福萊特玻璃集團股份有限公司
Flat Glass Group Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 6865

Annual Report 2016

Contents

Corporate Information

DIRECTORS

Executive directors

Mr. Ruan Hongliang *(Chairman of the Board of Directors)*
Ms. Jiang Jinhua
Mr. Wei Yezhong
Mr. Shen Qifu

Independent non-executive directors

Mr. Cui Xiaozhong *(appointed on 21 November 2016)*
Ms. Pan Yushuang
(resignation effective on 21 November 2016)
Mr. Li Shilong
Mr. Ng Ki Hung

SUPERVISORS

Mr. Zheng Wenrong *(Chairman of the Board of Supervisors)*
Mr. Shen Fuquan
Mr. Zhu Quanming
Ms. Zhang Hongming
Mr. Meng Lizhong

AUDIT COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*
(appointed on 21 November 2016)
Ms. Pan Yushuang *(Chairman)*
(resignation effective on 21 November 2016)
Mr. Li Shilong
Mr. Ng Ki Hung

REMUNERATION COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*
(appointed on 21 November 2016)
Ms. Pan Yushuang *(Chairman)*
(resignation effective on 21 November 2016)
Mr. Ruan Hongliang
Mr. Li Shilong

NOMINATION COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Mr. Cui Xiaozhong *(appointed on 21 November 2016)*
Ms. Pan Yushuang
(resignation effective on 21 November 2016)
Mr. Ng Ki Hung

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Mr. Wei Yezhong
Mr. Cui Xiaozhong *(appointed on 21 November 2016)*
Ms. Pan Yushuang
(resignation effective on 21 November 2016)

RISK MANAGEMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Ms. Jiang Jinhua
Mr. Cui Xiaozhong *(appointed on 21 November 2016)*
Ms. Pan Yushuang
(resignation effective on 21 November 2016)

JOINT COMPANY SECRETARIES

Ms. Ruan Zeyun
Ms. Leung Wing Han Sharon

AUTHORISED REPRESENTATIVES

Mr. Ruan Hongliang
Ms. Ruan Zeyun

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

1999 Yunhe Road
Xiuzhou District
Jiaxing
Zhejiang Province
People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE WEBSITE

www.flatgroup.com.cn

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountant

PRINCIPAL BANKERS

Bank of China Limited, Jiaxing Branch
China CITIC Bank Corporation Limited, Jiaxing Branch
Industrial and Commercial Bank of China Limited,
Jiaxing Branch
Bank of China (Hong Kong) Limited
Citibank, N.A (China) Limited, Shanghai Branch
Citibank, N.A., Hong Kong Branch

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Chairman's Statement

Dear all shareholders,

On behalf of the board (the "Board") of directors ("Directors") of Flat Glass Group Co., Ltd. (the "Company", together with its subsidiaries, the "Group") to present the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Although significant fluctuation of the capital market and continuous decline of the global economy in 2016 affected greatly the demand and price of the market, but almost every business operation of the Group had performed steadily during the reviewing period. The Group's revenue for the year ended 31 December 2016 increased by 1.3% as compared to that for the year ended 31 December 2015 to RMB2,951.3 million. Profit and total comprehensive income of the Group recorded an increase of 41.4% from RMB433.8 million for the year ended 31 December 2015 to RMB613.5 million for the year ended 31 December 2016.

In order to share the achievement of the Group in 2016 with all our shareholders, the Board has recommended a final dividend of RMB3.9 cent per share, subject to shareholders' approval at the annual general meeting to be held on 13 June 2017.

FAST GROWTH OF GLOBAL PV MARKET

With a continuous decrease in PV module prices, the further narrowing of the gap between PV power generation cost and other power generation cost, together with the impact of reductions of the governmental subsidies granted to the PV enterprises in countries including the PRC and the United Kingdom, global PV market experience a robust development during the year. According to the statistics published by German Solar Association (Bundesverband Solarwirtschaft e.V.), the global new PV installed capacity in 2016 was 70 gigawatts, representing an increase of approximately 30% as compared with 2015, and the cumulative installed capacity of global PV systems amounted to approximately 300 gigawatts. In 2016, China, the United States, Japan and India were the four principal markets for global PV installation, while the other emerging markets including Latin America, South Africa and Saudi Arabia also achieved a remarkable growth.

RAPID DEVELOPMENT OF CHINESE PV MARKET

The Chinese government began to lower PV feed-in tariff for electricity on 1 July 2016, which gave rise to an installation boom in Chinese PV market prior to the implementation, thereby driving the rapid development of Chinese PV market. According to the information published by National Energy Administration of the PRC, as at the end of 2016, the PRC new installed PV capacity amounted to 34.54 gigawatts, representing an increase of 128% as compared to the new installed capacity of 15.13 gigawatts in 2015, and the aggregate installed capacity amounted to 77.42 gigawatts in the PRC. The PRC was the leader in the world in term of new and aggregate installed PV capacities in 2016.

EXPANSION OF CAPACITY

In 2016, the Group secured sufficient PV glass orders, and its existing capacity has long been falling short of the order demands of PV glass customers. In addition, in line with the increased maturity of the development of the PV industry, industry concentration ratio will further increase. On this regard, the Group will accelerate the construction work of its production bases in Anhui Province, the PRC and in Haiphong, Vietnam, so as to meet the order demands of customers as well as further increase the market share of the Group.

Once these facilities come into operation, the newly-established PV glass production bases in Anhui, the PRC and Haiphong, Vietnam will further increase the Group's scale of operations and provide a more focused service for customers in the region, so as to provide more premium services for more customers. Moreover, the Group's latest production technology will be utilized in the newly-established PV glass production bases, which will further increase the Group's production efficiency and product quality, thereby increasing the market competitiveness of the Group's PV glass products. The two PV glass furnaces of the Group in Anhui Province, the PRC are expected to be in operation in the fourth quarter of 2017 and the first quarter of 2018, respectively, and the PV glass furnace in Haiphong, Vietnam is expected to be in operation in 2018.

REDUCTION IN OPERATING COST

In recent years, the PV industry has been developing rapidly, and the market competitive landscape of PV glass industry has also been increasingly intense. The ability to control the cost of manufacturing PV glass is a direct determinant of the Company's profitability. In 2016, the Group further reduced its production cost through the Group's effective production management, operational procedures optimization, increase of mechanical automation and new production technologies utilization.

RESEARCH AND DEVELOPMENT OF NEW PRODUCTS

In recent years, distributed PV system installation has been growing rapidly, and PV modules ultimate users have raised higher requirements on the appearance, weather resistance and conversion efficiency of PV modules. PV module manufacturers therefore have also posed more diversified demands for the PV glass manufacturers, such as higher light transmission rate of PV glass, surface strength of PV glass, surface color difference of PV glass and self-cleanliness of PV glass. Through strengthening cooperation with external research entities, the Group has developed several special coating agents based on the diversified demands of its customers to meet their personalized needs.

BUSINESS OUTLOOK

The Group intends to continue to optimize its product portfolio so that it can better adapt to market changes and minimize any adverse impact on the operations of the Group. Meanwhile, the Group is aimed at allocating more resources into the products with high gross profit so as to increase the profitability of the Group. The Chinese government is also encouraging more use of efficient energy materials, such as low-emissivity ("Low-E") glass, so as to better satisfy environmental requirements. Since 2013, the Group has been facing increasingly demand for its Low-E glass products. Therefore, the Group intends to adjust its product portfolio by changing the existing 600-ton float glass furnace to an on-line Low-E glass production line with an annual capacity of 100,000 tons, so as to utilize the growing opportunities of energy-saving materials and meet the increasing demands of customers. Such production line is expected to come into operation in the second half of 2017.

Chairman's Statement

In order to stimulate the development of distributed PV power generation application, the National Energy Administration in the PRC promulgated the 13th five-year plan for solar energy development on 16 December 2016, which proposed to push forward the roof top distributed PV systems and continue to carry out the construction of distributed PV systems application demonstration zones in the PRC. On 26 December 2016, the National Development and Reform Commission of the PRC issued a notice to make adjustment to the benchmark feed-in tariff for electricity of newly-established PV power systems in type A, B and C resource areas, while no adjustment to distributed PV power generation subsidy standard. As at 31 December 2016, the Group has installed an accumulation of 18.4 megawatts of distributed PV systems. The Group will continue to explore opportunities to expand distributed PV system operations by leveraging its own experience in installation and operation of distributed PV systems. During the year ended 31 December 2016, the Group took on a project to assist a third party customer to install distributed PV systems, which substantiated the Group's ability to install distributed PV systems based on its operating experience.

According to the information published by Mercom, given the impact of the reduction in PV subsidies, the growth in global PV market will slow down in 2017, and the expected global new PV installed capacity will be approximately 70 gigawatts. As one of the leaders in the global PV glass industry, the Group will continue to capture market opportunities and accelerate expansion of PV glass capacity, while to further increase PV glass production technologies and reduce production cost. The Group is confident that through expansion of its capacity from its upcoming Anhui facilities and Vietnam facilities, the Group will further benefit from economies of sale and further anchor its market position. Meanwhile, we will continue to optimize product mix to better adapt to the ever changing market environment and reduce any adverse impacts on our operations caused by the market. We will also allocate more capacity to products with high profit and sound industry prospect, which can in turn improve the profitability of the Group and bring higher investment returns to its shareholders.

Ruan Hongliang
Chairman

Jiaxing, Zhejiang, the PRC
27 March 2017

Five-Year Financial Summary

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**2,951,265**	2,914,049	2,833,306	2,187,283	1,488,557
Cost of sales	**1,864,367**	2,060,315	1,904,972	1,592,422	(1,167,434)
Gross profit	**1,086,898**	853,734	928,334	594,861	321,123
Profit before tax	**732,551**	536,405	486,404	264,043	63,406
Income tax expenses	**(126,507)**	(102,615)	(93,737)	(60,428)	(3,523)
Total comprehensive income for the year	**613,474**	433,790	392,667	203,615	59,883

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**2,229,959**	2,208,527	2,272,220	2,289,444	2,296,356
Current assets	**2,236,666**	2,479,008	1,831,980	1,663,108	1,347,865
Current liabilities	**1,390,010**	1,800,454	2,089,462	1,650,601	1,479,673
Net current (liabilities) assets	**846,656**	678,554	-257,482	12,507	(131,808)
Total assets less current liabilities	**3,076,615**	2,887,081	2,014,738	2,301,951	2,164,548
Net assets	**2,957,649**	2,572,775	1,657,534	1,739,677	1,536,062
Share capital	**450,000**	450,000	337500	359,400	359,400
Reserves	**2,507,649**	2,122,775	1,320,034	1,380,277	1,176,662
Total equity	**2,957,649**	2,572,775	1,657,534	1,739,677	1,536,062

Management Discussion and Analysis

BUSINESS REVIEW

The Group principally engages in the manufacture and sale of various glass products, including photovoltaic ("PV") glass, float glass, architectural glass and household glass. The production facilities of the Group are strategically located in Jiaxing, Zhejiang Province, the PRC. The Group primarily sells glass products to customers in the PRC, Japan, Singapore, Korea, Taiwan, Germany and the United States.

In 2016, given the impact of the reduction of subsidies granted by governments including the governments of the PRC and the United Kingdom, the global PV installed capacity recorded a prominent growth prior to the implementation of the policy, and the Group's PV glass supply fell short of demand. On the other hand, for the Group's other glass products, due to the strengthening of the efforts on environmental audit and inspection in China, certain glass producers and manufacturers suspended their production due to issues, such as the environmental issue, together with the more promising development of the PRC's real estate market in 2016, all of which in turn contributed to a strong demand for the float glass, household glass and architectural glass produced by the Group. Moreover, due to a decrease in procurement cost of raw materials and energy as well as a reduction in operating cost of the Group, the Group recorded a significant profit growth.

FAST GROWTH OF GLOBAL PV MARKET

With a continuous decrease in PV module prices, the further narrowing of the gap between PV power generation cost and other power generation cost, together with the impact of reductions of the governmental subsidies granted to the PV enterprises in countries including the PRC and the United Kingdom, global PV market experience a robust development during the year. According to the statistics published by German Solar Association (Bundesverband Solarwirtschaft e.V.), the global new PV installed capacity in 2016 was 70 gigawatts, representing an increase of approximately 30% as compared with 2015, and the cumulative installed capacity of global PV systems amounted to approximately 300 gigawatts. In 2016, China, the United States, Japan and India were the four principal markets for global PV installation, while the other emerging markets including Latin America, South Africa and Saudi Arabia also achieved a remarkable growth.

RAPID DEVELOPMENT OF CHINESE PV MARKET

The Chinese government began to lower PV feed-in tariff for electricity on 1 July 2016, which gave rise to an installation boom in Chinese PV market prior to the implementation, thereby driving the rapid development of Chinese PV market. According to the information published by National Energy Administration of the PRC, as at the end of 2016, the PRC new installed PV capacity amounted to 34.54 gigawatts, representing an increase of 128% as compared to the new installed capacity of 15.13 gigawatts in 2015, and the aggregate installed capacity amounted to 77.42 gigawatts in the PRC. The PRC was the leader in the world in term of new and aggregate installed PV capacities in 2016.

EXPANSION OF CAPACITY

In 2016, the Group secured sufficient PV glass orders, and its existing capacity has long been falling short of the order demands of PV glass customers. In addition, in line with the increased maturity of the development of the PV industry, industry concentration ratio will further increase. On this regard, the Group will accelerate the construction work of its production bases in Anhui Province, the PRC and in Haiphong, Vietnam, so as to meet the order demands of customers as well as further increase the market share of the Group.

Once these facilities come into operation, the newly-established PV glass production bases in Anhui, the PRC and Haiphong, Vietnam will further increase the Group's scale of operations and provide a more focused service for customers in the region, so as to provide more premium services for more customers. Moreover, the Group's latest production technology will be utilized in the newly-established PV glass production bases, which will further increase the Group's production efficiency and product quality, thereby increasing the market competitiveness of the Group's PV glass products. The two PV glass furnaces of the Group in Anhui Province, the PRC are expected to be in operation in the fourth quarter of 2017 and the first quarter of 2018, respectively, and the PV glass furnace in Haiphong, Vietnam is expected to be in operation in 2018.

REDUCTION IN OPERATING COST

In recent years, the PV industry has been developing rapidly, and the market competitive landscape of PV glass industry has also been increasingly intense. The ability to control the cost of manufacturing PV glass is a direct determinant of the Company's profitability. In 2016, the Group further reduced its production cost through the Group's effective production management, operational procedures optimization, increase of mechanical automation and new production technologies utilization.

RESEARCH AND DEVELOPMENT OF NEW PRODUCTS

In recent years, distributed PV system installation has been growing rapidly, and PV modules ultimate users have raised higher requirements on the appearance, weather resistance and conversion efficiency of PV modules. PV module manufacturers therefore have also posed more diversified demands for the PV glass manufacturers, such as higher light transmission rate of PV glass, surface strength of PV glass, surface color difference of PV glass and self-cleanliness of PV glass. Through strengthening cooperation with external research entities, the Group has developed several special coating agents based on the diversified demands of its customers to meet their personalized needs.

BUSINESS OUTLOOK

The Group intends to continue to optimize its product portfolio so that it can better adapt to market changes and minimize any adverse impact on the operations of the Group. Meanwhile, the Group is aimed at allocating more resources into the products with high gross profit so as to increase the profitability of the Group. The Chinese government is also encouraging more use of efficient energy materials, such as low-emissivity ("Low-E") glass, so as to better satisfy environmental requirements. Since 2013, the Group has been facing increasingly demand for its Low-E glass products. Therefore, the Group intends to adjust its product portfolio by changing the existing 600-ton float glass furnace to an on-line Low-E glass production line with an annual capacity of 100,000 tons, so as to utilize the growing opportunities of energy-saving materials and meet the increasing demands of customers. Such production line is expected to come into operation in the second half of 2017.

Management Discussion and Analysis

In order to stimulate the development of distributed PV power generation application, the National Energy Administration in the PRC promulgated the 13th five-year plan for solar energy development on 16 December 2016, which proposed to push forward the roof top distributed PV systems and continue to carry out the construction of distributed PV systems application demonstration zones in the PRC. On 26 December 2016, the National Development and Reform Commission of the PRC issued a notice to make adjustment to the benchmark feed-in tariff for electricity of newly-established PV power systems in type A, B and C resource areas, while no adjustment to distributed PV power generation subsidy standard. As at 31 December 2016, the Group has installed an accumulation of 18.4 megawatts of distributed PV systems. The Group will continue to explore opportunities to expand distributed PV system operations by leveraging its own experience in installation and operation of distributed PV systems. During the year ended 31 December 2016, the Group took on a project to assist a third party customer to install distributed PV systems, which substantiated the Group's ability to install distributed PV systems based on its operating experience.

According to the information published by Mercom, given the impact of the reduction in PV subsidies, the growth in global PV market will slow down in 2017, and the expected global new PV installed capacity will be approximately 70 gigawatts. As one of the leaders in the global PV glass industry, the Group will continue to capture market opportunities and accelerate expansion of PV glass capacity, while to further increase PV glass production technologies and reduce production cost. The Group is confident that through expansion of its capacity from its upcoming Anhui facilities and Vietnam facilities, the Group will further benefit from economies of sale and further anchor its market position. Meanwhile, we will continue to optimize product mix to better adapt to the ever changing market environment and reduce any adverse impacts on our operations caused by the market. We will also allocate more capacity to products with high profit and sound industry prospect, which can in turn improve the profitability of the Group and bring higher investment returns to its shareholders.

Financial Performance

The Group continues to seek ways to improve efficiency and to optimize its product mix in order to increase profitability. The Group believes the results for the year ended 31 December 2016 is a statement of its achievements. The revenue of the Group for the year ended 31 December 2016 amounted to RMB2,951.3 million, representing an increase of 1.3% as compared to RMB2,914.0 million for the year ended 31December 2015. Profit and total comprehensive income of the Group recorded an increase of 41.4% from RMB433.8 million for the year ended 31 December 2015 to RMB613.5 million for the year ended 31 December 2016.

Revenue

The revenue of the Group slightly increased by RMB37.3 million, or 1.3%, from RMB2,914.0 million for the year ended 31 December 2015 to RMB2,951.3 million for the year ended 31 December 2016, primarily due to (i) growth in the sales of household glass and architectural glass; and (ii) the selling price of float glass increased significantly compared to 2015, while the sales of PV glass remained relatively stable.

The following table sets forth our segment revenue for the years indicated:

	For the year ended 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
PV glass	**2,147,155**	**72.75**	2,161,194	74.16
Float glass	**302,526**	**10.25**	288,980	9.92
Household glass	**273,197**	**9.26**	243,399	8.35
Architectural glass	**197,349**	**6.69**	186,434	6.40
Mining products	**26,804**	**0.91**	34,042	1.17
EPC services *(Note)*	**4,234**	**0.14**	—	—
Total Revenue	**2,951,265**	**100.00**	2,914,049	100.00

Note: EPC services represented revenue generated from the installation services of distributed PV systems provided to a third party.

The following table sets forth the revenue of the Group by geographical market:

	2016	2015
	RMB'000	RMB'000
Place of domicile of group entities:		
PRC	**1,637,181**	1,587,374
Other foreign countries:		
Japan	**403,573**	405,567
Other countries in Asia (excluding PRC and Japan)	**664,159**	630,413
Europe	**124,720**	171,350
North America	**91,003**	92,406
Others	**30,629**	26,939
	2,951,265	2,914,049

Management Discussion and Analysis

Cost of Sales

The cost of sales of the Group decreased by RMB195.9 million, or 9.5%, from RMB2,060.3 million for the year ended 31 December 2015 to RMB1,864.4 million for the year ended 31 December 2016. The decrease of cost of sales was primarily due to decrease of procurement costs of major raw materials, including silica sand, soda ash and fuel, and improvement in the production yields of PV glass through the Group's effective production control.

Gross Profit

Gross profit and gross profit margin of the Group for the year ended 31 December 2016 was RMB1,086.9 million and 36.8%, respectively, as compared to RMB853.7 million and 29.3% for the year ended 31 December 2015, respectively, primarily due to (i) the increase of selling price of float glass coupled with a decrease of procurement cost of its major raw material, including silica sand, soda ash and fuel, which led to an increase in gross profit; (ii) continued decrease of procurement cost of major raw materials such as silica sand, soda ash and fuel, which led to decrease of production cost of PV raw glass and float glass during the year; and (iii) effective production management and the Group's effective production control resulted in the increase of production yields of processing of PV glass, which led to a decrease of unit product cost during the year.

The table below sets forth the gross profit and gross profit margin by business segments of the Group for the years indicated:

	For the year ended 31 December			
	2016		2015	
	Gross profit (RMB'000)	**Margin (%)**	Gross profit (RMB'000)	Margin (%)
PV glass	**881,870**	**41.07**	738,382	34.17
Float glass	**64,626**	**21.36**	14,253	4.93
Household glass	**80,428**	**29.44**	55,785	22.92
Architectural glass	**54,036**	**27.38**	34,424	18.46
Mineral products	**4,848**	**18.09**	10,890	31.99
EPC service	**1,090**	**25.74**	—	—
Total	**1,086,898**	**36.83**	853,734	29.30

Other Income and Expenses

Other income and expenses of the Group for the year ended 31 December 2016 increased by RMB21.3 million, or 78.3%, from RMB27.2 million for the year ended 31 December 2015 to RMB48.5 million for the year ended 31 December 2016. Such increase was primarily due to an increase of government grants for RMB11.5 million and interest income for the Group's bank deposits.

Other Gains and Losses

Other gains and losses changed from a gain of RMB25.6 million for the year ended 31 December 2015 to a loss of RMB51.3 million for the year ended 31 December 2016. This was primarily due to provision for fixed assets impairment of RMB50.0 million for the year ended 31 December 2016 and the decrease in foreign exchange gains by RMB16.6 million to RMB22.6 million for the year ended 31 December 2016 as compared to RMB39.2 million for the year ended 31 December 2015.

Selling and Marketing Expenses

Sales and marketing expenses of the Group for the year ended 31 December 2016 increased by RMB3.6 million, or 3.5%, from RMB104.0 million for the year ended 31 December 2015 to RMB107.6 million for the year ended 31 December 2016. Selling and marketing expenses represented 3.6% and 3.6% of the total revenue of the Group for the years ended 31 December 2015 and 2016, respectively, which remained stable as a percentage of revenue.

Administration Expenses

Administration expenses of the Group increased by RMB10.7 million, or 10.5%, from RMB102.0 million for the year ended 31 December 2015 to RMB112.7 million for the year ended 31 December 2016. Administration expenses represented 3.5% and 3.8% of the total revenue for the years ended 31 December 2015 and 2016, respectively. The increase was primarily due to the maintenance costs of H shares listed and the increase in the cost of preparing A shares.

Research and Development Expenditure

Research and development expenditure increased slightly by RMB0.7 million, or 0.7%, from RMB102.5 million for the year ended 31 December 2015 to RMB103.2 million for the year ended 31 December 2016.

Finance Costs

Finance costs decreased by RMB33.4 million, or 54.3%, from RMB61.5 million for the year ended 31 December 2015 to RMB28.1 million for the year ended 31 December 2016. The decrease was primarily due to the repayment of part of the long-term loans and short-term loans, which led to a significant decline in interest costs.

Income Tax Expense

Our income tax expense increased by RMB23.9 million, or 23.3%, from RMB102.6 million for the year ended 31 December 2015 to RMB126.5 million for the year ended 31 December 2016. The increase was primarily because our profit before tax increased by RMB196.1 million, or 36.6%, from RMB536.4 million for the year ended 31 December 2015 to RMB732.5 million for the year ended 31 December 2016. Effective tax rates of the Group for the year ended 31 December 2016 was 17.3%, as compared to 19.1% for the year ended 31 December 2015, primarily due to the Company was approved as a high-technology enterprise in 2016, the corporate income tax rate therefore decreased from 25% to 15%.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, the Group's profit and total comprehensive income for the year ended 31 December 2016 increased by RMB179.7 million, or 41.4%, from RMB433.8 million for the year ended 31 December 2015 to RMB613.5 million for the year ended 31 December 2016.

Management Discussion and Analysis

ASSETS AND EQUITY

Total assets of the Group as at 31 December 2016 amounted to RMB4,466.6 million, representing a decrease of 4.7% as compared to RMB4,687.5 million as at 31 December 2015. Total equity increased by RMB384.8 million, or 15.0%, from RMB2,572.8 million as at 31 December 2015 to RMB2,957.6 million as at 31 December 2016.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2016, the liquidity position of the Group was satisfactory. As at 31 December 2016, the Group's principal sources of cash inflow were from cash generated from operating activities and cash generated from financing activities such as financing provided by the banks.

CAPITAL EXPENDITURES AND COMMITMENTS

For the year ended 31 December 2016, the Group's capital expenditures primarily related to lease payment for the facilities for Vietnam, PV glass, Low-E production line, machine substitution and technical transformation of other fixed assets. As at 31 December 2016, the Group's capital commitment amounted to RMB285.4 million, which primarily related to Anhui PV glass production and processing facilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2016, the Group employed a total of 2,324 employees and most of them were based in the PRC. For the year ended 31 December 2016, our Group's total employee remuneration was RMB194.3 million, representing 6.6% of the Group's total revenue.

The Group maintains a good relationship with its employees and provides trainings to its employees. New joiners must attend mandatory in-house training. Furthermore, employees may attend external trainings such as trainings for manufacturing management, quality control management and human resources management. Remuneration of employees is reviewed periodically by reference to the market rate. After considering performance of the Group and job performance of specific employees, the Group may pay them discretionary bonus.

The Group makes contributions for our employees in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance and housing provident fund contributions in the PRC.

CREDIT RISK AND FOREIGN EXCHANGE RISK

Transactions of the Group are settled in RMB, United States dollars, Euros, Hong Kong dollars, Vietnam Dong and Japanese yen whereas the Group's operating activities are located in the PRC. Bank financing of the Group was settled in RMB and United States dollars for the year ended 31 December 2016 with annual interest rates between 1.5% and 6.5%. As certain sales and procurements, and the net proceeds from the Global Offering were not in our reporting currency of RMB but in foreign currencies, the Group is exposed to foreign exchange risk. For the year ended 31 December 2016, such risks did not have any material impact on the financial performance of the Group.

DIVIDEND

For the year ended 31 December 2016, the Board proposed a final dividend of RMB3.9 cents per ordinary share (before tax) (for indicative purpose only, equivalent to approximately HKD4.4 cents per ordinary share (before tax))(the "2016 Final Dividend"), subject to approval by the shareholders of the Company at the upcoming annual general meeting of the Company to be held on 13 June 2017 (Tuesday) (the "AGM"). Together with the declaration and payment of the interim dividend for the six months ended 30 June 2016, the total dividend for the year ended 31 December 2016 will amount to RMB9.4 cents if the 2016 Final Dividend will be approved.

Dividends on domestic shares will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. The exchange rate for the dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Hong Kong dollars to RMB as announced by the People's Bank of China during the five business days prior to the AGM. Detailed plan of distribution will be separately announced in due course.

In order to ascertain shareholders' entitlement to attend and vote at the AGM, the H share register of members of the Company will be closed from 14 May 2017 (Sunday) to 13 June 2017 (Tuesday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on 12 May 2017 (Friday).

In addition, subject to the approval of the 2016 Final Dividend by the shareholders at the AGM, the H share register of members of the Company will be closed from 19 June 2017 (Monday) to 23 June 2017 (Friday) (both days inclusive) for the purpose of determining shareholders' entitlement to the 2016 Final Dividend. The record date for entitlement to the 2016 Final Dividend is 23 June 2017 (Friday). In order to qualify for receiving the 2016 Final Dividend, holders of H shares of the Company shall lodge transfer documents with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at the abovementioned address for registration before 4:30 p.m. on 16 June 2017 (Friday). Subject to approval by the shareholders of the Company at the AGM, the 2016 Final Dividend will be paid on 13 July 2017 (Thursday) or before.

TAXATION

Under current PRC tax laws, regulations and rules, foreign individuals and foreign enterprises that are not PRC residents are subject to different tax obligations with respect to the dividends paid by the Company or the gains realized upon the sale or other disposition of H shares of the Company.

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) issued by the SAT on 28 June 2011, the Company is required to withhold taxes from dividend payments to non-PRC resident individual holders of H shares at rates ranging from 5% to 20% (usually 10%), depending on the applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H shares resides. Non-PRC resident individual holders of H shares who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from the Company.

Management Discussion and Analysis

Accordingly, when distributing the final dividend to individual shareholders of H shares listed on the Company's H share register of members, the Company shall withhold 10% of final dividend as individual income tax, except where relevant taxation regulation, taxation agreement or notice otherwise stipulated.

In addition, under the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) and its implementation rules, for foreign enterprises that do not have offices or establishments in the PRC, or have offices or establishments in the PRC to which their income is not related, dividends paid by the Company and the gains realized by such foreign enterprises upon the sale or other disposition of H shares are ordinarily subject to PRC enterprise income tax at a rate of 10%, subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the relevant foreign enterprise's residence. In accordance with the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Nonresident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代繳企業所得稅有關問題通知》國稅函[2008]897號), which became effective on 6 November 2008, 10% withholding tax shall be imposed on dividends paid by Chinese resident enterprises to holders of H shares that are overseas non-resident enterprises.

Accordingly, the Company shall withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise shareholders listed on the Company's H share register of members. Shares registered under the name of non-individual registered shareholders (including HKSCC Nominees Limited, other nominees, trustees or other organizations and institutions) will be treated as being held by non-resident enterprise shareholders, and the dividends receivable shall therefore withhold corporate income tax.

Biographies of Directors, Supervisors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ruan Hongliang (阮洪良先生), aged 55, is a founder of the Group. He is currently an executive Director and the chairman of Board and the general manager of the Company, mainly responsible for the overall corporate strategies formulation, management of business and operation of the Group. Mr. Ruan is currently a member of the remuneration committee and the chairman of each of the nomination committee, strategic development committee and risk management committee of the Company. Mr. Ruan graduated from Jiaxing First High School (嘉興市第一中學) in July 1978.

Mr. Ruan has over 31 years' experience in glass industry. Mr. Ruan served in the Company's predecessor as a director from June 1998 to December 2005, the deputy chairman of the Board from June 1998 to February 1999 and as the chairman of the Board from March 1999 to May 2000 and from September 2003 to December 2005, respectively. Mr. Ruan also served as the deputy general manager of the Company's predecessor from May 2000 to September 2003. Mr. Ruan has served in the Company as the chairman of the Board and the general manager since December 2005. Mr. Ruan also serves in the Company's subsidiaries. He has been a director and general manager of Shanghai Flat Glass Co., Ltd.* (上海福萊特玻璃有限公司) ("Shanghai Flat") since June 2006, of Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司) ("Zhejiang Jiafu") since August 2007, of Anhui Flat Solar Materials Co., Ltd.* (安徽福萊特光伏材料有限公司) ("Anhui Flat Materials") since January 2011, of Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司) ("Anhui Flat Glass") since January 2011, of Zhejiang Flat Glass Co., Ltd.* (浙江福萊特玻璃有限公司) ("Zhejiang Flat") since February 2011 and of Jiaxing Flat New Energy Technology Co., Ltd.* (嘉興福萊特新能源科技有限公司) ("Flat New Energy") since March 2014. He has also been a director of Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) ("Flat HK") since January 2013.

Outside of the Group, Mr. Ruan worked as plant manager of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from September 1984 to May 2000. Mr. Ruan has also served as a director of Jiaxing Xiuzhou District Lianhui Venture Capital Co., Ltd.* (嘉興市秀洲區聯會創業投資有限公司) since June 2009.

Mr. Ruan also serves in various industry and business associations. He has served as a standing vice-chairman of Zhejiang Provincial Glass Industry Association* (浙江省玻璃行業協會) since April 2009, a vice-chairman of Jiaxing City Entrepreneur Association* (嘉興市企業家協會) and Jiaxing City Chamber of Commerce* (嘉興市工商業聯合會) since October 2010 and December 2011, respectively. Mr. Ruan has received several awards during the past years, including but not limited to, "the Advanced Participants in Association Activities in the Year 2012* (2012年度協會活動先進工作者)" granted by China Architectural and Industrial Glass Association* (中國建築玻璃與工業玻璃協會) in March 2013, "Excellent Entrepreneur of Small and Medium Enterprises in Zhejiang Province* (浙江省中小企業優秀企業家)" granted by Association of Small and Medium Enterprises in Zhejiang Province* (浙江省中小企業協會) and Selection Committee of Excellent Entrepreneur of Small and Medium Enterprises in Zhejiang Province* (浙江省中小企業優秀企業家評選委員會) in December 2012, and "Jiaxing Charity Award in the Year 2011* (2011年度嘉興慈善獎)" granted by Jiaxing Municipal People's Government in December 2011. In addition, Mr. Ruan was also awarded as "The Innovative Pioneer People of Small and Medium Enterprises in the PRC* (中國中小企業創新先鋒人物)" granted by Association of Small and Medium Enterprises in the PRC* (中國中小企業協會) and Selection Committee of Innovative Products among the PRC Enterprises* (中國企業創新成果案例審定委員會) in October 2011, and one of Mr. Ruan's research results was awarded as "Top 100 Innovative & Excellent Research Results of Small and Medium Enterprises in the PRC* (2011年中國中小企業創新100強/優秀創新成果)" by same institutions in October 2011.

Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua, an executive Director, father of Ms. Ruan Zeyun, the chief financial officer and father-in-law of Mr. Zhao Xiaofei, a deputy general manager of the Company.

Biographies of Directors, Supervisors and Senior Management

Ms. Jiang Jinhua (姜瑾華女士), formerly known as Ms. Jiang Jin'e (薑瑾娥), aged 55, joined the Group in June 2000 and is currently an executive Director, the deputy chairman of Board and a deputy general manager of the Company, mainly responsible for assisting Mr. Ruan Hongliang to discharge his duties as the general manager of the Company. Ms. Jiang is currently a member of the remuneration committee of the Company. Ms. Jiang graduated from Arizona State University in the United States in May 2013 with a master degree in business management (long distance learning).

Ms. Jiang has over 23 years' experience in glass industry. She chaired the Board from June 2000 to September 2003 and served as the deputy general manager of our predecessor from September 2003 to December 2005. Ms. Jiang has also served as our deputy chairman of Board since December 2005. She has been a deputy general manager of the Company since June 2009. She served as a director of Zhejiang Jiafu and Anhui Flat Materials, our subsidiaries, from August 2007 to March 2014 and from January 2011 to March 2014, respectively. She also served as the executive deputy general manager of Zhejiang Jiafu from February 2012 to November 2012.

Outside of the Group, Ms. Jiang has been the legal representative of Jiaxing Xiucheng District Construction Project Co., Ltd.* (嘉興市秀城區建設建築工程公司) since September 1993 and was a supervisor of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from August 1998 to August 2009. Ms. Jiang served as a supervisor of Jiaxing City Fute Safety Glass Co., Ltd.* (嘉興市福特安全玻璃有限公司) from November 2003 to August 2008. Ms. Jiang was awarded as "Excellent Female Entrepreneur in Jiaxing* (嘉興市優秀女企業家)" by Female Association of Jiaxing* (嘉興市婦女聯合會) and Association of Female Entrepreneur in Jiaxing* (嘉興市女企業家協會) in December 2012. Ms. Jiang is also the vice-chairman of Association for Female Entrepreneur of Xiuzhou District of Jiaxing* (嘉興市秀洲區企業家協會).

Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang, an executive Director, mother of Ms. Ruan Zeyun, the chief financial officer, and mother-in-law of Mr. Zhao Xiaofei, a deputy general manager of the Company.

Mr. Wei Yezhong (魏葉忠先生), aged 45, a co-founder of the Group and is currently an executive Director and a deputy general manager of the Company, mainly responsible for management of our architectural glass business department. Mr. Wei is currently a member of the strategic development committee of the Company. Mr. Wei graduated from Jiaxing Advanced Vocational College* (嘉興市高等專科學校) in Jiaxing City, Zhejiang Province, the PRC, in July 1992. Mr. Wei has been an assistant engineer recognized by Jiaxing Municipal Bureau of Personnel, Zhejiang Province* (浙江省嘉興市人事局), now known as Jiaxing Municipal Bureau of Human Resources and Social Security* (嘉興市人力資源與社會保障局), since August 2000, and an engineer recognized by Jiaxing Municipal Bureau of Human Resources and Social Security since February 2013. Mr. Wei has also been an expert member of the building curtain wall risk-based detection committee of detection technology branch of the Chinese Ceramic Society* (中國硅酸鹽學會測試技術分會建築幕牆風險檢測技術委員會) since March 2015.

Mr. Wei has over 21 years' experience in glass industry. He served in our predecessor as a sales manager from March 2003 to September 2010. He has been serving as a deputy general manager of the Company since July 2009 and a Director since August 2009. He also served as the chairman of the board of Supervisors of the Company from December 2005 to June 2009 and served as the executive deputy general manager of Zhejiang Flat from February 2012 to January 2013.

Outside of the Group, Mr. Wei worked at production position in Jiaxing Bakenaier Glassware Co., Ltd.* (嘉興巴克耐爾玻璃製品有限公司) from September 1994 to September 2001.

Mr. Shen Qifu (沈其甫先生), aged 50, joined the Group in September 1999 and is currently an executive Director of the Company, mainly responsible for management of the business and operation of Zhejiang Flat. Mr. Shen graduated from Shanghai University of Engineering Science* (上海工程技術大學) in Shanghai, the PRC, in January 1987, majoring in machinery manufacturing and equipment.

Mr. Shen has over 16 years' experience in glass industry. Ms.Shen served successively as workshop manager and deputy manager of production department in our predecessor from September 1999 to December 2001. He also served in our predecessor as a brand management manager from December 2001 to August 2010. He served as a Supervisor of the Company from December 2005 to June 2009 and as the chairman of the board of Supervisors of the Company from June 2009 to January 2015. Mr. Shen also served or serves in our subsidiaries. He successively served as a manager of processing production department, an assistant general manager and a deputy general manager of Zhejiang Jiafu from August 2010 to May 2012. He also served as a deputy general manager of Zhejiang Flat from May 2012 to January 2014. He has served as the executive deputy general manager of Zhejiang Flat since January 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cui Xiaozhong (崔曉鐘先生), aged 46, joined the Group in November 2016 and is currently an independent non-executive Director of the Company. Mr. Cui is currently the chairman of each of the audit committee and remuneration committee, and a member of each of the nomination committee, strategic development committee and risk management committee of the Company. Mr. Cui graduated from Dongbei University of Finance and Economics* (東北財經大學) in Dalian City, Liaoning Province, the PRC, in April 2007 with a master degree in Accounting and graduated from Dongbei University of Finance and Economics with a doctor degree in management in June 2010.

Mr. Cui has served as an independent non-executive Director of the Company since November 2016. Mr. Cui has been long dedicated to education of accounting and has over 10 years' experience of accounting and finance. He has served as a teacher of accounting in Jiaxing College* (嘉興學院) since June 2010.

Mr. Cui served as an independent non-executive Director of Zhejiang Chenguang Cable Co,. Ltd.* (浙江晨光電纜股份有限公司) (listed on the National Equities Exchange and Quotations, stock code: 834639) since March 2016.

Mr. Li Shilong (李士龍先生), aged 63, joined the Group in July 2012 and is currently an independent non-executive Director of the Company. Mr. Li is currently a member of each of the audit committee and remuneration committee of the Company. Mr. Li graduated from the Correspondence College of China's Communist Party School* (中共中央黨校函授學院) in June 1991, majoring in economic management. Mr. Li has been a senior engineer recognized by National Nuclear Safety Administration* (國家核安全局) since July 1995.

Mr. Li served as a deputy head, the section head and deputy party secretary of the office of Nuclear Safety Bureau under State Scientific and Technological Commission* (國家科委國家核安全辦公室) successively from June 1996 to October 1998, as a deputy director-general-level cadre* (副司局級幹部) of Party Committee of State Administration of Environmental Protection* (國家環境保護總局機關黨委) from October 1998 to August 2005 and has served as the vice chairman of Recycling Metal Branch under China Nonferrous Metals Industry Association* (中國有色金屬工業協會再生金屬分會) since January 2006.

Mr. Ng Ki Hung (吳其鴻先生), aged 63, joined the Group in January 2015 and is currently an independent non-executive Director of the Company. Mr. Ng is currently a member of each of the audit committee and nomination committee of the Company.

Mr. Ng has served as an executive director of Jinhui Holdings Company Limited (金輝集團有限公司) (listed on the Stock Exchange, stock code: 137) and Jinhui Shipping and Transportation Limited (listed on Oslo Stock Exchange, stock code: JIN) since August 1991 and May 1994, respectively.

SUPERVISORS

Mr. Zheng Wenrong (鄭文榮先生), aged 53, a co-founder of the Group, is currently the chairman of the board of supervisors of the Company. Mr. Zheng graduated from Jiaxing First High School* (嘉興市第一中學) in June 1979.

Mr. Zheng has over 17 years' experience in glass industry. He served as the chairman of the Board, the deputy chairman of the Board and the manager of domestic sales of our predecessor from May 2000 to June 2000, from June 2000 to December 2005 and from June 1998 to February 2008, respectively. He served as a Director and the deputy general manager of PV glass business department of the Company from December 2005 to January 2015 and from August 2011 to March 2012, respectively. He served as the deputy head of the president's office of the Company from March 2012 to December 2015, and he has served as the manager of the engineering department since January 2016. Mr. Zheng also served in our subsidiaries. He served as a deputy general manager of Zhejiang Jiafu and a director of Anhui Flat Materials from February 2008 to September 2010 and from January 2011 to March 2014, respectively.

Outside of the Group, Mr. Zheng worked as a director and the chairman of the board of directors of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from August 1998 to May 2000 and from May 2000 to August 2009, respectively.

Mr. Shen Fuquan (沈福泉先生), aged 57, a co-founder of the Group, is currently a supervisor of the Company.

Mr. Shen has over 16 years' experience in glass industry. He served as a Director, the deputy chairman of the Board and a manager of sales department I in our predecessor from May 2000 to June 2000, from May 2000 to June 2000 and from December 2001 to December 2005, respectively. Mr. Shen served as a Director of the Company from December 2005 to January 2015. He served as a manager of procurement department and a manager of marketing department from November 2011 to December 2015 and from January 2016 to December 2016. Mr. Shen also served in our subsidiaries. He served as a manager of procurement department of Shanghai Flat from January 2006 to November 2008 and a director of Anhui Flat Glass from January 2011 to March 2014.

Outside of the Group, Mr. Shen served as a supervisor of Jiaxing Glassware Plant* (嘉興市玻璃製品廠) from August 1998 to August 2009. He also served as a director of Jiaxing Flat Glass Mirror Co., Ltd.* (嘉興福萊特鏡業有限公司) from July 2000 to December 2008.

Mr. Zhu Quanming (祝全明先生), aged 63, a co-founder of the Group, is currently a supervisor of the Company.

Mr. Zhu has over 17 years' experience in glass industry. He served as a supervisor and manager of retail department of our predecessor from June 1998 to December 2005 and a manager of production department of the Company from December 2005 to September 2010, respectively. He served in the Company as a Director from December 2005 to January 2015, as a deputy general manager from June 2009 to May 2011 and as a deputy general manager of processed glass business department from September 2010 to February 2012. Mr. Zhu also served or serves in our subsidiaries. He served as the executive deputy general manager of Shanghai Flat from February 2012 to November 2012 and served as a supervisor of Anhui Flat Materials from January 2011 to March 2014. He also served as a deputy general manager of Zhejiang Jiafu from November 2012 to January 2015.

Outside of the Group, Mr. Zhu served as a director of Jiaxing Flat Mirror Co., Ltd.* (嘉興福萊特鏡業有限公司) from July 2000 to December 2008.

Ms. Zhang Hongming (張紅明女士), aged 44, joined the Group in March 2003 and is currently a supervisor of the Company. In July 1998, Ms. Zhang graduated from Jiaxing Secondary Specialized School of Broadcasting and Television* (嘉興市廣播電視中等專業學校) in Jiaxing City, Zhejiang Province, the PRC, majoring in finance and accounting.

Ms. Zhang served as the head of planning department of the Company from March 2003 to September 2010, a general manager assistant of processed glass business department of the Company from September 2010 to February 2012, a general manager assistant of Zhejiang Flat from February 2012 to January 2013 and a deputy manager of production of Zhejiang Flat from January 2013 to September 2014. She served as a deputy manager of credit control department in finance centre of the company from September 2014 to December 2016. She has served as a manager of credit control department in finance center of the Company since January 2017.

Before joining the Group, Ms. Zhang worked at Jiaxing Bakenaier Glassware Co., Ltd.* (嘉興巴克耐爾玻璃製品有限公司) from January 1994 to September 2000.

Mr. Meng Lizhong (孟利忠先生), aged 33, joined the Group in May 2005 and is currently a supervisor of the Company. Mr. Meng graduated from the Correspondence College of China's Communist Party School* (中共中央黨校函授學院), majoring in public administration in December 2008.

Mr. Meng has over 11 years' experience in glass industry. Mr. Meng served as a salesman of the Company from May 2005 to May 2009, a manager assistant of our external sales department from May 2009 to September 2010, a deputy manager of our external sales department from September 2010 to February 2012 and a deputy manager of our sales center from February 2012 to August 2013. He has served as our sales manager of the sales department of Zhejiang Flat since August 2013. He has also served as a general manager assistant of Zhejiang Flat since January 2015.

SENIOR MANAGEMENT

Mr. Wei Zhiming (韋志明先生), aged 48, joined the Group in August 2006 and is currently a deputy general manager of the Company, mainly responsible for management of the strategic department and technology research and development of the Group. Mr. Wei graduated from Hangzhou University* (杭州大學) in Hangzhou City, Zhejiang Province, the PRC, in July 1991 with a bachelor degree in chemistry.

Mr. Wei has over 24 years' experience in glass industry. He severed as a deputy general manager of the Company and the general manager of the strategic department of the Company since May 2011 and January 2016, respectively. He served as a general manger of the PV glass business department of the Company from February 2012 to December 2015. He served successively as assistant to president and deputy manager of technology research and development center of the Company from May 2011 to June 2011. He also served as the deputy general manager of Shanghai Flat and the executive deputy general manager of Zhejiang Jiafu from August 2006 to February 2008 and from February 2008 to February 2012, respectively. Mr. Wei is also a member of PV Specialized Committee of China Architectural and Industrial Glass Association* (中國建築玻璃與工業玻璃協會光伏玻璃專業委員會). In October 2011, one of the research results Mr. Wei participated in was awarded as "Top 100 Innovative & Excellent Research Results of Small and Medium Enterprises in the PRC* (2011年中國中小企業創新100強/優秀創新成果)" by Association of Small and Medium Enterprises in the PRC* (中國中小企業協會) and Selection Committee of Innovative Products among the PRC Enterprises* (中國企業創新成果案例審定委員會).

Prior to joining the Group, he started his career working as the deputy plant manager of Huzhou Glass Plant* (湖州玻璃廠) from August 1991 to June 2001.

Mr. Zhao Xiaofei (趙曉非先生), aged 31, joined the Group in May 2011 and is currently a deputy general manager of the Company, mainly responsible for the management of the business and operation of the Group's PV glass business department. Mr. Zhao graduated from the University of Northern Virginia in the United States in December 2007 with a bachelor degree in science in business administration (long distance learning).

Mr. Zhao served as assistant to manager of the PV glass sales department of sales center of the Company and assistant to general manager of sales center of the Company from May 2011 to July 2011 and from July 2011 to February 2012, respectively, a deputy general manager of float glass business department of the Company from November 2012 to February 2013, as well as deputy general manager of sales center of the Company from February 2013 to July 2013. He also served as assistant to general manager of Zhejiang Jiafu from February 2012 to August 2012. He served as a deputy general manager of Zhejiang Jiafu from August 2012 to November 2012. He served as the executive deputy general manager of Zhejiang Jiafu from July 2013 to December 2015. He served as a deputy general manager of the Company and the general manager of the PV glass business department of the Company since January 2015 and January 2016, respectively.

Prior to joining the Group, Mr. Zhao worked as a sales manager for Zhejiang Newfine Industry Co., Ltd.* (浙江新正方實業股份有限公司) from May 2008 to April 2011.

Mr. Zhao is the spouse of Ms. Ruan Zeyun, the chief financial officer, and son-in-law of Mr. Ruan Hongliang, an executive Director, and Ms. Jiang Jinhua, an executive Director.

Ms. Ruan Zeyun (阮澤雲女士), formerly known as Ms. Ruan Xiao (阮曉), aged 30, joined the Group in October 2009 and is currently the chief financial officer and Board secretary of the Company, mainly responsible for the daily affairs of the Board and the management of our finance center. Ms. Ruan graduated from Sheffield University in England in September 2009 with a master degree in management.

Ms. Ruan served as the Board secretary and the chief financial officer of the Company since April 2010 and since November 2013, respectively. She also served or serves in our subsidiaries. She served as an assistant to general manager of Shanghai Flat from October 2009 to January 2011 and has served as the executive deputy general manager of Shanghai Flat from January 2010 to December 2011. She served as a director of Anhui Flat Glass from January 2011 to March 2014. Ms. Ruan also serves in several industry and business associations. She is a member of PV Specialized Committee of China Architectural and Glass Association* (中國建築玻璃與工業玻璃協會光伏玻璃專業委員會) and a member of Youth Association in Jiaxing* (嘉興市青年聯合會).

Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, a deputy general manager of the Company, and the daughter of Mr. Ruan Hongliang, and an executive Director, and Ms. Jiang Jinhua, an executive Director.

JOINT COMPANY SECRETARIES

Ms. Ruan Zeyun (阮澤雲), formerly known as Ms. Ruan Xiao (阮曉), aged 30, joined the Group in October 2009 and was appointed as a joint company secretary on 1 April 2015.

Ms. Leung Wing Han Sharon (梁頴嫻), was appointed as a joint company secretary of the Company on 1 April 2015. She is a vice president of SW Corporate Services Group Limited. She has over 11 years of experience in finance, accounting and company secretarial matters. Ms. Leung holds degrees of Bachelor Business Administration in Accounting, Bachelor of Laws, and Master of Laws in International Corporate and Financial Law. She is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in UK, and the Association of Chartered Certified Accountants in UK. She is also a member of the Hong Kong Institute of Certified Public Accountants.

- For identification purposes only

Corporate Governance Report

The Board recognizes the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations.

In the opinion of the Directors, the Company had complied with the code provisions in the Corporate Governance Code ("CG Code") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since 1 January 2016 up to and including 31 December 2016 except for code provision A.2.1.

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both positions. Throughout the Group's business history of over 16 years, Mr. Ruan has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board considers that Mr. Ruan is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Company and the shareholders as a whole.

BOARD OF DIRECTORS

The Board currently comprises four executive Directors and three independent non-executive Directors. Biographical details of the Directors are set forth on pages 17 to 23 of this annual report.

The Directors during the year ended 31 December 2016 were:

Executive Directors

Mr. Ruan Hongliang
Ms. Jiang Jinhua
Mr. Wei Yezhong
Mr. Shen Qifu

Independent Non-executive Directors

Mr. Cui Xiaozhong [(1)]
Mr. Li Shilong
Mr. Ng Ki Hung
Ms. Pan Yushuang [(2)]

Notes:

1. On 21 November 2016, Mr. Cui Xiaozhong was appointed as an independent non-executive Director.
2. On 21 November 2016, Ms. Pan Yushuang resigned as an independent non-executive Director.

Mr. Ruan Hongliang, an executive Director and chairman of the Board, is the spouse of Ms. Jiang Jinhua, an executive Director.

Ms. Ruan Zeyun, the chief financial officer, Board secretary and the joint company secretary of the Company is the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Mr. Zhao Xiaofei, a deputy general manager of the Company, is the spouse of Ms. Ruan Zeyun and the son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Other than that, there is no relationship among members of the Board in respect of financial, business or other material relationship.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating operating and financial performance, reviewing the corporate governance measures and supervising of the overall management of the Group. The Board is also responsible for developing, reviewing and monitoring policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The senior management of the Group is responsible for the implementation of business strategies and day-to-day operations of the Group under the leadership of the chairman of the Group. The Directors have full access to all the information of the Group in relation to business operations and financial performance of the Group. Senior management of the Group also reports to the Directors from time to time regarding the business operations of the Group. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request. Throughout the year ended 31 December 2016, all Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

Meetings and Directors Attendance Record

The Board meets regularly either in person or through electronic means of communication to discuss the overall strategy as well as the operation and financial performance of the Group. The number of the Board meetings and general meetings held and the attendance of each Director at these meetings for the year ended 31 December 2016 have been set out as follows:

No. of attendance/No. of meetings

	Board meetings	Audit Committee meetings	Remuneration Committee meeting	Nomination Committee meeting	Strategic Development Committee meeting	Risk Management Committee meeting	General meetings
Executive Directors							
Mr. Ruan Hongliang	6/6	N/A	1/1	1/1	1/1	1/1	2/2
Ms. Jiang Jinhua	6/6	N/A	N/A	N/A	N/A	1/1	2/2
Mr. Wei Yezhong	6/6	N/A	N/A	N/A	1/1	N/A	2/2
Mr. Shen Qifu	6/6	N/A	N/A	N/A	N/A	N/A	2/2
Independent Non-executive Directors							
Mr. Cui Xiaozhong(1)	1/1	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Li Shilong	6/6	2/2	1/1	N/A	N/A	N/A	2/2
Mr. Ng Ki Hung	6/6	2/2	N/A	1/1	N/A	N/A	2/2
Ms. Pan Yushuang(2)	5/5	2/2	1/1	1/1	1/1	1/1	2/2

Notes:

1. On 21 November 2016, Mr. Cui Xiaozhong was appointed as an independent non-executive Director.

2. On 21 November 2016, Ms. Pan Yushuang resigned as an independent non-executive Director.

Corporate Governance Report

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the shareholders of the Company and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

Throughout the year ended 31 December 2016, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements in relation to continuous responsibilities of a Hong Kong listed company and its directors and other relative compliance issues were provided and notified to each of the Directors during Board meetings to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2016, the following existing Directors have participated in continuous professional development by attending briefings and updates, seminars, training, or reading materials on the following topics to develop and refresh their knowledge and skills:

	Corporate governance	Regulatory updates	Finance and accounting	Industry updates
Executive Directors				
Mr. Ruan Hongiang	√	√	√	√
Ms. Jiang Jinhua	√	√	√	√
Mr. Wei Yezhong	√	√		√
Mr. Shen Qifu	√	√		√
Independent Non-Executive Directors				
Mr. Cui Xiaozhong	√	√	√	√
Mr. Li Shilong	√	√		√
Mr. Ng Ki Hung	√	√		

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions. In particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Ms. Pan Yushuang from 1 January 2016 to 20 November 2016, and Mr. Cui Xiaozhong from 21 November 2016 and onwards, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

All of the current independent non-executive Directors have submitted their confirmation on independence in accordance with Rule 3.13 of the Listing Rules. Based on the content of such confirmations, the Company considers that all the existing independent non-executive Directors are independent in accordance with the Listing Rules.

BOARD PROCEEDINGS

In accordance with code provisions A.1.1 and A.1.3 of the CG Code, the Board shall hold at least four Board meetings each year, to be convened by the chairman of the Board, and a notice of at least 14 days shall be given for a regular Board meeting. Since 1 January 2016 to and including 31 December 2016, six regular Board meetings were held with a notice of at least 14 days having been given to the Directors in compliance with the relevant code provision.

The quorum for a Board meeting is at least half of the total number of the Directors (including Directors attending the meeting on behalf of others) being present at the meeting. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and independent non-executive Directors of the Company except Mr. Cui Xiaozhong has entered into a service contract with the Company for a term commencing from the Listing Date and Mr. Cui Xiaozhong has entered into a service contract with the Company for a term commencing from 21 November 2016, and ending on the expiration of the term of the 4th session of the Board on 30 September 2018, subject to his/her retirement and re-election at annual general meeting in accordance with the Articles of Association.

In accordance with the Articles of Association, a person may be appointed as a Director either by the shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the annual general meeting, and are eligible for re-election by the shareholders.

BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of diversity of Board members. Pursuant to the CG Code, the Board adopted a board diversity policy (the "Board Diversity Policy") on 16 October 2015. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

BOARD OF SUPERVISORS

The board of supervisors of the Company consists of five members. The employee representative supervisors, namely Ms. Zhang Hongming and Mr. Meng Lizhong, were elected by employees, and the other supervisors were elected by the shareholders of the Company. Each of the supervisors has entered into a service contract with the Company for a term commencing on the Listing Date and ending on the expiration of the term of the 4th session of the board of supervisors on 30 September 2018. The functions and duties of the board of supervisors include, but are not limited to: review the financial operations of the Company; supervise the performance of Directors, general manager and senior executives of their duties to the Company; request Directors, general manager and senior executives to rectify actions which are damaging to the Company's interests; examine financial information such as financial reports, business reports and profit distribution plans as proposed by the Board to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors to assist in the examination; propose the convening of extraordinary general meetings and motions at the general meetings; conduct investigation if there are any unusual circumstances in the Company's operations; and exercising other rights given to them under the Articles of Association.

DIRECTORS', SUPERVISORS' AND OFFICERS' INSURANCE

The Company has taken out appropriate insurance coverage on Directors', supervisors' and senior management's liabilities in respect of legal actions taken against the same arising out of corporate activities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors and supervisors. Directors and supervisors of the Company are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all Directors and supervisors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2016 and up to the date of this annual report.

BOARD COMMITTEES

The Board has established the (i) audit committee (the "Audit Committee"); (ii) remuneration committee (the "Remuneration Committee"); (iii) nomination committee (the "Nomination Committee"); (iv) strategic development committee (the "Strategic Development Committee"); and (v) risk management committee (the "Risk Management Committee"), with defined terms of reference. The terms of reference of the Board committees, which explain their respective roles and the authority delegated to them by the Board are available on the websites of the Company and the Stock Exchange. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expense.

Remuneration Committee

The Remuneration Committee was established on 16 October 2015. Since 1 January 2016, members of the Remuneration Committee comprised of Ms. Pan Yushuang and Mr. Li Shilong, independent non-executive Directors, and Mr. Ruan Hongliang, an executive Director, and Ms. Pan Yushuang was the chairman of the Remuneration Committee. Ms. Pan Yushuang resigned as a member and as the chairman of the Remuneration Committee, and her resignation was effective on 21 November 2016. On the same date, Mr. Cui Xiaozhong was appointed as member and a chairman of the Remuneration Committee. Since 21 November 2016, The Remuneration Committee comprises two independent non-executive Directors and one executive Director, namely Mr. Cui Xiaozhong, Mr. Li Shilong and Mr. Ruan Hongliang. The chairman of the Remuneration Committee is Mr. Cui Xiaozhong, an independent non-executive Director. The primary duties of the Remuneration Committee include preparing assessment codes and evaluating the senior management of the Group, determining and reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. No director takes part in any discussion on his own remuneration.

During the Reporting Period, the Remuneration Committee met once to review, determine and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, assessing performance of executive Directors and other related matters. The attendance records are set out under "**Meetings and Directors Attendance Record**" on page 25.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (including executive Directors) by band for the year ended 31 December 2016 is set forth below:

In the band of:	Number of Individuals
Below HK$500,000	3
HK$500,000 to HK$ 1,000,000	4

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 12 and 13 to the consolidated financial statements.

Audit Committee

The Audit Committee was established on 16 October 2015. Since 1 January 2016, members of the Audit Committee comprised of Ms. Pan Yushuang, Mr. Li Shilong and Mr. Ng Ki Hung, all of whom are independent non-executive Directors. Ms. Pan Yushuang, who has appropriate professional qualification and experience in accounting matter, was the chairman of the Audit Committee. Ms. Pan Yushuang resigned as a member and chairman of the Audit Committee, and her resignation was effective on 21 November 2016. On the same date, Mr. Cui Xiaozhong, who possesses the appropriate professional qualification and experience in accounting matter, was appointed as member and chairman of the Audit Committee. Since 21 November 2016, the Audit Committee comprises three independent non-executive Directors, namely Mr. Cui Xiaozhong, Mr. Li Shilong and Mr. Ng Ki Hung. The Audit Committee primarily assists the Board to review the financial reporting process, evaluate the effectiveness of financial controls and oversee the auditing processes of the Group and relationship with external auditors of the Group.

During the Reporting Period, the Audit Committee held two meetings to review annual financial results and reports for the year ended 31 December 2016 and interim financial results and reports for the six month ended 30 June 2016. Matters reviewed during the meetings included significant matters on the financial reporting, operational and compliance controls, effectiveness of the risk management and internal control systems and internal audit function, scope of work and appointment of external auditors, related parties transactions and arrangements for employees to raise concerns about possible improprieties. The attendance records are set out under "**Meetings and Directors Attendance Record**" on page 25.

The Audit Committee is of the view that the preparation of the financial results of the Group for the year ended 31 December 2016 complied with the applicable accounting standards and requirements and that adequate disclosure had been made. The Audit Committee is also of the view that the internal control systems are effective and adequate based on its review.

Nomination Committee

The Nomination Committee was established on 16 October 2015. Since 1 January 2016, members of the Nomination Committee comprised of Mr. Ruan Hongliang, an executive Director, Ms. Pan Yushuang and Mr. Ng Ki Hung, independent non-executive Directors. Ms. Pan Yushuang resigned as a member of the Nomination Committee, and her resignation was effective on 21 November 2016. On the same date, Mr. Cui Xiaozhong was appointed as member of the Nomination Committee. Since 21 November 2016, the Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Ruan Hongliang, Mr. Cui Xiaozhong, and Mr. Ng Ki Hung. The chairman of the Nomination Committee is Mr. Ruan Hongliang, an executive Director. The primary duties of the Nomination Committee are to formulate the nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualification and other credentials of the candidates for Directors and senior management. The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy so as to develop and review measurable objectives for the implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board, determined policy for nomination of Directors, recommended candidates for directorship during the year and the independence of the independent non-executive Directors. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records are set out under "**Meetings and Directors Attendance Record**" on page 25.

Strategic Development Committee

The Strategic Development Committee was established on 16 October 2015. Since 1 January 2016, members of the Strategic Development Committee comprised of Mr. Ruan Hongliang and Mr. Wei Yezhong, executive Directors, and Ms. Pan Yushuang, an independent non-executive Director. Ms. Pan Yushuang resigned as a member of the Strategic Development Committee, and her resignation was effective on 21 November 2016. On the same date, Mr. Cui Xiaozhong was appointed as member of the Strategic Development Committee. Since 21 November 2016, the Strategic Development Committee comprises two executive Directors and one independent non-executive Director, namely Mr. Ruan Hongliang, Mr. Wei Yezhong and Mr. Cui Xiaozhong. The chairman of the Strategic Development Committee is Mr. Ruan Hongliang, an executive Director. The primary duties of Strategic Development Committee are to study, advise on and review the Company's long-term development plans and strategies.

During the Reporting Period, the **Strategic Development Committee** met once to discuss the business strategies of the Group and the attendance records are set out under "**Meetings and Directors Attendance Record**" on page 25.

Risk Management Committee

The Risk Management Committee was established on 16 October 2015. Since 1 January 2016, members of the Risk Management Committee comprised of Mr. Ruan Hongliang and Ms. Jiang Jianhua, executive Directors, and Ms. Pan Yushuang, an independent non-executive Director. Ms. Pan Yushuang resigned as a member of the Risk Management Committee, and her resignation was effective on 21 November 2016. On the same date, Mr. Cui Xiaozhong was appointed as member of the Risk Management Committee. Since 21 November 2016, the Risk Management Committee comprises two executive Directors and one independent non-executive Director, namely Mr. Ruan Hongliang, Ms. Jiang Jinhua and Mr. Cui Xiaozhong. The chairman of the Risk Management Committee is Mr. Ruan Hongliang, an executive Director. The primary duties of the Risk Management Committee are to review the Group's business operations, especially on overseas and export business to supervise and control the Group's sanctums-related risks and to monitor and review the Group's risk management and internal control systems and formulate our Group's risk management strategies.

Furthermore, for new customers from Russia, Belarus and Tunisia and other sanctioned countries, being countries on which trade or economic sanctions are imposed by certain overseas governments, such as the United States government and the member states of the European Union, the Risk Management Committee must review and approve these potential customers before the Group can enter into any agreements with these potential customers in order to minimize any risk from doing business with persons located in the sanctioned countries. The Risk Management Committee also monitors the Company's use of proceeds from the global offering of the Group, as well as the performance of the Company's undertaking to the Stock Exchange relating to sanctioned matters. Since 1 January 2016 and up to 31 December 2016, the Risk Management Committee did not identify any sanctioned-related risks relating to the Company's operations.

During the Reporting Period, the **Risk Management Committee** met once to discuss overseas and export business of the Group and the attendance records are set out under "**Meetings and Directors Attendance Record**" on page 25.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the annual general meeting of the Company passed on 28 June 2016, the Articles of Association of the Company has been amended. Save as disclosed above, there was no change in the constitutional documents of the Company during the year ended 31 December 2016.

Pursuant to Rule 13.90 of the Listing Rules, the Company has posted its Articles of Association on the respective websites of the Stock Exchange and the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company had consolidated financial statements for the year ended 31 December 2016 reviewed by the Audit Committee and external auditors, Messrs. Deloitte Touche Tohmatsu. The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 49 and 53 of this annual report.

COMPANY SECRETARY

Ms. Leung Wing Han Sharon and Ms. Ruan Zeyun are the joint company secretaries of the Company. Ms. Ruan is the main contact of the Company for Ms. Leung. During the year ended 31 December 2016, Ms. Leung and Ms. Ruan had complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of the joint company secretaries are set out in the section headed "Biographies of Directors, Supervisors and Senior Management" on page 23 in this annual report.

FINANCIAL REPORTING

Financial reporting

The Board acknowledges its responsibility for preparing the financial statements of the Group for each financial year, which shall give a true and fair view of the financial position, performance and cash flow of the Group for that period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Messrs. Deloitte Touche Tohmatsu, the Group's external auditors, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

Corporate Governance Report

External auditors

The Company appointed Messrs. Deloitte Touche Tohmatsu as the external auditors during the year ended 31 December 2016. The Audit Committee reviewed the external auditors' statutory audit scope and non-audit services and approved its fees.

For the year ended 31 December 2016, the total auditors' remuneration was approximately RMB3,425,000, which Messrs. Deloitte Touche Tohmatsu charged the Group for audit and assurance services.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has established risk management system and internal control system, and the internal audit department is responsible for the internal audit function of the Group. The Board is responsible for maintaining sound and effective internal control and risk management systems (the "Systems") over the Group's asset and shareholders' interests, as well as for reviewing the Systems' effectiveness. The Systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems. The major controls of the Systems include financial, operational and compliance controls, as well as an established organisational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations (including the handling and dissimilation of inside information). In particular, regarding the controls for handling and dissemination of inside information, the employees, senior management and the Directors of the Company who possesses or handles inside information are reminded of the inside information requirements under the Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the requirements under other relevant laws and regulations. The Directors, with the assistance of Ms. Ruan Zeyuan, a joint secretary of the Company, and the internal audit department of the Company, are responsible to ensure the inside information, if any, is kept confidential and dissimilate to the public to avoid a false market in the listed shares of the Company. The Company may also seek professional advice to consider the dissimilation of inside information to be public as and when necessary to ensure the Company will comply with the requirements under Listing Rules, the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the requirements under other relevant laws and regulations.

The Board, being responsible for the reviewing the effectiveness of the Systems, together with the Audit Committee and internal audit team, regularly assess the effectiveness of the Systems, and ensures that the management has discharged its duty by establishing and maintaining effective and adequate Systems. The process used to review the effectiveness of the Systems includes carrying testing and sampling, and in case if material internal control defects have been detected, re-testing and re-sampling would be carried out to ensure the Systems are effective and adequate.

For the year ended 31 December 2016, the Audit Committee and the Group's internal audit team, with the assistance of the management of the Group, conducted a review of the Systems and assessed the effectiveness of the Systems by taking into account the reviews by its auditor. Based on the above review, the Board considers that the Group has fully complied with provisions of the Corporate Governance Code regarding the Systems in general for the year ended 31 December 2016, and the Group's Systems are generally appropriate, effective and adequate.

SHAREHOLDERS' RIGHTS

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the shareholders. The Company encourages participation of its shareholders through annual general meetings and other general meetings where shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the shareholders no less than 45 days before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Convening extraordinary general meetings

According to the Articles of Association, any shareholder(s) individually or jointly holding more than 10% of the Company's total voting shares (inclusive) may sign one or several written requests with the same format and content to propose to the Board to convene an extraordinary general meeting or class general meeting, and specify the topics of the meeting. The Board shall convene an extraordinary or class general meeting responsively after receipt of the aforesaid written request. The aforesaid amount of shareholding is calculated with reference to the date on which the shareholder(s) makes the written request.

If the Board cannot or fails to convene a general meeting, the board of supervisors of the Company shall duly convene such meeting and preside. If the board of supervisors of the Company also cannot or fails to convene and preside over a general meeting, the shareholders individually or jointly holding more than 10% of the Company's shares for more than 90 consecutive days may by themselves convene and preside over a general meeting.

Where shareholders convene and preside over a meeting because the Board fails to convene the meeting pursuant to the aforesaid request, reasonable expenses incurred shall be borne by the Company and shall be deducted from the monies payable by the Company to the defaulting Directors.

(iii) Procedures for putting forward proposals at a general meeting

According to the articles of association of the Company, any shareholder(s) individually or jointly holding more than 3% of the Company's shares may submit a written provisional motion to the convener 10 days before a general meeting is convened, and the Board shall issue a supplementary notice of the general meeting within two days after receipt of the said provisional motion to notify other shareholders and to submit the said provisional proposal to the general meeting for consideration. The content of a motion shall be determined by the general meeting, have definite topics and specific issues for resolution.

Communications with shareholders and investors

The Company is devoted to developing and maintaining continuous relationship and effective communications with shareholders and investors. To strengthen relationships and enhance communications, the Company has established the following communication channels:

(i) An occasion shall be arranged for shareholders of the Company at the annual general meeting for putting forward their opinions and exchanging views with the Board. Directors shall be present in person at the annual general meeting and answer shareholders' questions;

(ii) Where possible, the interim performance and yearly performance shall be issued early to enable shareholders of the Company to better understood the performance and business operations of the Group;

(iii) The Company also publishes all corporate correspondence on the Company's website www.flatgroup.com.cn; and

(iv) Shareholders may raise any enquiries and proposals to the Board by either directly raising questions at general meetings or providing written notice of such enquiries or proposals for the attention of Ms. Ruan Zeyun, the joint company secretary, at the principal place of business of the Company situated at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, PRC or via e-mail to flat@flatgroup.com.cn.

SOCIAL AND ENVIRONMENTAL GOVERNANCE REPORT

The Social and Environmental Governance Report will be published as close as possible to, and in any event no later than three months after the publication of this annual report in compliance with Rule 13.91 of the Listing Rules and Appendix 27 to the Listing Rules.

Report of the Board of Directors

The Directors are pleased to present this report and consolidated financial statements of the Group for the year ended 31 December 2016.

REGISTERED OFFICE, HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company was established in the PRC and has its registered office and headquarters at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC. Its principal place of business in Hong Kong is at 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and sale of photovoltaic glass products, float glass products, energy-efficient glass products, household glass products and other types of relevant products in the PRC. The principal activities and other particulars of the subsidiaries are set out in note 7 to the consolidated financial statements.

LIST OF SUBSIDIARIES

Please refer to note 37 to the consolidated financial statements in this report for details of the subsidiaries as at 31 December 2016.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 54 to 112 of this annual report.

A discussion and analysis of the Group's performance during the year and material factors underlying its results and financial position are set out in the Management Discussion and Analysis section of this annual report.

RESERVES

Details of movements in reserves of the Company and the Group are set out in the consolidated statement of changes in equity.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the latest five financial years is set out on page 7 of this annual report. This summary does not form part of the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 16 to the consolidated financial statements.

DIVIDEND

For the year ended 31 December 2016, the Board proposed a final dividend of RMB3.9 cents per ordinary share (before tax) (equivalent to approximately HK4.4 cents per ordinary share (before tax) for illustration purpose only) (the "2016 Final Dividend"), subject to approval by the shareholders of the Company at the upcoming annual general meeting of the Company to be held on 13 June 2017 (Tuesday) (the "AGM"). Dividends on domestic shares of the Company will be paid in RMB and dividends on H shares will be paid in Hong Kong dollars. Subject to approval by the shareholders of the Company at the AGM, the final dividend for the year ended 31 December 2016 will be paid on or around 13 July 2017 (Thursday).

Please refer to page 15 of this annual report for details relating to the closure of the H share register of members of the Company.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB3,000 (2015: RMB4.9 million).

PRINCIPAL RISKS AND UNCERTAINTIES FACE BY THE GROUP

The following sets out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks pertaining to the PV glass industry

The Group derived a majority of its revenue from its sales of PV glass. During the year ended 31 December 2016, the revenue generated from the sales of PV glass amount to RMB2,147.2 million, representing 72.75% of the total revenue of the Group. In recent years, the global PV industry has experienced fluctuations in terms of production output and prices of PV modules. In addition, some PV module manufacturers faced severe financial difficulties which impacted the business of PV component makers, including PV glass manufacturers. Some PV module manufacturers were not able to satisfy their payment obligations towards their suppliers, which in turn resulted in the suspension of the business operations of a number of PV glass manufacturers in China. In the past, the Group also had experienced customer defaults. Furthermore, the demand for PV glass generally depends on the demand for PV modules, which is subject to a number of macroeconomic and factors outside the control of PV glass manufacturers. The demand for solar energy also depends on the overall demand for electricity and the overall social and governmental support for the use of renewable energy. If there is any significant decrease in the demand for solar energy or investments in the PV industry, the demand and the prices of PV glass will decrease accordingly. Such decreases could be substantial and could result in significant excessive supply. Any market downturn, over-supply or fluctuations in the PV industry or financial difficulties faced by PV module manufacturers could have a material adverse impact on the business, financial condition and results of operations of the Group.

Risks pertaining to compliance of laws and regulations, such as PRC environmental laws and regulations

The Group is subject to various PRC environmental laws and regulations for the production and sales of its PV glass, float glass, household glass and architectural glass products, which impose standards on the emission and treatment of pollutants created during the manufacturing process, and are required to obtain environmental protection assessment approval and acceptance from the relevant government authorities in the PRC for the operation of the production facilities. The Group is also subject to various PRC laws and regulations in relation to its mine. As a result, the Group is required to obtain permits, licenses and consents, such as the mining permit for its mining activities and the production safety permit for its manufacturing operations. Any unfavorable changes in the scope of these laws and regulations, or application and interpretation of these laws and regulations, may limit or restrict its production capacity or ability or its manufacturing operation, or increase the costs in pollution control or safety improvement, or otherwise increase its cost, which may materially and adversely affect the Group's business and operations. If the Group fails to comply with the laws and regulations, it may be penalized for non-compliance and may materially and adversely affect its business, operations and financial results.

Past performance and forward looking statements

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's operations are subject to current environmental laws, rules and regulations enacted by the Chinese government, including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law on Prevention and Control of Water Pollution of the PRC (《中華人民共和國污染防治法》), the Law on Prevention and Control of Environmental Pollution by Solid Wastes of the PRC (《中華人民共和國固體廢物污染環境防治法》) and the Law on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》).

One of our major pollutants produced from our production is nitrogen oxides and sulphur dioxide. In order to be a socially responsible manufacturer, the Company has installed environmental protection and energy-saving equipment to minimize the impact on the environment from its production, including flue-gas desulphurization facility, flue-gas denitration facility, residual heat power generator and emissions monitoring system. The Company also monitors, through the emissions monitoring system, whether it satisfies the PRC standards on exhaust gas emissions. The Company was accredited with ISO14001:2004 for its environmental management system relating to the production processes of PV glass. For the year ended 31 December 2016, the Company's cost of compliance with applicable environmental rules and regulations was RMB44.9 million.

In recognition of the Company's continuous efforts in environmental protection and energy saving, the China Building Materials Federation* (中國建築材料聯合會), China Concrete Association* (中國水泥協會), China Architectural Land Industrial Glass Association* (中國建築玻璃與工藝玻璃協會) and China Construction Health Ceramics Association* (中國建築衛生陶瓷協會) awarded the Company with "Advanced Exemplary Enterprise for Energy Conservation and Emission Reduction in the Concrete Glass Ceramics Industry of the PRC* (全國水泥玻璃陶瓷產業節能減排先進典型企業)" in October 2015.

KEY RELATIONSHIPS

Employees

The Group maintains a good relationship with its employees and provides trainings to employees. New joiners must attend mandatory in-house training. Furthermore, employees may attend external trainings such as trainings for manufacturing management, quality control management and human resource management. Remuneration of employees is reviewed periodically by reference to the market rate. After considering performance of the Group and job performance of specific employees, the Group may pay them discretionary bonus.

The Group makes contributions for our employees in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance and housing provident fund contributions in the PRC.

Suppliers

The main raw materials of the Group include fuel, silica and soda ash. Except for natural gas, the Group does not rely on any one single raw material supplier. The Group procures natural gas from one single supplier as the natural gas is supplied through exclusive pipelines connected from such supplier to the Group's production facilities. The Group generally enters into legally binding long-term agreements with its fuel and silica sand suppliers in order to ensure smooth production operation.

Aggregate purchases from the Group's largest and five largest suppliers accounted for 16.49% (2015: 10.2%) and 40.79% (2015: 33.9%), respectively, of the Group's total purchases for the year ended 31 December 2016.

Customers

The Group has established and maintained strong and stable relationships with its customers, with a majority of the top ten customers having had a relationship of five years or above with the Group. The Group's PV glass customers are primarily domestic and overseas PV module manufacturers, whereas its float glass customers are primarily domestic and overseas glass processing manufacturers and domestic glass wholesalers. In addition, the Group sells household glass products to domestic and overseas furniture manufacturers and processing companies and multinational furniture retailers, and sell architectural glass products to domestic and overseas architectural contractors, domestic architectural glass processing companies and domestic construction companies.

During the year ended 31 December 2016, aggregate sales to the Group's largest and five largest customers accounted for 7.8% (2015: 12.1%) and 29.5% (2015: 31.2%), respectively, of the Group's total revenue for the year.

At no time during the year had the Directors, the supervisors of the Company and their close associates or any shareholder of the Company (who or which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

Report of the Board of Directors

COMPLIANCE WITH LAWS AND REGULATIONS

Since the Company is established and conducts its operations mainly in the PRC, and its H shares are listed on the Stock Exchange, its establishment and operations have to comply with the relevant laws and regulations in both the PRC and Hong Kong. During the year ended 31 December 2016 and up to the date of this annual report, the Company had complied with the relevant laws and regulations in the PRC and Hong Kong.

BANK BORROWINGS

Details of bank borrowings of the Company and its subsidiaries as at 31 December 2016 are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2016 are set out in note 31 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules from 1 January 2016 to 31 December 2016 and at all times up to the date of this annual report.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2016.

USE OF PROCEEDS

The total net proceeds from the listing of H shares of the Company on the Main Board of the Stock Exchange amounted to approximately HK$884.6 million (the "IPO Proceeds").

As at 31 December 2016, the IPO Proceeds of approximately HK$500.6 million had been used as follows:

Use for	**Percentage of net proceeds**	**Amount of net proceeds** HK$ million	**Amount utilized** HK$ million	**Amount remaining** HK$ million
Establish overseas PV glass production and processing facilities in Vietnam	46.0%	406.9	118.7	288.2
Establish new Low-E and Low-E composite glass processing facilities	17.2%	152.1	152.1	0
Research and development of new products and purchase of new equipment	9.7%	85.8	85.8	0
Working capital and other general corporate purposes	9.7%	85.8	85.8	0
Modifying and upgrading an existing PV glass furnace	9.1%	80.5	0	80.5
Construction of new 15 MW distributed PV system	8.3%	73.4	58.2	15.2

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities since 1 January 2016 up to and including 31 December 2016.

On 21 November 2016, the shareholders of the Company have approved the proposed initial public offering of not more than 200,000,000 A shares of the Company, which are proposed to be listed on the Shanghai Stock Exchange. The proceeds estimated to be raised from the proposed A share offering, after deducting listing expenses, will not exceed RMB1,840.0 million. As at the date of this report, application for the proposed A share offering is yet to be submitted to China Securities Regulatory Commission and other relevant regulatory authorities of the People's Republic of China. Please refer to the circular of the Company dated 5 October 2016 for details and the resolutions passed regarding the proposed A share offering.

DIRECTORS

For the year ended 31 December 2016 and up to the date of this annual report, the Directors and supervisors of the Company in office are shown as below:

Executive directors

Mr. Ruan Hongliang *(Chairman of the Board of Directors)*
Ms. Jiang Jinhua
Mr. Wei Yezhong
Mr. Shen Qifu

Independent non-executive directors

Ms. Pan Yushuang *(resigned on 21 November 2016)*
Mr. Cui Xiaozhong *(appointed on 21 November 2016)*
Mr. Li Shilong
Mr. Ng Ki Hung

Supervisors

Mr. Zheng Wenrong *(Chairman of the Board of Supervisors)*
Mr. Shen Fuquan
Mr. Zhu Quanming
Ms. Zhang Hongming
Mr. Meng Lizhong

Report of the Board of Directors

On 21 November 2016, Ms. Pan Yushuang has tendered her resignation as an independent non-executive Directors a member of each of the Audit Committee, Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee and the chairman of each of the Audit Committee and the Remuneration Committee to spend more time on her other business endeavours. Mr. Cui Xiaozhong was appointed as an independent non-executive Director, a member of each of the Audit Committee, Remuneration Committee, Nomination Committee, Strategic Development Committee and Risk Management Committee and the chairman of each of the Audit Committee and the Remuneration Committee on the same date.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and considers that all of the independent non-executive Directors are independent of the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management of the Company are set out on pages 17 to 23 of this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance between the Company or any of its subsidiaries and its controlling shareholders or any of its subsidiaries, was a party, or in which a Director or supervisors of the Company and an entity connected to any of the Directors or supervisors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review except as disclosed in note 12 of the consolidated financial statements.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract with the Company. Mr. Cui Xiaozhong, an independent non-executive Director, has a term from 21 November 2016 and ending on the expiration of the term of the 4th session of the Board on 30 September 2018. The executive Directors and the other independent non-executive Directors have a term commencing from the Listing Date and ending on the expiration of the term of the 4th session of the Board on 30 September 2018, subject to his or her retirement and re-election at annual general meeting in accordance with the Articles of Association.

Each of the supervisors of the Company has entered into a service contract with the Company for a term commencing from the Listing Date and ending on the expiration of the term of the 4th session of the Board on 30 September 2018, subject to his/her retirement and re-election at annual general meeting of the Company in accordance with the Articles of Associates.

Save as disclosed above, none of the Directors or supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Since 1 January 2016 up to and including 31 December 2016, the Company had taken out appropriate corporate liability insurance for the its Directors, supervisors and senior management. As of the date of this annual report, such corporate liability insurance remained effective.

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of the remuneration of the Directors and supervisors of the Company are set out as follows:

	Directors' fee	Salaries and other benefits	Retirement benefit scheme contributions	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. Ruan Hongliang	—	519	21	101	641
Ms. Jiang Jinhua	—	450	—	91	541
Mr. Wei Yezhong	—	428	21	21	470
Mr. Shen Qifu	—	329	21	41	391
Independent non-executive directors:					
Ms. Pan Yushuang *(Note 1)*	80	—	—	—	80
Mr. Li Shilong	80	—	—	—	80
Mr. Ng Ki Hung	80	—	—	—	80
Mr. Cui Xiaozhong *(Note 2)*	—	—	—	—	—
Supervisors:					
Mr. Zheng Wenrong	—	237	21	26	284
Mr. Shen Fuquan	—	228	21	26	275
Mr. Zhu Quanming	—	208	—	26	234
Ms. Zhang Hongming	—	106	8	16	131
Mr. Meng Lizhong	—	204	17	50	270
Total	240	2,709	130	398	3,477

Notes:

(1) On 21 November 2016, Ms. Pan Yushuang resigned as an independent non-executive director.

(2) On 21 November 2016, Mr. Cui Xiaozhong was appointed as an independent non-executive director.

Report of the Board of Directors

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares ("Shares"), underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Listing Rules, were as follows:

Shareholder	Number of Shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares[(1)]	Approximate percentage of shareholding in the total share capital of the Company[(2)]
Directors					
Mr. Ruan Hongliang[(3)]	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Ms. Jiang Jinhua	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Mr. Wei Yezhong	19,260,000	Domestic Shares	Beneficial owner	1.43%	1.07%
Mr. Shen Qifu	12,840,000	Domestic Shares	Beneficial owner	0.95%	0.71%
Supervisors					
Mr. Zheng Wenrong	57,780,000	Domestic Shares	Beneficial owner	4.28%	3.21%
Mr. Shen Fuquan	38,520,000	Domestic Shares	Beneficial owner	2.85%	2.14%
Mr. Zhu Quanming	38,520,000	Domestic Shares	Beneficial owner	2.85%	2.14%

Notes:

(1) The calculation is based on the total number of 1,350,000,000 Domestic Shares of the company in issue as at 31 December 2016.

(2) The calculation is based on the total number of 1,350,000,000 Domestic Shares and the total number of 450,000,000 H Shares (i.e. a total of 1,800,000,000 Shares) in issue as at 31 December 2016.

(3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. Ms.Jiang Jinhua owns 324,081,600 Domestic Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 Domestic Shares. Mr. Zhao Xiaofei owns 4,800,000 Domestic Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang, Ms.Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, each of Mr. Ruan Hongliang, Ms.Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei is considered to be interested in 1,118,772,000 Domestic Shares under the SFO.

Save as disclosed above, as at 31 December 2016, to the knowledge of the Company, none of the Directors or supervisors and the chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the shares or the underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

Shareholder	Number of Shares held	Nature of interest	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares[1]	Approximate percentage of shareholding in the total share capital of the Company[2]
Ms. Ruan Zeyun[3]	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Mr. Zhao Xiaofei[3]	1,118,772,000	Domestic Shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Moving Limited[4]	77,683,000	H Shares	Beneficial interest	17.26%	4.32%
Well Prospering Limited[4]	77,683,000	H Shares	Interest of controlled corporation	17.26%	4.32%
Zhejiang Longsheng Group Co., Ltd.[4]	77,683,000	H Shares	Interest of controlled corporation	17.26%	4.32%
Huarong International Asset Management Great China Investment Fund L.P.[5]	109,609,000	H Shares	Beneficial interest	24.36%	6.09%
Beyond Steady Limited[5]	109,609,000	H Shares	Interest of controlled corporation	24.36%	6.09%
Huarong International Asset Management Great China Investment Fund Limited[5]	109,609,000	H Shares	Interest of controlled corporation	24.36%	6.09%
Linewear Assets Limited[5]	109,609,000	H Shares	Interest of controlled corporation	24.36%	6.09%
Huarong International Financial Holdings Limited[5]	109,609,000	H Shares	Interest of controlled corporation	24.36%	6.09%
Camellia Pacific Investment Holding Limited[5]	109,609,000	H Shares	Interest of controlled corporation	24.36%	6.09%
China Huarong International Holdings Limited[5]	109,609,000	H Shares	Interest of controlled corporation	24.36%	6.09%
Huarong Real Estate Co., Ltd.[5]	109,609,000	H Shares	Interest of controlled corporation		
China Huarong Asset Management Co., Ltd.[5]	109,609,000	H Shares	Interest of controlled corporation	24.36%	6.09%

Notes:

(1) The calculation is based on the total number of 450,000,000 H Shares in issue as at 31 December 2016.

(2) The calculation is based on the total number of 1,350,000,000 Domestic Shares and the total number of 450,000,000 H Shares (i.e. a total of 1,800,000,000 Shares) in issue as at 31 December 2016.

(3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. Ms.Jiang Jinhua owns 324,081,600 Domestic Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 Domestic Shares. Mr. Zhao Xiaofei owns 4,800,000 Domestic Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang, Ms.Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, Mr. Ruan Hongliang, Ms.Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei Jointly owned 1,118,772,000 Domestic Shares under the SFO.

(4) Moving Limited is owned as to 100% by Well Prospering Limited, which is in turn owned as to 100% by Zhejiang Longsheng Group Co., Ltd.. Accordingly, each of Well Prospering Limited and Zhejiang Longsheng Group Co., Ltd. is deemed to be interested in the 72,267,000 H Shares held by Moving Limited.

(5) Huarong International Asset Management Great China Investment Fund L.P. is owned as to 71% by Beyond Steady Limited and is managed by Huarong International Asset Management Great China Investment Fund Limited. Beyond Steady Limited and Huarong International Asset Management Great China Investment Fund Limited are owned as to 100% by Linewear Assets Limited, which is in turn owned as to 100% by Huarong International Financial Holdings Limited. Huarong International Financial Holdings Limited is owned as to 51.93% by Camellia Pacific Investment Holding Limited, which is in turn owned as to 100% by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% by Huarong Real Estate Co., Ltd., which is in turn owned as to 100% by China Huarong Asset Management Co., Ltd.. Accordingly, each of Beyond Steady Limited, Huarong International Asset Management Great China Investment Fund Limited, Linewear Assets Limited, Huarong International Financial Holdings Limited, Camellia Pacific Investment Holding Limited, China Huarong International Holdings Limited, Huarong Real Estate Co., Ltd. and China Huarong Asset Management Co., Ltd. is deemed to be interested in the 109,609,000 H Shares held by Huarong International Asset Management Great China Investment Fund L.P..

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2016.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save as disclosed in note 12 to the consolidated financial statements, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director or supervisor of the Company or an entity connected with a Director or supervisor had a material interest, subsisted at the end of the year or at any time during the year ended 31 December 2016.

RELATED PARTY TRANSACTIONS

The related party transactions in relation to the emoluments of Directors, Supervisors and employees are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

For the year ended 31 December 2016, in addition to the above exemption from disclosure of related party transactions, none of the related party transactions constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

COMPETING BUSINESS

None of the Directors and their associates had any interest in any competing business with the Company or any of its subsidiaries during the year ended 31 December 2016.

COMPLIANCE WITH NON-COMPETE UNDERTAKING

Each of Mr. Ruan Hongliang, Ms. Jiang Jinhua and Ms. Ruan Zeyun has confirmed to the Company that he/she has complied with the non-compete undertaking given by them to the Company pursuant to the deed of non-competition dated 16 October 2015. The independent non-executive Directors of the Company have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the period from 1 January 2016 up to and including 31 December 2016.

ARRANGEMENT FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Director or supervisors of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

RETIREMENT SCHEMES

The Group abides by the laws and regulations in relation to employee benefits and retirement planning promulgated by the Chinese government. Particulars of the Group's retirement plans are set out in note 32 to the consolidated financial statements.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2016, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period of the Group.

AUDIT COMMITTEE

The audit committee of the Company had reviewed together with the Board and external auditors the accounting standards and practices adopted by the Group and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Report of the Board of Directors

EXTERNAL AUDITORS

Messrs. Deloitte Touche Tohmatsu has served as the auditor of the Company since the listing date on 26 November 2015.

Messrs. Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditors of the Group is to be proposed at the annual general meeting of the Company. There was no change in the external auditors of the Company for the three preceding years prior to the date of this report.

On behalf of the Board of Directors

Ruan Hongliang
Chairman

Jiaxing, Zhejiang, the PRC
27 March 2017

* *For identification purposes only*

Report of the Board of Supervisors

The current session of the board of supervisors of the Company (the "Board of Supervisors") is comprised of five supervisors, namely Mr. Zheng Wenrong, Mr. Shen Fuquan, Mr. Zhu Quanming, Ms. Zhang Hongming and Mr. Meng Lizhong.

In the year ended 31 December 2016, for the Company's long-term interests and shareholders' interests, the Board of Supervisors acted in strict compliance with relevant laws, regulations, rules, regulatory documents, the Articles of Association and the Listing Rules and earnestly performed their duties of supervision over the activities of the Directors and senior management of the Company. The major works performed by of the Board of Supervisors are presented below:

I. MEETINGS CONDUCTED BY THE BOARD OF SUPERVISORS

In the year ended 31 December 2016, the Board of Supervisors convened two meetings.

II. WORK OF THE BOARD OF SUPERVISORS

The work of the Supervisory Committee during the year ended 31 December 2016 mainly includes the following:

1. Monitoring implementation of resolutions of general meetings

The Board of Supervisors exercised supervision and inspection of the implementation of the resolutions of the general meetings by the Board and the senior management through observation and attendance at Board meetings and general meetings. The Board of Supervisors considers that the Board and the senior management have diligently performed their duties in compliance with the resolutions of the general meetings. No violation of any laws or regulations or the Articles of Association or any act which jeopardizes the interests of the Company or shareholders' interests of the Company has been found within the performance of the Board and the senior management of the Company.

2. Monitoring legal compliance of the Group's general operation

The Board of Supervisors of the Company exercised supervision on a regular basis over the legal compliance, rationality of the Group's general operation, management of its general ordinary work and the work performance of the Board and senior management. The Board of Supervisors considers that the general operation of the Group is sound and rational, which has also complied with all applicable laws, regulations, rules and the Articles of Association. The members of the Board and the senior management of the Company have conscientiously and diligently performed their duties, and none of the their actions will harm the interests of the Company or the shareholders of the Company.

3. Monitoring daily operating activities of the Group

The Board of Supervisors of the Company exercised supervision over the operating activities of the Group. The Board of Supervisors considers that the Company has already established a sound internal control system, and has made a huge progress in the formulation and implementation of its internal work procedures, thus effectively controlled its exposure to various operating risks. The operation of the Group is in compliance with the PRC laws and regulations and the Articles of Association.

4. Monitoring the Group's financial conditions

The Board of Supervisors has reviewed the Group's 2016 consolidated financial statements, supervised and monitored the Group's implementation of relevant financial policies and legislations as well as details of the Group's assets, financial income and expenditure. It is of the opinion that the Group's 2016 consolidated financial statements truly and completely reflect the financial position and operating results of the Group.

Zheng Wenrong
Chairman of the Board of Supervisors

Jiaxing, Zhejiang, the PRC
27 March 2017

Independent Auditors' Report

TO THE SHAREHOLDERS OF
FLAT GLASS GROUP CO., LTD.
福萊特玻璃集團股份有限公司
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Flat Glass Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 112, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Impairment of property, plant and equipment	
We identified the impairment of property, plant and equipment, referring to Note 16 of the consolidated financial statements, as a key audit matter due to the use of significant estimates in assessing the recoverable amount. The Group's assessment of the recoverable amount of property, plant and equipment requires significant estimates, including future profitability, growth rates and discount rates. As at 31 December 2016, the carrying amount of property, plant and equipment is RMB1,633,911,000 (net of impairment of RMB61,623,000).	Our procedures in relation to management's assessment of the impairment of property, plant and equipment included: • Obtaining an understanding of management controls over the impairment of property, plant and equipment; • Testing the design and implementation and operating effectiveness of key controls in place to ensure that the Group's property, plant and equipment are valued appropriately including those to determine any asset impairments; • Performing physical inspection of the property, plant and equipment at the end of year and notice any unused or impaired equipment; • Obtaining the internal inspection reports from management regarding the operation status of certain exceptional equipment, which were physical damaged and technical obsolescent. Comparing the report with our physical inspection results to identify if any omission; • Challenging the key assumptions and estimates used in management's impairment model, including the forecast future cash flows and discount rates; • Assessing the appropriateness of management's impairment assessment of property, plant and equipment in accordance with the requirements of the relevant IAS 36 Impairment of Assets.

Key audit matters	How our audit addressed the key audit matters
Impairment of trade receivables	
We identified the valuation of trade receivables, referring to Note 22 of the consolidated financial statements, as a key audit matter due to the use of significant estimates in assessing the recoverability of trade receivables. In determining the allowance for trade receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the trade receivables. As at 31 December 2016, the carrying amount of trade receivables is RMB589,614,000 (net of allowance for doubtful debts of RMB57,117,000).	Our procedures in relation to management's assessment of the impairment of the trade receivables included: • Obtaining an understanding of management controls over the impairment of trade receivables; • Testing the design and implementation and operating effectiveness of management's controls over assessment of recoverability of trade receivables; • Testing the aging analysis of the trade receivables, on a sample basis, to the source documents, including invoices and delivery notes; • Challenging the reasonableness of management's estimates of the recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis; and • Assessing the appropriateness of management's impairment assessment of trade receivables in accordance with the requirements of the relevant IAS 39 Financial Instruments: Recognition and Measurement.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lo Kin Cheong.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2017

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	7	**2,951,265**	2,914,049
Cost of sales		**(1,864,367)**	(2,060,315)
Gross profit		**1,086,898**	853,734
Other income and expenses	8	**48,467**	27,222
Other gains and losses	8	**(51,258)**	25,568
Selling and marketing expenses		**(107,565)**	(104,029)
Administration expenses		**(112,665)**	(102,021)
Research and development expenditure		**(103,202)**	(102,520)
Finance costs	9	**(28,124)**	(61,549)
Profit before tax		**732,551**	536,405
Income tax expense	10	**(126,507)**	(102,615)
Profit for the year	11	**606,044**	433,790
EARNING PER SHARE			
– Basic and diluted (RMB cents)	14	**33.67**	31.11
Other comprehensive income for the year:			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**7,430**	—
Total comprehensive income for the year		**613,474**	433,790

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,633,911**	1,740,453
Prepaid lease payments	17	**320,548**	184,628
Prepayment and intangible assets	18	**196,053**	203,595
Available-for-sale investment, at cost		**4,000**	4,000
Deferred tax assets	19	**31,145**	43,338
Prepayment for acquisition of property, plant and equipment		**44,302**	8,513
Deposit paid for acquisition of land use right	20	**—**	24,000
		2,229,959	2,208,527
CURRENT ASSETS			
Prepaid lease payments	17	**7,744**	4,396
Inventories	21	**257,678**	209,660
Trade and other receivables	22	**1,173,965**	1,290,985
Financial asset designated as at fair value through profit or loss ("FVTPL")	23	**20,000**	—
Derivative financial instruments	24	**749**	—
Pledged bank deposits	25	**55,918**	51,992
Bank balances and cash	25	**720,612**	921,975
		2,236,666	2,479,008
CURRENT LIABILITIES			
Trade and other payables	26	**927,175**	875,835
Tax liabilities		**61,670**	69,706
Borrowings	27	**335,370**	748,839
Deferred revenue	30	**14,229**	14,991
Financial liabilities designated as at FVTPL	28	**26,279**	—
Derivative financial instruments	24	**1,372**	—
Long-term payables for the acquisition of mining right due within one year	29	**23,915**	91,083
		1,390,010	1,800,454
Net Current Assets		**846,656**	678,554
Total Assets Less Current Liabilities		**3,076,615**	2,887,081

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Borrowings	27	**100**	183,000
Deferred revenue	30	**62,216**	74,656
Long-term payables for the acquisition of mining rights	29	**56,650**	56,650
		118,966	314,306
Net Assets		**2,957,649**	2,572,775
CAPITAL AND RESERVES			
Share capital	31	**450,000**	450,000
Reserves		**2,507,649**	2,122,775
Total Equity		**2,957,649**	2,572,775

The consolidated financial statements on pages 54 to 112 were approved and authorised for issue by the Board of Directors on 27 March 2017 and are signed on its behalf by:

DIRECTOR

DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital RMB'000	Share premium RMB'000	Production safety fees RMB'000	Translationr eserve RMB'000 *(note iii)*	Equity-settled employee benefits reserve RMB'000 *(note i)*	Statutory surplus reserve RMB'000 *(note ii)*	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	337,500	—	673	—	3,277	233,902	1,082,182	1,657,534
Profit and total comprehensive income for the year	—	—	—	—	—	—	433,790	433,790
Issue of H shares in connection with the Global Offering (as defined in note 1), net off issuance cost	112,500	618,951	—	—	—	—	—	731,451
Transfer	—	—	3,309	—	—	23,483	(26,792)	—
Dividends *(note 15)*	—	—	—	—	—	—	(250,000)	(250,000)
Balance at 31 December 2015	450,000	618,951	3,982	—	3,277	257,385	1,239,180	2,572,775
Profit and total comprehensive income for the year	**—**	**—**	**—**	**7,430**	**—**	**—**	**606,044**	**613,474**
Transfer	**—**	**—**	**2,766**	**—**	**—**	**53,319**	**(56,085)**	**—**
Dividends *(note 15)*	**—**	**—**	**—**	**—**	**—**	**—**	**(228,600)**	**(228,600)**
Balance at 31 December 2016	**450,000**	**618,951**	**6,748**	**7,430**	**3,277**	**310,704**	**1,560,539**	**2,957,649**

Notes:

(i) The equity-settled employee benefits reserve arose in 2009 when certain key management personnel of the Group subscribed for 4.41% of the newly issued shares of the Company. The Group recognised the share-based payment expenses of approximately RMB3,277,000 in 2009 which represented the difference between the fair value of those shares of approximately RMB15,690,000 and the consideration received by the Company of approximately RMB12,413,000.

(ii) According to the Articles of Association of the Company and its subsidiaries established in the PRC, these PRC entities are required to transfer 10% of its net profit as determined in accordance with the Company Law of the PRC to its statutory surplus reserve until the reserve balance reaches 50% of the share capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. This reserve fund can be utilised in setting off accumulated losses or increasing capital and is non-distributable other than in liquidation.

(iii) Translation reserve relating to the translation of the financial statementsof a subsidiary, Flat (Vietnam) Company Limited ("Flat Vietnam") fromits functional currencyin Vietnam to the Company's functional currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Consolidated Statements of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**732,551**	536,405
Adjustments for:		
Finance costs	**28,124**	61,549
Interest income	**(6,072)**	(1,169)
Depreciation of property, plant and equipment	**213,900**	208,022
Amortisation of prepayments and intangible assets	**19,035**	24,192
Release of prepaid lease payments	**5,579**	4,320
Allowance for doubtful debts, net	**14,501**	17,574
Impairment of property, plant and equipment	**50,007**	—
Losses on disposal of property, plant and equipment	**5,158**	7
Losses from changes in fair value of financial liabilities designated as at FVTPL	**14,642**	—
Gains from changes in fair value of derivative financial instruments	**(11,906)**	—
Deferred revenue released to profit or loss	**(14,702)**	(14,706)
Write-down of inventories	**5,021**	452
Operating cash flows before movements in working capital	**1,055,838**	836,646
(Increase) decrease in inventories	**(53,039)**	98,480
Decrease in trade and other receivables	**76,280**	39,947
Increase (decrease) in trade and other payables	**85,170**	(273,396)
Cash generated from operations	**1,164,249**	701,677
Income taxes paid	**(122,350)**	(104,120)
NET CASH FROM OPERATING ACTIVITIES	**1,041,899**	597,557
INVESTING ACTIVITIES		
Interest received	**6,072**	1,169
Proceeds on disposal of property, plant and equipment	**284**	17,878
Purchases of property, plant and equipment	**(189,005)**	(150,547)
Payments for acquisition of land use rights	**(137,845)**	(10,188)
Collection of deposit paid for acquisition of land use right	**24,000**	—
Purchase of prepayments and intangible assets	**(68,143)**	—
Pledged bank deposits placed	**(222,111)**	(38,131)
Release of pledged bank deposits	**218,185**	21,628
Purchase of financial asset designated as at FVTPL	**(20,000)**	—
Proceeds from derivative financial instruments	**12,529**	—
Assets-related government grants received	**1,500**	10,263
NET CASH USED IN INVESTING ACTIVITIES	**(374,534)**	(147,928)

	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	**608,339**	1,570,856
Repayment of bank and other borrowings	**(1,204,708)**	(1,539,120)
Interest paid	**(37,651)**	(61,036)
Payment for capital reduction	**—**	(110,601)
Payment of withholding tax on behalf of former shareholders arising from the capital deduction	**—**	(3,000)
Proceeds from issue of H shares in connection with the Global Offering	**—**	776,060
Collection of receivable of proceeds from issue of H shares in connection with the Global Offering	**3,036**	—
Payment of issuance cost for the Global Offering	**—**	(47,645)
Proceeds from financial liabilities designated as at FVTPL	**61,000**	—
Payment of financial liabilities designated as at FVTPL	**(49,363)**	—
Dividends paid	**(261,275)**	(254,388)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(880,652)**	331,126
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(213,287)**	780,755
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**921,975**	141,220
Effect of foreign exchange rate changes	**11,924**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Represented by bank balances and cash	**720,612**	921,975

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 24 June 1998 as a limited liability company under the Company Law of the PRC. On 29 December 2005, the Company was converted into a joint stock limited liability company and changed its name to 浙江福萊特玻璃鏡業股份有限公司. On 23 March 2011, the Company was renamed as 福萊特光伏玻璃集團股份有限公司 and subsequently renamed as 福萊特玻璃集團股份有限公司 on 10 October 2014. The Company issued a prospectus (the "Prospectus") dated 16 November 2015 in relation to its global offering of the Company's shares (the "Global Offering"). The Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 26 November 2015 (The "Hong Kong Listing"). Its ultimate controlling parties are Mr. Ruan Hong Liang and Ms. Jiang Jing Hua, who are also the directors of the Company.

On 25 August 2016, the Company announced that at the Board Meeting, it has been resolved that the Company will apply for an initial public offering and listing of the Company's A shares in order to satisfy the long term capital need. As at the date of this report, the Company has not filed the application form.

The addresses of both the registered office and the principal place of business of the Company are 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, PRC. It was registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance (Cap.622) on 29 June 2015. The principal activities of the Company and its subsidiaries (the "Group") are engaged in the manufacturing and sale of glass products.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (same as the functional currency of the Company).

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Amendments to IFRSs adopted during the year

The Group has applied for the first time in the current year the following amendments to IFRSs:

Amendments to International Accounting Standards ("IAS") 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New IFRSs and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new IFRSs and amendments to IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 22	Foreign Currency Transactions and Advance consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income FVTOCI . All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New IFRSs and amendments to IFRSs issued but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured at fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

Except as described above, the directors of the Company do not anticipate that the application of the other new IFRSs and amendments to IFRSs will have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange ("Hong Kong Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for held-for-trading financial liabilities and derivative financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-Based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairments of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

These consolidated financial statements incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

The investments in subsidiaries are stated at cost less accumulated impairment loss, if any.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised 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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from Engineering Procurement Construction ("EPC") contract to provide services is recognised when the services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Share-based payment arrangements

Share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments granted by the shareholders at the grant date.

The fair value in respect of the equity-settled share-based payments granted by the shareholders of the Company to the Group's employees in relation to past services is determined at the grant date, and is pushed down and expensed immediately to Group's profit or loss with a corresponding increase in equity.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of assets (other than construction in progress) after taking into account their estimated residual values, using the straight-line method, over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses (see accounting policy on impairment loss on intangible assets below). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (see the accounting policy in respect of impairment losses on intangible assets below), if any.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from Derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets and investments in subsidiaries

At the end of each reporting period, the Group and the Company review the carrying amounts of its tangible and intangible assets as well as investments in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the relevant lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations aretranslated into RMB using exchange rates prevailing at the end of each reporting period. Income and expense items aretranslated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under heading of translation reserve.

Borrowing costs

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' calculated under IFRSs because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in these consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial asset and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held-for-trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.

AFS financial asset

AFS financial asset is non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, expect for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counter party; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, its cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held-for-trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held-for-trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held-for-trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re measurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.

Financial liabilities at amortised cost

Financial liabilities (including borrowings, trade and other payables and long-term payables for the acquisition of mining rights) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which interest expense is included in net gains or losses.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The Group estimates the useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated. The carrying amounts of property, plant and equipment of the Group as at 31 December 2016 were approximately RMB1,633,911,000 (2015: RMB1,740,453,000), details of which are set out in note 16.

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates. During the year ended 31 December 2016, RMB50,007,000 impairment was recognised on property, plant and equipment (2015: Nil), details of whichare set out in note 16.

Useful lives and impairment of mining rights

The Group's mining rights are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights is recognised using the units of production basis, being the proportion of actual production of ores over the estimated total ore reserve. The estimate of ore reserve is determined, and is used in the calculation of amortisation, the determination if there is any impairment, and the useful life of mines by the industrial experts or other judicial authorities.

The estimates of ore reserve require variable assumptions, and any change in assumptions and other factors may result in change in the estimates which would result in changes in future amortisation and impairment, if any. The carrying amounts of mining rights of the Group as at 31 December 2016 were approximately RMB184,852,000 (2015: RMB201,323,000), details of which are set out in note 18.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Recognition of net deferred tax asset

The Group recognised deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit would be available against which the deductible temporary difference can be utilised. As at 31 December 2016 the Group has recognised net deferred tax asset of approximately RMB31,145,000 (31 December 2015: RMB43,338,000), details of which are set out in note 19. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the profit or loss for the period in which such a reversal takes place.

Estimated impairment of trade and bills receivables

When there is objective evidence of impairment loss, the Group take into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2016, the balance of allowance for doubtful debts on trade receivables is RMB57,117,000 (2015: RMB46,448,000), details of which are set out in note 22.

Fair value measurements and valuation processes

In estimating the fair value of the Group's financial assets and financial liabilities, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management of the Group will assess the valuation of financial instruments based on discounted cash flow or quoted bid prices of the trading day in the over-the-counter markets at the end of each reporting period. At the end of the reporting period, the management of the Group will exercise their judgements based on their experience to establish and determine the appropriate valuation techniques and inputs to the valuation model. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company. Note 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the Group's financial assets and financial liabilities.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings disclosed in note 27 as offset by cash and cash equivalent) and equity attributable to owners of the Company (comprising share capital, share premium and reserves).

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 RMB'000	2015 RMB'000
Financial assets		
Trade and other receivables (including cash and cash equivalents)	**1,899,962**	2,182,213
Available-for-sale investment	**4,000**	4,000
Financial asset designated as at FVTPL	**20,000**	—
Derivative financial instruments	**749**	—
	1,924,711	2,186,213
Financial liabilities		
At amortised cost		
– Trade and other payables	**839,129**	753,599
– Borrowings	**335,470**	931,839
– Long-term payables for the acquisition of mining rights	**80,565**	147,733
Derivative financial instruments	**1,372**	—
Financial liabilities designated as at FVTPL	**26,279**	—
	1,282,815	1,833,171

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, pledged bank deposits, bank balances and cash, available-for-sale investment, financial asset designated as at FVTPL, trade and other payables, borrowings, long-term payables for the acquisition of mining rights, financial liabilities designated as at FVTPL and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rate and foreign currency exchange rates. There has been no change in the Group's exposure to these risks or the manner in which it manages and measures the risks from prior years.

6. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see note 27 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and variable-rate borrowings and payables for the acquisition of mining rights. Currently, the Group does not have a specific policy to manage its interest rate risk, but the management will closely monitor interest rate exposures and consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been prepared based on the exposure to interest rates for non-derivative instruments at the end of each reporting period and the stipulated change taking place at the beginning of the financial years and held constant throughout each reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease for variable-rate borrowings and 50 basis point increase or decrease for variable-rate pledged bank deposits and bank balances is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 100 basis points higher/lower for variable-rate borrowings and 50 basis points higher/lower for variable-rate pledged bank deposits and bank balances and all other variables held constant, the Group's post-tax profit would have decreased/increased by RMB20,000 for the year ended 31 December 2016 (2015: RMB601,000).

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

Foreign currency risk management

The primary economic environment in which the principal subsidiaries of the Company operates is the PRC and Vietnam and its functional currencies are RMB and Vietnamese Dong ("VND"). However, certain sales and purchases of the Group are denominated in United States Dollars ("USD"), Euro Dollars ("EUR"), Japanese Yen ("JPY"), Hong Kong Dollars ("HKD"), Great Britain Sterling Pounds ("GBP") which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

6. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities are as follow.

	Assets		Liabilities	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
USD	**692,492**	212,139	**70,901**	25,009
EUR	**3,970**	793	**2,375**	4,329
JPY	**35,635**	40,994	**32**	2,080
HKD	**497**	653,131	**3,102**	—
GBP	**136**	—	**—**	—
Total	**732,730**	907,057	**76,410**	31,418

The Group has set up hedging policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currencies. Foreign currency forward contracts can be used to eliminate the currency exposures. During the year, the Group has entered into certain foreign currency forward contracts closely monitoring the movement of foreign currency rate, details of which are set out in note 24.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against USD, EUR, JPY, HKD and GBP and to a 5% change in VND against USD respectively. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at each of the end of the reporting period for a 5% change in foreign currency rates.

A positive (negative) number below indicates an increase (decrease) in profit for the year where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currencies against RMB, there would be an equal and opposite impact on the net profit for the year.

	2016	2015
	RMB'000	RMB'000
USD impact	**19,270**	7,017
EUR impact	**48**	(133)
JPY impact	**1,335**	1,459
HKD impact	**(110)**	24,492
GBP impact	**5**	—

6. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

Sensitivity analysis (Continued)

In addition, the following table details the Group's sensitivity to a 5% change in VND against USD (2015: 5%).

	2016	2015
	RMB'000	RMB'000
USD impact	**7,797**	—

Credit risk

As at 31 December 2016 and 31 December 2015 the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter parties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recover ability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2016 included in the Group's bills receivables are commercial bills of RMB9,942,000 (31 December 2015: RMB165,119,000). The directors of the Company are of the opinion that the credit risk of such commercial bills were insignificant as these bills were issued by selected customers, which have good credit quality with the Group.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on bank balances is limited because the majority of the counter parties are state-owned banks with good reputation or banks with good credit rating assigned by international credit-rating agencies and with good reputation.

The Group has concentration of credit risk on the Group's trade receivables. For trade receivables, most of the large customers are located in the PRC. Outstanding balance of the five largest customers represented approximately 35% of the trade receivables of the Group at 31 December 2016 (31 December 2015: 32%). In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower the risk exposure or to recover overdue balances.

Notes to the Consolidated Financial Statements

6. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company closely monitor the liquidity position and expect to have adequate sources of funding to finance the Group's operations.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 2 year RMB'000	2 years to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
As at 31 December 2016								
Non-derivative financial liabilities								
Trade and other payables	N/A	839,129	—	—	—	—	839,129	839,129
Borrowings	4.25	230,230	110,496	6	116	—	340,848	335,470
Financial liabilities designated as at FVTPL	N/A	26,279	—	—	—	—	26,279	26,279
Long-term payables for the acquisition of mining rights	6.15	—	—	—	98,377	—	98,377	80,565
Derivative financial instruments	N/A	1,372	—	—	—	—	1,372	1,372
Total		1,097,010	110,496	6	98,493	—	1,306,005	1,282,815
As at 31 December 2015								
Non-derivative financial liabilities								
Trade and other payables	N/A	753,599	—	—	—	—	753,599	753,599
Borrowings	5.35	245,609	529,363	162,867	25,775	4,575	968,189	931,839
Long-term payables for the acquisition of mining rights	6.15	—	94,272	—	—	74,321	168,593	147,733
Total		999,208	623,635	162,867	25,775	78,896	1,890,381	1,833,171

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique and key input
	31 December 2016	31 December 2015		
1) Gold lease contract classified as financial liabilities designated as at FVTPL	Liability – RMB26,279,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.
2) Structured investments contract classified as financial asset designated as at FVTPL	Asset – RMB20,000,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.
3) Foreign currency forward contracts classified as derivative financial instruments	Liabilities – RMB354,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.

6. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Fair value as at 31 December 2016	Fair value as at 31 December 2015	Fair value hierarchy	Basis of fair value measurement/ valuation technique and key input
4) Call/put options in foreign currencies classified as derivative financial instruments	Assets – RMB268,000 Liabilities – RMB296,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.
5) Currency swap classified as derivative financial instruments	Assets – RMB481,000 Liabilities – RMB722,000	N/A	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counter parties.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.

7. REVENUE AND SEGMENTAL INFORMATION

The Group identifies operating segments on the basis of internal reports about different products of the Group that are regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM") in order to allocate resources to segments and to assess their performance.

During this year, the Group provides its customers with Engineering Procurement Construction ("EPC") services for commercial distributed electricity-generation projects, which can help the Group exploit potential of the distributed electricity-generation market and enhance market penetration.

Therefore, the internal reports include six product types based on sales contract terms, namely photo voltaic glass, household glass, architectural glass, float glass, mining products and EPC services. These products form the basis on which the Group reports its segment information.

	2016 **RMB'000**	2015 RMB'000
Segment revenue		
Sales of photo voltaic glass	**2,147,155**	2,161,194
Sales of household glass	**273,197**	243,399
Sales of architectural glass	**197,349**	186,434
Sales of float glass	**302,526**	288,980
Sales of mining products	**26,804**	34,042
Sales of EPC services	**4,234**	—
Total Revenue	**2,951,265**	2,914,049
Segment results		
Sales of photo voltaic glass	**881,870**	738,382
Sales of household glass	**80,428**	55,785
Sales of architectural glass	**54,036**	34,424
Sales of float glass	**64,626**	14,253
Sales of mining products	**4,848**	10,890
Sales of EPC service	**1,090**	—
Total segment results	**1,086,898**	853,734
Other income, expenses, gains and losses	**(2,791)**	52,790
Selling and marketing expenses	**(107,565)**	(104,029)
Administration expenses	**(112,665)**	(102,021)
Research and development expenditure	**(103,202)**	(102,520)
Finance cost	**(28,124)**	(61,549)
Profit before tax	**732,551**	536,405
Income tax expense	**(126,507)**	(102,615)
Profit for the year	**606,044**	433,790

7. REVENUE AND SEGMENTAL INFORMATION (Continued)

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales during the year.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the sum of revenue less cost of sales of the relevant products. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The CODM does not review assets and liabilities by operating segment for the purpose of resource allocation and performance assessment.

Geographical information

The Group's operations and non-current assets are substantially located in the PRC, the place of domicile of the relevant group entities.

The analysis of the Group's revenue from external customers attributed to the country of domicile of the relevant group entities, which is the PRC, and to other foreign countries based on the location of customers is as follows:

	2016 **RMB'000**	2015 RMB'000
Place of domicile of group entities:		
PRC	**1,637,181**	1,587,374
Other foreign countries:		
Japan	**403,573**	405,567
Other countries in Asia (excluding PRC and Japan)	**664,159**	630,413
Europe	**124,720**	171,350
North America	**91,003**	92,406
Others	**30,629**	26,939
	2,951,265	2,914,049

7. REVENUE AND SEGMENTAL INFORMATION (Continued)

Information about major customers

Revenue from major customers which account for 10% or more of the Group's revenue is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Customer A *(Note)*	*****	351,270

Note: Revenue from photo voltaic glass.

*: The corresponding revenue does not contribute 10% of the Group's revenue.

8. OTHER INCOME AND EXPENSES, GAINS AND LOSSES

	2016	2015
	RMB'000	RMB'000
Other income and expenses:		
Government grants		
– assets related government grants *(Note 30)*	**14,702**	14,706
– others *(note)*	**27,696**	16,197
	42,398	30,903
Donation	**(3)**	(4,850)
Interest income from bank deposits	**6,072**	1,169
	48,467	27,222
Other gains and losses:		
Losses on disposal of property, plant and equipment	**(5,158)**	(7)
Impairment losses of property, plant and equipment	**(50,007)**	—
Net foreign exchange gains	**22,595**	39,249
Allowance for doubtful debts, net	**(14,501)**	(17,574)
Gains on disposal of scrap materials	**1,310**	4,807
Losses from changes in fair value of financial liabilities designated as at FVTPL	**(14,642)**	—
Gains from changes in fair value of derivative financial instruments	**11,906**	—
Others	**(2,761)**	(907)
	(51,258)	25,568

Note: The amounts represent incentives received from various PRC government authorities, which had no conditions imposed by the respective PRC government authorities.

Notes to the Consolidated Financial Statements

9. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on:		
Bank loans wholly repayable within five years	**25,005**	55,466
Long-term payables for the acquisition of mining rights wholly repayable within five years	**3,119**	—
Long-term payables for the acquisition of mining rights not wholly repayable within five years	**—**	6,083
Total finance costs	**28,124**	61,549

10. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current PRC tax:		
– PRC enterprise income tax	**120,847**	108,891
– Over-provision in prior years	**(6,533)**	(2,450)
	114,314	106,441
Deferred tax charge (credit):		
– Current year	**1,341**	(3,826)
– Attributable to a change in tax rate	**10,852**	—
	126,507	102,615

No Hong Kong profit tax has been provided as the Group has no relevant assessable profits for the year.

The domestic statutory tax rate of Vietnam is 20% of the estimated assessable profits. Flat (Vietnam) Company Limited ("Flat Vietnam") enjoys income tax exemption for the first 4 years commencing from its first profitable year. No profit tax has been provided as Flat Vietnam has no assessable profits for the year.

Subsidiaries established in the PRC are subject to PRC Enterprise Income Tax ("EIT") at 25% except for following subsidiaries which enjoyed certain tax exemption and relief.

10. INCOME TAX EXPENSE (Continued)

The Company

In previous year, the Company is taxed at 25% for EIT in the PRC Effective from 2016, the Company was recognised as a high-technology enterprise in 2016andthe applicable tax rate is 15% from 2016 to 2018.

Zhejiang Jiafu Glass Co., Ltd. ("Zhejiang Jiafu")

Zhejiang Jiafu was recognised as a high-technology enterprise in 2013 and 2016 respectively and the applicable tax rate is 15% from 2013 to 2018.

Jiaxing Flat New Energy Technology Co., Ltd. ("Jiaxing Flat")

According to Caishui (2012) No. 10 (《財政部國家稅務局關於公共基礎設施和環境保護節能節水項目企業所得稅優惠政策問題的通知》), Jiaxing Flat enjoys income tax exemption for the first three operating years commenced in 2014. Therefore, the applicabletax rate of Jiaxing Flat for the years ended 31 December 2016 and 31 December 2015 was nil.

The income tax expense can be reconciled to the profit before tax on the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 **RMB'000**	2015 RMB'000
Profit before tax	**732,551**	536,405
Tax at the PRC enterprise income tax rate of 25%	**183,138**	134,101
Tax effect of expenses not deductible for tax purpose	**558**	193
Over provision in prior years	**(6,533)**	(2,450)
Tax effect of tax losses and other deductible temporary differences not recognised as deferred tax assets	**9,893**	2,677
Tax effect of different tax rate of a subsidiary in Vietnam	**(86)**	—
Tax effect of preferential tax rate of subsidiaries in the PRC	**(60,842)**	(21,603)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs *(note)*	**(10,473)**	(10,303)
Decrease in deferred tax asset resulting from a decrease in applicable tax rate of the Company	**10,852**	—
Income tax expense	**126,507**	102,615

Note: According to relevant tax law, certain qualified research and development costs are eligible for an additional 50% deduction for PRC enterprise income tax.

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2016 RMB'000	2015 RMB'000
Depreciation for property, plant and equipment	**213,900**	208,022
Amortisation of intangible assets	**19,035**	24,192
Release of prepaid lease payments	**5,579**	4,320
	238,514	236,534
Allowance for doubtful debts, net	**14,501**	17,574
Employee benefits expenses (including directors' emoluments):		
– Salaries and other benefits	**179,876**	186,945
– Retirement benefit scheme contributions	**14,414**	12,880
	194,290	199,825
Auditor's remuneration	**3,425**	1,725
Operating lease payments in respect of rented premises	**196**	164
Write-down of inventories	**5,021**	452

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Hong Kong Listing Rules and Hong Kong Companies Ordinance is as follows:

	For the year ended 31 December 2016				
	Directors' fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
				(note 5)	
Executive directors:					
Mr. Ruan Hongliang *(note 1)*	—	519	21	101	641
Ms. Jiang Jinhua	—	450	—	91	541
Mr. Wei Yezhong	—	428	21	21	470
Mr. Shen Qifu *(note 2)*	—	329	21	41	391
Independent non-executive directors:					
Dr. Cui Xiaozhong *(note 4)*	—	—	—	—	—
Ms. Pan Yushuang *(note 4)*	80	—	—	—	80
Mr. Li Shilong	80	—	—	—	80
Mr. Ng Ki Hung *(note 3)*	80	—	—	—	80
Total	240	1,726	63	254	2,283

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	For the year ended 31 December 2015				
	Directors' fee RMB'000	Salaries and other benefits RMB'000	Retirement benefit scheme contributions RMB'000	Discretionary bonus RMB'000	Total RMB'000
				(note 5)	
Executive directors:					
Mr. Ruan Hongliang *(note 1)*	—	582	16	51	649
Ms. Jiang Jinhua	—	460	—	41	501
Mr. Wei Yezhong	—	520	16	21	557
Mr. Shen Qifu *(note 2)*	—	337	16	31	384
Mr. Shen Fuquan *(note 2)*	—	238	16	26	280
Mr. Zheng Wenrong *(note 2)*	—	238	16	26	280
Mr. Zhu Quanming *(note 2)*	—	216	—	26	242
Independent non-executive directors:					
Ms. Pan Yushuang *(note 4)*	80	—	—	—	80
Mr. Ding Bingxing *(note 3)*	—	—	—	—	—
Mr. Li Shilong	80	—	—	—	80
Mr. Ng Ki Hung *(note 3)*	80	—	—	—	80
Total	240	2,591	80	222	3,133

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Notes:

1. Mr. Ruan Hongliang is also the chief executive of the Company.

2. On 20 January 2015, Mr. Shen Fuquan, Mr. Zheng Wenrong and Mr. Zhu Quanming resigned as executive directors and were appointed as supervisors on the same date. And Mr. Shen Qifu resigned as supervisor and was appointed as executive director on the same date.

3. On 20 January 2015, Mr. Ng Ki Hung was appointed as independent non-executive director and Mr. Ding Bingxing resigned as independent non-executive director on the same date.

4. On 21 November 2016, Ms. Pan Yushuang resigned as independent non-executive director, and Dr. Cui Xiaozhong was appointed as independent non-executive director on the same date.

5. Discretionary bonus is determined with reference to the Group's operating results, individual performance and comparable market statistics.

No remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There is no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 2 were the directors of the Company for the year ended 31 December 2016 (2015: 3). The emoluments of the remaining 3 (2015: 2) individuals during the years were as follows:

	2016	2015
	RMB'000	RMB'000
Salaries and other benefits	**1,477**	1,213
Retirement benefits scheme contribution	**105**	88
Discretionary bonus	**214**	57
	1,796	1,358

The emoluments of the five highest paid individuals (including directors) were within the following bands:

	2016	2015
Nil to HKD1,000,000	**5**	5

During the year, no remuneration was paid by the Group to the five individuals with the highest emoluments and directors in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

14. EARNINGS PER SHARE

The calculation of the basic earning sper share attributable to the owners of the Company is based on the following data:

	2016	2015
Profit for the year attributable to owners of the Company (RMB'000)	**606,044**	433,790
Weighted average number of ordinary shares for the purpose of the basic earnings per share ('000)	**1,800,000**	1,394,384
Basic earnings per share (RMB cents)	**33.67**	31.11

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2016 and 31 December 2015, the amount of diluted earnings per share is the same as basic earnings per share for the years ended 31 December 2016 and 31 December 2015.

For the year ended 31 December 2015, the calculation of weighted average number of ordinary shares in issue has taken into account of the share split with a nominal value of RMB1.00 each into 4 shares of RMB0.25 each on 18 May 2015 retrospectively.

15. DIVIDENDS

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Dividends recognised as distribution during the year	**228,600**	250,000

During the year ended 31 December 2016, a 2015 final dividend of RMB7.2 cents (equivalent to HKD8.4 cents) per ordinary share with aggregate amount of RMB129,600,000 was approved at the annual general meeting dated 28 June 2016, and an interim dividend for the six months ended 30 June 2016 of RMB5.5 cents (equivalent to HKD6.2 cents) per ordinary share (2015: Nil) with aggregate amount of RMB99,000,000 was approved at the extra ordinary general meeting dated 21 November 2016. During the year ended 31 December 2015, a dividend of RMB250,000,000 was declared to its then shareholders of the Company prior to its Hong Kong Listing pursuant to a shareholders' resolution dated 30 September 2015.

A final dividend of RMB3.9 cents per share for the year ended 31 December 2016 has been proposed by the directors of the Company on 27 March 2017 and its subject to approval by the shareholders in the forthcoming annual general meeting.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2015	713,056	1,665,908	33,532	33,103	10,898	2,456,497
Additions	20,106	42,849	2,637	1,192	139,002	205,786
Transfer	—	92,301	—	—	(92,301)	—
Disposals	(12,203)	(16,517)	(1,522)	—	—	(30,242)
At 31 December 2015	720,959	1,784,541	34,647	34,295	57,599	2,632,041
Additions	—	71,906	3,445	2,264	85,192	162,807
Transfer	16,098	33,970	—	—	(50,068)	—
Disposals	(8,581)	(1,209)	(398)	(119)	—	(10,307)
At 31 December 2016	728,476	1,889,208	37,694	36,440	92,723	2,784,541
DEPRECIATION						
At 1 January 2015	135,011	502,366	23,945	22,371	—	683,693
Provided for the year	33,833	164,385	3,844	5,960	—	208,022
Eliminated on disposals	(728)	(9,560)	(1,455)	—	—	(11,743)
At 31 December 2015	168,116	657,191	26,334	28,331	—	879,972
Provided for the year	34,557	173,561	3,108	2,674	—	213,900
Eliminated on disposals	(3,843)	(564)	(364)	(94)	—	(4,865)
At 31 December 2016	198,830	830,188	29,078	30,911	—	1,089,007
IMPAIRMENT						
At 1 January 2015	—	12,230	—	—	—	12,230
Provide for the year	—	—	—	—	—	—
Eliminated on disposals	—	(614)	—	—	—	(614)
At 31 December 2015	—	11,616	—	—	—	11,616
Provided for the year	—	50,007	—	—	—	50,007
Eliminated on disposals	—	—	—	—	—	—
At 31 December 2016	—	61,623	—	—	—	61,623
CARRYING VALUES						
At 31 December 2015	552,843	1,115,734	8,313	5,964	57,599	1,740,453
At 31 December 2016	529,646	997,397	8,616	5,529	92,723	1,633,911

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Certain building, plant and machineries of the Company were revalued in December 2005 when it converted into a joint stock limited liability company.

The Group pledged buildings, plant and machineries with aggregate net book values of approximately RMB1,047,771,000 as at 31 December 2016 (31 December 2015: RMB1,150,593,000) to secure bank borrowings granted to the Group.

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis after taking into account of the residual value at the following rates per annum:

Buildings	4.75%
Plant and machinery	9.5%-23.75%
Motor vehicles	19%-23.75%
Other equipment	19%-31.67%

During the year, the directors of the Company conducted a review of the Group's plant and machineries and determined that certain assets were impaired due to physical damage and technical obsolescence. Accordingly, impairment losses of approximately RMB50,007,000 have been recognised in respect of such machineries, which are mainly used in the Group's float glass segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amount of value in use was 4.35% in relation to plant and machineries.

17. PREPAID LEASE PAYMENTS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Analysed for reporting purpose as:		
Current assets	**7,744**	4,396
Non-current assets	**320,548**	184,628
	328,292	189,024

Certain land use rights of the Company were carried at deemed cost which was revalued in December 2005 for the purpose of converting the Company into a joint stock limited liability company.

In September 2016, Flat Vietnam has purchased the land use right with the consideration of VND350,468,650,800 (equivalent to approximately RMB102,714,600) to establish photovoltaic raw glass production and processing facilities in Vietnam. The lease term is around 42 years.

As at 31 December 2016, the Group pledged leasehold land with aggregate net book values of approximately RMB120,124,000 to secure bank borrowings granted to the Group (31 December 2015: RMB136,658,000).

18. PREPAYMENT AND INTANGIBLE ASSETS

	Prepayment of emission rights RMB'000	Mining rights RMB'000	Total RMB'000
	(note 1)	(note 2)	
COST			
At 1 January 2015 and 31 December 2015	13,640	232,963	246,603
Additions	11,493	—	11,493
At 31 December 2016	25,133	232,963	258,096
AMORTISATION			
At 1 January 2015	10,013	8,803	18,816
Provided for the year	1,355	22,837	24,192
At 31 December 2015	11,368	31,640	43,008
Provided for the year	2,564	16,471	19,035
At 31 December 2016	13,932	48,111	62,043
CARRYING VALUES			
At 31 December 2015	2,272	201,323	203,595
At 31 December 2016	11,201	184,852	196,053

Notes:

(1) The amount represents the payment to Jiaxing Emission Rights Reserve Trading Centre (嘉興市排污權儲備交易中心), which is a government authority for the rights of emission of waste gas and water. The consideration was based on emission volume the Group acquired. Such emission rights are amortised over their useful lives using straight-line method.

(2) The amount represents the right for the mining of a quartzite ore mine which is located in Anhui province, PRC. The mining rights are amortised over its estimated useful life using the units of production method. The mine is operated by 安徽福萊特光伏材料有限公司 Anhui Flat Solar Material Co., Ltd. ("Anhui Flat Material"). The local government granted the mining permit to Anhui Flat Material for a term of 10 years from 2012 to 2022.

19. DEFERRED TAX

The following are the major deferred tax assets recognised and movements thereon during the current year:

	Provision on impairments RMB'000	Deferred revenue RMB'000	Revaluation of properties arising from joint stock company conversion RMB'000	Tax losses RMB'000	Fair value on derivative financial instruments RMB'000	Fair value on financial asset/liabilities designated as at FVTPL RMB'000	Accelerated tax depreciation RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2015	9,809	22,380	(5,564)	2,968	—	—	—	9,919	39,512
Credit (charge) to profit or loss	5,207	(721)	409	(563)	—	—	—	(506)	3,826
At 31 December 2015	15,016	21,659	(5,155)	2,405	—	—	—	9,413	43,338
Credit (charge) to profit or loss	9,075	2,254	(1,360)	(2,405)	129	19	(5,620)	(3,433)	(1,341)
Effect of change in tax rate	(4,720)	(8,193)	2,061	—	—	—	—	—	(10,852)
At 31 December 2016	19,371	15,720	(4,454)	—	129	19	(5,620)	5,980	31,145

The Group has certain unutilised tax losses of RMB71,777,000 available for offset against future profits as at 31 December 2016 (31 December 2015: RMB42,113,000). No deferred tax asset has been recognised in respect of those unutilised tax losses due to the unpredictability of future profit streams. The unutilised tax losses will expire in five years for offsetting against future taxable profits.

	As at 31 December	
	2016 RMB'000	2015 RMB'000
2018	**18,860**	18,860
2019	**22,166**	12,544
2020	**10,709**	10,709
2021	**20,042**	—

The Group has certain deductible temporary differences of RMB9,908,000 available for offset against future profits as at 31 December 2016 (31 December 2015: nil). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Other than the above amounts, at the end of the reporting period, the Group had no other significant unrecognised deferred taxation.

20. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHT

As at 31 December 2015, the amount represents the deposit made by the Group to local government for the acquisition of a land use right located in Anhui province. During the year, the deposit was returned when the Group had acquired the land use right from the local government.

21. INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Raw materials and consumables	**123,910**	118,005
Work in progress	**26,258**	19,513
Finished goods	**107,510**	72,142
	257,678	209,660

22. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	**646,731**	589,149
Less: allowance for doubtful debts of trade receivables	**(57,117)**	(46,448)
	589,614	542,701
Bills receivable	**533,818**	665,545
Trade and bills receivables, net	**1,123,432**	1,208,246
Advances to suppliers	**33,317**	51,906
Other taxes recoverable	**14,937**	14,864
Other receivables	**5,279**	15,969
Less: allowance for doubtful debts of other receivables	**(3,000)**	—
Total trade and other receivables	**1,173,965**	1,290,985

22. TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of the Group's trade and other receivables that were denominated in foreign currencies were re-translated in RMB and stated for reporting purposes as:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
USD	**153,182**	156,539
EUR	**3,693**	255
JPY	**28,820**	38,033
	185,695	194,827

Included in bills receivables are commercial bills from certain customers, amounted to RMB9,942,000 as at 31 December 2016 (31 December 2015: RMB165,119,000). The maturity of the bills receivables is within 6 months from the end of each reporting period.

The Group allows a normal credit period ranged from 30-90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods to customers which approximated the respective dates on which revenue was recognised:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**505,645**	479,918
Over 3 months but within 1 year	**77,975**	53,029
Over 1 year but within 2 years	**4,537**	7,177
Over 2 years but within 3 years	**1,457**	2,577
	589,614	542,701

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The credit quality of the trade receivables that are neither past due nor impaired had not been changed during this year.

The Group has not provided any allowance of doubtful debts for the following trade receivables which are past due but not impaired because the management of the Group considers that those receivables are recoverable based on the good payment record of the customers.

22. TRADE AND OTHER RECEIVABLES (Continued)

Aging of trade receivables which are past due but not impaired

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Over 3 months but within 1 year	**77,975**	53,029
Over 1 year but within 2 years	**4,537**	7,177
Over 2 years but within 3 years	**1,457**	2,577
	83,969	62,783

Movement of allowance for doubtful debts on trade receivables

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**46,448**	29,102
Impairment losses recognised on receivables	**11,501**	17,574
Written off as uncollectible	**(832)**	(228)
Closing balance	**57,117**	46,448

Movement of allowance for doubtful debts on other receivables

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Opening balance	**—**	—
Impairment losses recognised on receivables	**3,000**	—
Closing balance	**3,000**	—

Included in the allowance for doubtful debts are individually impaired trade and other receivables. With reference to the historical experience including past repayment record, these receivables may not be recoverable. The Group does not hold any collateral over these balances. The Group has made full provision for all receivables aged over 3 years because historical experience is such that receivables that aged beyond 3 years are generally not recoverable.

22. TRADE AND OTHER RECEIVABLES (Continued)

Transfers of financial assets

The following were the Group's financial assets that were transferred to suppliers to settle its payables by endorsing or discounting those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the payables to suppliers. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

Bills receivable endorsed to suppliers with full recourse

	2016 RMB'000	2015 RMB'000
Carrying amount of transferred assets	**399,537**	379,180
Carrying amount of associated liabilities	**(399,537)**	(379,180)
Net position	**—**	—

Bills receivable discounted to banks with full recourse

	2016 RMB'000	2015 RMB'000
Carrying amount of transferred assets	**—**	68,492
Carrying amount of associated liabilities	**—**	(68,492)
Net position	**—**	—

All the bills receivable discounted to banks or endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

23. FINANCIAL ASSET DESIGNATED AS AT FVTPL

During the year, the Group entered into a contract of RMB linked USD structured investment with a bank for a period of 12 days with principle amount of RMB20,000,000. The structured investment contains embedded derivatives which are not closely related to the host contract. The entire combined contract has been designated as financial liabilities at FVTPL on initial recognition.

According to the structured investment contract, the settlement amount on the maturity date will be determined in accordance with the spot rate and conversion rate. If the spot rate is greater than the conversion rate, the settlement amount will be approximately RMB20,036,667 while if the spot rate is less than or equal to the conversion rate, the settlement amount will be approximately USD2,903,865.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Derivativesnot under hedge accounting				
Foreign currency forward contracts *(note 1)*	**—**	—	**(354)**	—
Call/put options in foreign currencies *(note 2)*	**268**	—	**(296)**	—
Foreign currency swap contracts *(note 3)*	**481**	—	**(722)**	—
	749	—	**(1,372)**	—

Notes:

1. Foreign currency forward contracts

   The foreign currency forward contracts were entered into by the Group for the purpose of reducing its exposure to foreign currency. These foreign currency forward contracts were not accounted for under hedge accounting.

2. Call/put options in foreign currencies

   Call and put options represent rights to purchase or sell foreign currencies with predetermined prices on maturity. Duration of these contracts ranges from one to three months. These call/put options in foreign currencies were not accounted for under hedge accounting

3. Foreign currency swap contracts

   The Group has entered into foreign currency swap contracts to reduce its exposure to the current exchange rate fluctuation. These foreign exchange swap contracts were not accounted for under hedge accounting.

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of each reporting period, bank balances and cash of the Group comprise cash and short term bank deposits with an original maturity of three months or less. The short-term bank deposits carry interest at market rates at 0.35% per annum as at 31 December 2016 (31 December 2015: 0.35%).

Pledged bank deposits represent the deposits pledged to banks for securing letter of credit facilities and bank loans. The pledged bank deposits carry interest at market rates which range from 1.3% to 1.5% per annum as at 31 December 2016 (31 December 2015: 1.3% to 2.6%).

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS (Continued)

The Group's cash and cash equivalents that were denominated in foreign currencies other than the function currency of the relevant group entities are set as below:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
USD	**539,310**	55,600
EUR	**277**	538
JPY	**6,815**	2,961
HKD	**497**	653,131
GBP	**136**	—
	547,035	712,230

26. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables	**590,444**	548,963
Bills payables	**166,486**	129,767
Interest payable	**2,841**	1,880
Salary and bonus payables	**27,346**	23,107
Advanced receipts from customers	**7,000**	14,466
Other taxes payable	**53,700**	34,663
Payables for acquisition of properties, plants and equipment	**62,405**	61,908
Accruals and other payables	**16,953**	11,081
Withholding tax payable on payment of dividend	**—**	50,000
Total	**927,175**	875,835

26. TRADE AND OTHER PAYABLES (Continued)

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from suppliers. The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**576,661**	521,344
Over 3 months but within 180 days	**10,149**	5,391
Over 180 days but within 1 year	**1,349**	20,647
Over 1 year but within 2 years	**808**	878
Over 2 years	**1,477**	703
	590,444	548,963

The Group's trade and other payables that were denominated in USD, EUR, JPY and HKD. The foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
USD	**1,531**	2,931
EUR	**2,375**	4,329
JPY	**32**	2,080
HKD	**3,102**	—
	7,040	9,340

27. BORROWINGS

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Secured bank loans *(Note)*	**323,470**	931,839
Unsecured bank loans	**12,000**	—
	335,470	931,839
Fixed-rate borrowings	**—**	378,761
Variable-rate borrowings	**335,470**	553,078
	335,470	931,839

Note: As at 31 December 2016, the above bank and other borrowings are secured by (i) the Group's land use rights with aggregate carrying values of approximately RMB120,124,000 (31 December 2015: RMB136,658,000), and (ii) the Group's buildings, plant and machineries with aggregate carrying values of RMB1,047,771,000 (31 December 2015: RMB1,150,593,000).

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Carrying amount repayable:		
Within one year	**335,370**	748,839
More than one year, but not exceeding two years	**—**	156,000
Over two years but not more than 5 years	**100**	22,500
More than five years	**—**	4,500
	335,470	931,839
Less: Amounts shown under current liabilities	**335,370**	748,839
Amounts shown under non-current liabilities	**100**	183,000

The ranges of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2016	2015
	RMB'000	RMB'000
Effective interest rate:		
Fixed-rate borrowings	**—**	2.31%-5.88%
Variable-rate borrowings	**1.50%-6.50%**	3.04%-6.50%

28. FINANCIAL LIABILITIES DESIGNATED AS AT FVTPL

During the year, the Group entered into certain gold lease contracts with banks. During the lease period, the Group might sell the leased gold to independent third parties. When the lease period expires, the Group shall return the gold with the same quantity and quality to the banks. The obligation to return the gold is recognised as financial liabilities designated as at FVTPL. The Group manage its risk exposure to gold return obligation arising from fluctuation of gold market price, by using gold forward contracts that are not designated as hedging instrument.

29. LONG-TERM PAYABLES FOR THE ACQUISITION OF MINING RIGHTS

At 31 December 2016, the long-term payables for the acquisition of mining rights was unsecured, bearing variable interest rate with reference to lending interest rates announced by the People's Bank of China. At 31 December 2016, RMB23,915,000 (2015: RMB91,083,000) of the long-term payables will be repaid in 2017 and has been reclassified as current liabilities and remaining portion will be repaid in 2021 in accordance with purchase agreement.

30. DEFERRED REVENUE

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Arising from asset-related government grants		
Within one year	**14,229**	14,991
Over one year	**62,216**	74,656
	76,445	89,647

	RMB'000
At 1 January 2015	94,090
Government grants received	10,263
Released to profit or loss *(note 8)*	(14,706)
At 31 December 2015	89,647
Government grants received	1,500
Released to profit or loss *(note 8)*	(14,702)
At 31 December 2016	76,445
Less: Amounts shown under current liabilities	(14,229)
Amounts shown under non-current liabilities	62,216

The Group received government subsidies approximately RMB1,500,000 for the year ended 31 December 2016(2015: RMB10,263,000) for the technological upgrade of certain properties, plant and equipment and photovoltaic glass related technology. The amounts are treated as deferred revenue and will be released to profit or loss in line with the estimated useful lives of related property, plant and equipment and upon future expenditure to be incurred.

31. SHARE CAPITAL

	Domestic shares		H shares		Total shares	
	Number '000	RMB'000	Number '000	RMB'000	Number '000	RMB'000
At 31 December 2014, shares of RMB1.00 each	337,500	337,500	—	—	337,500	337,500
Share split *(Note 1)*, shares of RMB0.25 each	1,012,500	—	—	—	1,012,500	—
Issuance of H shares upon Global Offering of the Company's shares *(Note 2)*, shares of RMB0.25 each	—	—	450,000	112,500	450,000	112,500
At 31 December 2015 and 31 December 2016, shares of RMB0.25 each	1,350,000	337,500	450,000	112,500	1,800,000	450,000

Notes:

1. Pursuant to a shareholders' resolution dated 18 May 2015, immediately upon the Hong Kong Listing, the shares with a nominal value of RMB1.00 each in the registered share capital of the Company will be split into 4 shares of RMB0.25 each.

2. On 26 November 2015, 450,000,000 H shares of RMB0.25 each of the Company were issued at a price of HKD2.10 by way of Global Offering. On the same day, the Company's H shares were listed on the Main Board of the Hong Kong Stock Exchange. The proceeds of HKD136,456,000 (equivalent to RMB112,500,000) were credited to the Company's share capital. The remaining proceeds of approximately HKD808,544,000 (equivalent to RMB666,596,000) deducting the issuance cost were credited to share premium.

The domestic shares and H shares have a par value of RMB0.25 each and rank pari passu in all respects except that domestic shares are not listed on or trade in any stock exchange, while H shares are traded in HKD and are listed and traded on the Hong Kong Stock Exchange.

32. RETIREMENT BENEFIT PLANS

The Group's full-time employees in the PRC are covered by a government-sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at an average rate of 20% of employees' salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions and the contributions are due.

As at 31 December 2016, the contributions due in respect of the year that had not been paid over were RMB872,000 (31 December 2015: RMB96,000).

33. CAPITAL COMMITMENTS

	2016 RMB'000	2015 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– contracted for but not provided for in the consolidated financial statements	**285,412**	105,166

34. OPERATING LEASES COMMITMENTS

At the end of each reporting period, the Group had outstanding commitments payable under non-cancellable, fixed rate operating leases in respect of office premises which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**48**	24
In the second to fifth year inclusive	**69**	—
	117	—

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2016 RMB'000	2015 RMB'000
Salaries and allowances	**4,792**	4,818

Key management represents the directors and other senior management personnel of the Group. The remuneration of key management is determined with reference to the performance of the individuals and market trends.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES

	2016 RMB'000	2015 RMB'000
Non-current Assets		
Property, plant and equipment	**1,149,433**	1,267,800
Prepaid lease payments	**128,569**	131,707
Prepayment and intangible assets	**6,394**	145
Available-for-sale investment, at cost	**4,000**	4,000
Deferred tax assets	**15,952**	18,369
Investment in subsidiaries	**358,155**	300,053
Amount due from subsidiaries	**124,277**	64,818
Prepayment for acquisition of property, plant and equipment.	**16,742**	7,078
	1,803,522	1,793,970
Current Assets		
Prepaid lease payments	**3,137**	3,137
Inventories	**131,993**	124,081
Trade and other receivables	**937,950**	1,008,896
Derivative financial instruments	**268**	—
Pledged bank deposits	**31,213**	23,105
Bank balances and cash	**371,407**	748,394
	1,475,968	1,907,613
Current Liabilities		
Trade and other payables	**628,658**	951,937
Tax liabilities	**13,319**	33,626
Borrowings	**157,000**	491,746
Deferred revenue	**10,237**	10,070
Derivative financial instruments	**801**	—
Held-for-trading financial liabilities	**26,279**	—
Amount due to a subsidiary	**97,780**	—
	934,074	1,487,379
Net current assets	**541,894**	420,234
Total Assets less current liabilities	**2,345,416**	2,214,204

36. STATEMENT OF FINANCIAL POSITION AND RESERVES (Continued)

	2016	2015
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Borrowings	**—**	150,000
Deferred revenue	**49,143**	57,893
	49,143	207,893
Net assets	**2,296,273**	2,006,311
Capital and reserves		
Share capital	**450,000**	450,000
Reserves	**1,846,273**	1,556,311
	2,296,273	2,006,311

Movement in reserves

	Share premium RMB'000	**Equity-settled employee benefits reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Retained earnings RMB'000**	**Total RMB'000**
At 1 January 2015	—	3,277	146,376	838,795	988,448
Total comprehensive income for the year	—	—	—	198,912	198,912
Issuance of shares in connection with the Global Offering, net off issuance cost	618,951	—	—	—	618,951
Transfer	**—**	**—**	**20,042**	**(20,042)**	**—**
Dividends *(note 15)*	**—**	**—**	**—**	**(250,000)**	**(250,000)**
Balance at 31 December 2015	**618,951**	**3,277**	**166,418**	**767,665**	**1,556,311**
Total comprehensive income for the year	**—**	**—**	**—**	**518,562**	**518,562**
Transfer	**—**	**—**	**51,856**	**(51,856)**	**—**
Dividends *(note 15)*	**—**	**—**	**—**	**(228,600)**	**(228,600)**
Balance at 31 December 2016	**618,951**	**3,277**	**218,274**	**1,005,771**	**1,846,273**

Notes to the Consolidated Financial Statements

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Place/country and date of establishment/ incorporation	Paid up registered capital	Equity interest attributable to the Group as at 31 December 2015 %	2016 %	Principal activities
福莱特(香港)有限公司 Flat (Hong Kong) Co., Ltd.	Hong Kong 9 January 2013	HKD77,561	100	**100**	Trading of glass products
上海福莱特玻璃有限公司 Shanghai Flat Glass Co., Ltd.*	The PRC 6 June 2006	RMB70,000,000	100	**100**	Manufacture and sale of glass products
浙江嘉福玻璃有限公司 Zhejiang Jiafu Glass Co., Ltd.*	The PRC 15 August 2007	RMB150,000,000	100	**100**	Manufacture and sale of glass products
浙江福莱特玻璃有限公司 Zhejiang Flat Glass Co., Ltd.*	The PRC 14 February 2011	RMB10,000,000	100	**100**	Manufacture and sale of glass products
安徽福莱特光伏材料有限公司 Anhui Flat Solar Material Co., Ltd.*	The PRC 19 January 2011	RMB30,000,000	100	**100**	Extraction of a quartzite mine located in the PRC
安徽福莱特光伏玻璃有限公司 Anhui Flat Solar Glass Co., Ltd.*	The PRC 18 January 2011	RMB30,000,000	100	**100**	Manufacture and sale of glass products
嘉興福莱特新能源科技有限公司 Jiaxing Flat New Energy Technology Co., Ltd.*	The PRC 11 March 2014	RMB10,000,000	100	**100**	Electricity generation of solar battery module
福莱特(越南)有限公司 Flat (Vietnam) Company Limited**	Vietnam 28 July 2016	VND1,095,500,000,000	—	**100**	Manufacture and sale of glass products

* Limited liability company established in the PRC.
** The company has been established in Vietnam in July 2016.

Other than Flat Vietnam, all other companies are directly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the reporting period.