles of association pursuant to the preceding paragraph shall be adopted by shareholders representing two thirds or more of the voting rights of the shareholders in presence.

Where any company is dissolved according to the provisions of Items (i), (ii), (iv), or (v) above, a liquidation group shall be formed within 15 days after the occurrence of the cause of dissolution. The liquidation group shall be composed of people determined by the directors or the general meeting. Where no liquidation group is formed within the time limit, the creditors may plead the people's court to designate relevant persons to form a liquidation group.

Where any company is dissolved according to the provisions of Item (vi) above, it shall carry out a bankruptcy liquidation according to the legal provisions concerning bankruptcy liquidation.

If the board of directors decides to liquidate the company (save for liquidation when the company is declared bankrupt), the notice of general meeting to be held therefor shall contain a statement that the board of directors has made thorough investigation on the conditions of the company and that the company may repay all the debts of the company within 12 months after commencement of liquidation.

After the resolution on liquidation is adopted at the general meeting, the powers of the board of directors shall terminate immediately.

The liquidation group shall, as per the instructions of the general meeting, report to the general meeting at least once a year about the revenues and expenses of the liquidation group, the businesses of the company and the progress of liquidation, and deliver a final report to the general meeting at the end of liquidation.

19. OTHER PROVISIONS MATERIAL TO THE COMPANY OR ITS SHAREHOLDERS

General Provisions

The company is a joint stock limited company having perpetual existence.

From the date on which the articles of association came into effect, the articles of association constitute a legally binding document regulating our organization and activities, and the rights and obligations between the company and each shareholder and among the shareholders themselves. The articles of association shall also be legally binding on the company and its shareholders, directors, supervisors and senior executives, who shall have the right to make any claims and propositions regarding the company's affairs in accordance with the articles of association. Pursuant to the articles of association, shareholders may pursue actions against other shareholders, shareholders may pursue actions against directors, supervisors, the general manager and other senior executives, the shareholders may pursue actions against the company, and the company may pursue actions against its shareholders, directors, supervisors, the general manager and other senior executives.

The actions, as referred to in the preceding paragraph, include the instituting of legal proceedings with a court or filing with an arbitration agency for arbitration.

The company may invest in other limited liability companies or joint stock companies and shall be held responsible for the invested companies within the limitation of the amount of the company's capital contribution or shares subscription.

Unless otherwise provided by laws, the company shall not be the capital contributor bearing joint liability associated with the debts of the invested enterprises.

In light of the demands of operation and business development and based on laws and regulations, after obtaining separate resolutions of the general meeting, the company may increase its capital through the following ways:

- (i) offer of new shares to non-given investors;
- (ii) non-public offering;
- (iii) placement of new shares among existing shareholders;

- (iv) offer of bonus shares to existing shareholders;
- (v) conversion of common reserve fund into share capital;
- (vi) other methods stipulated by laws and administrative regulations and approved by the securities regulatory authority under the State Council.

Issue of new shares by the company shall be subject to approval as specified in the articles of association and follow the procedures specified by relevant State laws and administrative regulations and the securities regulatory authority at the location where the shares of the company are listed.

Where the company needs to decrease the registered capital, the company shall prepare a balance sheet and a property inventory.

The company shall notify its creditors within ten days after adopting the resolution to reduce its registered capital and shall make at least three announcements in *Shanghai Securities News* or other newspapers designated by the securities regulatory authority under the State Council within 30 days. Creditors shall have the right to require the company to pay off its debts in full or to provide a corresponding guarantee for debt repayment within 30 days after receipt of the notice or within 45 days after the first announcement if the creditors have not received the notice.

Holders of ordinary shares of the company shall undertake the following obligations:

- (a) to abide by laws, administrative regulations and articles of association;
- (b) to pay subscription funds as per the shares subscribed and the method of subscription;
- (c) not to withdraw their share capital unless otherwise stipulated by laws, regulations and the articles of association;
- (d) not to use his shareholder's right inappropriately to harm the interests of the company or of other shareholders, or to misuse the independent legal person status of the company or limited liability of a shareholder to harm the interests of creditors of the company;

If any shareholder of the company misuses the shareholder's right, thereby causing any loss to the company or other shareholders, the said shareholder shall be liable for compensation according to law.

If any shareholder evades the payment of debts by misusing the independent legal person status of the company or limited liability of a shareholder, thereby seriously harming the interests of any creditor of the company, the said shareholder shall bear joint liability for such debts of the company.

- (e) to undertake other obligations as stipulated by laws, administrative regulations and the articles of association.

Shareholders do not have the obligation to increase any share capital unless under the conditions accepted by the subscribers at the time of subscription.

Secretary of the Board of Directors

The board of directors has a secretary who shall be appointed or dismissed by the board of directors. The secretary of the board of directors is a senior executive of the company.

The secretary of the board of directors shall observe the articles of association, shall undertake relevant legal liabilities of a senior executive of the company, shall fulfil the obligation of honesty and diligence to the company, and shall not use the official power to seek gains for himself or others.

The secretary of the board of directors shall be a natural person with necessary professional knowledge and experience, and shall be appointed by the board of directors. The major duties of the secretary of the board of directors shall be:

- (i) to ensure that the company has complete organization documents and records;
- (ii) to ensure that the company legally prepares and submits reports and documents as required by the competent authorities;
- (iii) to ensure that the shareholders' register of the company is established appropriately and that the persons who have the right of access to the relevant records and documents of the company obtain the same in due time;
- (iv) to be responsible for managing the information disclosure of the company, and to ensure that information disclosure of the company is responsive, accurate, lawful, true and complete;
- (v) to arrange for board meetings and general meetings, to be responsible for recording minutes of meetings and keeping the meeting documents and minutes;
- (vi) to fulfil other duties specified by relevant laws, administrative regulations, regulatory documents and the rules of the stock exchange on which the shares of the company are listed.

Board of Supervisors

The company shall have a board of supervisors, consisting of three supervisors, including one chairman.

The chairman of the board of supervisors shall be appointed or dismissed by the votes of more than two thirds (inclusive) of the members of the board of supervisors.

The chairman of the board of supervisors shall convene and preside over meetings of the board of supervisors; where the chairman of the board of supervisors cannot or does not fulfil the duty thereof, more than half of the supervisors may elect a supervisor to convene and preside over the meetings of the board of supervisors.

The board of supervisors shall comprise shareholder representatives and an appropriate proportion of employee representatives, which proportion shall be one third. Shareholder supervisors shall be elected and dismissed at general meetings, and employee supervisors shall be elected and dismissed democratically at the employee representatives' meetings, employees' meetings or in other forms.

The board of supervisors shall be accountable to the general meeting and shall exercise the following powers according to laws:

- (i) to examine the periodic reports of the company prepared by the board of directors and produce written examination opinions thereon;
- (ii) to examine financial operations of the company;
- (iii) to supervise the work of the directors and senior executives, and propose dismissal of directors and senior executives who have violated laws, administrative rules, the articles of association or the resolutions of general meetings;
- (iv) to require directors and senior executives to make corrections if their conduct has damaged the interests of the company;
- (v) to review financial reports, business reports and profit distribution plans to be submitted by the board of directors to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors in the name of the company to assist in the review;
- (vi) to propose the convening of extraordinary general meetings and, in case the board of directors does not perform the obligations to convene and preside over the general meetings in accordance with *Company Law*, to convene and preside over the general meetings;
- (vii) to present proposals to general meetings;
- (viii) to coordinate with directors on behalf of the company or institute legal proceedings against the company's directors and senior executives in accordance with the *Company Law*;
- (ix) to conduct investigation if there are any unusual circumstances in the company's operations, and if necessary, to engage an accounting firm, law firm or other professionals to assist in their work at the expenses of the company;

- (x) to exercise other powers specified by laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority at the location where the shares of the company are listed and the articles of association or conferred by the general meetings.

The Manager

The company shall have one general manager, who shall be appointed or dismissed by the board of directors.

The company shall have four to six deputy general managers and one chief financial officer, who shall be appointed or dismissed by the board of directors after being nominated by the general manager.

Members of staff of the controlling shareholders and effective controllers of the company who serve positions other than directors shall not serve as senior executives of the company.

The general manager shall serve a term of three years and may serve consecutive terms upon reappointment.

The general manager shall be accountable to the board of directors and exercise the following powers:

- (i) to manage the business operations of the company, organize execution of resolutions of the board of directors, and report on his work to the board of directors;
- (ii) to organize to execute the company's annual business plans and investment plans;
- (iii) to prepare the plan for the internal management setup of the company;
- (iv) to draft the basic management system of the company;
- (v) to formulate the company's specific rules;
- (vi) to propose to the board of directors to appoint or dismiss deputy general manager and chief financial officer;
- (vii) to decide to appoint or dismiss executives other than those appointed or dismissed by the board of directors;
- (viii) to exercise other powers conferred in the articles of association or by the board of directors.

The general manager may attend board meetings, and if he is not a director, shall not have any voting right at the board meetings.

In exercising powers, the general manager of the company shall fulfil the obligation of honesty and diligence in accordance with laws, administrative regulations and the articles of association.

Board of Directors

The board of directors shall exercise the following powers:

- (i) Convening general meetings and presenting reports thereto;
- (ii) Implementing the resolutions made at the general meetings;
- (iii) Determining the company's business and investment plans;
- (iv) Working out the company's annual financial budget plans and final account plans;
- (v) Working out the company's profit distribution plans and loss recovery plans;
- (vi) Working out the company's plans on the increase or reduction of registered capital, as well as on the issuance of bonds or other securities and listing plans;
- (vii) Formulating proposals for material acquisitions, purchase of shares of the company, merger, split-up, dissolution and change of the company form;
- (viii) Deciding on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the company within the scope authorized by the general meeting;
- (ix) Making decisions on the establishment of the company's internal management departments;
- (x) Appointing or dismissing the company's general manager and the secretary of the board of directors and determine their remunerations, rewards and punishments, and appointing or dismissing the company's deputy general manager, chief financial officer and other senior executives and determine their remunerations, rewards and punishments;
- (xi) Working out the company's basic management system;
- (xii) Formulating the proposals for any amendment to the articles of association;
- (xiii) Managing the information disclosure of the company;
- (xiv) Proposing the employment or replacement of the accounting firm which audits the company's accounts to the general meeting;

- (xv) Hearing the work report of the general manager of the company and examining the general manager's work;
- (xvi) Exercising other powers conferred by laws, administrative regulations, departmental rules or the articles of association.

The board of directors may resolve on the issues specified in the preceding paragraphs by approval of more than half of the directors save for the issues specified in Items (vi), (vii), (xii) and by laws, administrative regulations and the articles of association, in which approval of more than two thirds of the directors is required. Issues beyond the scope authorized by the general meeting shall be submitted to the general meeting for consideration.

The board of directors shall determine the right relating to external investment, acquisition and disposal of assets, asset mortgage, external guarantees, consigned financial management and connected transactions, and shall establish strict examination and decision making procedure; and organize relevant experts and professionals to make assessments on material investment projects and submit them to the general meeting for approval.

The right of the board of directors to approve matters involving use of the company's assets, such as asset disposal (including but not limited to purchase, sale, replacement and retirement of assets), external investment, consigned financial management, consigned loans, lease of assets, and provision of guarantee for the company's debts by mortgaging or pledging the company's assets, shall be limited to not more than 20% of the latest audited net assets of the company at a single time, and subject to a strict examination and decision making procedure; and if the aforesaid matters involve more than 20% of the latest audited net assets of the company, the board of directors shall organize relevant experts and professionals to make assessments and submit them to the general meeting for approval.

A single donation or sponsorship involving over RMB30 million but not more than RMB60 million, and involving a cumulative amount of not more than RMB70 million in a fiscal year shall be subject to consideration and approval by the board of directors. A single donation or sponsorship involving over RMB60 million or involving a cumulative amount of more than RMB70 million in a fiscal year shall be subject to consideration and approval at the general meeting of the company.

Any connected transaction between the company and the connected natural person involving over RMB300,000 (inclusive) but less than RMB30 million or involving an amount less than 5% of the absolute value of the latest audited net assets of the company shall be subject to consideration and approval by the board of directors of the company. Any connected transaction between the company and the connected legal person involving over RMB3 million (inclusive) or accounting for over 0.5% (inclusive) of the absolute value of the latest audited net assets of the company but involving less than RMB30 million or involving an amount less than 5% of the absolute value of the latest audited net assets of the company shall be subject to consideration and approval by the board of directors of the company.

The board of directors shall hold at least four regular meetings every year, which shall be convened by the chairman, with the notice of meeting sent in writing to all the directors and supervisors 14 days in advance.

If the chairman is unable to convene or preside over the meeting, the vice chairman shall convene and preside over the meeting. Where the vice chairman cannot or does not fulfil the duty thereof, more than half of the directors shall jointly elect a director to convene and preside over the meeting.

Provisional board meetings may be convened upon proposal by shareholders representing at least one tenth of the total voting rights, by at least one third of the board of directors or supervisors, or by at least one half of independent directors or the general manager. The chairman shall convene and preside over a board meeting within ten days after receipt of the proposal.

The chairman, where he deems as necessary, may convene and preside over provisional board meetings.

Where the securities regulatory authority requires the company to hold a provisional board meeting, the chairman shall convene and preside over such a meeting within ten days after receipt of the request of the securities regulatory authority.

No board meeting may be held unless more than half of the directors are present. Save as otherwise specified in laws, administrative regulations or articles of association, resolutions made by the board of directors shall be passed by more than half of all directors.

For the voting on a resolution of the board of directors, each director shall have one vote only. If pros and cons are equal, the chairman shall be entitled to an additional vote.

If any director has connection with the enterprise involved in the resolution made at a board meeting, the said director shall not vote on the said resolution for himself or on behalf of other director. The said board meeting may be held when more than half of the non-connected directors attend the meeting. The resolution of the board meeting shall be passed by more than half of the non-connected directors. If the number of non-connected directors attending the board meeting is less than three, the matter shall be submitted to the general meeting for consideration.

The definition and scope of connected director are subject to relevant regulations of the securities regulatory authority and stock exchange at the location where the shares of the company are listed.

Appointment and Dismissal of Accountants

The company shall engage an independent accounting firm “qualified for securities business” to audit its financial statements, verify its net assets, and provide other relevant consulting services. The accounting firm shall serve a term of one year, from conclusion of one annual general meeting to conclusion of the next annual general meeting, and may be reengaged.

The first accounting firm of the company may be appointed at the establishment meeting before the first annual general meeting. The term of the said accounting firm shall end at conclusion of the first annual general meeting.

APPENDIX V SUMMARY OF THE ARTICLES OF ASSOCIATION

If the aforesaid power is not exercised at the establishment meeting, the board of directors shall exercise the said power.

The company's appointment, dismissal or disengagement of the accounting firm shall be decided at the general meeting and shall be filed with securities regulatory authority under the State Council.

The general meeting shall comply with the following provisions in passing a resolution to appoint a non-incumbent accounting firm to fill any vacancy, to continue to appoint an accounting firm appointed by the board of directors to fill the vacancy, or to dismiss an incumbent accounting firm:

- (i) The proposal for appointment or dismissal shall, before the notice of a general meeting is sent, be served to the accounting firm to be appointed or whose service is to be terminated, or who has terminated its service in the relevant fiscal year.

Termination of service shall include dismissal, resignation or retirement.

- (ii) If the accounting firm about to terminate service makes a written statement and requests the company to notify its shareholders of the said statement, the company shall take the following actions unless the statement is received too late:

- (A) Describe in the notice issued for the resolution that the accounting firm about to terminate service have made a statement; and

- (B) Send to the shareholders a copy of the statement as an appendix to the notice in the form specified in the articles of association.

- (iii) If the company fails to send out the statement of the accounting firm as per Item (ii) herein, the relevant accounting firm may require that the said statement be read at the general meeting and may lodge a complaint.

- (iv) An accounting firm about to terminate service shall have the right to attend the following meetings:

- (A) the general meeting at which its term of appointment expires;

- (B) the general meeting for filling the vacancy due to the dismissal thereof;

- (C) The general meeting held due to resignation thereof; the accounting firm about to terminate service shall have the right to receive all notices of the aforesaid meetings or other information relating to the meetings, and to deliver speeches at the aforesaid meetings in relation to the matters concerning it acting as the former accounting firm of the company.

In the event that the position of the accounting firm is vacant, the board of directors may appoint an accounting firm to fill the said vacancy before convening of a general meeting. During the said vacancy, if the company has any incumbent accounting firm, the said accounting firm may still fulfil its duties.

Regardless of the terms in the contract entered into between the accounting firm and the company, the general meeting may, through an ordinary resolution, dismiss the said accounting firm before expiry of the term thereof. In regards to any rights the accounting firm may claim against the company, the said rights shall not be affected.

Where the company dismisses or does not continue appointing the accounting firm, prior notice shall be given to the accounting firm, and the accounting firm shall be entitled to state its opinions at the general meeting.

Where the accounting firm tenders its resignation, it shall state to the general meeting whether the company has improper matters.

The accounting firm may resign by placing a written notice of resignation at the legal address of the company. The said notice shall take effect as on the date of placement at the legal address of the company, or on a later date specified in the notice. The said notice shall include the following statements:

- (A) statement that its resignation does not involve any information needed to be disclosed to the shareholders or creditors of the company; or
- (B) a statement that any information is to be disclosed.

The company shall send a copy of the written notice as mentioned in the preceding paragraph to the relevant competent authority within 14 days after receipt of the said notice. If the notice contains the statement mentioned in Items (B) of the preceding paragraph, the company shall keep a copy of the said statement in the company for reference by the shareholders. The company shall also send the aforesaid copy by prepaid mail to every holder of overseas listed foreign shares at the address registered in the shareholders' register.

If the notice of resignation of the accounting firm contains a statement with respect to any matters which shall be brought to the attention of the shareholders, the accounting firm may require the board of directors to convene an extraordinary general meeting to listen to its explanation of its resignation.

Settlement of Disputes

The company shall settle disputes following the rules below:

- (i) In the event of any dispute or claim between a holder of overseas listed foreign shares and the company, between a holder of overseas listed foreign shares and a director, supervisor, general manager or other senior executives, and between a holder of overseas listed foreign shares and a holder of domestic shares arising from rights and obligations as specified in articles of association, the *Company Law* and other relevant laws and administrative regulations relating to the affairs of the company, the parties concerned shall submit the said dispute or claim for arbitration.

The aforesaid dispute or claim submitted for arbitration shall be the entire dispute or claim; all the persons who complain for the same reason or who are required to participate in the settlement of the dispute or claim shall accept the arbitration award if they are the company or its shareholders, directors, supervisors, the general manager, or other senior executives.

Disputes relating to definition of shareholders and shareholders' register may be settled other than through arbitration.

- (ii) The applicant for arbitration may select China International Economic and Trade Arbitration Commission for arbitration by following the arbitration rules thereof, or may select Hong Kong International Arbitration Centre for arbitration by following the securities arbitration rules thereof. After the applicant for arbitration submits the dispute or claim for arbitration, the other party shall accept arbitration at the arbitration agency selected by the applicant.

If the applicant for arbitration selects Hong Kong International Arbitration Centre for arbitration, either party may request that the arbitration be conducted in Shenzhen following the securities arbitration rules of Hong Kong International Arbitration Centre.

- (iii) Settlement of disputes or claims set out in Item (i) of this Article by way of arbitration shall be governed by the PRC laws, save as otherwise specified by laws and administrative regulations.
- (iv) The arbitration award made by the arbitration agency shall be final and binding on both parties.

1. FURTHER INFORMATION ABOUT OUR GROUP

Incorporation

On June 20, 1987, we were established as a sino-foreign equity joint venture in Fuzhou by Fuqing County Gaoshan Special Shaped Glass Factory, Tennessee Plastic and five other investors, under the name of Fujian Yaohua Glass Industrial Co., Ltd., with a registered capital of RMB6,270,000. On June 21, 1992, we were converted into a sino-foreign joint stock company under the name of Fujian Yaohua Glass Industry Co., Ltd.. Our current registered address is at Fuyao Industrial Zone, Fuqing Rongqiao Economic & Technological Development Zone, Fujian Province, PRC. Our Company is a non-Hong Kong company and our principal place of business in Hong Kong is at Room 1907, Shun Tak Centre, West Tower, 200 Connaught Road, Central, Hong Kong. Tsai Yu Chao has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong. As the Company is established in the PRC, its corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. Summaries of the relevant laws and regulations of the PRC and of the Articles of Association are set out in Appendices IV and V to this prospectus.

Changes in share capital of our Company

As at the date of incorporation of the predecessor of our Company, Fujian Yaohua Glass Industry Co., Ltd., the initial registered capital was RMB6,270,000.

- (i) On June 21, 1992, our Company converted into a sino-foreign joint stock limited company (known as “Fujian Yaohua Glass Industry Co., Ltd.”) and our registered capital increased to RMB57,190,000.
- (ii) On January 17, 1993, as approved at the general meeting, our Company agreed to issue bonus shares to the Shareholders using profits and by way of capitalization from capital reserves on the basis of 0.5 bonus share for every one then existing A Share. Upon completion, our registered capital increased to RMB85,785,000.
- (iii) On September 18, 1993, as approved at the general meeting, our Company resolved to place A Shares to individual Shareholders. Upon completion of this placing, our registered capital increased to RMB94,482,300.
- (iv) On April 17, 1994, as approved at the general meeting, our Company resolved to issue bonus shares to the Shareholders on the basis of 0.5 bonus shares for every one then existing A Share. Upon completion of this bonus issue, our registered capital increased to RMB141,723,450.
- (v) On May 6, 1995, as approved at the general meeting, our Company resolved to issue bonus shares to the Shareholders on the basis of three bonus shares for every ten then existing A Shares. Upon completion of this bonus issue, our registered capital increased to RMB184,240,485.

- (vi) On July 24, 1995, as approved at the general meeting, our Company resolved to place shares to individual Shareholders on the basis of 2.3 shares for every ten then existing A Shares to the Shareholders. On January 19, 1996, our Company was renamed as “Fuyao Glass Industry Group Co., Ltd.”. Upon completion of this placing and change of company name, our registered capital increased to RMB195,942,702.
- (vii) On December 1, 1996, as approved at the general meeting, our Company resolved to create three shares for every ten then existing A Shares by way of capitalization of capital reserves. Upon completion of this capitalization from capital reserves, and our registered capital increased to RMB254,725,513.
- (viii) On March 17, 2001, as approved at the general meeting, our Company resolved to issue bonus shares on the basis of 3.7 bonus shares for every 10 then existing A Shares and create 2.3 shares for every ten then existing A Shares by way of capitalization from capital reserves. Upon completion of this bonus issue and creation of new shares, our registered capital increased to RMB407,560,825.
- (ix) On March 10, 2002, as approved at the general meeting, our Company resolved to issue bonus shares on the basis of 1.1 bonus shares for every ten then existing A Shares. Upon completion of this bonus issue, our registered share capital increased to RMB452,394,567.
- (x) On March 10, 2002, February 28, 2003 and May 8, 2003, as approved at the general meeting, our Company resolved to issue additional A Shares to the public. In August 2003, we issued 48,352,016 additional A Shares to the public. Upon completion of this issue, our registered share capital increased to RMB500,746,583.
- (xi) On April 25, 2004, as approved at the general meeting, our Company resolved to issue bonus shares on the basis of 3.5 bonus shares for every ten then existing A Shares and create 6.5 shares for every ten then existing A Shares by way of capitalization from reserves. Upon completion of this bonus issue and creation of new shares, our registered capital increased to RMB1,001,493,166.
- (xii) On March 20, 2008, as approved at the general meeting, our Company resolved to issue bonus shares to the Shareholders on the basis of ten bonus shares for every 10 then existing A Shares. Upon completion of this bonus issue, our registered capital increased to RMB2,002,986,332.

Upon completion of the Global Offering, but without taking into account any exercise of the Over-allotment Option, our registered capital will increase to RMB2,442,665,932, being made up of 2,002,986,332 A Shares and 439,679,600 H Shares fully paid up or credited as fully paid up, representing approximately 82% and 18% of the registered capital, respectively.

Shareholders' Resolutions

Pursuant to the general meeting held on October 11, 2013, our holders of A Shares resolved that, for a period of 18 months from October 11, 2013:

- (i) the issue of the H Shares and the listing of such H Shares on the Hong Kong Stock Exchange be approved;
- (ii) the number of H Shares to be issued initially shall not be more than 18% of the total number of issued Shares as enlarged by the Global Offering, and the number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not be more than 15% of the number of H Shares to be offered initially issued pursuant to the Global Offering;
- (iii) subject to the completion of the Global Offering, the Articles of Association be approved and adopted, which shall only become effective on the Listing Date and the Board be authorized to amend the Articles of Association in accordance with any comments from the Hong Kong Stock Exchange and the relevant PRC regulatory authorities; and
- (iv) the Board be authorized to handle all matters relating to, among other things, all matters relating to the Global Offering, the issue and listing of the H Shares.

Pursuant to the general meeting held on March 10, 2015, our holders of A Shares resolved that the above resolutions be extended for another 12 months ending on April 10, 2016.

Subsidiaries

The information pertaining to our subsidiaries are listed in “Appendix I – Accountant’s Report” to this prospectus. The following alterations in the registered capital of our principal subsidiaries have taken place within the two years preceding the date of this prospectus:

- (i) on November 22, 2012, the registered capital of Guangzhou Fuyao increased from US\$50 million to US\$75 million;
- (ii) on December 28, 2012, the registered capital of Beijing Futong was increased from US\$35,200,000 to US\$55,200,000; and
- (iii) on November 28, 2013, the registered capital of Chongqing Fittings increased from RMB17 million to RMB35 million.

Save as disclosed above, there has been no alternation in the share capital or registered capital of any of our principal subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Non-wholly Owned Subsidiaries and Jointly Controlled Entities

Our Group includes some joint ventures set up between us and third parties. Information on these joint ventures is set out below.

(i) Benxi Fuyao

Parties and equity interest:	Fuyao Tongliao (an indirect wholly-owned subsidiary of the Company)	51%
	Benxi Tianfu Silicon Industry Co., Ltd.	49%
Term of joint venture:	From May 14, 2014 to May 14, 2044	
Date of establishment:	May 14, 2014	
Scope of business:	Open pit mining, processing and sales of quartzes used for glass manufacturing (Projects required prior permission under laws shall only commence operation upon obtaining approval by relevant authority)	
Nature:	Limited liability company	
Paid-up share capital:	RMB1,450,000	
Registered share capital:	RMB60,000,000	

(ii) Xupu Fuyao

Parties and equity interest:	Chongqing Float (an indirect wholly-owned subsidiary of the Company)	51%
	Xupu Silicon Industry Chemical Co., Ltd.	49%
Term of joint venture:	From July 5, 2012 to December 16, 2042	
Date of establishment:	July 5, 2012	
Scope of business:	Mining, processing and sales of silica sand	
Nature:	Limited liability company	
Paid-up share capital:	RMB15,000,000	
Registered share capital:	RMB15,000,000	

(iii) Ningbo Fuyao

Parties and equity interest:	Ningbo Chifei Automobile Parts Co., Ltd. The Company	51% 49%
Term of joint venture:	From July 28, 2008 to July 27, 2028	
Date of establishment:	July 28, 2008	
Scope of business:	Items of general operation: Manufacture of automotive parts and other vehicle parts, molds, injection molded parts and household appliances accessories; manufacture, processing and machining of special sealing materials and products; self-operation and agency service of import and export business of various commodities and technologies (other than commodities and technologies whose import and export is restricted or prohibited to operate by the State)	
Nature:	Limited liability company	
Paid-up share capital:	RMB25,000,000	
Registered share capital:	RMB25,000,000	

(iv) Fuyao Automobile Part

Parties and equity interest:	Ningbo Chifei Automobile Parts Co., Ltd. The Company Fuyao Hong Kong	51% 24% 25%
Term of joint venture:	From August 15, 2006 to August 14, 2056	
Date of establishment:	August 15, 2006	
Scope of business:	Manufacture of automotive accessories and sales of self-developed products	
Nature:	Sino-foreign joint venture company with limited liability	
Paid-up share capital:	RMB25,000,000	
Registered share capital:	RMB25,000,000	

(v) Chongqing Automobile Part

Shareholder:	Fuyao Automobile Part	100%
Term of business:	From June 25, 2010 with no end date	
Date of establishment:	June 25, 2010	
Scope of business:	Manufacture of automotive parts and other vehicle parts, molds, injection molded parts, and processing and machining of special sealing materials and products	
Nature:	Limited liability company	
Paid-up share capital:	RMB45,000,000	
Registered share capital:	RMB45,000,000	

(vi) Tri-Wall Packaging

Parties and equity interest:	Tri-wall China Group Holding Limited	51%
	The Company	49%
Term of joint venture:	From December 20, 2005 to December 19, 2035	
Date of establishment:	December 20, 2005	
Scope of business:	Manufacture of high-end double-layer and triple-layer paperboard; packaging and decorating of printed production	
Nature:	Sino-foreign joint venture company with limited liability	
Paid-up share capital:	US\$6,800,000	
Registered share capital:	US\$6,800,000	

2. FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

- (i) an asset purchase agreement between PPG Industries, Inc. and Fuyao Glass America Inc. dated July 17, 2014, details of which are set out in the section headed “History and Corporate Structure” in this prospectus;
- (ii) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, Gaoling Fund, L.P., YHG Investment, L.P., CMSHK, UBS Securities, UBS, The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) and Goldman Sachs (Asia) L.L.C. (“**Goldman Sachs**”), details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (iii) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, Genesis Investment Management, LLP, CMSHK, UBS Securities, UBS, HSBC and Goldman Sachs, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (iv) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, CMI Financial Holding Corporation, CMSHK, UBS Securities, UBS, HSBC and Goldman Sachs, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (v) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, Gatherspring Limited, CMSHK, UBS Securities, UBS, HSBC and Goldman Sachs, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (vi) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, China Lounge Investments Limited, CMSHK, UBS Securities, UBS, HSBC and Goldman Sachs, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (vii) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, ESAS Holding A.Ş., CMSHK, UBS Securities, UBS, HSBC and Goldman Sachs, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (viii) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, Greenland Financial Overseas Investment Group Co., Ltd., CMSHK, UBS Securities, UBS, HSBC and Goldman Sachs, details of which are set out in the section headed “Cornerstone Investors” in this prospectus;
- (ix) the cornerstone investment agreement dated March 16, 2015 entered into between our Company, 7-Industries Holding B.V., CMSHK, UBS Securities, UBS, HSBC and Goldman Sachs, details of which are set out in the section headed “Cornerstone Investors” in this prospectus; and
- (x) the Hong Kong Underwriting Agreement.












Key Intellectual Property Rights of Our Group




Trademarks

As of December 31, 2014, we had 381 trademark registrations in 124 countries and regions mainly including Asia, North America, Europe, Australia and Africa, and 97 trademark applications in 28 countries and regions.

The key trademarks registered by us are as follows:

Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
FUYAO	Fuyao Glass Industry Group Co., Ltd.	China	1977287	12	October 20, 2022
Proguard 	Fuyao Glass Industry Group Co., Ltd.	China	7162597	12	October 6, 2020
福耀	Fuyao Glass Industry Group Co., Ltd.	China	7927450	12	February 13, 2021
	Fuyao Glass Industry Group Co., Ltd.	China	504675	12	November 19, 2019
	Fuyao Glass Industry Group Co., Ltd.	China	6305473	12	February 20, 2020
	Fuyao Glass Industry Group Co., Ltd.	Hong Kong, China	301012463	12; 19; 21	December 11, 2017
FUYAO	Fuyao Glass Industry Group Co., Ltd.	Hong Kong, China	301200879	12; 19; 21	September 11, 2018
	Fuyao Glass Industry Group Co., Ltd.	Hong Kong, China	301200888	12; 19; 21	September 11, 2018
	Fuyao Glass Industry Group Co., Ltd.	Hong Kong, China	301367172	12; 19; 21	June 17, 2019

Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
	Fuyao Glass Industry Group Co., Ltd.	United States, Europe Union, Switzerland, Finland, Norway, Iceland (Madrid for International Registration of Marks)	0958559	12; 19; 21	October 22, 2017
	Fuyao Glass Industry Group Co., Ltd.	Canada	TMA737609	12; 19; 21	April 5, 2024
	Fuyao Glass Industry Group Co., Ltd.	Colombia	382986	12	July 15, 2019
	Fuyao Glass Industry Group Co., Ltd.	Venezuela	P297795	12	September 7, 2024
	Fuyao Glass Industry Group Co., Ltd.	Brazil	900668083	12	January 3, 2021
	Fuyao Glass Industry Group Co., Ltd.	Mexico	1033723	12	December 16, 2017
	Fuyao Glass Industry Group Co., Ltd.	Peru	00143980	12	October 9, 2018
	Fuyao Glass Industry Group Co., Ltd.	Argentina	2.290.754	12	May 26, 2019
	Fuyao Glass Industry Group Co., Ltd.	Chile	836.851	12; 19; 21	December 17, 2018
	Fuyao Glass Industry Group Co., Ltd.	Puerto Rico (U.S.)	75319	12	January 7, 2018
	Fuyao Glass Industry Group Co., Ltd.	Bolivia	117623-C	12	January 7, 2019

Trademark	Registrant	Place of registration	Registration No.	Class	Date of expiry
	Fuyao Glass Industry Group Co., Ltd.	Dominica	172683	12; 19; 21	March 2, 2019
	Fuyao Glass Industry Group Co., Ltd.	Ecuador	4246-11	12	August 21, 2018
	Fuyao Glass Industry Group Co., Ltd.	Guatemala	169456	12	April 25, 2020

Our key trademarks that we have applied for registration are as follows:

Trademark	Applicant	Place of registration	Application No.	Class	Date of application
	Fuyao Glass Industry Group Co., Ltd.	China	13773350	1	December 20, 2013
	Fuyao Glass Industry Group Co., Ltd.	China	13773629	7	December 20, 2013
	Fuyao Glass Industry Group Co., Ltd.	China	14310210	7	April 3, 2014
	Fuyao Glass Industry Group Co., Ltd.	Honduras	22598-08	12	October 16, 2007

Patents

As of December 31, 2014, we had 368 registered patents and 158 pending patent applications.

Our key registered patents are as follows:

Name of patents	Place of registration	Date of application	Patent No.	Effective period
Method of manufacturing a kind of hydrophobic liquid and hydrophobic glass	China	January 26, 2002	2115493.7	From January 26, 2002 to January 25, 2022

Name of patents	Place of registration	Date of application	Patent No.	Effective period
A kind of injection mold and the manufacturing method	China	July 21, 2004	200410041488.9	From July 21, 2004 to July 20, 2024
Simple manufacturing method of assembled glass with wrap	China	August 20, 2005	200510041586.7	From August 20, 2005 to August 19, 2025
A kind of tempered automotive glass bending and forming equipment	China	February 14, 2007	200710008618.2	From February 14, 2007 to February 13, 2027
Glass sheet press forming machine	China	April 19, 2007	200710008846.X	From April 19, 2007 to April 18, 2027
Low radiation coated glass capable of being bent by baking	China	October 12, 2007	200710009649.X	From October 12, 2007 to October 11, 2027
Method of manufacturing a kind of SAF laminated automobile glass	China	July 2, 2008	200810071323.4	From July 2, 2008 to July 1, 2028
A kind of piano keyboard coupling glass slice board falling device	China	August 3, 2009	200910112325.8	From August 3, 2009 to August 2, 2029
A method and a kind of device for bending glass	China	February 18, 2011	201110040971.5	From February 18, 2011 to February 17, 2031
Method of manufacturing a kind of automobile dimming laminated glass	China	March 3, 2011	201110051552.1	From March 3, 2011 to March 2, 2031

Name of patents	Place of registration	Date of application	Patent No.	Effective period
A kind of resin mold for pressing and forming automobile glass outside furnace	China	May 30, 2011	201110142237.X	From May 30, 2011 to May 29, 2031
A kind of heat-absorbing float glass	China	June 13, 2011	201110157870.6	From June 13, 2011 to June 12, 2031
A kind of continuous baking and bending furnace for automobile windshield and manufacturing technique for continuous baking and bending	China	July 19, 2011	201110201937.1	From July 19, 2011 to July 18, 2031
A kind of laminated glass with the antenna function	China	August 25, 2011	201110244867.8	From August 25, 2011 to August 24, 2031
The device and method of manufacturing a kind of semi-tempered skylight glass	China	November 22, 2011	201110373299.1	From November 22, 2011 to November 21, 2031
A kind of infrared/ultraviolet-insulated and heat-absorbing float glass	China	December 16, 2011	201110422404.6	From December 16, 2011 to December 15, 2031
A kind of system and method used in heating automobile glass	China	April 5, 2012	201210096997.6	From April 5, 2012 to April 4, 2032
A kind of roast-bending mold for secondary forming of automobile glass	China	June 25, 2012	201210211062.8	From June 25, 2012 to June 24, 2032

Name of patents	Place of registration	Date of application	Patent No.	Effective period
A kind of glass bending furnace and method used in bending glass sheet	China	July 20, 2012	201210252500.5	From July 20, 2012 to July 19, 2032
A kind of low radiation coated glass capable of carrying out thermal treatment and its laminated glass products	China	July 26, 2012	201210262709.X	From July 26, 2012 to July 25, 2032

Our key patents that we have applied for registration are as follows:

Name of patents	Place of registration	Date of application	Application No.
A kind of assembled automobile glass with wrap	China	February 5, 2013	201310047227.7
A kind of masking liquid for forming the ultraviolet-absorbing coat and ultraviolet-absorbing glass	China	November 22, 2013	201310597206.2
A kind of really active glass antenna and its manufacturing method	China	April 18, 2014	201410081939.5
A kind of solar laminated glass and its manufacturing method	China	April 3, 2014	201410132552.8
A kind of photoluminescence laminated glass and its manufacturing method	China	May 16, 2014	201410208093.7
A kind of continuous baking and bending furnace	China	October 10, 2014	201410531177.4

Domain Names

As of December 31, 2014, the key domain name that we have registered is as follow:

www.fuyaogroup.com

Except as disclosed in this sub-section headed “Key Intellectual Property Rights of Our Group”, there are no other trade or service marks, patents, other intellectual property rights which are or may be material in relation to our business.

3. DISCLOSURE OF INTERESTS**Substantial Shareholders**

So far as the Directors are aware, immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, the following persons will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholder	Nature of interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Company	Approximate % of the relevant class of Shares of our Company
Mr. Cho Tak Wong ⁽¹⁾	Interest of controlled corporations, beneficial owner and interest of spouse	A Shares	437,257,991 (Long position)	17.90%	21.83%
Sanyi	Beneficial owner	A Shares	390,578,816 (Long position)	15.99%	19.50%
Chan Fung Ying ⁽²⁾	Interest of controlled corporation and interest of spouse	A Shares	437,257,991	17.90%	21.83%
Heren Charitable Foundation	Beneficial owner	A Shares	290,000,000 (Long position)	11.87%	14.48%

- (1) Mr. Cho Tak Wong will directly hold 314,828 A Shares, and indirectly hold 390,578,816 A Shares through Sanyi and 12,086,605 A Shares through Home Bridge immediately following completion of the Global Offering. In addition, Mr. Cho Tak Wong will be deemed to be interested the A Shares indirectly held by his spouse, Ms. Chan Fung Ying.
- (2) Ms. Chan Fung Ying will indirectly hold 34,277,742 A Shares through Yaohua, 22,340,000 A Shares of which were pledged to China Merchant Securities Co., Ltd. by Yaohua as of the Latest Practicable Date. She is deemed to be interested in the A Shares in which Mr. Cho Tak Wong is interested.

Disclosure of the Directors' and Supervisors' Interests in the Registered Capital of our Company and Associated Corporations of our Company

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the interests or short positions of our Directors, Supervisors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name of Director/Supervisor	Nature of Interest	Class	Number of Shares directly or indirectly held	Approximate % of interest in our Company	Approximate % of the relevant class of our Company
Mr. Cho Tak Wong ⁽¹⁾	Interest of controlled corporations, beneficial owner and interest of spouse	A Shares	437,257,991 (long position)	17.90%	21.83%
Mr. Lin Houtan	Beneficial owner	A Shares	22,019 (long position)	0.001%	0.001%

- (1) Mr. Cho Tak Wong will directly hold 314,828 A Shares and indirectly hold 390,578,816 A Shares through Sanyi and 12,086,605 A Shares through Home Bridge immediately following completion of the Global Offering. In addition, Mr. Cho Tak Wong will be deemed to be interested the A Shares indirectly held by his spouse, Ms. Chan Fung Ying.

Particulars of Service Contracts

Each of our Directors and Mr. Lin Houtan, one of our Supervisors, has entered into a service contract with our Company on November 27, 2014. Each of Mr. Chen Mingsen and Mr. Ni Shiyong, our Supervisors, has entered into a service contract with our Company on February 15, 2015. The principal particulars of these service contracts are (a) for a term of three years commencing from the respective dates of appointment and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable rules.

Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) accrued to our Directors and Supervisors for the years ended December 31, 2012, 2013 and 2014 were approximately RMB7.4 million, RMB8.8 million and RMB9.2 million, respectively. Under the current arrangements, the aggregate remuneration payable to, and benefits in kind receivable by, our Directors and Supervisors for the year ending December 31, 2015 are estimated to be approximately RMB8.3 million.

Agency Fees or Commissions Received

Save as disclosed in this prospectus, no commissions, discounts, agency fee, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

Disclaimers

Save as disclosed in this prospectus:

- (i) none of our Directors nor any of the parties listed in the paragraph headed "Qualifications of Experts" of this appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to us or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
- (ii) none of our Directors nor any of the parties listed in the paragraph headed "Qualifications of Experts" of this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business; none of the parties listed in paragraph headed "Qualifications of Experts" of this appendix is interested legally or beneficially in any of our shares or our securities; or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our shares or any of our securities.

- (iii) none of our Directors or Supervisors is a director or employee of a company which has an interest in the share capital of the Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Division 2 and 3 of Part XV of the SFO; and none of our Directors or Supervisors or their associates (as defined in the Listing Rules) or any Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

4. OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group.

Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

Preliminary Expenses

Our estimated preliminary expenses are approximately RMB200,000 and have been paid by us.

Joint Sponsors

The Joint Sponsors will be paid by our Company a total fee of HK\$6 million to act as sponsors to the Company in connection with the Listing.

The Joint Sponsors have declared their independence pursuant to Rule 3A.07 of the Listing Rules.

The Joint Sponsors made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Promoters

The promoters of our Company are as follows: Fuqing Gaoshan Drawnwork Factory (福清縣高山抽紗廠), Island Mile Limited, Tennessee Plastic Engineering Company Limited (a U.S. company), Fuqing Overseas Chinese Hometown Construction and Investment Co., Ltd.

(福清縣僑鄉建設投資有限公司), Mr. Fang Ming Wu (方明梧, a Chinese Indonesian), Fujian Minhui Mansion Co., Ltd. (福建省閩輝大廈有限公司), Fujian Trading Automobile Repairing Factory (福建省外貿汽車維修廠), Fuqing Honglu Real Estate Construction Materials Factory (福清縣宏路地產建材廠), Hualian Automobile Development Co., Ltd. (華聯汽車發展有限公司), and China Tongyuan Co., Ltd. (中國同源公司). Except for Fujian Trading Automobile Repairing Factory, all of the aforesaid promoters had transferred their respective shareholdings in the Company prior to the commencement of the Track Record Period. Fujian Trading Automobile Repairing Factory transferred its shareholding in the Company in January 2014. As of the Latest Practicable Date, none of the aforesaid promoters was a shareholder of the Company.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2014.

Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Qualifications of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
China Merchants Securities (HK) Co., Limited	A licensed corporation under the SFO permitted to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined under the SFO)

Name	Qualification
UBS Securities Hong Kong Limited	A licensed corporation registered for type 1 (dealing in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Fujian Zenith Law Firm	PRC legal advisers to our Company
Roland Berger Enterprise Management (Shanghai) Co., Ltd.	Independent industry expert

Consents of Experts

Each of the experts as referred to in the paragraph headed “Qualifications of Experts” in this appendix has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Save for CMSHK and its affiliates were interested in 97,088 A Shares and UBS Securities and its affiliates were interested in 12,897,216 A Shares as of the Latest Practicable Date, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares; there is no arrangements under which future dividends are waived or agreed to be waived;
- (iv) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
- (v) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus;
- (vi) other than the A Shares of our Company which are listed on the Shanghai Stock Exchange, no part of the equity or debt security of our Company, if any, is currently listed on or dealt in on any stock exchange, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought; and
- (vii) we have no outstanding convertible debt securities; and we are currently a Sino-foreign investment joint stock limited company whose A Shares are listed on the Shanghai Stock Exchange and is subject to the PRC Sino-foreign Joint Venture Law (中華人民共和國中外合資經營企業法).

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (ii) the written consents referred to in “Appendix VI – Statutory and General Information – 4. Other Information – Consents of Experts”; and
- (iii) a copy of each of the material contracts referred to in “Appendix VI – Statutory and General Information – 2. Further Information about our Business – Summary of Material Contracts”.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Latham & Watkins at 18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (i) our Articles of Association;
- (ii) the Accountant’s Report from PricewaterhouseCoopers on the consolidated historical financial information for the three years ended December 31, 2012, 2013 and 2014, the text of which is set out in “Appendix I – Accountant’s Report”;
- (iii) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Group the text of which is set out in “Appendix II – Unaudited Pro Forma Financial Information”;
- (iv) the audited financial statements of the Group for the three years ended December 31, 2012, 2013 and 2014;
- (v) the research report issued by Roland Berger Enterprise Management (Shanghai) Co., Ltd. to the Company;
- (vi) the PRC legal opinion(s) issued by Fujian Zenith Law Firm, the PRC legal advisers to the Company;
- (vii) the material contracts referred to in “Appendix VI – Statutory and General Information – 2. Further Information about our Business – Summary of Material Contracts”;
- (viii) the service contracts referred to in “Appendix VI – Statutory and General Information – 3. Disclosure of Interests – Particulars of Service Contracts”;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (ix) the written consents referred to in “Appendix VI – Statutory and General Information – 4. Other Information – Consents of Experts” to this prospectus;
- (x) the PRC Company Law, together with an unofficial English translation;
- (xi) the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas, together with an unofficial English translation; and
- (xii) the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies, together with an unofficial English translation.



福耀玻璃工業集團股份有限公司
FUYAO GLASS INDUSTRY GROUP CO., LTD.