



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

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

Stock Code: 6865

GLOBAL OFFERING



Sole Sponsor and Sole Global Coordinator



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Joint Bookrunners and Joint Lead Managers



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IMPORTANT

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



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

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

Global Offering

- Number of Offer Shares under the Global Offering** : 450,000,000 H Shares (subject to the Over-allotment Option)
- Number of International Placing Shares** : 405,000,000 H Shares (subject to adjustment and the Over-allotment Option)
- Number of Hong Kong Offer Shares** : 45,000,000 H Shares (subject to adjustment)
- Maximum Offer Price** : HK\$2.68 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
- Nominal value** : RMB0.25 per H Share
- Stock code** : 6865

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

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

Our Company is established, and substantially all of our businesses are located, in the PRC. Potential investors in our Company should be aware of the differences in the legal, economic and financial systems between the mainland of the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of our Company. Such differences and risk factors are set out in the sections headed "Risk Factors" and in "Appendix V — Summary of Principal Legal and Regulatory Provisions" and "Appendix VI — Summary of Articles of Association" in this prospectus. Potential investors should consider carefully all the information set out in this prospectus and, in particular, the matters discussed in the above-mentioned sections.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on Thursday, November 19, 2015 or such later date as may be agreed between the Joint Bookrunners and our Company, but in any event not later than Tuesday, November 24, 2015. The Offer Price will not be more than HK\$2.68 per Offer Share and is currently expected to be not less than HK\$2.10 per Offer Share unless otherwise announced. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.68 for each Offer Share together with a brokerage of 1.0%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$2.68.

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.flatgroup.com.cn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, November 24, 2015, the Global Offering will not become unconditional and will lapse immediately.

Prospective investors of the Hong Kong Offer Shares should note the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 am (Hong Kong time) on the day on which dealings in the Shares first commence on the Stock Exchange. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

November 16, 2015

EXPECTED TIMETABLE⁽¹⁾

Latest time to complete electronic applications
under **HK eIPO White Form** service through
the designated website www.hkeipo.hk⁽²⁾11:30 a.m. on Thursday, November 19, 2015

Application lists open⁽³⁾11:45 a.m. on Thursday, November 19, 2015

Latest time for lodging **WHITE** and
YELLOW Application Forms12:00 noon on Thursday, November 19, 2015

Latest time to complete payment of
HK eIPO White Form applications by
effecting internet banking transfer(s)
or PPS payment transfer(s).....12:00 noon on Thursday, November 19, 2015

Latest time for giving **electronic**
application instructions to HKSCC⁽⁴⁾12:00 noon on Thursday, November 19, 2015

Application lists close⁽³⁾12:00 noon on Thursday, November 19, 2015

Expected Price Determination Date⁽⁵⁾Thursday, November 19, 2015

Announcement of

- the Offer Price;
- the level of applications in the Hong Kong Public Offer;
- the level of indications of interest in the International Placing; and
- the basis of allotment of the Hong Kong Public Offer

is expected to be published in South China Morning Post
(in English) and Hong Kong Economic Times (in Chinese)
on or beforeWednesday, November 25, 2015

An announcement of the Hong Kong Public
Offer containing the information above
will be published on the website of the
Hong Kong Stock Exchange at www.hkexnews.hk⁽⁶⁾
and our website at www.flatgroup.com.cn⁽⁶⁾ fromWednesday, November 25, 2015

Results of allocations in the Hong Kong Public Offer
will be available at www.tricor.com.hk/ipo/result
with a “search by ID” function fromWednesday, November 25, 2015

Despatch of H Share certificates or deposit to CCASS
in respect of wholly or partially successful applications
on or before⁽⁷⁾Wednesday, November 25, 2015

EXPECTED TIMETABLE⁽¹⁾

HK eIPO White Form e-Auto Refund payment instructions /
refund cheques in respect of wholly or
partially unsuccessfully applications
to be despatched on or before⁽⁸⁾ Wednesday, November 25, 2015

Dealings in H Shares on the Stock Exchange
expected to commence at 9:00 a.m. Thursday, November 26, 2015

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 19, 2015, the application lists will not open and close on that day. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Thursday, November 19, 2015 the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the paragraph headed “How to Apply for the Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) We expect to determine the Offer Price by agreement with the Joint Bookrunners on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, November 19, 2015 and, in any event, not later than Tuesday, November 24, 2015. If, for any reason, the Offer Price is not agreed between the Joint Bookrunners and us by Tuesday, November 24, 2015, the Hong Kong Public Offer and the International Placing will not proceed. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK\$2.68 per H Share payable by applicants for Hong Kong Offer Shares under the Hong Kong Public Offer, applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.68 for each H Share, together with the brokerage fee of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027% but will be refunded the surplus application monies as provided in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.
- (6) None of the websites or any of the information contained on the websites form part of this prospectus.
- (7) **Share certificates for the Hong Kong Offer Shares will only become valid certificates of title if (i) the Global Offering has become unconditional, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on Thursday, November 26, 2015. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.**
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identify card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identify card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identify card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We were the largest manufacturer of photovoltaic glass (commonly known as PV glass, which is defined in the section headed “Glossary of Technical Terms” in this prospectus) globally and in China, in terms of sales revenue of PV raw glass and processed PV glass in 2014, according to the Frost & Sullivan Report. Our sales revenue from PV glass in 2014 accounted for approximately 18.9% of the total global sales revenue of PV glass and approximately 26.3% of the total sales revenue of PV glass in China. Our PV glass products are mainly ultra-clear patterned PV glass, which is primarily used to manufacture c-Si PV cells that can subsequently be assembled to form c-Si PV modules. Our PV glass can also be used as covers for thin film PV cells. We sell our PV glass products primarily to domestic and overseas PV module manufacturers. According to the Frost & Sullivan Report, most of the global top ten PV module manufacturers in 2014 have purchased our PV glass products. While we derive a majority of our revenue from PV glass, we also manufacture and sell float glass, household glass and architectural glass, which, together with the PV glass, comprise our four major glass products.

According to the Frost & Sullivan Report, the market size of the PV glass industry grew steadily in the last five years, where the global sales revenue generated from ultra-clear patterned PV glass increased from approximately RMB5,742.5 million in 2010 to approximately RMB7,916.5 million in 2014, representing a CAGR of 8.4%. Our revenue for the years ended December 31, 2012, 2013 and 2014, was RMB1,488.6 million, RMB2,187.3 million and RMB2,833.3 million, respectively, representing a CAGR of 38.0%, and for the five months ended May 31, 2014 and 2015, was RMB1,149.8 million and RMB1,237.4 million, respectively. Our revenue from the PV glass segment for the years ended December 31, 2012, 2013 and 2014, was RMB1,120.5 million, RMB1,438.4 million and RMB2,078.4 million, respectively, representing a CAGR of 36.2%, and for the five months ended May 31, 2014 and 2015, was RMB845.0 million and RMB937.2 million, respectively. Our profit after tax for the years ended December 31, 2012, 2013 and 2014, was RMB59.9 million, RMB203.6 million and RMB392.7 million, respectively, representing a CAGR of 156.1%, and for the five months ended May 31, 2014 and 2015, was RMB162.1 million and RMB161.5 million, respectively.

According to the Frost & Sullivan Report, we were one of the largest PV raw glass manufacturers in China in 2014. As of December 31, 2014, we owned and operated seven furnaces for raw glass production, five of which were used for manufacturing ultra-clear PV raw glass and had an aggregate daily maximum production capacity of 2,290 tons, which ranked second in China in 2014, according to the Frost & Sullivan Report, and the remaining two furnaces were used for manufacturing float glass with an aggregate daily maximum production capacity of 1,200 tons. As of the Latest Practicable Date, our aggregate daily maximum production capacity for PV raw glass and float glass remained at 2,290 tons and 1,200 tons, respectively.

SUMMARY

Our production base is strategically located in Jiaxing, Zhejiang Province, which is part of the Yangtze River Delta region. We believe our future success is closely linked to the economic development of the region, where many of our existing and potential PV glass customers are located due to favorable government policies that encourage the development and application of new and clean alternative energy. We have built a strong customer base in China and overseas that includes leading PV module manufacturers, such as Solar Frontier K.K., a wholly owned subsidiary of Showa Shell Sekiyu K.K., and we have supplied PV glass products to a renowned Japanese multinational corporation. We have also established stable long-term relationship with a large multinational furniture retailer that designs and sells ready-to-assemble furniture, appliances and home accessories. This reflects the general acceptance and recognition of the high quality of our glass products by our reputable international customers.

We are recognized as a leader in the PV glass industry in China as we were the first PV glass manufacturer in the PRC to obtain the SPF certifications for PV glass from the Institut Für Solartechnik in Switzerland for having passed the Solartechnik Prüfung Forschung (SPF) testing procedures tailored for PV glasses. In addition, we have participated in setting industry standards of PV glass manufacturing. Our PV glass products have also been recognized in China for its superb quality, which were used in several iconic structures, including in the PV projects of the China Pavilion and other theme pavilions of the 2010 Shanghai World Expo and the National Stadium in Beijing, also known as the Bird's Nest. In addition, in recognition of our leading position and expertise in PV glass manufacturing, we received numerous awards in China, including, among others, the National Key New Product Award awarded by, among others, Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) in 2008. We also possess industry-leading technologies and strong research and development capabilities that we believe are instrumental to our success. For instance, we have developed a coating agent in-house for our PV glass to enhance its light transmission rate. Based on laboratory testing carried out by an independent testing center, our 3.2mm coated PV glass has a light transmission rate of up to 94.5% as compared to 91.8% before the application of the coating agent. We have included the composition and the production method of this coating agent among one of our patents, "A reflection-reducing and high transmission rate ultra-clear patterned PV glass and its production method"* (一種減反射高透過率鍍膜太陽能超白壓花玻璃及其製造方法).

OUR COMPETITIVE STRENGTHS

We believe that the following are our principal competitive strengths: (i) we were the largest PV glass manufacturer globally and in China and one of the most experienced manufacturers in China with advantageous geographic location; (ii) we have vertically integrated business operations, which enable us to better control our production cost and to maximize our return; (iii) we have a stable and strong customer base as we provide high quality products; (iv) we have a product mix that is adaptable to market fluctuations; (v) we possess industry-leading technologies and strong research and development capabilities; and (vi) we have an experienced and stable management team with extensive industry knowledge.

SUMMARY

OUR BUSINESS STRATEGIES

We aim to strengthen our market position as a leading PV glass manufacturer and to increase our market share by pursuing the following strategies: (i) increase our production efficiency in order to continue to maintain our leading position in the global and domestic PV glass industry; (ii) expand overseas to increase the production and processing capacity of our PV glass and enhance our competitiveness; (iii) continue to optimize our product mix; (iv) further strengthen our research and development capabilities; (v) expand our geographical coverage in China by expanding our production capabilities domestically; and (vi) capitalizing on our existing distributed PV systems operating experience to expand the capacity of our distributed PV systems.

OUR BUSINESS MODEL

We are principally engaged in the design, development, production and sales of PV glass, which is sold to PV module manufacturers in China and overseas. In addition to PV glass, we also manufacture and sell float glass, household glass and architectural glass. To maintain a cost-efficient operating structure, we have adopted a vertically integrated business model that gives us more control over our production. Our vertical integration commences from the production of raw glasses (comprising PV raw glass and float glass), which are subsequently processed into PV glass, household glass and architectural glass products, as the case may be. During the Track Record Period, all of our PV glass products were processed from the PV raw glass we manufactured in-house, and approximately 90% of our household glass and architectural glass products were processed from the float glass we manufactured in-house. We have obtained the mining rights to the Mine in Anhui Province to mine quartzite ore, which can be processed into silica sand, one of the major raw materials we use for our float glass production. See “Business — Our Business Model” on page 138 of this prospectus for details.

SUMMARY

OUR PRODUCTS

We generated most of our revenue from the sale of PV glass during the Track Record Period. We also manufacture and sell float glass, household glass and architectural glass. The following table sets forth the revenue breakdown and gross profit/(loss) margin by product type during the Track Record Period:

Product type	For the year ended December 31,									For the five months ended May 31,					
	2012			2013			2014			2014			2015		
	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	%	%	RMB'000	%	%	RMB'000	%	%	<i>(unaudited)</i>			RMB'000	%	%
PV glass . . .	1,120,450	75.3	25.8	1,438,413	65.8	27.6	2,078,373	73.3	37.0	845,016	73.5	36.4	937,227	75.7	33.1
Float glass . .	170,616	11.5	(1.5)	425,298	19.4	26.0	353,846	12.5	19.6	159,089	13.8	22.7	126,978	10.3	3.6
Household glass . . .	182,218	12.2	17.1	222,578	10.2	24.4	250,875	8.9	24.9	105,499	9.2	23.9	96,579	7.8	20.9
Architectural glass . . .	15,273	1.0	22.7	100,770	4.6	33.1	139,197	4.9	24.3	39,868	3.5	25.3	57,147	4.6	12.8
Others ⁽¹⁾ . . .	—	—	—	224	—	(30.8)	11,015	0.4	(54.8)	322	—	43.5	19,501	1.6	36.9
Total	1,488,557	100.0	21.6	2,187,283	100.0	27.2	2,833,306	100.0	32.8	1,149,794	100.0	33.0	1,237,432	100.0	28.2

Note:

(1) Others mainly include the quartzite ore extracted from the Mine, which was sold to third parties since 2013.

The increase in our overall gross profit margin during the Track Record Period was mainly attributable to an increase of our production efficiency and our improved ability to control cost. Our gross profit margin increased from 21.6% for the year ended December 31, 2012 to 32.8% for the year ended December 31, 2014, primarily due to the increase in gross profit margin of PV glass from 25.8% for the year ended December 31, 2012 to 37.0% for the year ended December 31, 2014, mainly as a result of a decrease in the cost of energy as a proportion of our cost production and an increase in the average selling price. Our gross profit margin decreased from 33.0% for the five months ended May 31, 2014 to 28.2% for the five months ended May 31, 2015 primarily due to the increase of the energy cost associated with our production as we used a higher proportion of natural gas in connection with our production as a result of our focusing more on environmentally friendly production process.

SUMMARY

In addition, with respect to float glass, we incurred a negative gross profit margin of 1.5% in 2012 primarily because (i) the quality of finished products was not stable in the first half of 2012 as we only commenced production of float glass in late 2011 and were still incurring substantial cost of installation, equipment testing and adjustment in the first half of 2012; and (ii) the market price of float glass was relatively low in the first half of 2012 and began to rise in the second half of 2012.

The following table sets forth the number of units sold and the average selling price of our various glass products during the years or periods indicated:

Product type	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	Units ⁽¹⁾	Average selling price ⁽¹⁾	Units ⁽¹⁾	Average selling price ⁽¹⁾	Units ⁽¹⁾	Average selling price ⁽¹⁾	Units ⁽¹⁾	Average selling price ⁽¹⁾	Units ⁽¹⁾	Average selling price ⁽¹⁾
	'000	RMB	'000	RMB	'000	RMB	'000	RMB	'000	RMB
PV glass	35,356	31.69	51,160	28.12	69,535	29.89	27,866	30.33	32,006	29.28
Float glass	160	1,066.94	341	1,247.23	312	1,135.39	130	1,221.97	122	1,042.21
Household glass	5,010	36.37	5,941	37.47	6,719	37.34	2,766	38.14	2,758	35.02
Architectural glass	225	67.89	1,738	57.98	2,692	51.71	849	46.94	1,017	56.21

Note:

(1) The units for float glass are in tons while the units for PV glass, household glass and architectural glass are in sq.m. All information relating to the units sold and average selling prices was based on our internal records. Accordingly, the data and information derived from those figures in the table above and disclosed elsewhere in this prospectus were based on our internal records.

See also “Business — Our Products” on page 140 of this prospectus for further details.

OUR PRODUCTION FACILITIES AND PROCESSES

Our production facilities are strategically located in Jiaxing, Zhejiang Province, the PRC, in the Yangtze River Delta. As of the Latest Practicable Date, we operated 16 production lines for the production of PV raw glass, 21 dedicated processing lines for PV glass, two production lines for float glass, 12 processing lines for household glass and 12 processing lines for architectural glass (including tempering, laminating, insulating and Low-E coating). Our PV glass is processed from the PV raw glass we manufacture in-house while our household glass and architectural glass are primarily processed from the float glass we manufacture in-house.

SUMMARY

The following table sets forth the designed production capacity and actual production volume and utilization rates for our PV raw glass during the Track Record Period:

PV raw glass	For the year ended December 31,			For the five months ended May 31,
	2012⁽¹⁾	2013⁽¹⁾	2014⁽¹⁾	2015⁽¹⁾
Designed production capacity ⁽²⁾ (<i>tons</i>)	479,040	570,650 ⁽³⁾	835,850 ⁽⁴⁾	345,790
Actual production volume (<i>tons</i>)	364,739	447,976	662,247	261,816
Utilization rate ⁽⁵⁾ (%)	76.1	78.5	79.2	75.7

Notes:

- (1) The data and information set out in the table were based on our internal records.
- (2) Designed production capacity is calculated by multiplying the designed daily production capacity by actual production days for the year or period.
- (3) Our designed production capacity increased from 2012 to 2013 primarily due to (i) one of our large PV glass furnaces with a daily maximum production capacity of 600 tons commenced operations in May 2013; and (ii) two of our PV glass furnaces with daily maximum production capacity of 300 tons each that were temporarily shut down in the second half of 2012 to undergo technical upgrades, resumed operations in the fourth quarter of 2013.
- (4) Our designed production capacity increased in 2014 compared to 2013 primarily due to an increase in the number of days in which our PV glass furnaces operated.
- (5) Utilization rate is calculated by dividing the actual production volume for the year or period by the designed production capacity for the year or period.

The following table sets forth the designed processing capacity and actual processing volume and utilization rates for our PV glass during the Track Record Period:

PV glass	For the year ended December 31,			For the five months ended May 31,
	2012⁽¹⁾	2013⁽¹⁾	2014⁽¹⁾	2015⁽¹⁾
Designed processing capacity ⁽²⁾⁽³⁾ (<i>sq.m.</i>)	63,679,820	78,604,820 ⁽⁴⁾	93,852,820 ⁽⁵⁾	39,511,868
Actual processing volume ⁽³⁾ (<i>sq.m.</i>)	33,470,406	44,305,215	74,402,247	32,105,189
Utilization rate ⁽⁶⁾ (%)	52.6	56.4	79.3	81.3

Notes:

- (1) The data and information set out in the table were based on our internal records.
- (2) Designed processing capacity is calculated by multiplying the designed daily processing capacity by actual days of operations for the year or period.
- (3) The designed processing capacity and the actual processing volume are calculated based on the capacity and processing volume of dedicated PV glass processing lines, respectively.

SUMMARY

- (4) Our designed processing capacity increased from 2012 to 2013 as four new dedicated processing lines commenced operations in 2013.
- (5) Our designed processing capacity increased from 2013 to 2014 as a new dedicated processing line commenced operations in 2014.
- (6) Utilization rate is calculated by dividing the actual processing volume for the year or period by the designed processing capacity for the year or period.

The following table sets forth the designed production capacity, and actual production volume and utilization rates for our float glass during the Track Record Period:

Float glass	For the year ended December 31,			For the five months ended May 31,
	2012⁽¹⁾	2013⁽¹⁾	2014⁽¹⁾	2015⁽¹⁾
Designed production capacity ⁽²⁾ (tons)	234,600	438,000 ⁽³⁾	438,000	181,200
Actual production volume (tons)	221,944	435,657	432,631	173,284
Utilization rate ⁽⁴⁾ (%)	94.6	99.5	98.8	95.6

Notes:

- (1) The data and information set out in the table were based on our internal records.
- (2) Designed production capacity is calculated by multiplying the designed daily production capacity by actual production days for the year or period.
- (3) Our designed production capacity increased in 2013 compared to 2012 primarily because we commenced operations of our second float glass furnace with a daily maximum production capacity of 600 tons in December 2012.
- (4) Utilization rate is calculated by dividing the actual production volume for the year or period by the designed production capacity for the year or period.

See “Business — Our Production Facilities and Processes” on page 145 of this prospectus for further details.

SUPPLIERS AND RAW MATERIALS PROCUREMENT

We procure a majority of our raw materials from third-party suppliers that are based in the PRC, and a small quantity of raw materials from certain overseas suppliers, including those in the United States. Our raw materials mainly include silica sand and soda ash. Furthermore, fuel and electricity are also major components in our cost of sales. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the purchases from our five largest suppliers amounted to RMB524.2 million, RMB398.3 million, RMB589.0 million and RMB259.1 million, respectively, representing 44.9%, 25.0%, 30.9% and 29.2%, respectively, of our cost of sales, and purchases from our largest supplier amounted to RMB233.6 million, RMB175.4 million, RMB254.4 million and RMB109.3 million, respectively, representing 20.0%, 11.0%, 13.4% and 12.3%, respectively, of our cost of sales during the same period.

SUMMARY

Our five largest suppliers during the Track Record Period comprised mainly suppliers of chemicals, fuel and silica sand. We have one to five years of relationship with our five largest suppliers during the Track Record Period. See “Business — Suppliers and Raw Materials Procurement” on page 156 of this prospectus for details.

OUR CUSTOMERS, SALES AND MARKETING

We primarily sell our glass products to customers in the PRC, Japan, Singapore, Korea, Taiwan, Germany and the United States. The following table sets forth our total revenue by geographical location during the Track Record Period:

Location	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	<i>(unaudited)</i>			
PRC	800,002	53.8	1,255,370	57.4	1,533,670	54.1	635,393	55.3	679,189	54.9
Japan.	111,341	7.5	174,153	8.0	453,109	16.0	169,067	14.7	183,537	14.8
Other countries and regions in										
Asia ⁽¹⁾	363,601	24.4	461,250	21.1	503,880	17.8	196,102	17.0	241,434	19.5
Europe.	150,537	10.1	214,466	9.8	250,650	8.8	112,188	9.8	86,686	7.0
North America . .	49,806	3.3	63,646	2.9	60,555	2.1	25,831	2.2	35,234	2.9
Other countries. .	13,270	0.9	18,398	0.8	31,442	1.2	11,213	1.0	11,352	0.9
Total.	<u>1,488,557</u>	<u>100.0</u>	<u>2,187,283</u>	<u>100.0</u>	<u>2,833,306</u>	<u>100.0</u>	<u>1,149,794</u>	<u>100.0</u>	<u>1,237,432</u>	<u>100.0</u>

Note:

(1) Include, among others, Korea, Singapore and Taiwan, and exclude the PRC and Japan.

For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, sales to our five largest customers amounted to RMB412.2 million, RMB546.8 million, RMB831.1 million and RMB425.6 million, respectively, representing 27.7%, 25.0%, 29.3% and 34.4%, respectively, of our total revenue, and sales to our largest customer amounted to RMB130.3 million, RMB190.3 million, RMB222.8 million and RMB179.3 million, respectively, representing 8.8%, 8.7%, 7.9% and 14.5%, respectively, of our total revenue. During the Track Record Period, we had three to eight years of relationship with our five largest customers. See “Business — Our Customers” on page 160 of this prospectus for details.

During the Track Record Period and up to the Latest Practicable Date, our PV glass, household glass and architectural glass products were marketed and sold in the PRC and overseas, whereas a substantial majority of our float glass products were marketed and sold in the PRC.

SUMMARY

RESEARCH AND DEVELOPMENT

We established a strong research and development department comprising over 200 staff, of which over 30 were research specialists as of May 31, 2015, a majority of whom possess university degrees or above. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we have invested RMB59.9 million, RMB66.6 million, RMB129.3 million and RMB44.4 million into research and development, respectively. We have successfully developed technologies that improve the performance of our products. As of the Latest Practicable Date, we owned a total of 36 patents in the PRC, of which, 34 were utility model patents and two were invention patents. See “Business — Research and Development” on page 172 of this prospectus for details.

MINING RIGHTS

Silica sand is one of our major raw materials for the production of our PV raw glass and float glass. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the cost of silica sand amounted to 7.7%, 10.3%, 10.8% and 11.1% of our total cost of production, respectively. In order to secure a stable supply of quality silica sand, our wholly-owned subsidiary, Anhui Flat Materials entered into a mining rights agreement with Chuzhou City Bureau of Land Resources (滁州市國土資源局) dated April 13, 2011, pursuant to which Anhui Flat Materials obtained the extraction right to the seventh segment of a quartzite mine located at the Lingshan-Mujishan mining zone in Fengyang County, Chuzhou City, Anhui Province, the PRC (中國安徽省滁州市鳳陽縣) for a consideration of RMB226.6 million. See “Business — Mining Rights” on page 176 of this prospectus for details. An Independent Technical Report was prepared by the Competent Persons on the Mine. See “Business — The Independent Technical Report” and “Summary of the Independent Technical Report” in Appendix III to this prospectus for details.

SHAREHOLDER INFORMATION

Immediately following the completion of the Global Offering and without taking into account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, Mr. Ruan Hongliang and Ms. Jiang Jinhua will own approximately 24.42% and 18.00% interest in our Company, respectively. Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang. Therefore, Mr. Ruan Hongliang and Ms. Jiang Jinhua together will be entitled to exercise approximately 42.42% of the voting rights at the general meetings of our Company, and each of Mr. Ruan Hongliang and Ms. Jiang Jinhua will be regarded as our Controlling Shareholder under the Listing Rules immediately following the Listing. See also “Relationship with Controlling Shareholders” on page 207 of this prospectus for more information.

Furthermore, the pre-IPO investor of our Company, Mr. Zhao Xiaofei, the spouse of Ms. Ruan Zeyun, and the son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua, will own approximately 0.27% interest in our Company immediately following the completion of the Global Offering and without taking into account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option. See also “History and Corporate Structure — Our Company — 4. Acquisition of Equity Interest by Mr. Zhao Xiaofei” for more information.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out our summary consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015. We have derived this summary from our consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus. The following table also presents our summary consolidated income statement data for the five months ended May 31, 2014, which we have derived from our unaudited consolidated financial statements set forth in the Accountants' Report in Appendix I to this prospectus. Our results for the five months ended May 31, 2015 are not necessarily indicative of results that may be expected for the year ending December 31, 2015 or for any other future period. You should read this summary together with the consolidated financial information as set forth in the Accountants' Report in Appendix I to this prospectus, including the related notes, as well as the information set forth in "Financial Information" beginning on page 238 of this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the years or periods indicated:

	<u>Year ended December 31,</u>			<u>Five months ended</u>	
	<u>May 31,</u>				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2014</u>	<u>2015</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
Revenue	1,488,557	2,187,283	2,833,306	1,149,794	1,237,432
Cost of sales	<u>(1,167,434)</u>	<u>(1,592,422)</u>	<u>(1,904,972)</u>	<u>(770,543)</u>	<u>(888,314)</u>
Gross profit	321,123	594,861	928,334	379,251	349,118
Other income	20,339	15,256	20,479	6,495	14,282
Other gains and losses	(27,963)	(11,134)	(38,522)	(22,360)	(4,569)
Selling and marketing expenses	(57,921)	(102,246)	(108,845)	(45,312)	(46,588)
Administration expenses	(75,320)	(93,769)	(105,458)	(43,472)	(43,849)
Research and development expenditure	(59,894)	(66,582)	(129,333)	(37,085)	(44,377)
Finance costs	<u>(56,958)</u>	<u>(72,343)</u>	<u>(80,251)</u>	<u>(35,856)</u>	<u>(28,566)</u>
Profit before tax	63,406	264,043	486,404	201,661	195,451
Income tax expense	<u>(3,523)</u>	<u>(60,428)</u>	<u>(93,737)</u>	<u>(39,583)</u>	<u>(33,912)</u>
Profit and total comprehensive income for the year/period	<u>59,883</u>	<u>203,615</u>	<u>392,667</u>	<u>162,078</u>	<u>161,539</u>

SUMMARY

Summary of Consolidated Statements of Financial Position

The following table sets forth our summary consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of May 31,
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	<u>2,296,356</u>	<u>2,289,444</u>	<u>2,272,220</u>	<u>2,225,268</u>
Current assets	1,347,865	1,663,108	1,831,980	1,772,276
Current liabilities	<u>1,479,673</u>	<u>1,650,601</u>	<u>2,089,462</u>	<u>1,887,849</u>
Net current (liabilities)/assets	<u>(131,808)</u>	<u>12,507</u>	<u>(257,482)</u>	<u>(115,573)</u>
Total assets less current liabilities . . .	<u>2,164,548</u>	<u>2,301,951</u>	<u>2,014,738</u>	<u>2,109,695</u>
Net assets	<u>1,536,062</u>	<u>1,739,677</u>	<u>1,657,534</u>	<u>1,819,073</u>

As of December 31, 2012 and 2014 and May 31, 2015, we had net current liabilities of RMB131.8 million, RMB257.5 million and RMB115.6 million, respectively. We had net current liabilities as of December 31, 2012 primarily due to (i) a decrease in our revenue from our PV glass segment as compared to the previous year due to the downturn of the PV glass market in 2012, which in turn caused the decrease in our trade and bills receivables; and (ii) the funding of our capital expenditures through our short-term loans primarily for the constructions of our second 600-ton float glass furnace and our first 600-ton PV glass furnace. In addition, we had net current liabilities as of December 31, 2014 mainly due to the exit of investment by our Financial Investors, namely, Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth. We had net current liabilities as of May 31, 2015 primarily due to (i) the funding of our capital expenditures through our short-term loans primarily for our new flue-gas denitration facilities, which came into operation in May 2015; and (ii) the reclassification of the second tranche of consideration payment plus interest as current liabilities on the outstanding balance at the prevailing lending rate of PBOC due in April 2016 in the amount of RMB87.9 million for the acquisition of the mining rights of the Mine. See “Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2012 and 2014 and May 31, 2015 and a significant level of indebtedness during the Track Record Period. We may be exposed to liquidity risks, and our business, financial conditions and results of operations may be materially and adversely affected as a result” on page 40 and “Financial Information — Description of Selected Consolidated Statements of Financial Position Items — Current Assets and Liabilities” on page 283 of this prospectus for more information.

SUMMARY

Summary of Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the years or periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash (used in)/from					
operating activities	(9,338)	553,737	605,427	127,329	170,742
Net cash used in investing					
activities	(289,113)	(235,970)	(197,872)	(29,042)	(83,448)
Net cash from/(used in)					
financing activities	<u>241,582</u>	<u>(228,836)</u>	<u>(480,509)</u>	<u>191,112</u>	<u>(37,046)</u>
Net (decrease)/increase in cash					
and cash equivalents	(56,869)	88,931	(72,954)	(92,825)	50,248
Cash and cash equivalents at the					
beginning of year/period	<u>182,112</u>	<u>125,243</u>	<u>214,174</u>	<u>214,174</u>	<u>141,220</u>
Cash and cash equivalents at					
 the end of year/period	<u><u>125,243</u></u>	<u><u>214,174</u></u>	<u><u>141,220</u></u>	<u><u>121,349</u></u>	<u><u>191,468</u></u>

Financial Ratios

The following table sets forth a summary of our key financial ratios during the Track Record Period:

	As of/for the year ended December 31,			As of/for the five months ended
	2012	2013	2014	May 31,
				2015
Net profit margin ⁽¹⁾	4.0%	9.3%	13.9%	13.1%
Return on assets ⁽²⁾	1.6%	5.2%	9.6%	4.0%
Return on equity ⁽³⁾	3.9%	11.7%	23.7%	8.9%
Current ratio ⁽⁴⁾	91.1%	100.8%	87.7%	93.9%
Quick ratio ⁽⁵⁾	73.7%	88.6%	72.9%	82.0%
Debt to equity ratios ⁽⁶⁾	67.7%	45.4%	45.8%	44.4%
Gearing ratio ⁽⁷⁾	75.9%	57.7%	54.3%	54.9%
Interest coverage ratio ⁽⁸⁾	2.11	4.65	7.06	7.84

SUMMARY

Notes:

- (1) Net profit margin equals our net profit after tax divided by revenue for the year or period multiplied by 100%.
- (2) Return on assets equals net profit for the year or period divided by total assets as of the end of the year or period multiplied by 100%. Return on assets for the five months ended May 31, 2015 was not annualized.
- (3) Return on equity equals net profit for the year or period divided by total equity amounts as of the end of the year or period multiplied by 100%. Return on equity for the five months ended May 31, 2015 was not annualized.
- (4) Current ratio equals our current assets divided by current liabilities as of the end of the year or period multiplied by 100%.
- (5) Quick ratio equals our current asset less inventories divided by current liabilities as of the end of the year or period multiplied by 100%.
- (6) Debt to equity ratio equals total borrowings net of bank balances and cash at the end of the year or period divided by total equity at the end of the year or period multiplied by 100%.
- (7) Gearing ratio equals total debt divided by total equity as of the end of the year or period multiplied by 100%. Total debt includes all interest-bearing bank and other loans.
- (8) Interest coverage ratio equals profit before interest (finance cost) and tax of one year or period divided by interest (finance cost) of the same year or period.

Our return on assets ratio increased from 1.6% for the year ended December 31, 2012 to 5.2% for the year ended December 31, 2013 and further increased to 9.6% for the year ended December 31, 2014 and our return on equity increased from 3.9% for the year ended December 31, 2012 to 11.7% for the year ended December 31, 2013, and further increased to 23.7% for the year ended December 31, 2014. These increases were primarily due to a substantial increase in our net profit. Our return on assets ratio for the five months ended May 31, 2015 was 4.0%, and on an annualized basis was 9.6%, which was comparable to that for the year ended December 31, 2014. Our return on equity ratio for the five months ended May 31, 2015 was 8.9%, and on an annualized basis was 21.4%, which was slightly less than that for the year ended December 31, 2014, primarily due to a small decrease in our net profit (on an annualized basis) due to an increase in energy cost and an increase in our total equity. See “Financial Information — Financial Ratios — Analysis of Key Financial Ratios” on page 298 of this prospectus for an analysis of the changes in the financial ratios.

RECENT DEVELOPMENT

From June 1, 2015 and up to the Latest Practicable Date, our business generally remained relatively stable. During the period, in order to increase our market penetration of our architectural glass products, we enhanced our price competitiveness such that average selling price for our architectural glass decreased by approximately 8.9% for the period from June 1, 2015 to the Latest Practicable Date as compared to the first five months ended May 31, 2015, based on our internal records. As a result, our sales of architectural glass increased. Further, during the period, the average selling price of our household glass increased by approximately 7.7% as compared to the average selling price for the five months ended May 31, 2015 and recovered to similar level for the year ended December 31, 2014, while the average selling price for our PV glass and float glass remained relatively stable as compared to the five months ended May 31, 2015, based on our internal records. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PV glass industry in which we operate that may have a material adverse effect to our business operations and financial position. On the other hand, as of the Latest Practicable Date, we

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were in the course of upgrading our Low-E processing facilities to improve our Low-E glass processing efficiency, among other upgrades. We expect such processing efficiency of Low-E glass to improve from an average of 52 seconds per glass to up to 35 seconds per glass upon completion of the technological upgrade.

In terms of our operations, the global natural gas prices experienced a dramatic decline since the second half of 2014, according to the Frost & Sullivan Report. In China, natural gas price is regulated by the NDRC. According to the Frost & Sullivan Report, the average price of natural gas in China has not been significantly affected by the fluctuations of the global natural gas price. Based on our internal records, we have not noticed any significant price adjustments for our procurement of natural gas. As a result, the recent global natural gas price fluctuations did not have a material impact on our financial performance.

In August 2015, the PBOC had announced rounds of devaluation of the Renminbi by lowering its daily mid-point from a high of US\$1.00 to RMB6.1162 on August 10, 2015 to a low of US\$1.00 to RMB6.4010 on August 13, 2015. Renminbi devalued against the US dollars in August 2015, as (i) majority of our raw materials are procured within the PRC and settled in Renminbi; (ii) majority of our expenses for our operations such as selling and administrative expenses are incurred in the PRC and settled in Renminbi; (iii) our expected capital expenditures incurred in the PRC will principally be settled in Renminbi; and (iv) for our planned overseas expansion, we expect to procure the machineries and equipment from the PRC, which will be settled in Renminbi, we have not experienced nor expect any material and adverse effect on our business, operations and financial results due to the devaluation of the Renminbi. Since then, the valuation of RMB had increased and the latest mid-point trading price announced by PBOC on November 6, 2015 was US\$1.00 to RMB6.3459.

In August 2015, the European Commission adjusted the anti-dumping duty applicable to our customers who would be importing our PV glass products into the European Union from 29.3% to 71.4%. As a result, we expect our sales of PV glass products to the European Union will further decrease in the future. As our sales of PV glass products to Europe accounted for approximately 2.6% of our total revenue for the five months ended May 31, 2015 based on our internal records, we do not expect further decrease in our sales of PV glass products to the European Union will have a material and adverse impact on our business operations or financial results. The remaining sales to Europe (4.4% of our total sales based on our internal records) for the five months ended May 31, 2015 primarily comprised of our household glass products.

On September 9, 2015, we obtained additional banking facilities of RMB415.0 million from Bank of China, Jiaying Branch, one of our principal lenders. On September 21, 2015, September 22, 2015 and October 26, 2015, we drew down RMB30.0 million, RMB30.0 million and RMB140.0 million, respectively, under this facility (collectively, the “BOC Loan”), to replenish our liquidity and enhance our working capital. The BOC Loan bore an interest rate of the two-year benchmark lending rate issued by the PBOC at the time of the draw-downs. The BOC Loan is repayable according to the following schedule: one-eighth of the BOC Loan is repayable by May 31, 2016, one-fourth is repayable by December 31, 2016, one-fourth is repayable by April 30, 2017 and the remaining three-eighth is repayable by August 31, 2017.

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On October 9, 2015, we entered into an agreement to acquire the land use rights for a parcel of land and the ownership for buildings erected on the land located on Xigang Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC, which we intend to use primarily for warehousing and storage. See “Business — Properties” on page 203 for details.

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks are beyond our control. A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed “Risk Factors” beginning on page 37 in this prospectus. Some of the major risks we face include: (i) the PV glass industry could be materially and adversely affected by the fluctuations in the demand and supply and prices of PV modules; (ii) we are subject to a wide variety of laws of regulations, any failure to comply with these laws or regulations or to control costs associated with their compliance could harm our business; (iii) our operating results are subject to various foreign trade regulation measures, including anti-dumping and anti-subsidy imposed on imported PV glass products; and (iv) we are exposed to uncertainties in relation to the Mine.

INTERNATIONAL SANCTIONS ON OUR SALES TO RUSSIA, BELARUS AND TUNISIA

We have made sales of our glass products to certain customers in Russia, Belarus and Tunisia (the “Subject Sales”) during the Track Record Period and up to the Latest Practicable Date. For the three years ended December 31, 2012, 2013, and 2014 and for the five months ended May 31, 2015, based on our internal records, we sold float glass and household glass products to several customers in Russia, which accounted for approximately 0.2%, 0.1%, 0.03% and 0.02% of our total revenue, respectively. Since June 1, 2015 and up to the Latest Practicable Date, we had a sales transaction made to one of our household glass customers in Russia for approximately US\$0.01 million. To the best knowledge, information and belief of our Directors, these Russian customers were engaged in glass processing business. For the year ended December 31, 2014, based on our internal records, we also sold household glass products to a customer in Belarus, representing approximately 0.004% of our total revenue. During the Track Record Period and up to the Latest Practicable Date, we had not made any other sales to Belarus. Furthermore, for the year ended December 31, 2014 and for the five months ended May 31, 2015, based on our internal records, we sold PV glass to a customer in Tunisia, representing approximately 0.005% and 0.03% of our total revenue, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made any other sales to Tunisia. To the best knowledge, information and belief of our Directors, our Belarusian customer was a manufacturer for a large multinational furniture retailer, and our Tunisian customer was a PV module manufacturer.

The United States and certain other jurisdictions, including the European Union, Australia and Canada, have imposed broad economic sanctions against certain countries, individuals and legal entities. These jurisdictions have sanctions against certain persons in, or prohibit the export of certain items to, Russia, Belarus and Tunisia. Based on the advice by our Australian, Canadian, EU and U.S. sanctions law legal advisors, we do not believe the Subject Sales and our future sales to our customers of the Subject Sales are likely to present material sanctions risks to our Shareholders or potential investors merely as a result of holding our Shares or of investing in our Company, or for the Stock Exchange and its affiliates as a result of the Listing or of providing services relating to the Listing.

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However, there can be no assurances that the economic sanctions laws or regulations would not change in a way that could affect our business, exports or sales in these countries or other countries and could result in restrictions, penalties or fines. Please see “Risk Factors — Risks Relating to Our Business and Our Industry — Our business, financial condition and results of operations may be materially and adversely affected by the Australian, Canadian, EU and U.S. sanctions against Russia, Belarus and Tunisia.”

We undertake to the Stock Exchange that (i) we will not use the proceeds from the Global Offering, as well as other funds raised through the Stock Exchange to finance or facilitate, directly or indirectly, any projects or businesses in Sanctioned Countries; (ii) we will not enter into sanctionable transactions that would expose ourselves, our Shareholders or potential investors, or the Stock Exchange and its affiliates, to risks of being sanctioned; and (iii) if we believe that the transactions we have entered into in the Sanctioned Countries, if any, will put us and our investors and Shareholders in the risks of being sanctioned, we will disclose on the Stock Exchange’s website, on our website, and in the annual or interim report of our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and its business intention relating to the Sanctioned Countries. If we were in breach of such undertaking to the Stock Exchange, we risk possible delisting of our H Shares from the Stock Exchange.

Since we intend to continue to sell our glass products to our customers of the Subject Sales in Russia, Belarus and Tunisia, in order to identify and monitor our exposure to risks associated with sanctions law relating to such sales, we will adopt, before the Listing, various enhanced internal control measures, including among others: (i) establishing a risk management committee consisting, among others, of Mr. Ruan Hongliang, the chairman of our Board, Ms. Jiang Jinhua, our executive Director, and Ms. Pan Yushuang, our independent non-executive Director, to monitor our exposure to sanctions law and to oversee our implementation of the related internal control policies; (ii) our credit and risk control department will assist our risk management committee in the day-to-day monitoring of our sanctions risks; (iii) reviewing and approving new customers from Russia, Belarus and Tunisia, and other Sanctioned Countries by our risk management committee prior to entering into agreements with such customers; (iv) maintaining a control list of Sanctioned Countries, persons and entities and review the information of our existing and potential customers against such list, and updating the list from time to time; (v) engaging qualified external legal counsel in sanctions matters by our risk management committee to evaluate sanctions-related risks as and when necessary and adhering to appropriate advice provided by such legal counsel; (vi) convening monthly meetings between our risk management committee and our credit and risk control department, and to the extent necessary, our sales, procurement, finance and/or internal audit departments, to access the latest sanctions-related risks; (vii) providing training relating to sanctions law to our Directors, senior management members and other relevant personnel; and (viii) monitoring our use of proceeds from the Global Offering and the performance of our undertaking to the Stock Exchange relating to sanctions matters by our risk management committee. For details on international sanctions on our sales to customers in Russia, Belarus and Tunisia, please refer to the section headed “Business — Regulatory Compliance and Legal Proceedings — International Sanctions on Our Sales to Russia, Belarus and Tunisia” in this prospectus.

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ANTI-DUMPING AND ANTI-SUBSIDY

There have been anti-dumping and anti-subsidy investigations initiated by the European Commission, the United States and Canada against Chinese PV products manufactures in recent years. In May 2014, the European Commission imposed definitive anti-dumping duty and countervailing duty on imports of Chinese-made PV glass. According to the anti-dumping and anti-subsidy measures imposed by the European Union, our customers are subject to an anti-dumping duty rate of 29.3% and a countervailing duty rate of 12.8% on our PV glass products that are imported into the European Union for five years. Since August 2015, the anti-dumping duty applicable to our customers who would be importing our PV glass products into the European Union has been increased to 71.4% following the conclusion of an absorption reinvestigation commenced in December 2014 by the European Commission.

In addition, in October 2012 and December 2014, and July 2015, the relevant U.S. and Canadian authorities have announced the imposition of anti-dumping and countervailing duties against certain PV modules, laminates and/or panels originated in or exported from the PRC, respectively. As we did not sell any PV modules, laminates and/or panels during the Track Record Period and up to the Latest Practicable Date, these anti-dumping and countervailing duties or tariffs imposed by the U.S. and Canadian authorities had no direct impact on us or our products. To the best of our knowledge, the imposition of the such anti-dumping and countervailing duties by the United States and Canada impacted some of our PV glass customers. Please see “Risk Factors — Risks Relating to Our Business and Our Industry — Our operating results are subject to various foreign trade regulation measures, including anti-dumping and anti-subsidy imposed on imported PV glass products.”

Because such anti-dumping and anti-subsidy measures were imposed directly against some of our customers rather than against us, to the best of our knowledge, the imposition of these measures by the European Union, the United States and Canada did not cause any material impact on our Group’s financial performance and operations during the Track Record Period. Please refer to the section headed “Business — Regulatory Compliance and Legal Proceedings — Anti-dumping and Anti-subsidy Investigations” for further details.

USE OF PROCEEDS

Assuming an offer price of HK\$2.39 per Offer Share, which is the mid-point of the indicative Offer Price range, and assuming that the Over-Allotment Option is not exercised, the net proceeds we will receive from the issue of the Offer Shares, after deducting underwriting commissions and fees (taking into no account of any discretionary fee) and estimated expenses payable by us is HK\$1,006.5 million, we intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 46.0%, or HK\$463.0 million, is expected to be used to establish overseas PV glass production and processing facilities in Vietnam by the second quarter of 2017;
- Approximately 17.2%, or HK\$173.1 million, is expected to be used to establish new Low-E and Low-E composite glass processing facilities by the end of 2016 with an annual processing capacity of approximately 5.8 million sq.m. in Jiaying, Zhejiang Province, the PRC;

SUMMARY

- Approximately 9.7%, or HK\$97.6 million, is expected to be used for costs relating to research and development of new products and purchase of new equipment for the next three years;
- Approximately 9.7%, or HK\$97.6 million, is expected to be used for working capital and other general corporate purposes;
- Approximately 9.1%, or HK\$91.6 million, is expected to be used for modifying and upgrading an existing PV glass furnace with a daily maximum production capacity of 490 tons, which is expected to commence in the first quarter of 2016; and
- Approximately 8.3%, or HK\$83.6 million, is expected to be used for the construction of new 15MW distributed PV systems for self-use, the construction of which is expected to commence in the second half of 2015 and to be completed in the first half of 2016.

For details of our use of the net proceeds from the Global Offering, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

OFFERING STATISTICS

	<u>Based on Offer Price of HK\$2.10</u>	<u>Based on Offer Price of HK\$2.68</u>
Market capitalization ⁽¹⁾	HK\$3,780.0 million	HK\$4,824.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$1.58	HK\$1.72

Notes:

- (1) The market capitalization is calculated based on the assumption that (i) 450,000,000 H Shares are expected to be issued and outstanding following the Global Offering; (ii) assuming the Over-allotment Option is not exercised; and (iii) 1,350,000,000 Domestic Shares are issued and outstanding upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of our Company is arrived at after the adjustments referred to in “Unaudited Pro Forma Financial Information” as set out in Appendix II to this prospectus and based on 1,800,000,000 Shares expected to be issued and outstanding following the completion of the one to four share split and the Global Offering, assuming the Over-allotment Option is not exercised. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per Share does not take into account of the proposed dividends of RMB250,000,000 declared on September 30, 2015. Had such dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share will be further adjusted to RMB1.15 (equivalent to HK\$1.41, based on the indicative Offer Prices of HK\$2.10), or RMB1.27 (equivalent to HK\$1.55, based on the indicative Offer Prices of HK\$2.68).

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. The declaration, payment and amount of dividends will be subject to our discretion.

SUMMARY

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

In 2012 and 2013, our Group neither declared nor paid any dividends to its equity holders. In 2014, our Group declared dividends of RMB54.4 million to its equity holders, which was paid in full in January 2015. We declared a special dividend of RMB250.0 million on September 30, 2015. We withheld RMB50.0 million from such dividend for individual income tax purposes and paid RMB200.0 million net of tax to the holders of the Domestic Shares in November 2015 with our internally available funds. The withholding tax will be settled in December 2015 using our internal funds. Following the Listing, our Board intends to recommend at the relevant Shareholders meeting an annual dividend of no less than 20% of our profit for the year available for distribution to the Shareholders, after taking into consideration the factors described above in the foreseeable future.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since May 31, 2015 and there is no event since May 31, 2015 which would materially affect the information shown in the Accountants' Report.

LISTING EXPENSES

We expect to incur a total of RMB56.5 million of listing expenses (assuming an Offer Price of HK\$2.39, being the mid-point of the indicative Offer Price range between HK\$2.10 and HK\$2.68, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB2.2 million is expected to be charged to our consolidated statements of profit or loss and comprehensive income for the year ending December 31, 2015 and RMB54.3 million is directly attributable to the issue of H Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing and the Global Offering, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2015.

DEFINITIONS

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

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Anhui Flat Glass”	Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司), a limited liability company established under the laws of the PRC on January 18, 2011, which was wholly-owned by our Company as of the Latest Practicable Date
“Anhui Flat Materials”	Anhui Flat Solar Materials Co., Ltd.* (安徽福萊特光伏材料有限公司), a limited liability company established under the laws of the PRC on January 19, 2011, which was wholly-owned by our Company as of the Latest Practicable Date
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any one of them
“Articles” or “Articles of Association”	the articles of association of our Company adopted on May 18, 2015, as amended by the resolutions of the Board dated October 16, 2015 pursuant to the authority given by our Shareholders at our Shareholders’ meeting held on May 18, 2015, which will come into effect on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
“ASEAN”	Association of Southeast Asian Nations
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“BOCI”	BOCI Asia Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Boxin Growth”	Boxin Growth (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (博信成長(天津)股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on July 30, 2010 and one of our Shareholders during the Track Record Period until May 30, 2014. As of May 30, 2014, the date on which Boxin Growth ceased to be our Shareholder, all of the 15 partners of Boxin Growth were Independent Third Parties of our Company

DEFINITIONS

“Boxin Preferred”	Boxin Preferred (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (博信優選(天津)股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 16, 2010 and one of our Shareholders during the Track Record Period until May 30, 2014. As of May 30, 2014, the date on which Boxin Preferred ceased to be our Shareholder, all of the 49 partners of Boxin Preferred were Independent Third Parties of our Company
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
“Central China”	comprising Henan, Hubei and Hunan Provinces
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
“CICC”	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“close associate(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Flat Glass Group Co., Ltd.*(福萊特玻璃集團股份有限公司, previously known as Zhejiang Flat Glass & Mirror Co., Ltd.*(浙江福萊特玻璃鏡業股份有限公司) and Flat Solar Glass Group Co., Ltd.*(福萊特光伏玻璃集團股份有限公司)), a joint stock limited liability company converted from its predecessor, Zhejiang Flat Glass & Mirror Ltd.*(浙江福萊特玻璃鏡業有限公司, previously known as Jiaying City Naibang Trading Co., Ltd.*(嘉興市耐邦經貿有限公司)), a limited liability company established under the laws of the PRC, on December 29, 2005 and, except the context otherwise requires, its predecessor
“Competent Persons”	Andrew Vigar and Glenn Sheldon, both consultants employed by the Independent Technical Consultant and authors of the Independent Technical Report, each of them is an independent mining and geological consultant who is qualified as a competent person as defined under Rule 18.01 of the Listing Rules, and an Independent Third Party
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Ruan Hongliang and Ms. Jiang Jinhua
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
“Deed of Indemnity”	a deed of indemnity dated October 16, 2015 entered into by our Controlling Shareholders, with and in favor of, our Company (for itself and as the trustee for each of its subsidiaries) in respect of, among other things, certain indemnities regarding taxation and estate duty

DEFINITIONS

“Deed of Non-competition”	a deed of non-competition undertaking dated October 16, 2015 entered into by our Controlling Shareholders and Ms. Ruan Zeyun with, and in favor of, our Company, details of which are disclosed in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the directors of our Company
“Domestic Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are subscribed for and credited as paid in RMB, are not listed on or traded in any stock exchange, and each share will be sub-divided into four shares of RMB0.25 each immediately upon Listing
“Eastern China”	comprising Jiangsu, Zhejiang, Anhui, Fujian, Shandong and Jiangxi Provinces and Shanghai Municipality
“EU” or “European Union”	the European Union, a politico-economic union of 28 member states that are located primarily in Europe, including Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom
“Financial Investors”	Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth
“Flat HK”	Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司), a limited company incorporated under the laws of HK on January 9, 2013 and a wholly-owned subsidiary of our Company
“Flat New Energy”	Jiaying Flat New Energy Technology Co., Ltd.* (嘉興福萊特新能源科技有限公司), a limited liability company established under the laws of the PRC on March 11, 2014 and a wholly-owned subsidiary of our Company
“Founders”	15 individuals who founded our Company in 1998, namely, Mr. Ruan Hongliang (阮洪良先生), Mr. Chen Xinhua (陳新華先生), Mr. Zou Haiming (鄒海明先生), Ms. Wang Huifen (王惠芬女士), Mr. Zhu Quanming (祝全明先生), Ms. Luo Shuying (駱淑英女士), Mr. Xu Lingen (徐林根先生), Mr. Zheng Wenrong (鄭文榮先生), Mr. Wu Herong (吳和榮先生), Mr. Wu Jianping (伍建平先生), Mr. Shen Fuquan (沈福泉先生), Mr. Chen Jian (陳堅先生), Mr. Wei Yezhong (魏葉忠先生), Mr. Zhang Yongming (張永明先生) and Mr. Lu Peihua (陸培華先生)

DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report dated November 16, 2015, commissioned by our Company on the PV industry, the PV glass industry, the PV power station industry and the float glass industry prepared by Frost & Sullivan
“GDP”	gross domestic product
“Global Offering”	the Hong Kong Public Offer and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Guoyuan Investment”	Guoyuan Direct Equity Investment Co., Ltd.* (國元股權投資有限公司), a limited liability company established under the laws of the PRC on August 18, 2009 and was one of our Shareholders during the Track Record Period until May 30, 2014. As of May 30, 2014, the date on which Guoyuan Investment ceased to be our Shareholder, it was wholly-owned by Guoyuan Securities Co., Ltd.* (國元證券股份有限公司), an Independent Third Party
“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form Service Provider designated by us, as specified on the designated website www.hkeipo.hk
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited

DEFINITIONS

“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong Offer Share(s)”	the 45,000,000 H Shares offered in the Hong Kong Public Offer
“Hong Kong Public Offer”	the offer by our Company of initially 45,000,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) for cash at the Offer Price (plus brokerage fee of 1.0%, an SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Underwriters”	the underwriters listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus, being the underwriters of the Hong Kong Public Offer
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 13, 2015 relating to the Hong Kong Public Offer entered into between, among others, our Company, the Hong Kong Underwriters and the Joint Bookrunners, as further described in the section headed “Underwriting” in this prospectus
“H Share Registrar”	Tricor Investor Services Limited
“H Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB0.25 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to deal on the Stock Exchange
“IFRS”	the International Financial Reporting Standard(s)
“Independent Technical Consultant”	Mining Associates Limited, who prepared the Independent Technical Report relating to the Mine and an Independent Third Party
“Independent Technical Report”	an independent technical report prepared by the Competent Persons dated November 16, 2015

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, Supervisors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“International Placing”	the offer by our Company of initially 405,000,000 H Shares for subscription by professional, institutional and other investors, as further described in the section headed “Structure of the Global Offering” in this prospectus, subject to adjustment and the Over-allotment Option
“International Placing Agreement”	the international placing agreement relating to the International Placing and to be entered into between, among others, our Company, the International Underwriters and the Joint Bookrunners on or around the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“International Placing Share(s)”	the H Share(s) offered in the International Placing
“International Underwriters”	the group of international underwriters expected to enter into the International Placing Agreement
“Joint Bookrunners”	BOCI and CICC
“Joint Lead Managers”	BOCI and CICC
“JORC”	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition) published by JORC (which has the meaning ascribed to it under Chapter 18 of the Listing Rules) and used for reporting of resources and reserves
“Latest Practicable Date”	November 8, 2015, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	the listing of the H Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange

DEFINITIONS

“Listing Date”	the date, expected to be on or about Thursday, November 26, 2015, on which our Offer Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas* (《到境外上市公司章程必備條款》), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were promulgated by the former Securities Commission of the State Council (國務院證券委員會), the predecessor of the CSRC, and the former State Commission for Restructuring and the Economics Systems (國家經濟體制改革委員會) on August 27, 1994, as amended and supplemented from time to time
“Mine”	the seventh segment of a quartzite mine located at the Lingshan-Mujishan mining zone (靈山-木屐山礦區) in Fengyang County, Chuzhou City, Anhui Province, the PRC (中國安徽省滁州市鳳陽縣) where Anhui Flat Materials has obtained mining rights of such mine pursuant to the Mining Rights Agreement
“Mining Permit”	the mining permit of the PRC issued by the Anhui Province Land and Resources Department of the PRC to Anhui Flat Materials for the Mine dated August 22, 2012. See “Business — Mining Rights” for details of the mining permit
“Mining Rights Agreement”	a mining rights agreement entered into between Anhui Flat Materials and Chuzhou City Bureau of Land Resources (滁州市國土資源局) dated April 13, 2011 in relation to acquiring the extraction right to the Mine with a designed life of 31 years for a consideration of RMB226,600,000
“NDRC”	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC” or “National People’s Congress”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

DEFINITIONS

“Offer Price”	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offer, to be determined as further described in the section headed “Structure of the Global Offering” in this prospectus
“Offer Share(s)”	the H Share(s) offered in the Global Offering, where relevant including any additional H Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, at any time from the date of the International Placing Agreement until 30 days from the last day for lodging applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 67,500,000 additional H Shares at the Offer Price, representing 15% of the initial size of the Global Offering, to cover over-allocations in the International Placing, if any, as described in the section headed “Structure of the Global Offering” in this prospectus
“PRC Company Law”	the Companies Law of the PRC (中華人民共和國公司法), as enacted by the Standing Committee of the Eighth National People’s Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013, and effective on March 1, 2014, as amended, supplemented or otherwise modified from time to time
“PRC EIT Law”	Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) adopted by the National People’s Congress of the PRC on March 16, 2007 and become effective on January 1, 2008
“PRC Legal Advisors”	Jiangsu Yongheng Partners, the PRC legal advisors of our Company as to PRC laws
“PRC government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“PRC Mineral Resources Law”	the Mineral Resources Law of the PRC (中華人民共和國礦產資源法), as adopted by the Standing Committee of the Sixth National People’s Congress on March 19, 1986 and effective on October 1, 1986, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“PRC Securities Law”	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the Standing Committee of the Ninth National People’s Congress on December 29, 1998 and effective on July 1, 1999, and subsequently amended on August 31, 2014, as amended, supplemented or otherwise modified from time to time
“Price Determination Agreement”	an agreement to be entered into between our Company and the Joint Bookrunners (on behalf of the Underwriters) on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Thursday, November 19, 2015 and, in any event, not later than Tuesday, November 24, 2015, on which the Offer Price is to be fixed by agreement between our Company and the Joint Bookrunners (on behalf of the Underwriters) to determine the Offer Price
“Primemont Capital”	Primemont Capital Management Co., Ltd.* (鼎峰資本管理有限公司, formerly known as Primemont Venture Capital Co., Ltd.* (鼎峰創業投資有限公司)), a limited liability company established under the laws of the PRC on April 8, 2010 and was one of our Shareholders during the Track Record Period until May 30, 2014. As of May 30, 2014, the date on which Primemont Capital ceased to be our Shareholder, it was held by Beijing Fenghui Futong Investment Co., Ltd.* (北京豐匯富通投資有限公司) and Fubang Asset Management Co., Ltd.* (富邦資產管理有限公司), both being Independent Third Parties, as to 50% and 50%, respectively
“Promoter(s)”	the promoters of our Company, namely Mr. Ruan Hongliang (阮洪良先生), Ms. Jiang Jinhua (姜瑾華女士), Ms. Ruan Zeyun (阮澤雲女士), Mr. Zheng Wenrong (鄭文榮先生), Mr. Shen Fuquan (沈福泉先生), Mr. Zhu Quanming (祝全明先生), Mr. Wei Yezhong (魏葉忠先生), Mr. Shen Qifu (沈其甫先生), Ms. Tao Hongzhu (陶宏珠女士) and Mr. Wei Shutao (魏述濤先生)
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable

DEFINITIONS

“SAIC” or “State Administration for Industry and Commerce”	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商管理總局)
“Sanctioned Countries”	countries on which trade or economic sanctions were imposed by certain overseas governments, such as the U.S. government and the member states of the European Union
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Flat”	Shanghai Flat Glass Co., Ltd.*(上海福萊特玻璃有限公司), a limited liability company established under the laws of the PRC on June 6, 2006 and a wholly-owned subsidiary of our Company
“Share(s)”	Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Domestic Share(s) or H Share(s), as the case may be
“Sole Global Coordinator”	BOCI
“Sole Sponsor”	BOCI
“Special Regulations”	Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994 and became effective on the same date, as amended, supplemented or otherwise modified from time to time
“Stabilizing Manager”	BOCI
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Supervisor(s)”	supervisors of our Company
“Track Record Period”	the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Placing Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollar(s)”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VDN”	Vietnamese dong, the lawful currency of the Socialist Republic of Vietnam
“Yangtze River Delta”	refers to 16 cities in Shanghai, southern Jiangsu, eastern and northern Zhejiang, China, namely, Shanghai, Nanjing, Suzhou, Wuxi, Changzhou, Yangzhou, Zhenjiang, Nantong, Taizhou (Jiangsu Province), Hangzhou, Ningbo, Huzhou, Jiaxing, Shaoxing, Zhoushan and Taizhou (Zhejiang Province)
“Zhejiang Flat”	Zhejiang Flat Glass Co., Ltd.* (浙江福萊特玻璃有限公司), a limited liability company established under the laws of the PRC on February 14, 2011 and a wholly-owned subsidiary of our Company
“Zhejiang Jiafu”	Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司), a limited liability company established under the laws of the PRC on August 15, 2007 and a wholly-owned subsidiary of our Company
“%”	per cent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DEFINITIONS

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi or U.S. dollars have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.8188 = HK\$1.00 or RMB6.3180 = US\$1.00 or HK\$7.7496 = US\$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms and abbreviations used in this prospectus that are in connection with our Group and our business. The terms and their assigned meanings may not, however, correspond to standard industry meaning or usage of those terms.

“cm”	centimeter(s)
“crystalline silicon” or “c-Si”	crystalline silicon, technology used in production of crystalline silicon PV cells, modules and panels, which accounts for approximately 90.5% of solar cell applications in terms of annual installed capacity
“GW”	gigawatt
“ISO”	International Organization for Standardization
“km”	kilometer(s)
“KW”	kilowatt
“light transmission rate”	ratio of the energy of the visible spectrum from 380nm to 780nm
“Low-E coating”	coating on glasses with layers of metal or other compounds that have low surface radiation rate
“Low-E glass”	low-emissivity glass, also known as low-emissivity coated glass, with surface radiation of less than 0.25 as compared with untreated glass of around 0.84
“m”	meter(s)
“mm”	millimeter(s)
“MW”	megawatt(s)
“ppm”	parts per million
“PV”	abbreviation of photovoltaic, a method of converting solar energy into direct current electricity using semi-conducting materials that exhibit photovoltaic effect
“PV cell”	photovoltaic cell, also commonly known as solar cell, is an electrical device that converts the energy of light directly into electricity by photovoltaic effect
“PV glass”	abbreviation of photovoltaic glass, one of the encapsulating material for PV modules. It is commonly used as the front-sheet of PV module for protection

GLOSSARY OF TECHNICAL TERMS

“PV module”	photovoltaic module, also known as PV module, which is made up of multiple PV cells in an integrated group, all oriented in one plane. PV modules often have a sheet of glass on the sun-facing side, also known as frontsheet, to allow light to pass through the glass while protecting the semi-conductor wafers. PV cells are usually connected in series of modules to create an additive voltage
“PV panel”	photovoltaic panel, also known as solar panel, is made up of several PV modules connected together
“PV raw glass”	photovoltaic raw glass, which is a raw glass manufactured from silica sand and other raw materials for use as raw material for the production of PV glass
“RoHS compliant”	component is tested for the presence of hazardous materials including Lead (Pb), Cadmium (Cd), Mercury (Hg), Hexavalent chromium (Hex-Cr), Polybrominated biphenyls (PBB), and Polybrominated diphenyl ethers (PBDE)
“silica sand”	one of the major materials for glass productions, and can be refined from quartzite ore or quartzrich sandstone
“soda ash”	sodium carbonate, one of the principal raw materials for glass productions
“SPF certification”	the certification granted to PV glass that has passed the Solartechnik Prüfung Forschung (SPF) testing procedure tailored for PV glasses by Institut Für Solartechnik in Switzerland
“sq.km.”	square kilometer(s)
“sq.m.”	square meter(s)
“thin film PV cells”	thin-film photovoltaic cells, photovoltaic cells that involves depositing multiple thin layers of chemical materials on a substrate such as glass in its production

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “going forward,” “intend,” “may,” “ought to,” “plan,” “project,” “seek,” “should,” “will,” “would,” “wish” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company’s management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed “Financial Information” in this prospectus with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

FORWARD-LOOKING STATEMENTS

Our Directors confirm that these forward-looking statements are made after due and careful consideration. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

See also “Risk Factors — Risk Relating to the Global Offering and Our H Shares — Forward-looking statements contained in this prospectus are subject to risks and uncertainties” for more information.

RISK FACTORS

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our H Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our H Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

The PV glass industry could be materially and adversely affected by the fluctuations in the demand and supply and prices of PV modules.

In recent years, the global PV industry has experienced fluctuations in terms of production output and prices of the PV modules. According to the Frost & Sullivan Report, in 2011 and 2012, there was a decline in PV module price as a result of excess capacity installed in previous years and weakened demand in European countries. The prices of Chinese c-Si PV modules declined sharply from approximately RMB13 per watt in January 2010 to approximately RMB6 per watt in January 2012, according to the Frost & Sullivan Report. It was only in the second half of 2012 and 2013 that the prices of PV modules have started to level off at or around approximately RMB4 per watt as excess capacity was gradually consumed. Consequently, the prices for Chinese PV glass also experienced a steep decline between 2010 and 2012 from approximately RMB59 per sq.m. to RMB29 per sq.m., but began to stabilize at or around approximately RMB30 per sq.m. beginning in the second half of 2012, according to the Frost & Sullivan Report. 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. We have also experienced customer default during the Track Record Period, as a result of which our allowance of doubtful debts provisioned for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015 amounted to RMB27.8 million, RMB3.7 million, RMB18.4 million and RMB9.6 million, respectively. See also “Financial Information — Description of Selected Consolidated Statements of Financial Position Items — Trade and Other Receivables” for more information.

As such, we believe the development of the PV industry is cyclical and 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. Such factors include, but not limited to, the following:

- any decrease in the demand of PV modules in the future may lead to a decrease in the price of PV glass products;
- the availability of funding for the PV industry may affect the level of investment in solar energy infrastructure;

RISK FACTORS

- the cost-effectiveness, performance and efficiency of the electricity generated by solar energy as compared to other energy sources, including conventional energy sources such as natural gas and coal, and other non-solar renewable energy sources such as wind, hydroelectric and biomass;
- the availability, substance and magnitude of government subsidies and incentives for renewable energy; and
- fluctuations in economic and market conditions that affect the prices of, and demand for, conventional and non-solar renewable energy sources, such as increases or decreases in the prices of natural gas, coal, oil and other types of fuel.

The demand for solar energy 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 our business, financial condition and results of operations if we are not able to respond to these changes appropriately and in a timely manner.

We face significant competition in the PV glass industry, which could materially and adversely affect our profitability.

Our leading position for PV glass depends on our ability to anticipate and proactively deal with changes in economic and market conditions, and evolving PV industry trends, as well as the following factors: (i) maintaining our relationship with our large-scale PV module customers, (ii) maintaining our PV glass product quality and product certifications, (iii) improving performance of our PV glass products, and (iv) achieving the economies of scale for production to increase our profit margin. We cannot assure you that our current or potential competitors will not produce the same or similar PV glass products or products of a better quality at the same or lower prices than the prices we charge for our PV glass products. Our competitors may also react more quickly to new or emerging technologies or changes in customer preferences. In addition, we may face greater than expected downward pricing pressure as a result of possible price competition by competitors seeking to stimulate demand in order to maintain or increase market share. Such competition could materially and adversely affect our results of operations and business prospects. Any material or adverse changes in our competitive environment could cause a reduction in the sales quantity, our market share, or the sales price of our products, which would lower our profitability.

We are subject to a wide variety of laws and regulations, any failure to comply with these laws or regulations or to control costs associated with their compliance could harm our business.

We are subject to various PRC environmental laws and regulations for the production and sales of our 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.

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As a result, we are required to obtain permits, licenses and consents, such as the mining permit for our mining activities and the production safety permit for our 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 our production capacity or ability or our manufacturing operation, or increase the costs in pollution control or safety improvement, or otherwise increase our cost, which may materially and adversely affect our business and operations. If we fail to comply with the laws and regulations, we may be penalized for non-compliance and may materially and adversely affect our business, operations and financial results.

Our operating results are subject to various foreign trade regulation measures, including anti-dumping and anti-subsidy imposed on imported PV glass products.

We export some of our PV glass products to customers overseas, including our customers in Europe. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, based on our internal records, our direct export of PV glass products to Europe amounted to RMB55.4 million, RMB110.4 million, RMB128.0 million and RMB32.3 million, respectively, representing 3.7%, 5.0%, 4.5% and 2.6%, respectively, of our total revenue. In 2012, the European Commission initiated anti-dumping and anti-subsidy investigations on PV glass originated from China, alleging that PV glass from China is being dumped into the European Union market at prices that were below market value and that PV glass manufacturers in China benefited from a number of subsidies granted by the PRC government. In May 2014, as a result of the investigations, the European Commission imposed definitive anti-dumping duty and countervailing duty on imports of Chinese-made PV glass. According to the anti-dumping measures imposed by the European Union, our customers were subject to an anti-dumping duty rate of 29.3% and a countervailing duty rate of 12.8% on our PV glass products that are imported into the European Union for five years. Since August 2015, the anti-dumping duty applicable to our customers who would be importing our PV glass products into the European Union has been increased to 71.4% following the conclusion of an absorption reinvestigation commenced in December 2014 by the European Commission. See “Business — Regulatory Compliance and Legal Proceedings — Anti-dumping and Anti-subsidy Investigations” in this prospectus for details. The anti-dumping and countervailing duties imposed by the European Commission may dampen the demand of our products from our European customers, which could materially and adversely affect our business, financial condition and results of operation.

Similar duties have been imposed in the United States for PV modules imported into the United States from the PRC. In October 2012, the U.S. Department of Commerce announced its final determination on anti-dumping and anti-subsidy investigations involving C-Si PV cells imported from the PRC. In December 2014, the U.S. Department of Commerce has announced its affirmative final determination in anti-dumping duty investigations of imports of modules, laminates and/or panels consisting of c-Si PV cells from the PRC not covered by existing anti-dumping and countervailing duty orders on c-Si PV cells. As a result, the U.S. Customs and Border Protection will collect cash deposits for anti-dumping duty equals to the applicable weighted-average dumping margins and the countervailing duty equals to the final subsidy rates, The U.S. Department of Commerce has determined that the c-Si PV products from the PRC have been sold in the United States at dumping margins ranging from 26.7% to 165.0% and received countervailable subsidies from the PRC government ranging from 27.6% to 49.8%. Since we did not sell any PV modules, laminates and/or panels consisting of c-Si PV cells during the Track Record Period and up to the Latest

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Practicable Date, the U.S. anti-dumping and countervailing duties had no direct impact on us or our products. To the best of our knowledge, information and belief, some of our PV glass customers in the PRC export c-Si PV cells to the United States. As a result, these measures will directly impact the sales volume and value of c-Si PV cells in the United States from such customers, which in turn may indirectly have material and adverse impact on the demand of our PV glass products. Furthermore, the Canada Border Services Agency has initiated investigations in December 2014 on alleged injurious dumping and subsidizing of certain PV modules and laminates originated in or exported from the PRC. The Canada Border Service agency concluded their investigations and more than ten PRC PV module manufacturers were subject to anti-dumping and countervailing tariffs. As we did not sell any PV modules and laminates during the Track Record Period and up to the Latest Practicable Date, the Canadian anti-dumping and countervailing tariffs had no direct impact on us or our products. See “Business — Regulatory Compliance and Legal Proceedings — Anti-dumping and Anti-subsidy Investigations” in this prospectus for more information. As provisional duty has been imposed in Canada for the importation of PV modules and/or laminates from the PRC, the prices of PV panels and PV cells imported from the PRC increased as a result and thereby, may reduce their demand and price-competitiveness overseas, and may indirectly affect the demand of PV glass in China.

Due to the anti-dumping and anti-subsidy measures imposed by the European Commission, the United States and Canada, we believe the PV panels, PV cells and PV glass industries in China may be subject to increasing number of similar or other anti-dumping or anti-subsidy investigations initiated by other countries. These investigations may or may not succeed, but in the event anti-dumping duties and/or countervailing duties are imposed, they could increase the prices of PV panels, PV cells and PV glass imported from the PRC and thereby, reducing their demand and price-competitiveness overseas. To the best of our knowledge, while the anti-dumping and anti-subsidy measures imposed by the European Union, the United States and Canada against Chinese PV products manufacturers did not have any material adverse effect on the results of our operation and financial performance during the Track Record Period, we cannot assure you future investigations and anti-dumping and anti-subsidy measures will not cause any adverse impact on the demand from our customers or the price we charge for our products. If this occurs, our business, financial condition and results of operations could be materially and adversely affected.

We had net current liabilities as of December 31, 2012 and 2014 and May 31, 2015 and a significant level of indebtedness during the Track Record Period. We may be exposed to liquidity risks, and our business, financial conditions and results of operations may be materially and adversely affected as a result.

We have relied on a combination of funds generated from our operations and bank loans to finance our business operations and expansion. We had a net current liabilities position of RMB131.8 million as of December 31, 2012, which improved to a net current assets position of RMB12.5 million as of December 31, 2013, but changed to a net current liabilities position of RMB257.5 million as of December 31, 2014 and improved to a net current liabilities position of RMB115.6 million as of May 31, 2015. Our net current liabilities amounted to RMB215.8 million as of September 30, 2015. Our gearing ratio was 75.9%, 57.7%, 54.3% and 54.9% as of December 31, 2012, 2013 and 2014 and May 31, 2015, respectively. Our high level of indebtedness could materially and adversely affect our liquidity. For example, it could:

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- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings and thus, reducing the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate; and
- increase our exposure to interest rate fluctuations.

Our net current liabilities position exposed us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing.

We intend to apply approximately 9.7% of the net proceeds of the Global Offering as our working capital. However, this amount of funding may not be sufficient for our future operations and we may still need to obtain loan financing from financial institutions or other persons especially when the nature of our business requires continuous investments in plant and machinery, and will involve significant capital expenditure. Therefore, we may continue to have net current liabilities and high gearing ratio in the future, which may limit our working capital for the purposes of operations or capital for our future plans, and materially and adversely affect our business, financial condition and results of operations.

We are exposed to uncertainties in relation to the Mine.

While we have a network of raw material suppliers and are continuing to seek new suppliers that can offer more competitive prices, in order to secure a more stable source of silica sand supply for our production of float glass, we have entered into a mining rights agreement with Chuzhou City Bureau of Land Resources (滁州市國土資源局) in April 2011 for the extraction right to the seventh segment of a quartzite mine located at the Lingshan-Mujishan mining zone in Fengyang County, Chuzhou City, Anhui Province, China. See “Business — Mining Rights” for more information.

We commenced the construction of the roads and mining facilities at the area of the Mine and began extracting quartzite ore from the Mine in November 2012. We sold certain amount of quartzite ore extracted from the Mine to third parties in 2013 and 2014. Since January 2015, we used certain amount of silica sand processed and refined from the quartzite ore extracted from the Mine for the production of our float glass. Since we do not have processing and refinement capabilities, we have arrangements with certain of our customers to process the quartzite ore from the Mine into silica sand. After processing by such customers, some of the silica sand can be used in the production of float

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glass. Furthermore, we outsource the extracting, blasting and drilling works at the Mine to independent third-party contractors. Since we involve various third parties for the operations of our mine, our operation of the Mine is exposed to uncertainties, including:

- actual quartzite ore mined may vary from our estimates in terms of quality, tonnage and other characteristics;
- encountering unusual or unexpected geological conditions;
- industrial accidents;
- equipment failures;
- natural phenomena such as weather conditions, floods, blizzards, droughts and rock slides;
- decrease in silica sand prices which may cause the mining activities that we expect to be economical to become uneconomical;
- restrictions imposed by government authorities; and
- quality, safety, environmental standards and performance of the works conducted by third-party contractor.

Furthermore, our ability to carry out mining activities is subject to our ability to obtain and retain necessary approvals, licenses and permits from relevant PRC government authorities and to renew them when they expire. Under the PRC Mineral Resources Law, all mineral resources in China are owned by the state. We are required to obtain certain government licenses and permits, among which mining permit is crucial for our mining activities. The owner of the mining permit is responsible for production safety, who is obligated to (i) establish safety management structure and staff sufficient safety management personnel; (ii) set up production safety responsibility system; (iii) maintain various safety management measures; and (iv) ensure capital investment in production safety. In the event that any accident is caused by a third-party contractor where the owner of the mining permit is at fault in performing its production safety obligations, it may be liable for compensation. Mining permit is also subject to annual inspection where the relevant government authorities will consider whether the mining activities in the past year have been conducted in compliance with the relevant laws and regulations. As advised by our PRC Legal Advisors, as of the Latest Practicable Date, we have obtained the requisite approvals, licenses and permits for our mining activities in all material aspects, including the mining permit and the production safety permit. See “Business — Regulatory Compliance and Legal Proceedings — Licenses and Permits” in this prospectus. However, we may not be able to renew such approvals, licenses or permits or obtain, retain or renew other approvals, licenses and permits necessary for our mining activities in the future. If we do not pass the annual inspection of our mining permit or if we do not comply with the relevant mining and production safety regulations, we may be penalized according to the relevant laws and regulations by requiring us to suspend our business operations while conducting internal rectification, or our mining permit and production safety permit may be suspended or revoked.

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If (i) there is any delay or difficulty in the development of the Mine, (ii) there is any problem that causes the Mine to operate at less than optimal capacity, (iii) we fail to obtain or renew requisite governmental approvals, licenses or permits in time or at all, (iv) our mining permit is suspended or revoked or we have to incur additional significant costs to rectify non-compliances, (v) we commit gross negligence in screening and selecting our third-party contractor, which results in it being involved in any production safety-related accident that we are held directly liable or liable for compensation, or (vi) our third-party contractor fails to meet our quality, safety and environmental standards, we may incur additional costs and our business, financial condition and results of operations would be materially and adversely affected.

We may become a mineral company under Chapter 18 of the Listing Rules in the future.

Rule 18.01(3) of the Listing Rules defines that a mineral company as a new applicant whose Major Activity is the exploration for and/or extraction of natural resources. Major Activity is defined as an activity of an issuer which represents 25% or more of the total assets, revenue or operating expenses of the issuer based on the issuer's latest audited consolidated financial statements.

As of the Latest Practicable Date, based on our latest audited consolidated financial statements for the period ended May 31, 2015, the relevant ratios of our Company for the Track Record Period did not exceed 25%. We are therefore not a mineral company based on the bright line tests under Chapter 18 of the Listing Rules.

In terms of compliance after Listing, Rule 18.01(3) of the Listing Rules further defines that a mineral company as a listed issuer who completes a transaction that is a major transaction, a very substantial acquisition or reverse takeover involving an acquisition of mineral or petroleum assets. If we become a mineral company under Chapter 18 of the Listing Rules after the Listing due to a major transaction, a very substantial acquisition or reverse takeover involving further acquisition of mining rights, we will be required to comply with the requirements under Chapter 18 of the Listing Rules. Furthermore, if we become a mineral company after the Listing, we will also be required to comply with the continuing obligations under Chapter 18 of the Listing Rules. We will therefore require additional time and resources to ensure compliance with the new requirements under Chapter 18 of the Listing Rules applicable to us. See also "Business — Mining Rights — Listing Rules Implications" in this prospectus.

Our business, financial condition and results of operations may be materially and adversely affected by the Australian, Canadian, EU and U.S. sanctions against Russia, Belarus and Tunisia.

The United States and certain other jurisdictions, including Australia, Canada and the European Union, have imposed broad economic sanctions against certain countries, individuals and legal entities. These jurisdictions have sanctions against certain persons in, or prohibit the export of certain items to, Russia, Belarus and Tunisia. See "Business — International Sanctions on Our Sales to Russia, Belarus and Tunisia" in this prospectus for details of the sanctions imposed by Australia, Canada, European Union and the United States. For the three years ended December 31, 2012, 2013, and 2014 and for the five months ended May 31, 2015, based on our internal records, we sold float glass and household glass products to our customers in Russia, which accounted for approximately 0.2%, 0.1%, 0.03% and 0.02% of our total revenue, respectively. Since June 1, 2015 and up to the

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Latest Practicable Date, we had a sales transaction made to one of our household glass customers in Russia for approximately US\$0.01 million. For the year ended December 31, 2014, based on our internal records, we also sold household glass products to our customer in Belarus, representing approximately 0.004% of our total revenue. During the Track Record Period and up to the Latest Practicable Date, we had not made any other sales to Belarus. Furthermore, for the year ended December 31, 2014 and for the five months ended May 31, 2015, based on our internal records, we sold PV glass to our customer in Tunisia, representing approximately 0.005% and 0.03% of our total revenue, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made any other sales to Tunisia.

Our customers in Russia, Belarus and Tunisia are not targeted under the sanctions. However, as we intend to continue our sales to these customers and in these jurisdictions, we cannot assure you that if the scope of the sanctions were expanded, our business, financial condition and results of operations would not be materially and adversely affected. Economic sanctions laws or regulations could change in a way that could affect our business, exports or sales in these countries or other countries and/or could result in restrictions, penalties or fines.

A significant reduction in or discontinuation of government subsidies and economic incentives for the use and development of PV products would have a material and adverse impact on our business.

According to the Frost & Sullivan Report, the cost of solar energy generally exceeds the cost of other types of energy, such as petroleum and coal. To a significant extent, the demand for solar products depends on the availability and the level of government subsidies and economic incentives for the use of solar energy. Governments of the United States, European countries, such as Germany and the United Kingdom, and Asian countries, including China and Japan, have policies and initiatives to encourage the development and use of solar energy. These favorable policies accelerate the demand for PV modules and components of PV modules, including PV glass products. However, we cannot predict whether these governments will continue with these policies or incentive programs. During the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we recorded government grants amounted to RMB19.9 million, RMB13.1 million, RMB18.4 million and RMB13.8 million, respectively. These government grants mainly represented (i) incentives provided by local PRC governments in connection with our business expansion and development, technological advancement and product development efforts; and (ii) government subsidies relating to the construction of our furnaces and our PV glass and Low-E glass processing lines, the construction of our distributed PV systems, the technological upgrade of our PV glass plants and related technology, and the amount of power generated from our distributed PV systems. Until solar energy is more cost competitive than other energy sources or the difference in cost is justifiable with the benefits from the use of solar energy, any significant reduction or discontinuation of such favorable policies or incentive programs, particularly in the major solar markets, such as the United States, Germany, Japan and China, could reduce the demand for PV glass products and could have a material and adverse impact on our business and results of operations.

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We depend on a few key customers for a significant portion of our revenue, and any decrease in our sales to any one of them would affect our financial condition and results of operations.

During the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, sales to our five largest customers in aggregate accounted for about 27.7%, 25.0%, 29.3% and 34.4%, respectively, of our total sales, and sales to our largest customer for about 8.8%, 8.7%, 7.9% and 14.5%, respectively, of our total sales.

There is no assurance that these major customers will continue to place orders with us at historical levels, or that we could find sizable customers to purchase similar quantity of products should we lose any of our major customers. If these customers will substantially reduce their transaction volume or terminate their business relationship with us, our business, financial condition and results of operations would be materially and adversely affected.

We depend on our key suppliers and their failure to supply us with our requisite raw materials or at unfavorable prices would materially and adversely affect our operations and financial results.

During the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, procurement from our five largest suppliers in aggregate accounted for 44.9%, 25.0%, 30.9% and 29.2%, respectively, of our total cost of sales, and purchases from our largest supplier accounted for about 20.0%, 11.0%, 13.4% and 12.3%, respectively, of our cost of sales. The principal raw materials used in the production of our PV glass and float glass products are soda ash and silica sand. The price of silica sand has been rising over the past five years, and fluctuated between RMB268 per ton to RMB341 per ton during the Track Record Period, according to the Frost & Sullivan Report. The price of soda ash, on the other hand, declined since 2011 from close to RMB2,000 per ton to the lowest price of RMB1,240 in mid-2013, and fluctuated between RMB1,414 per ton to RMB1,522 per ton in 2014, according to the Frost & Sullivan Report. We have generally entered into framework agreements with our silica sand and soda ash suppliers. See “Business — Suppliers and Raw Materials Procurement” in this prospectus.

If any of our major suppliers fails to meet our purchase orders on a timely basis or fails to offer us commercially acceptable terms or fails to supply us with production materials of the quality that we require or terminates its business relationship with us, we may be unable to source production materials from comparable alternative suppliers on a timely basis and on commercially acceptable terms or at all, and our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to adjust our production capacity promptly and easily in response to any changing market condition, which may result in over-supply and pricing pressure.

We operate our furnaces continuously primarily because of the significant amount of fixed costs involved in the operation of the furnaces. A significant part of the fixed costs could not be saved by reducing the glass output. In addition, resumption of suspended furnaces would result in significant amount of re-starting costs. Therefore, we may maintain our existing production level even though we encounter short-term decline in demand or oversupply of PV glass and/or float glass. As a result, if

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the demand for PV glass, float glass, architectural glass and household glass products decreases for a prolonged period of time, the over-supply condition would continue, and this would result in significant pricing pressure on our respective glass products. See also “Risk Factors — Risk Relating to Our Business and Our Industry — The PV glass industry could be materially and adversely affected by the fluctuations in the demand and supply and prices of PV modules” for the impact of PV industry slowdown in 2012.

We cannot assure you that the similar PV industry slowdown will not happen again in the future. During the Track Record Period, we increased our profitability with our improved production efficiency and enhanced ability to control production cost, as well as our increased sales volume of our PV glass, household glass and architecture glass products. This strategy may not be effective in the future and in such event, our business, operating results and financial condition could experience significant volatility.

We consume large amount of fuel and electricity in our production process and any disruption in the supply of fuel and electricity would materially and adversely affect our business, financial condition and operating results.

The production of our glass products requires a significant amount and constant supply of fuel and electricity. We use fuel oil, petroleum coke and natural gas as our primary sources of fuel. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, our cost of fuel amounted to 29.6%, 22.9%, 22.8% and 24.2% of our cost of production, respectively, and the cost of electricity amounted to 12.3%, 11.6%, 12.3% and 12.7% of our cost of production, respectively. We currently procure natural gas from one single supplier as our natural gas is supplied through exclusive pipelines connected from the supplier to our production facilities. In the event there is any disruption of our natural gas supply, we will have to purchase additional fuel oil and/or petroleum coke to compensate for the reduction or loss of natural gas supply. On the other hand, if there is any disruption of our fuel oil and/or petroleum coke supply from our suppliers, we will have to either procure fuel oil and/or petroleum coke from other suppliers or to increase our use of natural gas.

Furthermore, we have commenced operation of our residual heat power generation facilities in July 2012 and our distributed PV systems in June 2014. As of May 31, 2015, our power generation facilities had a total capacity of approximately 119.5MW, which consisted of 109.2MW from the residual heat power generation facilities and 10.3MW from the distributed PV systems. Although we have not experienced any material disruption of our power generation during the Track Record Period, there is no guarantee that our internally-generated electricity supply will not be disrupted. If there is any disruption of electricity supply from our residual heat power generation facilities and distributed PV systems, we will have to purchase additional electricity from electricity supplier(s).

If any of the foregoing occurs, we may have to pay a higher procurement cost as a result and our cost of production may substantially increase, which could materially and adversely affect our business, financial condition, results of operations and prospects. See “Business — Suppliers and Raw Materials Procurement — Energy” in this prospectus for more information.

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We may suffer losses for contingencies not covered by our insurance policies.

We maintain insurance for our vehicles and property comprehensive insurance for our production facilities. We also maintain natural disaster insurance for our power generation facilities. There are types of losses we may incur that cannot be insured or that our Directors believe are not commercially reasonable to insure, such as product liability claims or losses due to business interruption resulting from natural disasters. We could encounter product liability claims as a result of any defect found in our products. Our business could also be interrupted or otherwise adversely affected by fire, severe weather, earthquake, war, flooding, power outages or other natural disasters, accident or malicious damage to any of our production facilities. We may not have sufficient insurance coverage, or any coverage at all, for these claims or damages and we could incur significant costs. We cannot assure you that our current insurance coverage is sufficient or that we will be able to renew all or any of the existing insurance coverage. See “Business — Insurance” for more information.

Furthermore, any uninsured loss or damage to property, litigation or business disruption may result in us incurring substantial cost or diverting our resources, which could have an adverse effect on our results of operations. If we incur substantial liabilities that are not covered by our insurance policies, or if our business operations are interrupted for a significant period of time, we could incur costs and losses that could materially and adversely affect our financial condition and results of operations.

We had net operating cash outflow for the year ended December 31, 2012 and we may be exposed to liquidity risks.

Our net cash used in operating activities was RMB9.3 million for the year ended December 31, 2012 primarily reflecting (i) an increase in trade and other receivables of RMB310.0 million, mainly due to financial difficulties faced by some of our customers as the PV industry experienced a slowdown during the year; and (ii) an increase in inventories of RMB133.3 million, primarily due to a slowdown of the PV industry resulting in slower inventory turnover. Our operating cash flows may be materially and adversely affected by a variety of macroeconomic and other factors that are beyond our control. Our future liquidity, the payment of our trade and bills payables, as well as the repayment of outstanding bank loans as and when they become due, will primarily depend on our ability to maintain adequate cash flows from operating activities and proceeds from external financing. In the event that we are unable to generate sufficient cash flows from our operations to meet the demand from our operating and capital expenditures, our operations will have to be funded from alternative financing sources, which may or may not be available or on the terms favorable to us. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain adequate financing for our business in the future.

We depend on cash generated from our operations as well as access to external financing to operate and expand our business during Track Record Period. Apart from the net proceeds from the Global Offering, our future funding requirements will depend, to a large extent, on our working capital requirements and the nature of our capital expenditures, our business performance, market conditions and other factors which are beyond the control and anticipation of our management. We will also need substantial capital expenditures to maintain and continuously upgrade and expand our production

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facilities and design and development functions to keep pace with the competitive landscape and changing requirements in our industry. We purchased property, plant and equipment of approximately RMB392.5 million, RMB191.9 million, RMB193.6 million and RMB55.6 million for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, respectively. As we will continue to expand and/or improve our existing production facilities, we expect that our capital expenditures for the year ending December 31, 2015 will amount to about RMB207.6 million.

Our ability to obtain financing through bank borrowings or debt or equity financing will depend on our financial condition and results of operations, the performance of our industry and political and economic environment in China. There is no assurance that adequate funds can be obtained on acceptable terms, or at all. If capital is unavailable, we may be forced to curtail our expansion plans, which could result in an inability to successfully implement our business strategy.

Our future plans in the PRC are subject to risks and uncertainties.

Our future success depends, to a large extent, on our ability to increase our production efficiency, and our production and processing capacities. We intend to implement our future plans in the PRC, including, among other things, establishing new Low-E and Low-E composite glass processing facilities, setting up PV glass manufacturing and processing facilities in Anhui province and constructing new distributed PV systems with a total capacity of 15.0MW of electricity, we may not be able to expand our business, sustain our profitability and maintain our market-leading position in the domestic PV glass industry. See “Future Plans and Use of Proceeds” for more information of our future plans. The implementation of our future plans in the PRC will require capital investments, significant amount of managerial and technical resources, efforts and timely delivery of required plant and machinery, and is subject to the following risks and uncertainties:

- cost overruns and construction delays as a result of a number of factors, many of which are beyond our control, such as our ability to secure contracts on favorable terms with equipment vendors;
- delays or rejection of granting required approvals by relevant government authorities;
- negative impact on the working capital available to us;
- the need to finance our production facilities through bank or other borrowings, which may not be available to us on commercially reasonable terms or at all;
- increase in depreciation expenses associated with our new production facilities and interest expenses associated with our future borrowings;
- failure to improve our operational and financial systems and risk monitoring and management system in line with our expansion;
- failure to maintain or establish relationships with our existing or prospective customers and suppliers;

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- inability to secure new supply and sales contracts to match our increased production output; and
- insufficient management resources to oversee and manage our production facility expansion.

Any of the above or other similar risks or uncertainties could significantly delay or otherwise restrict our ability to implement our future plans in the PRC, which could in turn adversely affect our ability to continue improving our operational efficiency and achieve desirable utilization rates or otherwise improve our business prospects and profitability.

We may not be able to successfully implement our overseas expansion plan.

During the Track Record Period, we have sold a substantial portion of our glass products to overseas customers, which we expect to continue to do so in the future. According to the Frost & Sullivan Report, the global annual production volume of PV modules is expected to grow from 2015 to 2019. Based on this growth projection, we believe we can increase our production capacity to satisfy the projected increasing demand of our PV glass products. In light of PRC government initiative that encourages domestic PV glass manufacturers to expand their production overseas, we plan to establish PV glass manufacturing facilities in Vietnam, which will help us expand our PV glass production capacity, increase our overseas PV glass sales and provide better localized services to our overseas PV glass customers, including those located in Southeast Asia, India, Europe, Korea and Japan.

While we have conducted a detailed feasibility study of our plan to establish PV glass manufacturing facilities in Vietnam with an expected daily maximum production capacity of PV raw glass of 800 tons and an expected designed annual processing capacity of PV glass of approximately 27.0 million sq.m., the success of our overseas expansion is subject to political, financial, business and other risks and uncertainties. For example, (i) there had been anti-China protests in Vietnam in 2014 and a number of factories owned by PRC nationals or corporations were damaged, looted or destroyed; (ii) we may face rising construction costs, which will negatively affect our profitability; and (iii) after commercial production begins, we could have falsely gauged market demand, which may lead to difficulties in selling our PV glass products at the prices we anticipated or we may experience longer trade and bills receivable turnover days than we expected. Any of the foregoing risks, if materialized, may materially and adversely affect our business, results of operations, financial condition and prospects. In addition, as advised by LVN & Associates, our Vietnamese legal advisors, while PV glass originated in Vietnam was not subject to any anti-dumping or anti-subsidy investigations initiated by the European Commission, the United States and Canada as of the Latest Practicable Date. However, we cannot assure you the PV glass manufactured in Vietnam will not be subject to such investigations in the future. In the event these investigations are initiated and/or if any duties or fines are imposed, our expansion plan may be adversely affected and the sales of our PV glass products manufactured in Vietnam may be adversely impacted. As a result, our business, results of operations, financial condition and prospects could materially and adversely affected.

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If we fail to maintain our product quality, our business could be materially and adversely affected.

The quality of our PV glass products is important to our customers. If we fail to continue to improve our product quality, our products may not be able to compete with other products.

We have been accredited with a number of quality certifications. The standards for these certifications may become more stringent in the future, and we may not be able to keep up with the certification requirements. If we fail to effectively maintain these certificates or our product quality, our business, financial condition, and operating results could be materially and adversely affected.

Our investments in research and development may not necessarily lead to timely improvements in technology and we may not be able to respond adequately and promptly to technological changes in the industry in which we operate.

The PV industry is rapidly developing with new technologies. Our success relies significantly on our ability to develop new PV glass products and/or improve the quality of our existing products. If we fail to accurately assess the market and technology trends, anticipate market developments and direct our efforts to relevant product development projects, our business, operating results and financial condition could be materially and adversely affected. If we fail to develop appropriate products with acceptable quality or lag behind our competitors in improving our product quality or product range, we may not be able to maintain our leading position and our operating results and prospects could be adversely affected. The unavailability and insufficiency of capital for product development projects and any areas where our employees' experience may be lacking could also affect our research and development plans.

If we fail to effectively protect our intellectual property rights, our business could be adversely affected.

Patents, trade secrets or know-how related to our products and production processes are important to our business and competitive position. We use, among others, a combination of patent, confidentiality and non-compete agreements with our employees to protect our intellectual property rights. We have obtained the patents covering key technologies used in our production processes in China. See "Statutory and General Information — 3. Further Information About the Business — B. Our intellectual property rights" in Appendix VII to this prospectus for more information. We cannot assure you that we will be able to obtain necessary protection for all our products and technologies in China.

The implementation of PRC intellectual property-related laws is difficult and complicated. In addition, policing unauthorized use of proprietary technologies or trade secrets is difficult and expensive, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and diversion of resources and management attention, which could harm our business and competitive position. During the Track Record Period and up to the Latest Practicable Date, we did not experience any infringement of our intellectual property rights by third parties.

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We may be exposed to infringement or misappropriation claims by third parties.

Our success depends largely on our ability to use and develop our product know-how, technology and other intellectual properties used in our products and production processes. As we continue to expand our international markets and gain greater market share in the global PV glass industry, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification. Many of our current and potential competitors have made, and will continue to make, substantial investments in developing competing technologies, and have or may obtain patents that may prevent, limit or interfere with our ability to make, use or sell our existing or future products in China or overseas. The validity and scope of any claims relating to our intellectual property rights involve complex legal and factual questions and analyzes and, therefore, the outcome may be uncertain. In addition, the defense of these claims could be both costly and time-consuming, and could significantly divert the attention and resources of our management and technical personnel. Furthermore, an adverse determination in any such litigation or proceedings to which we may become a party could cause us to:

- pay damages;
- seek licenses from third parties on unfavorable terms;
- pay on-going royalties; or
- be restricted by injunctions.

Any of these factors could prevent or restrict us from pursuing some or all of our business and result in our existing or potential customers deferring or limiting their purchase or use of our products, which could adversely affect our business, financial condition and operating results. During the Track Record Period and up to the Latest Practicable Date, we did not infringe and were not alleged to infringe any intellectual property rights owned by third parties.

Our continuing success depends on our ability to attract and retain our senior management and other quality personnel.

Our success depends on the experience and skills of our current officers, management and other quality employees. In particular, our senior management has significant experience in the PV glass industry and glass making industry. In particular, Mr. Ruan Hongliang is responsible for our overall corporate strategies formulation and management of our business operation, and he has been fundamental to our achievements to date. The loss of any of key personnel could adversely affect our ability to sustain and grow our business.

We had 2,827 employees as of May 31, 2015. There can be no assurance that we will be able to attract and retain the necessary personnel to grow and develop our business and to continue to deliver high-quality sales and customer services. Our business, financial operations and growth prospects may be materially and adversely affected if we are unable to attract and retain the experienced personnel we require.

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Our business could be affected if there is a substantial increase in labor cost in the PRC.

Our employee benefit expenses for the year ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015 amounted to RMB130.7 million, RMB158.1 million, RMB191.6 million and RMB87.3 million, respectively, representing 8.8%, 7.2%, 6.8% and 7.1% of our total revenue, respectively. In the future, labor cost in the PRC is expected to continue to increase and additional legislations and regulations on labor protection, such as the increase in statutory minimum wages, may be enacted by the PRC government. This trend will increase the employers' obligations to pay for more employees' benefits and welfare. Any substantial increase in our direct labor cost will raise our cost of sales. If we are not able to pass such additional cost to our customers, our business, financial condition and operating results could be materially and adversely affected.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could adversely affect our production and the timely delivery of our products.

Certain regions in the world, including where our existing production facilities and the Mine are located, are susceptible to epidemics such as Severe Acute Respiratory Syndrome, or SARS, avian influenza or swine influenza. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies in various countries and regions. A recurrence of SARS, avian influenza or swine influenza or an outbreak of any other epidemics, especially in the cities where we have operations, may result in material disruptions to our sales, which in turn could materially and adversely affect our financial condition and results of operations.

Other extraordinary events, including political unrest, terrorist attacks and natural disasters such as earthquakes, snowstorms and hurricanes, could significantly affect our operations if they occur at or near a location where our production facilities or our suppliers are situated. Such events may cause personnel casualties, loss of inventory, work disruptions and delays and damages to our production facilities. If we are not able to react quickly upon the occurrence of such extraordinary events and our operations are disrupted significantly, and the insurance policies we maintain for the contracts are not adequate to cover all the losses, our business, financial condition and results of operations may be materially and adversely affected.

RISK RELATING TO CONDUCTING OPERATIONS IN THE PRC

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the

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development of the PRC economy in the past three decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. Stricter credit or lending policies in the PRC may affect our customers' consumer credit or consumer banking business, and may also affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten credit or lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

Demand for our goods and services and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

PRC governmental control on the convertibility of Renminbi may affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. The majority of our income is received in Renminbi and shortages in the availability of foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses

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such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose any restriction on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholders.

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and investors' investments.

The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressures on the PRC to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to, will affect our business in different ways. For example, any appreciation in the Japanese Yen, Euro or other foreign currencies against Renminbi may cause a rise in prices of goods which may in turn dampen spending and investment in solar energy, and adversely affect our sales and profits. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the H Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Any change in our tax treatment, including an unfavorable change in preferential enterprise tax rates in the PRC, may have a negative impact on our operating results.

On March 16, 2007, the National People's Congress of the PRC promulgated the PRC EIT Law, which came into effect on January 1, 2008 and supersedes both the Foreign-invested Enterprise and Foreign Corporate Income Tax Law and the Provisional Regulations on Corporate Income Tax of the PRC. The PRC CIT Law consolidates the two separate tax regimes for domestic enterprises and foreign-invested enterprises and imposes a unified enterprise income tax rate of 25% for both types of enterprise.

In addition, the PRC government identified eight new technology sectors that are eligible for government support in the Measures for the Administration of Designation of High and New Technology Enterprises (《高新技術企業認定管理辦法》) (the "Measures") in April 2008. In accordance with the Measures, our subsidiary, Zhejiang Jiafu, was approved as a high-technology enterprise in 2010, which entitled it to enjoy a preferential income tax rate of 15% for an initial period of three years from 2010 to 2012, and an extended period for another three years from 2013 to 2015. Although Zhejiang Jiafu is entitled to re-apply for such preferential income tax rate pursuant to the Measures, we cannot assure you that we will be able to continue to enjoy any further preferential tax treatments after the relevant certificate for Zhejiang Jiafu expires, or that we will be able to pass the required annual assessment to qualify for preferential tax treatments. Furthermore, according to the Notice of Ministry of Finance and State Administration of Taxation on Issues Concerning Preferential Policies on Enterprise Income Tax for Public Infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation (《財政部國家稅務總局關於公共基礎設施項目和

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環境保護節能節水項目企業所得稅優惠政策問題的通知》) (the “Notice”), Flat New Energy is exempt from enterprise income tax for the first three financial years from 2014 to 2016, and will be subject to 50% reduction for the subsequent three financial years from 2017 to 2019. Although Flat New Energy is entitled to apply to renew the approval on tax exemption pursuant to the Notice, we cannot guarantee we will be able to continue to enjoy preferential tax treatment with respect to Flat New Energy once its current entitlements expire. See “Financial Information — Factors Affecting Our Results of Operations — Taxation” and “Financial Information — Principal Income Statement Components — Income Tax Expenses” for more information.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligations of foreign enterprises that are holders of our H Shares.

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 us or the gains realized upon the sale or other disposition of H Shares.

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 June 28, 2011, we are 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 us.

Under the PRC EIT Law 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 us 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 November 6, 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. These holders of H Shares may apply for tax refunds in accordance with applicable tax treaties or arrangements, if any. In addition, the PRC tax laws, rules and regulations may also change from time to time. If the tax rates stipulated in the PRC EIT Law and the related implementation rules are amended, the value of your investment in our H Shares could be materially and adversely affected.

In addition, it is also unclear whether and how the PRC individual income tax and enterprise income tax on gains realized by non-resident holders of H shares through the sale, or transfer by other means, of H shares will be collected by the PRC tax authorities in the future, although such tax has

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not been collected by the PRC tax authorities in practice. Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sale or transfers of the H Shares. See “Appendix IV — Taxation and Foreign Exchange” for more information.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law and our Articles of Association, we may only pay dividends out of our distributable profits. Distributable profits are our net profits as determined in accordance with PRC GAAP or IFRS, whichever is lower, minus any recovery of accumulated losses and allocations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year will be retained and available for distribution in subsequent years.

Moreover, because distributable profits are calculated differently under PRC GAAP from those under IFRS, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Any failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our shareholders in the future, including in those periods for which our financial statements indicate that our operations have been profitable.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that unfolded in 2008 may have contributed to the occurrence of, and continuing increase in inflation in China. If such inflation is allowed to proceed without mitigating measures by the PRC government, our costs of production and sales will likely increase, and our profitability may be materially reduced, as there is no assurance that we will be able to pass any cost increases onto our customers. If the PRC government implements new measures to control inflation, these measures may also slow economic activity and reduce demand for our products and services, thereby severely hampering our growth.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our Shareholders.

Our business and operations in the PRC are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve,

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interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

As our Shareholder, you hold an indirect interest in our operations in China. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC Company Law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts.

The legal framework to which our Company is subject to is materially different from the Companies Ordinance or corporate law in other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under such an arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a

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choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Our Articles of Association provides that disputes between holders of H Shares and our Company, our Directors, Supervisors or officers, arising out of the Articles of Association or any rights or obligations conferred or imposed upon by the PRC Company Law and related regulations concerning its affairs, such as the transfer of our Shares, are to be resolved through arbitration by arbitral committees in China or the Hong Kong International Arbitration Centre (香港國際仲裁中心), rather than by a court of law. In addition, on June 18, 1999, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互執行仲裁裁判的安排》). This arrangement, made in accordance with the spirit of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on February 1, 2000. Under the arrangement, awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong, and awards made by Hong Kong arbitral authorities are also enforceable in the PRC. However, so far as we are aware, there has not been any published report of judicial enforcement in the PRC by a holder of H shares seeking to enforce an arbitral award made by the PRC arbitral authorities or Hong Kong arbitral authorities, and there are uncertainties as to the outcome of any action brought in the PRC to enforce an arbitral award made in favor of a holder of H shares. Accordingly, we are unable to predict the outcome of any such action.

Substantially all of our Directors, Supervisors and executive officers reside within the PRC. Substantially all of our assets and substantially all of the assets of our Directors, Supervisors and executive officers are located within the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon us or those persons in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Any outbreak of severe contagious diseases in the PRC may cause suspension of our operations and affect the economic condition of the PRC which may, in turn, affect our operations.

All of our operations are located and carried out in the PRC. If any outbreak of severe contagious disease occurs in the PRC and is inadequately controlled, there may be a negative impact on domestic consumption, labor supply and potentially the overall GDP growth of the PRC, which, in turn, may hinder market activities and slow down the general economic growth of the PRC. As our business is sensitive to domestic consumer demand for our products and relies on domestic labor, any inadequately controlled outbreak of severe contagious disease in the PRC could materially and adversely affect our business, financial condition, results of operations and growth prospects.

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RISK RELATING TO THE GLOBAL OFFERING AND OUR H SHARES

There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop after the Global Offering.

Prior to the Global Offering, there has not been a public market for our H Shares. While we have applied to list and deal in the H Shares on the Stock Exchange, we cannot assure you that an active or liquid public market for our H Shares will develop or be sustained if developed. The Offer Price of the H Shares will be determined through negotiations between us and the Joint Bookrunners (on behalf for themselves and the other Underwriters of the Global Offering), and it may not necessarily be indicative of the market price of the H Shares after the Global Offering is complete. An investor who purchases H Shares in the Global Offering may not be able to resell such H Shares at or above the Offer Price and, as a result, may lose all or part of the investment in such H Shares.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

The liquidity, trading volume and trading price of our H Shares may be volatile, which could result in substantial losses for Shareholders.

The price at which our H Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;

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- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding apparel supply chain servicing and retail industries and companies;
- changes in laws and regulations in China;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into H Shares in the future, and such converted Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares any requisite internal approval by our Shareholders in a general meeting shall have been duly obtained and the approval from relevant PRC regulatory authorities shall have been obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, our Domestic Shares may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the Global Offering, which could further increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Future sale or major divestment of the Shares by any of our Controlling Shareholders could materially and adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our H Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders, could materially and adversely affect the market price of our H Shares and could materially impair our future ability to raise capital through offerings of our H Shares. Although our Controlling Shareholders are subject to a statutory lock-up on their Share as required by applicable PRC laws and regulations, any major disposal of our Shares by any of our Controlling Shareholders upon expiry of the relevant lock-up period (or the perception that these disposals may occur) may cause the prevailing market price of our H Share to fall, which could negatively impact our ability to raise equity capital in the future.

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Because the Offer Price per H Share is higher than the net tangible book value per H Share, purchasers of our H Shares in the Global Offering will experience immediate dilution.

The Offer Price of our H Shares is higher than the net tangible book value per Share of our H Shares immediately prior to the Global Offering. Therefore, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK\$1.65 per H Share (assuming an Offer Price of HK\$2.39 per H Share, being the mid-point of our Offer Price range of HK\$2.10 to HK\$2.68 per H Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional H Shares in the future, purchasers of our H Shares may experience further dilution.

Prior dividend distributions, if any, are not an indication of our future dividend policy.

In 2012 and 2013, our Group neither declared nor paid any dividends to its equity holders. In 2014, our Group declared dividends of RMB54.4 million to its equity holders, which was paid in full in January 2015. On September 30, 2015, our Group declared a special dividend of RMB250.0 million. We withheld RMB50.0 million from such dividend for individual income tax purposes and paid RMB200.0 million net of tax to the holders of the Domestic Shares in November 2015 with our internally available funds. The withholding tax will be settled in December 2015 using our internal funds. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries. As a result of the above, we cannot assure you that we will make any dividend payments on our H Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, see the section headed “Financial Information — Dividend Policy” in this prospectus.

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, including the improvement of our production efficiency, and establishing additional production facilities domestically and overseas. See “Future Plans and Use of Proceeds — Use of Proceeds” for more information.

However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

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Waivers have been granted from Compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Stock Exchange has granted to us, a number of waivers from strict compliance with the Listing Rules, Please see “Waivers from Compliance with the Listing Rules” for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect us and our Shareholders.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this prospectus.

Certain facts and statistics in this prospectus, including but not limited to information and statistics relating to the PV glass industry, are based on the Frost & Sullivan Report or are derived from various publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Sole Global Coordinator, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information compiled by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this prospectus.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward looking statements in this prospectus are qualified by reference to this cautionary statement.

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You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

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

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. At present, there will be no executive Directors ordinarily resident in Hong Kong after the Listing. The senior management team of our Group is and will continue to be based in the PRC to attend to their respective duties. Further, as each of the executive Directors has a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in the PRC. Accordingly, we do not, and for the foreseeable future, will not, have a sufficient management presence in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

For the reasons set out above, the Directors consider that it would be practically difficult, unduly burdensome and not commercially feasible for us to appoint two Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements set out in Rules 8.12 and 19A.15 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

- (i) both of our Company's authorized representatives, Mr. Ruan Hongliang (阮洪良先生), an executive Director, the chairman of our Board and general manager of our Company, and Ms. Ruan Zeyun (阮澤雲女士), a joint company secretary, the Board secretary and chief financial officer of our Company, will act as our principal channel of communication with the Stock Exchange. Each of Mr. Ruan and Ms. Ruan has confirmed that he/she possesses valid travel documents and can readily travel to Hong Kong to meet with the Stock Exchange within a reasonable time upon request of the Stock Exchange, if required. They will be readily contactable by telephone, facsimile and email, and are authorized to communicate on behalf of our Company with the Stock Exchange;
- (ii) both of the authorized representatives have means for contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and the Directors, our Company has implemented a policy whereby (a) each Director will provide his or her office phone numbers, mobile phone numbers, residential phone numbers, office facsimile numbers and email addresses to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Stock Exchange;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

- (iii) our Company, in accordance with Rule 3A.19 of the Listing Rules, has appointed Messis Capital Limited as our compliance advisor, who will act as an additional channel of communication with the Stock Exchange. Our Company will ensure that Messis Capital Limited shall have access at all times to its authorized representatives, Directors and members of the senior management. Our Company will also procure that such persons provide promptly to Messis Capital Limited such information and assistance as it may need or may reasonably request in connection with the performance of the compliance advisor's duties as set forth in Chapter 3A and Chapter 19A of the Listing Rules. Messis Capital Limited will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results and its annual report for the first full financial year following the Listing;
- (iv) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or our Company's compliance advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance advisor; and
- (v) each Director who does not ordinarily reside in Hong Kong has confirmed that either he or she possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange in Hong Kong within a reasonable period.

In these circumstances, our Company and its Directors do not envisage that there should be any difficulty for the Stock Exchange to contact (if required) any of the executive Directors and believe that the arrangements set out above are sufficient to maintain effective communication between our Company and the Stock Exchange. The Directors will ensure that disclosure of information and contact with the Stock Exchange will be made on a timely basis.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he/she played;
- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (WUMP) Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Ruan Zeyun (阮澤雲女士) and Ms. Leung Wing Han Sharon (梁穎嫻) as the joint company secretaries of our Company. Ms. Leung is, among others, a member of the Hong Kong Institute of Chartered Secretaries and the Hong Kong Institute of Certified Public Accountants. Ms. Leung is an ordinarily resident in Hong Kong and is qualified to act as a joint company secretary of our Company. On the other hand, Ms. Ruan is not a certified public accountant as defined in the Professional Accountants Ordinance, a member of the Hong Kong Institute of Chartered Secretaries, nor a solicitor or barrister as defined in the Legal Practitioners Ordinance, as required under Rules 3.28 and 8.17 of the Listing Rules. However, Ms. Ruan served as the Board secretary and the chief financial officer of our Company since April 2010 and since November 2013, respectively. Ms. Ruan has relevant knowledge about the business operations and corporate culture of our Group and has relevant experience in the matters relating to the Board and corporate governance of our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on the condition that we engage Ms. Leung, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Ms. Ruan in her discharge of duties as a company secretary and in gaining the “relevant experience” as required under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Ms. Leung, during the three-year period, ceases to provide assistance to Ms. Ruan. At the end of the three-year period, our Company has to liaise with the Stock Exchange. Our Company should then be able to demonstrate to the satisfaction of the Stock Exchange that Ms. Ruan, having had the benefit of Ms. Leung’s assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

For further details about Ms. Ruan’s qualifications and experience, please refer to the section headed “Directors, Supervisors and Senior Management” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

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

CSRC APPROVAL

We have obtained approval from the CSRC for the Global Offering and the making of the application to list the H Shares on the Stock Exchange on July 23, 2015. In granting such consent, CSRC accepts no responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement, with one of the conditions being that the Offer Price is agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Placing Agreement, which is expected to be entered into on or about the Price Determination Date. Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering. Except for such pending application to the Listing Committee for the listing of, and permission to deal in, our H Shares, no other part of our share or loan capital is listed on or dealt in on any other stock exchange or on any other authorized trading facility such as the Securities Trading Automated Quotation System and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding or dealing in our H Shares, you should consult an expert. It is emphasized that none of us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding or disposing of our H Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. See "Appendix IV — Taxation and Foreign Exchange" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

Each acquirer of our H Shares agrees with us and each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the PRC Company Law, the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies and our Articles of Association.

Each acquirer of our H Shares agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive.

Each acquirer of our H Shares agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof.

Each acquirer of our H Shares authorizes us to enter into a contract on his behalf with each of our Directors and officers whereby such Directors and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for application for the Hong Kong Offer Shares is set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

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

BOARD LOTS AND STOCK CODE

The H Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 6865.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and U.S. dollars have been translated, for the purpose of illustration only, into U.S. dollars or Hong Kong dollars in this prospectus at the following rates:

HK\$1.00	:	RMB0.8188 (set by the PBOC for foreign exchange transactions prevailing on November 6, 2015)
US\$1.00	:	HK\$7.7496 (the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on October 30, 2015)
US\$1.00	:	RMB6.3180 (the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States on October 30, 2015)

No representation is made that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

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

ROUNDING

Numerical figures have, in certain cases, been rounded. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Ruan Hongliang (阮洪良先生)	Room 106, Building No.4 Wenweili Nanhu District Jiaxing Zhejiang Province PRC	Chinese
Ms. Jiang Jinhua (姜瑾華女士)	Room 106, Building No.4 Wenweili Nanhu District Jiaxing Zhejiang Province PRC	Chinese
Mr. Wei Yezhong (魏葉忠先生)	30-1201 Yuanyi Bozhuang Garden Wenchang Road Liangxiu Community Chengnan Street Economic Development District Jiaxing Zhejiang Province PRC	Chinese
Mr. Shen Qifu (沈其甫先生)	33-401 Jiazhou Meidu Xiucheng District Jiaxing Zhejiang Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Independent Non-executive Directors</i>		
Ms. Pan Yushuang (潘煜雙女士)	21-1502 Qinghua Fudi Garden Chengnan Road Bai Miao (Miao) Community Chengnan Street Economic Development District Jiaxing Zhejiang Province PRC	Chinese
Mr. Li Shilong (李士龍先生)	No. 1221, Unit 1, Building No. 15 Fangqunyuanyuan District No. 3 Beijing PRC	Chinese
Mr. Ng Ki Hung (吳其鴻先生)	Flat B 9/F Celestial Garden 5 Repulse Bay Road Repulse Bay Hong Kong	Chinese

SUPERVISORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Mr. Zheng Wenrong (鄭文榮先生)	45#-2 Lvxi Rose Garden Jiaxing Zhejiang Province PRC	Chinese
Mr. Shen Fuquan (沈福泉先生)	51-303 Yuanyi Bozhuang Garden Wenchang Road Liangxiu Community Chengnan Street Economic Development District Jiaxing Zhejiang Province PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. Zhu Quanming (祝全明先生)	51-103 Hanlin Fudi Jiaying Zhejiang Province PRC	Chinese
Ms. Zhang Hongming (張紅明女士)	Room 1802, Unit 2, Langxuan Building No.7 Jindu September Bungalows Xiuyuan Road Xiuzhou District Jiaying Zhejiang Province PRC	Chinese
Mr. Meng Lizhong (孟利忠先生)	Room 803, Building No. 5 Xiuhuhuayuan Garden Chengxiu Road Muqiaogang Administrative Village Xincheng Street Xiuzhou District Jiaying Zhejiang Province PRC	Chinese

For further information regarding our Directors and Supervisors, please refer to the section headed “Directors, Supervisors and Senior Management” in this prospectus.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

Sole Global Coordinator

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

**Joint Bookrunners and Joint Lead
Managers**

BOCI Asia Limited
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

**China International Capital Corporation Hong Kong
Securities Limited**
29/F One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Jiangsu Yongheng Partners
13th Floor, Changfa Science & Technology Building
222 Zhujiang Road
Nanjing
Jiangsu Province
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Vietnamese law:</i> LVN & Associates Unit 503, 5th Floor HCO Building 44B Ly Thuong Kiet Hoan Kiem, Hanoi Vietnam</p>
Legal advisors to the Sole Sponsor and the Underwriters	<p><i>As to Hong Kong law:</i> Mayer Brown JSM 16th - 19th Floors Prince's Building 10 Chater Road Central Hong Kong</p> <p><i>As to PRC law:</i> Jingtian & Gongcheng 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC</p>
Auditor and Reporting Accountant	<p>Deloitte Touche Tohmatsu Certified Public Accountant 35/F, One Pacific Place 88 Queensway Hong Kong</p>
Independent technical consultant	<p>Mining Associates Limited Unit A, Level 26 Chinaweal Centre 414-424 Jaffe Road Wan Chai Hong Kong</p>
Compliance advisor	<p>Messis Capital Limited Room 1606, 16/F., Tower 2 Admiralty Centre 18 Harcourt Road Hong Kong</p>
Receiving banker	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

CORPORATE INFORMATION

Registered office, headquarters and principal place of business in the PRC	1999 Yunhe Road Xiuzhou District Jiaying Zhejiang Province PRC
Principal place of business in Hong Kong	18/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's website	www.flatgroup.com.cn <i>(the information contained in this website does not form part of this prospectus)</i>
Joint company secretaries	Ms. Ruan Zeyun Room 301, Building No.9, C1 Dahua City Garden Nanhu District Jiaying Zhejiang Province PRC Ms. Leung Wing Han Sharon <i>(HKICS, ICSA, ACCA and HKIPA)</i> 18/F Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized representatives	Mr. Ruan Hongliang Room 106, Building No.4 Wenweili Nanhu District Jiaying Zhejiang Province PRC Ms. Ruan Zeyun Room 301, Building No.9, C1 Dahua City Garden Nanhu District Jiaying Zhejiang Province PRC

CORPORATE INFORMATION

Audit committee	Ms. Pan Yushuang (<i>chairman</i>) Mr. Li Shilong Mr. Ng Ki Hung
Remuneration committee	Ms. Pan Yushuang (<i>chairman</i>) Mr. Ruan Hongliang Mr. Li Shilong
Nomination committee	Mr. Ruan Hongliang (<i>chairman</i>) Ms. Pan Yushuang Mr. Ng Ki Hung
Strategic development committee	Mr. Ruan Hongliang (<i>chairman</i>) Mr. Wei Yezhong Ms. Pan Yushuang
Risk management committee	Mr. Ruan Hongliang (<i>chairman</i>) Ms. Jiang Jinhua Ms. Pan Yushuang
H Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China Limited, Jiaxing Branch No. 218, Zhongshan East Road Jiaxing Zhejiang Province PRC China CITIC Bank Corporation Limited, Jiaxing Branch No. 639, Zhongshan East Road Jiaxing Zhejiang Province PRC Industrial and Commercial Bank of China Limited, Jiaxing Branch No. 419, Hexing South Road Jiaxing Zhejiang Province PRC

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the Frost & Sullivan Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information extracted from the Frost & Sullivan Report has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. The information from official government publications may not be consistent with information available from other sources within or outside the PRC and Hong Kong. Neither our Group, its affiliates or advisors, the Underwriters or their affiliates or advisors, nor any other party involved in the Global Offering make any representation as to the accuracy, completeness or fairness of such information from official government publications. After taking reasonable care, our Directors confirmed that there was no adverse change in the market information since the date of the Frost & Sullivan Report up to the Latest Practicable Date, which may qualify, contradict or have an impact on the information in this section.

INFORMATION SOURCES

Overview

We commissioned Frost & Sullivan, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the PV industry, the PV glass industry, the PV power station industry and the float glass industry.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan undertook both primary and secondary researches, and obtained knowledge, statistics, information and industry insights on the industry trends of the PV market, PV glass market, the PV power station market and the float glass market. Primary research involved interviewing industry participants and authoritative third-party industry associations. Secondary research involved reviewing annual reports of companies, official bureaus' databases, independent research reports or journals, and Frost & Sullivan's proprietary database that was built up over the past decades.

As for historical data for market size and competition analysis presented in the Frost & Sullivan Report, such data was obtained from primary research including top-down interviews with all the industry participants, and from a variety of secondary research.

INDUSTRY OVERVIEW

Key Bases and Assumptions

Frost & Sullivan used the following key bases and assumptions when preparing the Frost & Sullivan Report:

- the social, economic and political environments being examined remain stable during the forecast period;
- the development of the Chinese PV glass market will continue to grow during the forecast period;
- the urbanization of mainland China will continue during the forecast period; and
- potential demands of downstream industries will remain stable during the forecast period.

We have extracted certain information from the Frost & Sullivan Report in this section, as well as in the sections headed “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate or in which we may operate in the future. We are contracted to pay a fee of RMB600,000 (including applicable tax) to Frost & Sullivan for the Frost & Sullivan Report.

OVERVIEW OF PV INDUSTRY

Overview of PV Technologies

PV systems convert solar energy into electrical energy. Currently, PV technologies can be classified into crystalline silicon (c-Si) PV technology and thin-film PV technology.

Crystalline Silicon (c-Si) Technology

Crystalline silicon accounts for approximately 90.5% of PV cells worldwide in terms of annual installed capacity in 2014. c-Si technology can be further divided into mono-crystalline silicon technology and multi-crystalline silicon technology. The differences between the two technologies are set forth below:

- Multi-crystalline silicon is the most commonly used PV cell raw material. It consists of grains of silicon fused together that give the cell a distinctive, patterned appearance. Multi-crystalline silicon has a conversion efficiency of around 15% to 16%.
- Mono-crystalline silicon is produced from single silicon crystal which is grown as a cylindrical ingot and has no grain boundaries. Mono-crystalline silicon has a higher conversion efficiency of approximately 17% to 18%, but it also has a higher production cost compared to that of multi-crystalline silicon, which has a conversion efficiency of approximately 15% to 16%, according to the Frost & Sullivan Report.

INDUSTRY OVERVIEW

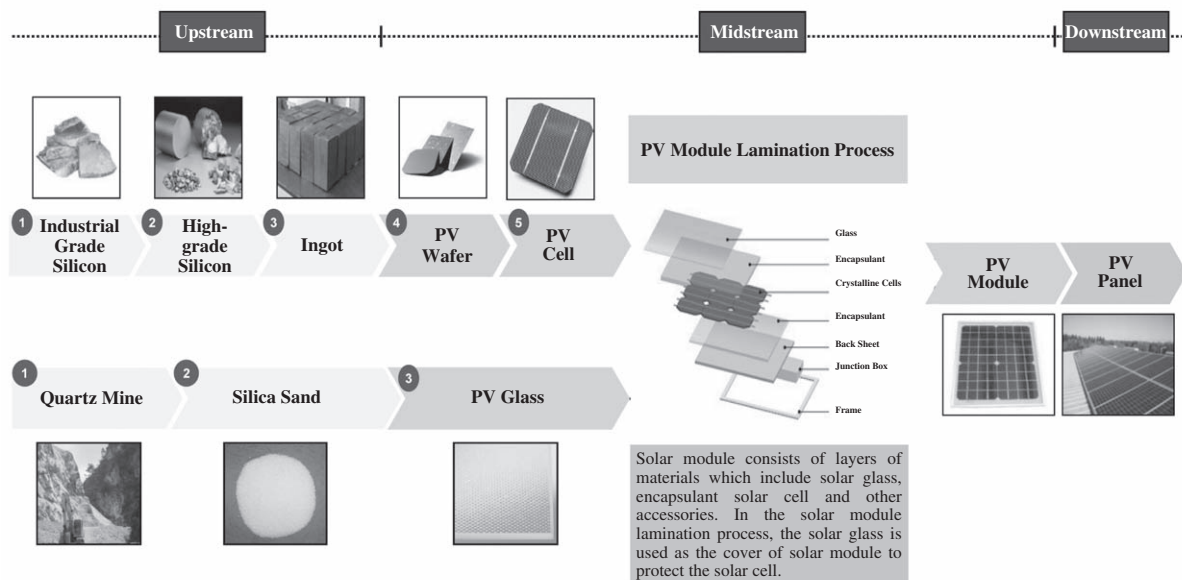
Thin-film PV Technology

Thin-film PV technology accounts for approximately 9.5% of the PV cells worldwide in terms of annual installed capacity in 2014. It can be divided into amorphous silicon (a-Si), cadmium telluride (CdTe) and copper indium gallium selenide (CIGS) based on the material used. The differences between the three technologies are set forth below:

- a-Si technology involves the deposition of a layer of silicon on a raw glass. It uses less silicon raw materials compared to traditional technology and has a conversion efficiency of between 4% to 9%. According to the Frost & Sullivan Report, the production cost of a-Si technology is the lowest among all three thin-film technologies.
- CdTe technology involves the use of cadmium, which is a toxic metal, and tellurium in a thin-film PV cell. This technology has a conversion efficiency of around 9-15% and is experiencing rapid growth due to its relatively low production cost as compared to CIGS.
- CIGS technology is relatively new and a conversion efficiency between 10% to 15%, which to the highest among thin-film technologies, but also has the highest product cost.

PV Value Chain / PV System

The diagram below illustrates the position of PV glass manufacturing in the value chain of PV module industry:



INDUSTRY OVERVIEW

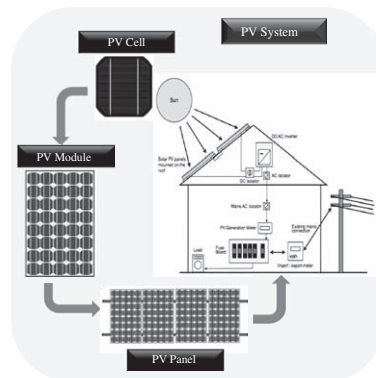
The diagram below illustrates the working mechanism of a PV system:

PV cell

An electrical device that converts light energy directly into electricity by photovoltaic effect.

PV module

Made up of multiple PV cells in an integrated group, all oriented in one plane. PV modules often have a sheet of glass on the sun-facing side, also known as front sheet, to allow light to pass through the glass while protecting the semi-conductor wafers. PV cells are usually connected in series of modules to create an additive voltage.



PV system

Numerous PV panels are used to absorb and directly convert sunlight into electricity in PV system. The inverter changes the electrical current from direct current to alternate current.

PV panel

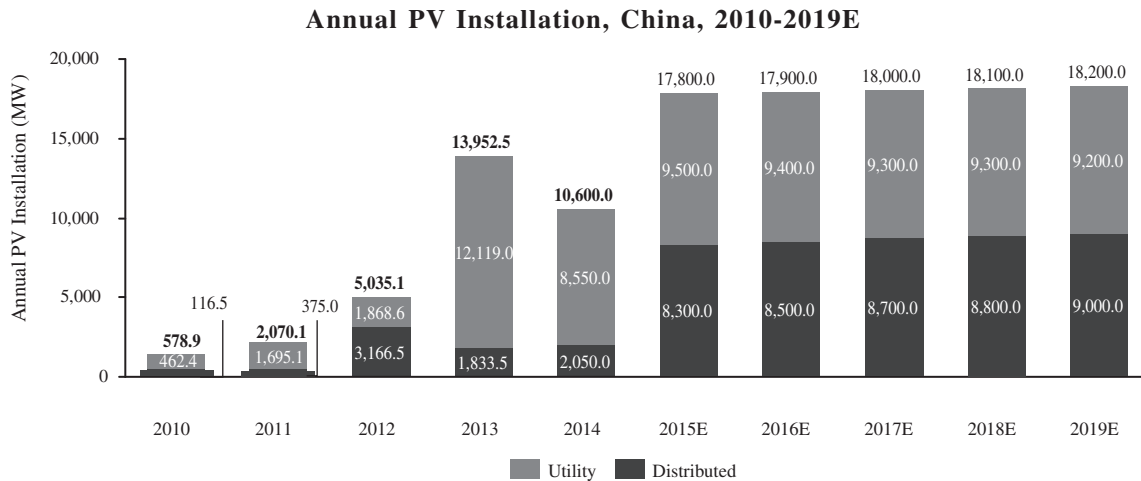
Several PV module connected to create PV panel.

PV Power System

According to the Frost & Sullivan Report, the PV power station market in China can generally be divided into the distributed PV station and the utility-scale PV station. Distributed PV station are PV modules installed on building rooftops, parking lots, roadways, corporate yards and smaller private or public areas, which generate moderate amount of electricity and distributed through the local electricity grid. In recent years, the government has issued numerous supportive policies and incentives aimed at boosting PRC distributed PV system installations. On the other hand, utility-scale PV station is often constructed on rural open areas, such as farmland, desert, prairies and gentle hills. It requires a large amount of capital investment and generates a higher amount of electricity as compared to distributed PV station.

INDUSTRY OVERVIEW

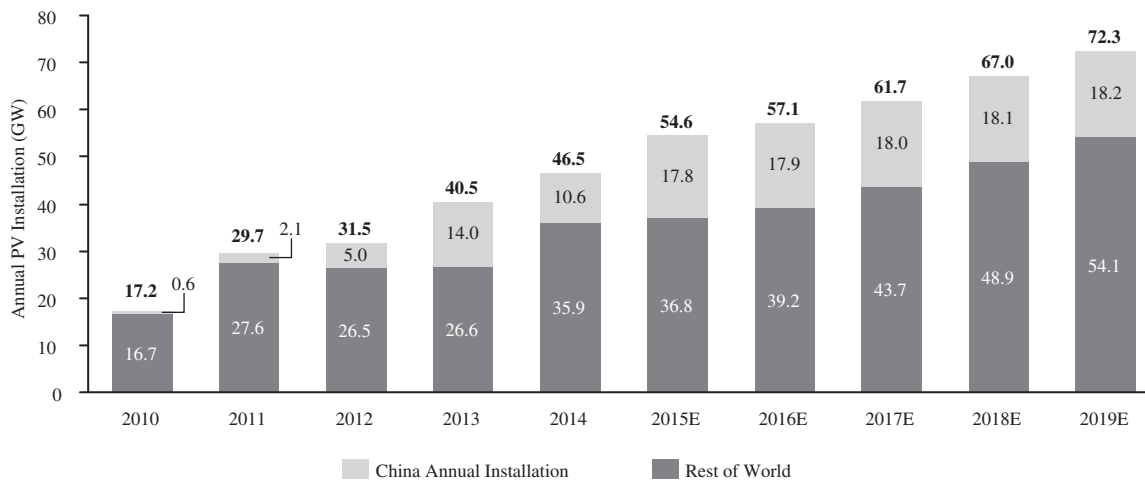
The distributed PV installation grew rapidly in the last five years, from 116.5MW in 2010 to 2,050.0MW in 2014, representing a CAGR of 104.8%, while the utility-scale PV installation also made strides as it grew from 462.4MW in 2010 to 8,550.0MW in 2014, representing a CAGR of 107.4%. The annual installation is expected to grow between 2015 and 2019 with a CAGR of 0.6%. The decreasing PV module price is expected to make solar power more competitive commercially among all energy sources and boost PV installation. The following chart illustrates the annual PV station installation in China from 2010 to 2019:



Source: National Energy Administration, Frost & Sullivan

PV Module

The overall global PV installation has enjoyed rapid growth in recent years, which increased from 17.2GW in 2010 to 46.5GW in 2014, representing a CAGR of 28.2%. In addition, PV installation in China has experienced significant growth from 2010 to 2014. According to the Frost & Sullivan Report, China's PV installation grew from 578.9MW in 2010 to 10,600.0MW in 2014, representing a CAGR of 106.9%. The chart below illustrates the historical and expected annual PV installation of the world and China from 2010 to 2019:

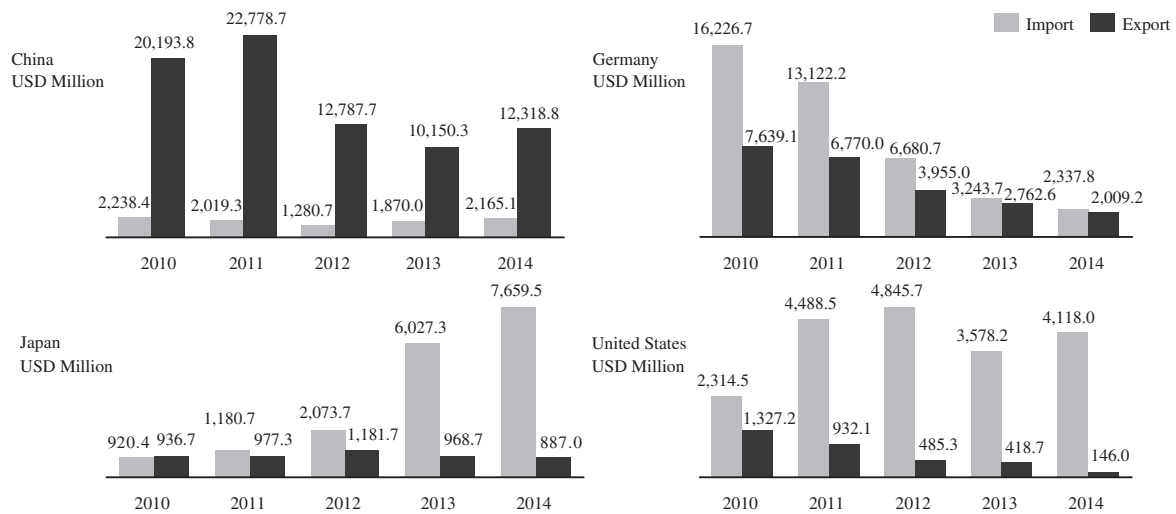


Source: European Photovoltaic Industry Association, Frost & Sullivan

INDUSTRY OVERVIEW

In the beginning of 2015, the National Energy Administration of the PRC announced that the annual PV installation target of 2015 will be 17.8GW, and in the first quarter of 2015, the PV installation was over 5.0GW. In order to achieve a cumulative installation of 100.0GW by 2019, Frost & Sullivan expects the continuation of favorable government policies and a stable growth of PV installation in China from 2016 to 2019.

According to the Frost & Sullivan Report, China is the largest producer and exporter of PV modules, with a relatively low rate of import. The major importers of PV modules are Germany, Japan and United States. The following chart illustrates the import and export of PV modules between 2010 and 2014 by China, Germany, Japan and the United States:



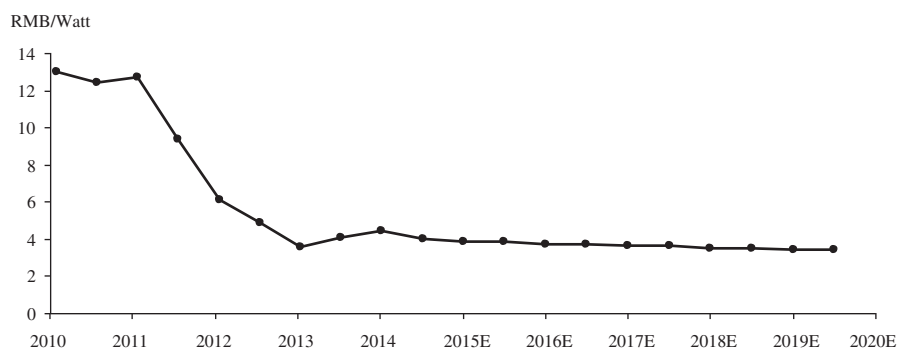
Source: National Customs, Frost & Sullivan

c-Si PV module is the predominant type of PV module in the global market place. As the PV technology improved and silicon price continued to decline, the price of c-Si PV module also trended downwards in the past five years. In particular, the price of c-Si PV modules from China decreased substantially between 2011 and 2012 as a result of excess PV module capacity installed in the previous

INDUSTRY OVERVIEW

years. The c-Si PV module price in China rebounded in 2013 as the excess capacity was gradually consumed and that PV installation in Asia grew as the industry made its recovery. The price of c-Si PV modules is expected to experience a gradual decline in following five years attributable to technology advancement. The chart below illustrates the price of c-Si module in China for the periods indicated:

Price of c-Si PV modules, China, 2010-2019E



Source: Frost & Sullivan

The PV module industry in China is fairly segmented as the top ten players accounted for approximately 57.9% of the market share in 2014. The following table sets forth the top ten players in the PV module market in China by shipment between 2012 and 2014:

Company	2012		2013		2014	
	Rank	Shipment (MW)	Rank	Shipment (MW)	Rank	Shipment (MW)
Yingli	1	2,297.1	1	3,234.3	1	3,361.0
JA Solar	2	1,702.1	3	2,072.0	4	2,406.8
Trina Solar	3	1,594.0	2	2,584.3	2	3,336.2
Suntech-Power	4	1,500.0	N/A	N/A	N/A	N/A
Canadian Solar	5	1,490.1	5	1,736.1	5	2,358.5
Jinko	6	912.4	4	1,765.1	3	2,423.1
Hanwha	7	829.8	7	1,280.3	7	1,465.5
Hareon Solar	8	813.7	10	813.7	N/A	N/A
ReneSola	9	716.4	6	1,728.9	6	1,970.0
Astronergy	10	584.0	8	900.0	8	950.0
GD Solar	N/A	N/A	9	834.0	N/A	N/A
Risen Energy	N/A	N/A	N/A	N/A	9	852.0
ET Solar	N/A	N/A	N/A	N/A	10	845.0

Source: Companies' annual report, Frost & Sullivan

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PV Glass

PV glass is widely used in PV module by both c-Si technology and thin-film technology. PV glass could be divided into three main types, namely, ultra-clear patterned glass, ultra-clear processed float glass and transparent conductive oxide (TCO) glass. Generally, c-Si PV modules use ultra-clear patterned glass or ultra-clear processed float glass to protect the PV cell. With the low iron content of ultra-clear patterned glass and ultra-clear processed float glass, these glasses could transmit more light to c-Si PV cells as compared to ordinary glass, which improves the power generation efficiency of the PV modules. On the other hand, thin-film PV module other than CIGS PV modules generally uses TCO glass as frontsheet. TCO glass consists of an ultra-clear processed float glass with a TCO coating to act as front electrode for electricity generated by the TCO cells. The application of different coating materials divides TCO glasses into three types: fluorine-doped tin oxide (FTO), aluminum-doped zinc oxide (AZO) and indium tin oxide (ITO). One of the latest technologies in thin-film PV module technology was developed by a Japanese company by using ultra-clear patterned glass as frontsheet.

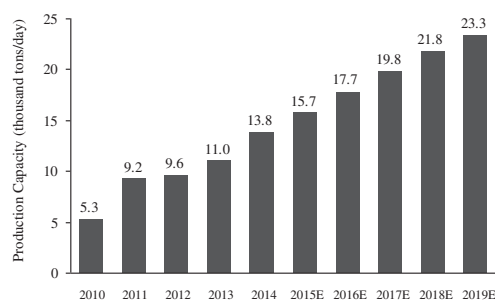
The market size of PV glass industry in China grew steadily in the last five years, where sales revenue generated from ultra-clear patterned PV glass in China increased from approximately RMB5,742.5 million in 2010 to approximately RMB7,916.5 million in 2014, representing a CAGR of 8.4%. The sales revenue of ultra-clear patterned PV glass in China is expected to increase from approximately RMB9,123.0 million in 2015 to approximately RMB14,110.9 million in 2019, representing a CAGR of 11.5%, according to the Frost & Sullivan Report. On the global scale, the PV glass industry experienced a slow-down in 2012, but recovered in 2013 and reached a market size of approximately RMB10,973.9 million in 2014. According to Frost & Sullivan, the price of PV glass in the PRC experienced a significant decline in 2011 and 2012 due to a sharp decline of PV module price from excess supply and slowdown of PV installation in the European market. The global PV industry recovered in 2013 and 2014, the price of PV modules bottomed out and remained stable during 2014, according to Frost & Sullivan. On this basis, Frost & Sullivan expects a relatively stable supply and demand of PV module, which will contribute to a stable forecast market price of PV glass from 2015 to 2019. The global PV glass industry is expected to increase from approximately RMB11,844.2 million in 2015 to approximately RMB16,677.1 million in 2019, representing a CAGR of 8.9%, according to the Frost & Sullivan Report.

As the largest producer and exporter of PV modules in the world, the production capacity and volume of China's PV glass experienced a substantial growth in the past several years in the world as a result. The global production capacity and volume of PV glass increased from 10,800 tons/day in 2010 to 18,800 tons/day in 2014, and from 202.2 million sq.m. in 2010 to 375.1 million sq.m. in 2014, respectively, representing a CAGR of 15.0% and 16.7%, respectively. During the same period, China's production capacity and volume of PV glass had a CAGR of 27.0% and 28.9%, respectively. It is expected that the global production capacity and volume of PV glass will increase from 20,200

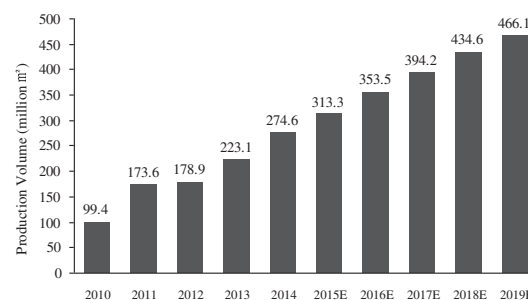
INDUSTRY OVERVIEW

tons/day in 2015 to 27,200 tons/day in 2019, and from 401.6million sq.m. in 2015 to 544.4 million sq.m. in 2019, respectively, representing a CAGR of 7.7% and 7.9%, respectively, according to the Frost & Sullivan Report. The following charts illustrate China's historical and expected production capacity and production volume of PV glass from 2010 to 2019:

Production Capacity of PV Glass, China, 2010-2019E



Production Volume of PV Glass, China, 2010-2019E



Source: Frost & Sullivan

The production volume of PV glass in China is expected to have a CAGR of 10.4% from 2015 to 2019, which is higher than the global annual PV installation during the same period because (i) there was a lag between the growth in the production of global PV modules and the growth in global PV installation; and (ii) as the leading producer of PV modules in the world, the growth of PV module manufacturers in China will be higher than the global average, which benefits the Chinese PV glass manufacturers. Furthermore, despite the fact that the PV industry in China had experienced excess capacity and oversupply a few years ago, as a result of the recovery of the PV installation globally, there was an increase in the consumption of the excess capacity of PV glass in 2014. Accordingly, the PV glass industry in China is expected to achieve a stable balance between supply and demand during the forecasted period, according to the Frost & Sullivan Report.

ANALYSIS OF PV GLASS MARKET

Competitive Analysis

Because China was the largest producer and exporter of PV modules in the world, Chinese PV glass manufacturers dominated the top five positions for global PV glass in terms of production capacity and sales revenue in 2014. In addition, in terms of PV raw glass production capacity in China, the top five PV glass manufacturers accounted for 63.3% and 65.4% of the total production capacity in 2013 and 2014, respectively. In 2013, the top five PV glass manufacturers in China were us, Xinyi, CSG, ANCAI Hi-Tech and AVIC SANXIN, accounted for 20.7%, 18.1%, 11.8%, 6.8% and 5.9% of the total

INDUSTRY OVERVIEW

production capacity of PV raw glass in China. The following charts illustrate the top five players in the world and in China in terms of production capacity of and sales revenue from PV glass in 2014, respectively:

Top 5 Players by Sales Revenue⁽¹⁾ of PV Glass Market, Global and China, 2014

Global				China			
Rank	Company	Sales revenue (RMB million)	Market share	Rank	Company	Sales revenue (RMB million)	Market share
1	Our Company	2,078.4	18.9%	1	Our Company	2,078.4	26.3%
2	Xinyi	1,879.7	17.1%	2	Xinyi	1,879.7	23.7%
3	Almaden	825.8	7.5%	3	Almaden	825.8	10.4%
4	ANCAI Hi-Tech	797.0	7.3%	4	ANCAI Hi-Tech	797.0	10.1%
5	CSG	786.8	7.2%	5	CSG	786.8	9.9%
	Others	4,606.2	42.0%		Others	1,548.8	19.6%
	Total	10,973.9	100.0%		Total	7,916.5	100.0%

Note:

(1) Sales revenue of PV glass refers to sales revenue of PV raw glass and processed PV glass.

Source: Companies' annual reports, Frost & Sullivan

Top 5 Players by PV Glass Capacity⁽¹⁾ of PV Glass Market, Global and China, 2014

Global				China			
Rank	Company	Capacity (ton/day)	Market share	Rank	Company	Capacity (ton/day)	Market share
1	Xinyi	3,800.0	20.2%	1	Xinyi	3,800.0	27.5%
2	Our Company	2,290.0	12.1%	2	Our Company	2,290.0	16.6%
3	CSG	1,300.0	6.9%	3	CSG	1,300.0	9.4%
4	AVIC SANXIN	900.0	4.8%	4	AVIC SANXIN	900.0	6.5%
5	ANCAI Hi-Tech	750.0	4.0%	5	ANCAI Hi-Tech	750.0	5.4%
	Others	9,690.0	52.0%		Others	4,780.0	34.6%
	Total	18,850.0	100.0%		Total	13,800.0	100.0%

Note:

(1) PV glass capacity refers to PV raw glass capacity.

Source: Companies' annual reports, Frost & Sullivan

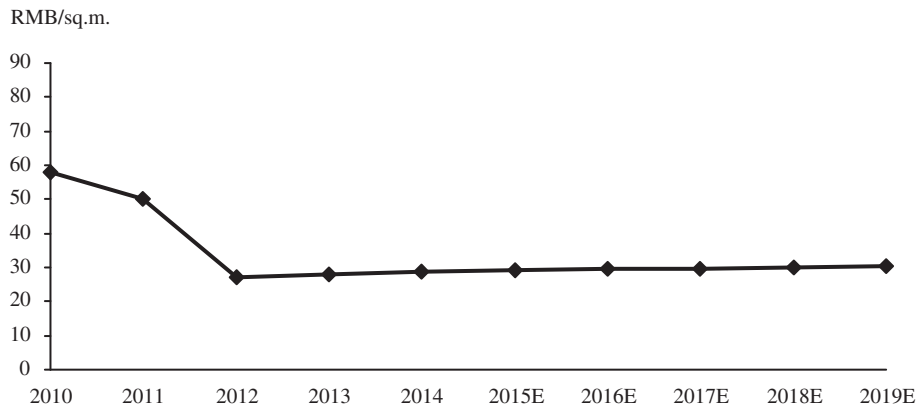
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Pricing of PV Glass in China

Along with the growth of PV installation in China, the demand of PV glass increased as a result, which caused a rise in the price of PV glass. Prior to 2006, PV glass manufacturing was dominated by foreign manufacturers, which resulted in high PV glass import prices. This stimulated the establishment of PV glass manufacturers and the expansion of PV glass industry in China.

The price of PV glass reached its peak at above RMB70 per sq.m. at the end of 2010 and dropped sharply in 2011 and 2012 due to excess supply and anti-dumping investigations initiated by the European Union and the United States, which dampened the demand for Chinese-made PV glass in these jurisdictions. The price of PV glass gradually recovered in 2013 and stabilized at about RMB30 per sq.m. in 2014. The following chart illustrates the price of ultra-clear patterned glass, being a major type of PV glass, in China from 2010 to 2019:

Price of Ultra-Clear Patterned Glass, China, 2010-2019E⁽¹⁾



Note:

(1) Prices refer to 3.2 mm ultra-clear patterned tempered glass.

Source: Frost & Sullivan

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China's Export of PV Glass

China's export of PV glass increased from approximately US\$630.3 million in 2010 to approximately US\$1,113.3 million in 2014, representing a CAGR of 15.3%. The top five destinations for the exports of Chinese-made PV glass in 2014 were Japan, the United States, Korea, Malaysia and Singapore. The following chart illustrates the main export destinations of Chinese-made PV glass from 2010 to 2014:

Main Export Destinations of China's PV Glass⁽¹⁾, 2010-2014

	2010	2011	2012	2013	2014	CAGR
	<i>(US\$ million)</i>					<i>(%)</i>
Japan	68.9	122.3	123.6	158.6	157.5	23.0
USA	60.5	52.4	49.4	64.2	75.6	5.7
Korea	42.2	41.0	42.0	51.8	69.2	13.2
Malaysia	8.4	39.5	37.9	52.2	68.4	68.9
Singapore	35.0	46.3	43.1	44.8	51.9	10.4
Germany	58.9	69.8	60.2	55.3	47.2	-5.4
ROW	356.4	448.0	497.4	581.5	643.5	15.9
Total	630.3	819.3	853.6	1,008.4	1,113.3	15.3

Note:

(1) Export data provided by National Customs under 6-digit harmonized system code 700719, which includes all non-vehicle toughened safety glass.

Source: National Customs, Frost & Sullivan

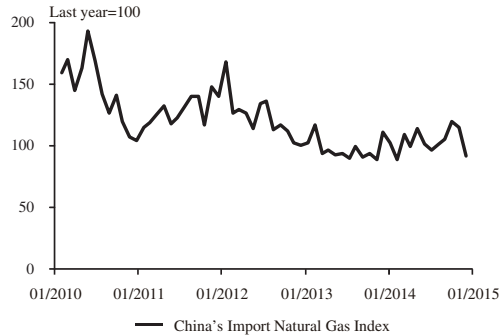
Energy and Major Raw Material Costs of PV Glass

Energy cost is one of the major costs for the production of PV glass. According to the Frost & Sullivan Report, natural gas and fuel oil are common sources of energy for glass production. The price of natural gas imported by China is usually based on oil price and about 30% of total natural gas consumption in China is imported in the form of liquified natural gas or pipeline natural gas. In China, natural gas base price, or ex-factory price, is regulated by the NDRC and is adjusted every year. The price of natural gas that a supplier may charge is subject to price ceilings set by the local pricing control authorities and that price adjustments must be approved by these local pricing control authorities. Fuel oil, on the other hand, is a residual product of crude oil and therefore, the price of

INDUSTRY OVERVIEW

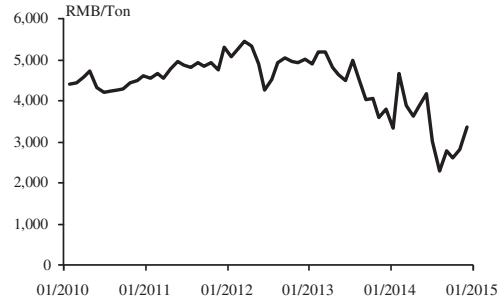
fuel oil is dependent on the price of crude oil. The following charts illustrate the prices of natural gas and fuel oil from 2010 to 2014, respectively:

Price of Natural Gas, China, 2010-2014



Source: China Customs, Frost & Sullivan

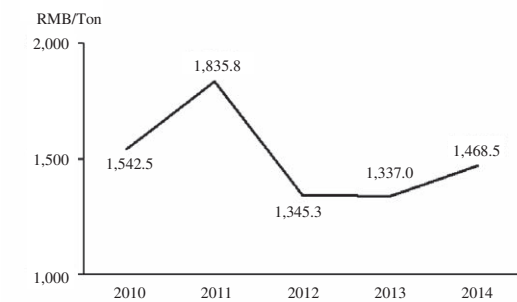
Price of Fuel Oil, China, 2010-2014



Source: Shanghai Futures Exchange based on continuous future contract, Frost & Sullivan

Dense soda ash and silica sand are the major raw materials for glass production. The price of dense soda ash ranges between RMB1,000 and RMB2,500 per ton from 2010 to 2014, which is related to the trend of glass production as glass production is the major downstream product from dense soda ash. As for silica sand, its price varies depending on its quality, such as concentration of silicon dioxide and iron in the silica sand. The price of silica sand has been rising due the limited availability of quartzite ore for processing into silica sand while the demand of silica sand has also been increasing due to the increase in glass production. The following charts illustrate the prices of soda ash and silica sand in China between 2010 and 2014:

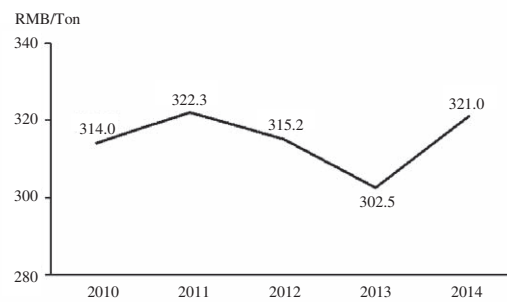
Price of Soda Ash, China, 2010 to 2014



Highest	2300.0	1990.0	1600.0	1580.0	1522.0
Lowest	1280.0	1680.0	1240.0	1240.0	1414.0

Source: Frost & Sullivan

Price of Silica Sand, China, 2010 to 2014



Highest	334.0	343.0	336.0	321.0	341.0
Lowest	298.0	290.0	268.0	289.0	307.0

Source: Frost & Sullivan

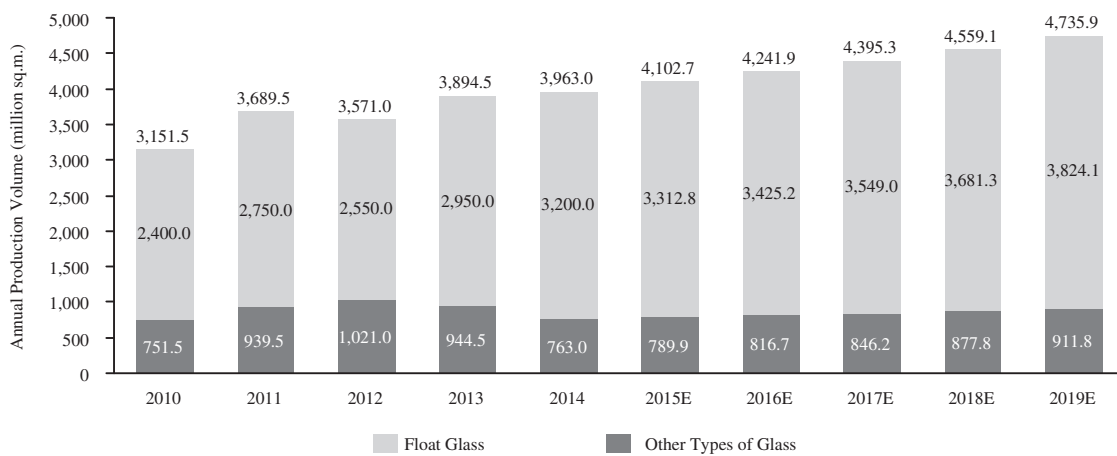
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OVERVIEW OF FLOAT GLASS MARKET

Float Glass and Flat Glass

The glass industry has steadily grown over the past five years. The production volume of raw flat glass increased from 3,151.5 million sq.m. in 2010 to 3,963.0 million sq.m. in 2014, representing a CAGR of 5.9%. Float glass is a major type of raw flat glass, which is generally used for further processing into other glass products. The following chart illustrates the annual production volume of float glass and raw flat glass in China from 2010 to 2019:

Annual Production Volume of Raw Flat Glass⁽¹⁾, China, 2010-2019E



Note:

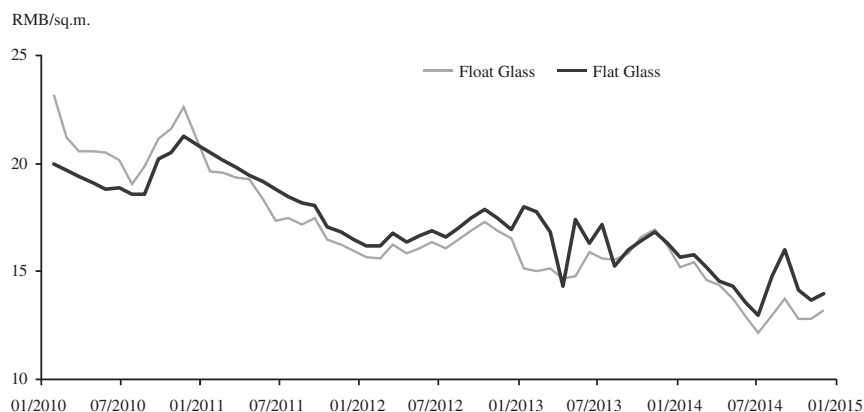
(1) Flat glass includes float glass and other types of glass.

Source: National Bureau of Statistics, Frost & Sullivan

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Due to the slowdown of the real estate market in the PRC, the low-grade float glass market had overcapacity and the prices declined as a result. However, processed float glass such as Low-E glass and glass for specific uses such as PV glass and ultra-thin glass for electronics, have experienced growing demand and insufficient supply due to the downstream industries growth. During 2009 and 2010, there was an increase of fixed asset investment, which stimulated the expansion of glass production capacity but led to a decrease in price from 2011. The following chart illustrates the prices of float glass and flat glass in China from 2010 to 2014:

Price of Raw Glass, China, 2010-2014



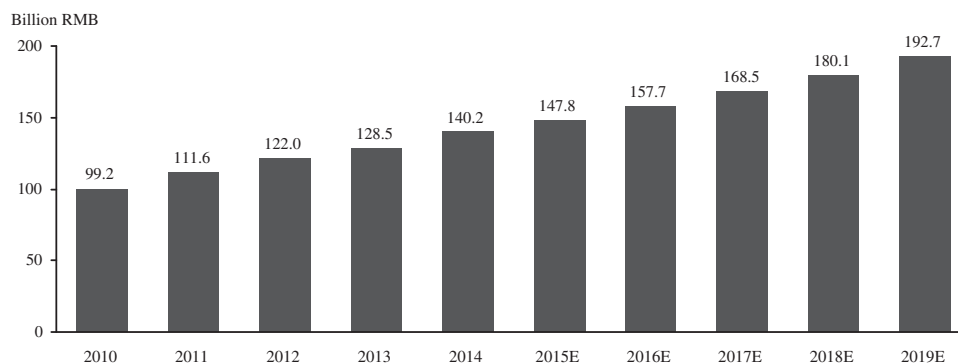
Source: China Glass Industry Association, Frost & Sullivan

Processed Glass

Glass Curtain Wall

Float glass can be further processed into glass curtain wall and household glass, among others. The glass curtain wall industry in China grew steadily in the past five years from approximately RMB99.2 billion in 2010 to approximately RMB140.2 billion in 2014, representing a CAGR of 9.0%. The following chart illustrates the production value of glass curtain wall industry in China from 2010 to 2019:

Production Value of Glass Curtain Wall Industry, China, 2010-2019E



Source: China Construction Metal Structure Association, Frost & Sullivan

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OVERVIEW OF LOW-E GLASS MARKET

Low-E glass is a type of glass that is coated with a thin film to reduce the emission of radiant infrared energy. Low-E glass and Low-E composite glass are generally used in the real estate industry to improve the energy efficiency by reducing thermal exchange between the building and the outside environment.

The Chinese government is devoted to improve the energy efficiency and has carried out multi-stage plan to improve the energy-saving ratio. Until 2010, over 95% of new buildings in China have an energy-saving standard of 50% and the target is to increase this standard to 65% for most of the new buildings from 2016. This energy-saving standard is benchmarked against the general energy consumption between 1980 and 1981 in China. The sales volume of Low-E glass in China for the year ended December 31, 2014 amounted to 158.2 million sq.m., and the top five players accounted for 66.2% of the total sales volume of Low-E glass in China. The top five players in this market are Xinyi Glass, Kibing, CSG, Taiwan Glass and SYP with market share of 18.0%, 14.2%, 13.3%, 11.4% and 9.3%, respectively, based on the sales volume of Low-E glass in China for the year ended December 31, 2014. The rest of the 33.8% of the sales volume of Low-E glass in 2014 in China were contributed by numerous other producers. With the rising standard on building energy efficiency in China, the use of Low-E glass in new buildings is expected to increase significantly and the sales volume of Low-E glass in China is expected to reach 280.9 million sq.m. in 2020, according to the Frost & Sullivan Report.

MARKET DRIVERS, RESTRAINTS AND INDUSTRY TRENDS

Driving Forces of the PV Industry, PV Glass Industry and PV Power Station Industry in China

PV technology is well recognized as an environmentally friendly energy production source and is pollution-free for its use. The PRC government has committed under the Copenhagen Accord that China will reduce its carbon dioxide emission per unit of GDP by 40% to 45% from the 2005 level, and to increase the share of non-fossil fuels in the primary energy use to 15% by 2020. In order to achieve these targets, the use of PV technology for power generation is expected to grow. According to EPIA, the new installations of PV systems in China in 2013 accounted for 43% of the total cumulative PV capacity worldwide. According to the Frost & Sullivan Report, it is expected that the rapid PV installation growth will continue in China in the coming years as the energy structure in China is undergoing adjustments, which will likely result in increased demand for PV glass and PV power station.

The PRC government has been proactively stimulating the PV industry in the past. For example, the Notice of Strengthening the Management of PV Construction and Operation* (《關於進一步加強光伏電站建設與運行管理工作的通知》) issued by the National Energy Administration in October 2014 has aimed to maintain a stable and fast-paced growth for the PV industry. Furthermore, the Relevant Opinion of the State Council in Improving the Healthy Development of Solar PV Industry* (《國務院關於促進光伏產業健康發展的若干意見》) issued by the State Council in July 2013 encourages technical innovation for PV raw material, and requires the standardization of quality certification system for PV raw material in order to expedite technology upgrades and decrease PV

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manufacturing cost. Moreover, the State Council has targeted to achieve an urbanization rate of 60% by 2020, through which at least 300 million new urban population will need to be supplied with electricity. Therefore, the demand of PV power generation will likely increase to meet the new needs.

Driving Forces of the Float Glass Industry in China

The float glass market in China is heavily dependent on the sustainable development of the real estate market. While the current real estate market in China is experiencing adjustments, resulting in a lower growth rate, the long term demand for real estate is relatively healthy due to China's continuing urbanization and natural population increase, which, in turn, will stimulate the demand for float glass going forward. In addition, the demand for float glass is driven by the popularity of glass materials in modern architecture, which frequently use of float glass as a pivotal building material due to aesthetic considerations and its energy efficiency features, and the increasing demand for home decoration and interior design, which is driven by the rising per capita GDP in China.

Restraints of the PV Industry, PV Glass Industry and PV Power Station Industry in China

With the support of the PRC government and high profit of the PV industry in the past, numerous PV glass manufacturing companies established additional PV glass production lines. As a result, there was a surge of PV glass production capacity in China. However, with the slowdown of the global PV market beginning in 2012 and well into 2013, the excess capacity caused an oversupply of PV glass in China, which led to a sharp decrease in price of the PV glass and in the profitability of PV glass manufacturers. Moreover, with the rapid increase in PV glass production capacity, reliability and quality of PV glass became a concern, such as glass self-bursting, moisture ingress and bypass diode failure, which caused a negative impact on the efficiency of the PV system.

Moreover, PV modules and PV glass products from China were subjected to various anti-dumping and anti-subsidy investigations and duties in the European Union, the United States and Canada. These measures have and will continue to impair the development of the PV industry in China. See "Business — Regulatory Compliance and Legal Proceedings — Anti-dumping and Anti-subsidy Investigations" for more information.

Market Trend of PV Industry, PV Glass Industry and PV Power Station Industry in China

The market trend of the PRC PV industry, PV glass industry and PV power station industry can be characterized as involving increasing demand, technology advancement and increasing market consolidation. It is expected that the demand of PV installation will continue to grow in China in the coming years and it is expected that the demand for PV glass and PV power station will grow along with the increase in market demand of solar energy in China.

PV module and PV glass technology is constantly upgraded to enhance energy conversion efficiency of PV modules by minimizing light reflection and increasing light absorption of the glass to increase the light transmission rate. Furthermore, the PRC government has published a series of relevant policies and regulations involving technology standards and production lines transformation

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to further promote technology advancement of the entire industry. It has also published PV glass standards and put in place quality certification system to ensure the light transmission rate, product durability and reliability of PV glass. Therefore, it is expected that quality of PV glass will improve under these quality assurance systems.

On the other hand, as numerous PV producers in China have surplus production capacity, the PRC government has recently issued guidelines for consolidating PV manufacturing companies. For example, the Relevant Opinion of Further Optimizing Market Environment of PV Enterprise Merger and Restructuring* (《關於進一步優化光伏企業兼併重組市場環境的意見》) issued by the Ministry of Industry and Information Technology in December 2014 encourages key PV companies to merge and to restructure, which will be a main trend for the PV glass industry going forward.

ENTRY BARRIERS

According to the Frost & Sullivan Report and the relevant laws and regulations in the PRC, key entry barriers of China's PV glass industry include the following:

Capital Barrier — Significant capital investment is generally required to establish a PV glass production line, including, but not limited to, production equipment cost, raw materials storage, environment protection compliance and sales expenses. Furthermore, due to different production technologies between ordinary glass and PV glass, ordinary glass production lines could not be easily switched to PV glass production lines.

Production Quality and Certification — PV glass is a key component in PV module production, which directly influences the efficiency and lifespan of PV module. As such, product certification is generally required for exporting PV glass products to overseas markets. Certifications and compliance with any of the Solartechnik Prüfung Forschung (SPF), Restriction of Hazardous Substances (RoHS) and Microgeneration Certification Scheme (MCS) are generally accepted as quality assurance internationally. New entrants must be able to obtain and utilize mature production technologies and maintain satisfactory product quality before they could export PV glass to the overseas market.

Customer Relationship — It is crucial for PV glass manufacturers to establish and maintain solid and stable customer relationships with large-scale PV module customers in order to gain market share. Early market entrants have cultivated brand loyalty through long-term relationships with their customers, which creates significant impediment to new entrants.

Scale Effect Barrier — In the production of PV glass, large-scale furnaces can usually substantially decrease the per unit cost of PV glass. Leading PV glass manufacturers have more competitive advantages over smaller-sized players or new market entrants because the leading PV glass manufacturers are able to spread-out their fixed cost, such as the costs of machinery, building, rent and energy, over larger number of units of products, and thereby, achieving higher gross profit margin.

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Technology Barrier — PV glass must have high light transmission rate and high shock resistance level. In order to meet these requirements, the manufacturing technology of PV glass is more advanced as compared to ordinary glass in order to ensure that the PV glass products will meet such higher quality requirements. Manufacturers must possess the advanced manufacturing technology in order to be able to produce PV glass.

Regulatory Approvals — The construction and operation of glass furnaces in the PRC is subject to various regulatory approvals, including the approval from NDRC and environmental protection assessment approval by the relevant PRC environmental authority. New market entrants will be required to obtain these necessary approvals and permits before commencing operation of glass furnaces.

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APPLICABLE PRC LAWS AND REGULATIONS

Competent Authorities in the Industry

National Development and Reform Commission

NDRC provides supervisory and administrative guidance on industrial investment in glass and deep processing of glass and is mainly responsible for formulating industrial policies, taking the responsibility of planning major construction projects and productivity arrangement, formulating objectives and policies for optimizing the major economic structure, guiding new projects and technological reforms, coordinating energy saving and emission reduction, promoting industrial restructuring, encouraging new products that are energy saving and environmentally friendly, and guiding and improving the deep processing rate of glass.

Ministry of Industry and Information Technology

The Ministry of Industry and Information Technology is responsible for studying and proposing industry development strategies, drawing up and organizing the implementation of industry plans and industrial policies, promoting the strategic adjustment, optimization and upgrade of the industrial structure, putting forward recommendations on policies of optimizing the industrial layout and structure, drafting relevant laws and regulations, formulating rules, drawing up and organizing the implementation of industry technical specifications and standards, and guiding industry quality control and so on.

China Architectural and Industrial Glass Association

China Architectural and Industrial Glass Association is a national industry self-regulatory organization, which undertakes the functions of guiding and serving the glass industry and is mainly responsible for, among other things, industrial and market research, industry self-regulation and putting forward recommendations and opinions on industrial development to government authorities on behalf of member enterprises. The association also organizes the industry to take anti-dumping, countervailing and supporting measures and safeguard the legitimate interests of the industry.

Laws and regulations relating to the processing of flat glass and PV glass

Laws and regulations relating to the industry of the deep processing of flat glass and glass

Pursuant to the Regulations on Architectural Safety Glass* (《建築安全玻璃管理規定》) promulgated by NDRC, the Ministry of Construction, the State Administration of Quality Supervision, Inspection and Quarantine and the State Administration for Industry and Commerce on December 4, 2003 and coming into effect January 1, 2004, safety glass production enterprises must organize production in accordance with the national standards. All safety glass products manufactured shall meet the requirements of the national standards. The national quality inspection authority and the industrial and commercial administration authority are responsible for the supervision and administration of product quality in the architectural safety glass production and circulation sectors. The national inspection and quarantine authority is responsible for the supervision and administration

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of imported safety glass. The competent construction administration authority is responsible for the administration and supervision of the usage and installation of architectural safety glass in local buildings. China Architectural and Industrial Glass Association shall implement self-regulation by guiding enterprises to comply with industrial standards and regulations and assist the relevant government authorities in urging enterprises to implement relevant regulations.

Pursuant to the Implementation Rules for Compulsory Certification of Safety Glass* (《安全玻璃類強制性認證實施規則》) promulgated by the Certification and Accreditation Administration of the PRC and coming into effect on July 12, 2006, compulsory certification is implemented for safety glass products such as laminated glass, tempered glass and hollow glass.

Pursuant to the Several Opinions on Promoting the Industrial Restructuring of Flat Glass* (《關於促進平板玻璃工業結構調整的若干意見》) promulgated by the NDRC, the Ministry of Land and Resources, the former Ministry of Construction, the People's Bank of China, the General Administration of Quality Supervision, Inspection and Quarantine, the State Environmental Protection Administration and coming into effect on November 30, 2006, the state (i) implements classification guidance for the development of the glass industry and strictly controls new projects; (ii) further improves technical regulations and standards to step up efforts in implementing and supervising inspection; (iii) enhances the quality and environmental protection law enforcement supervision, strengthens quality and environmental checks, establishes a long-lasting regulatory mechanism, reinforces daily supervision and administration; and (iv) firmly eliminates small-scale, high energy consumption, poor quality and backward "flat pull technology" that causes serious pollution to the environment.

Pursuant to the Several Opinions on Curbing Overcapacity and Redundant Construction in Some Industries and Guiding the Sound Development of Industries* (《關於抑制部分行業產能過剩和重複建設引導產業健康發展的若干意見》) promulgated by the State Council and coming into effect on September 26, 2009, to curb the obvious overcapacity in the flat glass industry, the State Council has clarified the industrial policy guidelines: Strictly control new production capacity for flat glass, follow the principles of adjusting the structure, eliminating backwardness, continuing market orientation and implementing rational layout to develop deeply processed glass with high-end uses; encourage business combination and reorganization, support large conglomerates to develop glass with a high technology content such as electronic flat panel display glass, PV glass and Low-E coating as well as quality float glass projects, provided that the plan is complied with. Meanwhile, nine countermeasures, namely, strictly controlling market entry, enhancing environmental regulations, supplying and using land according to applicable laws and regulations, implementing a neutral monetary policy, strictly enforcing project approval and management, accomplishing corporate mergers and reorganizations, establishing an information release system, implementing the accountability system and deepening the structural reform, will be adopted to curb overcapacity and redundant construction.

Pursuant to the Notice of the General Office of NDRC on Relevant Issues on Conducting a Review of Cement and Flat Glass Construction Projects* (《國家發展改革委辦公廳關於水泥、平板玻璃建設項目清理工作有關問題的通知》) promulgated by NDRC and coming into effect on November 10, 2009, existing projects under construction and projects which have not commenced in respect of flat glass will be reviewed conscientiously.

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Pursuant to the Opinions of the Ministry of Industry and Information Technology on Curbing Overcapacity and Redundant Construction and Guiding the Sound Development of the Flat Glass Industry* (《工業和信息化部關於抑制產能過剩和重複建設引導平板玻璃行業健康發展的意見》) promulgated by the Ministry of Industry and Information Technology and coming into effect on November 27, 2009, the administration of the flat glass industry will be further enhanced and improved through strictly controlling new production capacity, continuously stepping up efforts in eliminating backwardness, encouraging mergers and reorganizations of large enterprises, cooperating with relevant authorities to strictly enforce laws, supporting technological reforms of enterprises, actively developing domestic and overseas markets, establishing an information release system, and implementing the accountability system in real earnest, among other measures.

Pursuant to the 12th Five Year Development Plan for the Building Materials Industry* (《建材工業“十二五”發展規劃》) and the 12th Five Year Development Plan for the Flat Glass Industry* (《平板玻璃工業“十二五”發展規劃》) promulgated by the Ministry of Industry and Information Technology and coming into effect on November 8, 2011, it is proposed that focus shall be put on developing new safety energy saving glass products such as tempered glass, hollow glass and laminated glass. By 2015, the industrial structure of flat glass was significantly improved. The deep processing rate of glass increased from 36% in 2010 to 45% in 2015. In 2015, of the deeply processed flat glass, the production volume of flat glass undergoing deep processing by flat glass production enterprises reached 50% of the total production volume of deeply processed flat glass.

Catalogue for the Guidance of Industrial Structure Adjustment

Pursuant to the Catalogue for the Guidance of Industrial Structure Adjustment* (《產業結構調整指導目錄》) (2011 Version) (Amended) promulgated by the NDRC on March 27, 2011 and coming into effect on June 1, 2011 and amended on February 16, 2013 and coming into effect on May 1, 2013, “special float glass production lines such as ultra-thin (1.3mm or less) for use in the electronics industry, ultra-white (equivalent to 5mm thickness visible light transmittance > 90%) for use in the solar energy industry, on-line coated glass and Low-E glass; existing float glass production line using pure oxygen combustion technology, low temperature waste heat power generation technology; glass deep processing equipment and technology development and application” are the industries being encouraged.

Flat Glass Industry Access Conditions

Pursuant to the Opinions of the Ministry of Industry and Information Technology on Curbing Overcapacity and Redundant Construction and Guiding the Sound Development of the Flat Glass Industry* (《工業和信息化部關於抑制產能過剩和重複建設引導平板玻璃行業健康發展的意見》) promulgated by the Ministry of Industry and Information Technology on December 22, 2009 and coming into effect on January 10, 2010, for original enterprises or production lines which have not met the “Flat Glass Industry Access Conditions,” a plan for meeting the standards shall be devised with improvement and enhancement made gradually through overhauls and technological reforms to facilitate the transformation and upgrading of enterprises. New projects put into production and projects under construction after the promulgation and implementation of the “Flat Glass Industry Access Conditions” on September 10, 2007 must meet the access conditions. Those not meeting the standards are required to make rectification within a prescribed time limit, failing which, new projects

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are not allowed to be put into production and projects which have been put into production shall be suspended for rectification. For projects under construction which have not performed the relevant procedure in accordance with the requirements of the document of the Notice regarding Several Opinions on Promoting the Industrial Restructuring of Flat Glass* (《關於促進平板玻璃工業結構調整的若干意見的通知》) (Fa Gai Yun Xing [2006] No.2691), construction shall be suspended. For enterprises which have been published, the state will provide support in terms of new project approval and banking credit. Enterprises which have not been published are not allowed to participate in government procurement and tender and banks will no longer provide new credit support.

Pursuant to the Guiding Opinions on Resolving Serious Production Overcapacity Conflicts* (《關於化解產能嚴重過剩矛盾的指導意見》) promulgated by the State Council and coming into effect on October 6, 2013, for the flat glass industry, flat glass and product standards and application specifications will be formulated and amended. Doors and windows that comply with the energy saving standards will be used in new buildings and the renovation of existing buildings. While the use of Low-E hollow glass is encouraged, support will be given to the upgrading and renovation of existing production lines to increase the proportion of substrates of high-quality float glass. Functional glass will be developed and the integration of substrate production and deep processing is encouraged with the deep processing rate of flat glass reaching 50% or above. Bases for the intensive and deep processing of glass will be established. Restructuring in key production areas and environmentally sensitive areas such as Hebei, Guangdong, Jiangsu and Shandong will be accelerated. Support will be given to combination and reorganization to form a number of conglomerates with a complete industrial chain and strong core competitiveness.

Pursuant to the Standards and Conditions for the Flat Glass Industry* (《平板玻璃行業規範條件》) (2014 Version) promulgated by the Ministry of Industry and Information Technology and coming into effect on December 31, 2014, explicit provisions are made for the construction conditions and layout, production technology and equipment, clean production and environmental protection, energy conservation and consumption reduction and comprehensive utilization, quality control and product quality, safe production, occupational hygiene and social responsibility for the flat glass industry. Projects for the construction of flat glass shall comply with the above-mentioned standards and conditions. Existing flat glass production enterprises which have not met the above-mentioned standards and conditions will be encouraged and supported to meet the above-mentioned standards and conditions as soon as possible through measures such as technological reform and the enhancement of management. Local competent industry authorities will supervise and inspect the implementation of the above-mentioned standards and conditions by flat glass enterprises. Those which fail to meet the standards and conditions will be urged to make rectification within a prescribed time limit. The above-mentioned standards and conditions also require the relevant authorities to put them into practice in project approval, land supply, environmental impact assessment approval, energy conservation assessment, quality and safety regulation, credit financing and production operations.

Laws and Regulations Relating to Distributed Power Plants

Pursuant to the Renewable Energy Law of the People's Republic of China* (《中華人民共和國可再生能源法》), the Electric Power Law of the People's Republic of China* (《中華人民共和國電力法》) promulgated and coming into effect on April 1, 1996 and amended on August 27, 2009, the Several Opinions on Promoting the Healthy Development of the Photovoltaic Industry* (《國務院關

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於促進光伏產業健康發展的若干意見》) promulgated by the State Council and coming into effect on July 4, 2013 and the Interim Measures for the Administration of Distributed Photovoltaic Power Generation Projects* (《分佈式光伏發電項目管理暫行辦法》) promulgated by the National Energy Administration and coming into effect on November 18, 2013, competent energy authorities below the provincial level shall subject distributed PV power generation projects to filing administration and exempt the distributed PV power generation business license in accordance with the investment project administration regulations of the State Council and the annual guiding scale and indicator for local distributed PV power generation issued by the competent energy authority of the State Council.

Laws and Regulations Relating to Mining

Prospecting and Mining Rights

Pursuant to the Mineral Resources Law of the People's Republic of China* (《中華人民共和國礦產資源法》) promulgated by the Standing Committee of the National People's Congress on March 19, 1986 and coming into effect on October 1, 1986 and subsequently amended on August 29, 1996 and coming into effect on January 1, 1997 and the Rules for the Implementation of the Mineral Resources Law of the People's Republic of China* (《中華人民共和國礦產資源法實施細則》) promulgated by the State Council and coming into effect on March 26, 1994, all mineral resources, either near the earth's surface or underground, shall be owned by the state. A license system shall be adopted for the exploration and exploitation of mineral resources. Anyone exploring and exploiting mineral resources must make applications in accordance with the law and complete registration after being granted approval to obtain the prospecting right and the mining right. Entities which are engaged in the exploration and exploitation of mineral resources must comply with the prescribed qualifications and requirements.

The state practices a system wherein the exploration right and mining right shall be obtained with compensation; however, the state may, in light of specific conditions, prescribe reduction of or exemption from the compensation for acquiring the exploration right and mining right. Anyone who mines mineral resources must pay resource tax and resource compensation in accordance with relevant regulations of the state.

The Ministry of Land and Resources is responsible for the supervision and administration of the exploration and exploitation of mineral resources in the country. Provincial land and resources authorities are responsible for regulating the exploration and exploitation of mineral resources in their respective jurisdictions. The PRC government implements a unified registration system for mineral exploration areas. The Ministry of Land and Resources is responsible for the registration of mineral resources exploration. The State Council may authorize the relevant authorities to be responsible for the registration of the exploration of special types of mineral resources.

Applicants seeking to establish new mining enterprises must comply with certain qualification requirements as set out in the relevant laws and regulations and obtain approval from the government authorities. Applicants must provide detailed information, such as relevant mining area restrictions, mining design or mining plan, production technology, safety and environmental protection measures and other project and supporting documents, when submitting the applications.

APPLICABLE LAWS AND REGULATIONS

Transfer of Mineral Prospecting and Mining Rights

Pursuant to the Measures for the Administration of Transfer of Mineral Prospecting Right and Mining Right* (《探礦權採礦權轉讓管理辦法》) promulgated by the State Council and came into effect on February 12, 1998 and subsequently amended on July 29, 2014 and the Interim Provisions on the Administration of the Assignment or Transfer of Mining Rights* (《礦業權出讓轉讓管理暫行規定》) promulgated by the Ministry of Land and Resources on November 1, 2001, both mineral prospecting right and mining right are property rights. The entity that owns mineral prospecting right is entitled to have priority in obtaining the mining right within the area of its prospecting operations, and may transfer its mineral prospecting right after obtaining approval from the relevant authorities on the grounds of merger or split of enterprises, joint venture, cooperative operation or disposal of assets or other circumstances arising from a change in ownership of real properties. The entity that owns mineral prospecting right may transfer such immediately after completing the minimum investment in prospecting and obtaining the approval from the relevant authorities. In addition to the above restriction, the owner of mineral prospecting right may transfer its right through a sale, capital injection, entering into cooperative prospecting or mining arrangements or other methods permitted by regulations. The Ministry of Land and Resources and provincial land and resources authorities are the competent approving authorities for the transfer of the mining right.

Measures for the Administration of Usage Fees and Consideration for Mineral Prospecting Right and Mining Right

Pursuant to the Measures for the Administration of Usage Fees and Consideration for Mineral Prospecting Right and Mining Right* (《探礦權採礦權使用費和價款管理辦法》) promulgated and implemented by the Ministry of Finance and the Ministry of Land and Resources on June 7, 1996, prospecting or mining operations of mineral resources in the territories and seas under the jurisdiction of the People's Republic of China are required to pay usage fees and consideration for mineral prospecting right and mining right. The mineral prospecting right usage fee is charged on each of the prospecting year and payment is made annually according to the plot area of the prospecting zone at the rate of RMB100 per sq.km. per year from the first year to the third year of prospecting, with an additional charge of RMB100 per sq.km. per year from the fourth year onwards, and is capped at a maximum fee of RMB500 per sq.km. per year. The mining right usage fee is charged on annual basis depending on the area of the mining zone at the rate of RMB1,000 per sq.km per year. The consideration for mineral prospecting and mining rights is based on the assessed price confirmed by the Ministry of Land and Resources and may be paid by one-off payment or by installments; however, the payment term for prospecting right consideration must not be longer than two years at the maximum, and the payment term for mining right consideration must not be longer than six years at the maximum. The owner of mineral prospecting right and mining right shall pay the usage fees and consideration of mineral prospecting right and mining right directly into the "special account for usage fees and consideration of mineral prospecting right and mining right" opened by the finance authority of equivalent level when completing prospecting or mining registration or annual review. The owner of mineral prospecting right and mining right shall complete the registration procedures at the registration administrative authority by presenting the payment receipt issued by the bank to obtain the "special receipt for usage fees and consideration for mineral prospecting right and mining right" and the prospecting and mining licenses.

APPLICABLE LAWS AND REGULATIONS

Provisions on Administration of Collection of Mineral Resources Compensation Fees

Pursuant to the Provisions on Administration of Collection of Mineral Resources Compensation Fees* (《礦產資源補償費徵收管理規定》) promulgated by the State Council on February 27, 1994 and came into effect on April 1, 1994, which was subsequently amended and came into effect on July 3, 1997, the mineral resources compensation fees are charged as a certain percentage of the sales revenue from mineral products. The mineral resources compensation fees are calculated and collected jointly by the Ministry of Land and Resources and the finance authority according to the aforesaid clause.

Under specific circumstances, certain persons may reduce or exempt from the payment of mineral resources compensation fees after joint approval from the Ministry of Land and Resources and the finance authority is obtained. If the reduced mineral resources compensation fees exceed the original amount of mineral resources compensation fees by more than 50%, approval from the People's Government at the provincial level must be obtained. Payer of mineral resources compensation fees who has obtained approval for reduced payment must complete filing with the Ministry of Land and Resources and the Ministry of Finance.

Land Rehabilitation

Pursuant to the *Regulations on Land Rehabilitation** (《土地復墾條例》) promulgated by the State Council and became effective on March 5, 2011, for the land destroyed by production and construction activities, the production and construction entities or individuals (the "Land Rehabilitation Obligors") shall be responsible for the rehabilitation in accordance with the principle of "He who destroys shall rehabilitate." The Land Rehabilitation Obligors shall be responsible for the rehabilitation of the land destroyed by open-pit mining, firing bricks and tiles, digging sand and taking soil and other excavation on the earth's surface. The Land Rehabilitation Obligors shall also carry out their land rehabilitation work in accordance with their rehabilitation plans. Where the Land Rehabilitation Obligors fail to rehabilitate the land or their rectifications remain unqualified during the land rehabilitation inspection, they will be required to pay the land rehabilitation costs to the relevant government authorities of land and resources to rehabilitate the land on their behalf.

Pursuant to the *Notice of Reinforcing the Management on the Land Rehabilitation of Production and Construction Projects** (《關於加強生產建設項目土地復墾管理工作的通知》) jointly promulgated by the Ministry of Land and Resources, the NDRC, the Ministry of Finance, the Ministry of Railways, the Ministry of Transport, the Ministry of Water Resources and the State Environmental Protection Administration, which came into effect on September 30, 2006, the entities or individuals that are engaged in production and construction activities which destroy the land, such as mining mineral resources, firing bricks and tiles, coal-fired power generation, building roads and railways and constructing water conservation facilities, are the legal obligors for the land rehabilitation, and they must assume the rehabilitation responsibilities and obligations for the destroyed land.

APPLICABLE LAWS AND REGULATIONS

Pursuant to the Notice of Relevant Issues on Organizing the Preparation and Review of the Land Rehabilitation Plans* (《關於組織土地復墾方案編報和審查有關問題的通知》) promulgated by the Ministry of Land and Resources, which came into effect on April 6, 2007 for the production and construction projects (production projects means mining mineral resources, firing bricks and tiles and other projects, while construction projects means those projects involving transport, water conservation and energy) which may destroy or have destroyed the land due to improper excavation, collapse, occupation, pollution and other reasons, the Land Rehabilitation Obligors shall prepare the land rehabilitation plans. Each relevant administration authority of land and resources shall strictly review such land rehabilitation plans in the following aspects: whether the plans have been inspected by the experts, whether they have passed the inspection, and whether the plans have been revised based on the opinions during the inspection. If they fail to meet the requirements, the relevant authorities shall not approve the construction land, grant mining licenses or pass the annual inspection.

Pursuant to the Measures for the Implementation of the Regulations on Land Rehabilitation* (《土地復墾條例實施辦法》) promulgated by the Ministry of Land and Resources on December 27, 2012, which came into effect on March 1, 2013 when the Land Rehabilitation Obligors apply for new construction land, new mining licenses or for the renewal, change and cancellation of their mining licenses, they shall provide the land rehabilitation project inspection acceptance confirmation for the completed project or the payment receipts of land rehabilitation costs. If they fail to provide such materials, the relevant competent authorities of land and resources shall not pass the review or complete relevant procedures.

Environmental Protection Relating to the Mining Industry

Pursuant to the Mineral Resources Law of the People's Republic of China* (《中華人民共和國礦產資源法》) promulgated by the Standing Committee of the National People's Congress and came into effect on October 1, 1986 and amended on August 29, 1996, when mining mineral resources, the mining entities or individuals must observe the legal provisions on environmental protection to prevent pollution of the environment.

Pursuant to the Rules for the Implementation of the Mineral Resources Law of the People's Republic of China* (《中華人民共和國礦產資源法實施細則》) promulgated by the State Council, which came into effect on March 26, 1994, the owners of the mining rights shall comply with national laws and regulations relating to labor safety, soil and land conservation, land rehabilitation and environment protection.

Taxation relating to the Mining Industry

Pursuant to the Provisional Regulations on Resource Tax of the People's Republic of China* (《中華人民共和國資源稅暫行條例》) and its implementation rules promulgated by the State Council on December 25, 1993, which came into effect on January 1, 1994 and was subsequently amended on September 30, 2011, entities and individuals who engage in the production of mineral products in the territories and ocean areas under the jurisdiction of China are required to pay resource tax.

APPLICABLE LAWS AND REGULATIONS

Mine Safety

Pursuant to the Mine Safety Law of the People's Republic of China* (《中華人民共和國礦山安全法》) promulgated by the Standing Committee of the National People's Congress on November 7, 1992, which came into effect on May 1, 1993 and was amended subsequently on August 27, 2009, and the Regulations for the Implementation of the Mine Safety Law of the People's Republic of China* (《中華人民共和國礦山安全法實施條例》) promulgated by the State Council and came into effect on October 30, 1996, mining enterprises must have protective facilities to ensure safe production, establish a sound safety management system, adopt effective measures to improve the working conditions of employees, and reinforce the mine safety management work to ensure safe production. The labor administrative authority of the State Council exercised unified supervision over the mine safety work at the national level, the labor administrative authorities of the local people's government at various levels above the county level exercised unified supervision over the mine safety work within the local administrative areas, and the competent authority for administration of mining enterprises in the people's government above the county level oversees management of mine safety work. The design documentation for mine construction project must comply with the mine safety standards and industry technical specifications, and the approval from the competent authority for administration of mining enterprises according to national requirements must be obtained. Before commencement of operation or utilization, approval and acceptance inspection on the safety facilities for mine construction project must be conducted according to the relevant laws and regulations, and operation or utilization may only commence after passing the acceptance inspection. Any behavior contravening against the above requirements may be subject to fines, suspension of mining license or operation license or other penalties.

Pursuant to the Regulations on Safe Production License* (《安全生產許可證條例》) promulgated by the State Council, which came into effect on January 13, 2004 and was subsequently amended and came into effect on July 18, 2013, the safety license system was implemented for mining enterprises by the State, mining enterprises without safety licenses are prohibited from engaging in production activities.

A mining enterprise must comply with the safe production requirements in order to obtain a safe production license. The administrative authority for the issuance of safe production license will grant a safe production license to an enterprise which has complied with the safe production requirements in accordance with the relevant provisions. The safe production license requires renewal every three years, and an application for renewal must be made to the administrative authority for issuing safe production license three months prior to the expiration of the validity period of the safe production license.

Regulations relating to Industry with Foreign Investments

Pursuant to the Catalogue of Industries for Foreign Investments (2015 Amendment)* (《外商投資產業目錄(2015年修訂)》) promulgated by the NDRC and the Ministry of Commerce on March 10, 2015 and came into effect on April 10, 2015, foreign investments in various industries are classified into three categories: Encouraged, restricted and prohibited. Foreign investments which are not under these three categories will be classified as permitted. Encouraged foreign investment will receive

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certain benefits and incentives from the government. Restricted foreign investment must comply with the applicable restriction under PRC laws. Prohibited foreign investment refers to industries in which foreign investments are not allowed. The industry in which our Company operates is under the permitted category of industries for foreign investment.

Laws and Regulations Relating to Environmental Protection

Pursuant to the Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》) ("Environmental Protection Law") promulgated by the Standing Committee of the National People's Congress on December 26, 1989, amended on April 24, 2014 and came into effect on January 1, 2015, the Ministry of Environmental Protection of the People's Republic of China and other local authorities exercise supervisory management over the said environmental protection work. Construction projects with environmental impact shall be subject to environment impact assessments according to the laws, construction projects without undergoing assessment for environmental impact according to the laws cannot commence construction. Facilities for the prevention and control of pollution in the construction project shall be designed, constructed and operated at the same time with the main structure construction work. Facilities for prevention and control of pollution shall comply with the requirements stated on the environmental impact assessment documentation and must not be removed or being idle without authorization.

Pursuant to the Law on Environmental Impact Assessment of the People's Republic of China* (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People's Congress on October 28, 2002 and came into effect on September 1, 2003, and the Regulations on the Administration of Environmental Protection in Construction Projects* (《建設項目環境保護管理條例》) promulgated by the State Council and came into effect on November 29, 1998, the construction unit is required to submit an environmental impact assessment report to the relevant administrative authority for environmental protection, stating the potential impact on the environment by the planned construction project and the precautions or strategies and measures adopted for reducing unfavorable environmental impact. The relevant project may commence construction only after the approval for the environmental impact assessment report has been obtained. If environmental protection facilities have not been constructed or have not attained the relevant environmental protection standards, the environmental protection authority may order the suspension of such project and impose fines.

Pursuant to the Law on Prevention and Control of Water Pollution of the People's Republic of China* (《中華人民共和國水污染防治法》) promulgated by the Standing Committee of the National People's Congress on May 11, 1984 and amended on May 15, 1996 and February 28, 2008, the Law on Prevention and Control of Atmospheric Pollution of the People's Republic of China* (《中華人民共和國大氣污染防治法》) promulgated by the Standing Committee of the National People's Congress on September 5, 1987 and amended on August 29, 1995 and April 29, 2000, and the Law on Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China* (《中華人民共和國固體廢物污染環境防治法》) promulgated by the Standing Committee of the National People's Congress on October 30, 1995 and amended on December 29, 2004 and June 29, 2013, any company or enterprise causing environmental pollution and discharge of pollutants hazardous to the public must implement environmental protection measures and processes in its operation, it shall make an application to the environmental protection administrative authority and submit a plan on the

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category and volume of liquid, gas and solid wastes to be discharged, the manner of discharge and disposal, and information on the relevant industrial noises and other related matters. If the pollutants discharged exceed the national or local standard, a pollutant discharge fee shall be paid and such company or enterprise shall be held responsible for controlling the pollutants, otherwise a fine may be imposed.

Laws and Regulations Relating to Product Liability and Protection of Consumers' Interest

Pursuant to the Product Quality Law of the People's Republic of China* (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress on February 22, 1993, came into effect on September 1, 1993, and amended on July 8, 2000 and August 27, 2009, and the Regulations on the Liability for Industrial Product Quality* (《工業產品品質責任條例》) promulgated by the State Council in 1986 and came into effect on July 1, 1986, producers and vendors shall establish a sound internal product quality management system to strictly implement job position quality standards, liability for quality and the corresponding appraisal methods, and prohibit forgery or faking of quality logos such as certification logos; prohibit the forgery or faking of the place of origin of the products, forgery or faking of others' plant names or plant addresses; prohibit the mixing with inferior or faked products in production and sales by replacing genuine products with fake products and replacing good products by inferior products. Any contravention against the aforesaid requirements will be liable legally and subject to a suspension order on production and sales, forfeiture of products produced or sold illegally, forfeiture of unlawful gains, revocation of business license. Serious offences may be prosecuted for criminal liabilities according to the laws.

Pursuant to the Regulations on Certification and Authorization in the People's Republic of China* (《中華人民共和國認證認可條例》) promulgated by the State Council on September 2, 2003 and came into effect on November 1, 2003, the regulatory and administrative authority for certification and authorization under the State Council shall publish a uniform product catalogue for products which must obtain certification, unify the compulsory requirements, standards and procedures for qualifying assessments in technical specifications, and unify the logos.

Pursuant to the Law on Protection of Consumers' Interest of the People's Republic of China* (《中華人民共和國消費者權益保護法》) promulgated by the Standing Committee of the National People's Congress on October 31, 1993, came into effect on January 1, 1994 and amended on August 27, 2009 and December 25, 2013, the lawful interest of consumers are protected by the State from infringement and harm. The State has adopted measures to protect the consumers in exercising their lawful rights and safeguard the lawful interest of consumers. Operators shall warrant that commodities or services supplied by them are in compliance with the requirements of ensuring safety to human body and property. Operators who contravene against the aforesaid laws shall be liable to the corresponding civil liabilities in compensation and damages, serious offences may be prosecuted for criminal liabilities.

Pursuant to the Law of Torts of the People's Republic of China* (《中華人民共和國侵權責任法》) promulgated by the Standing Committee of the National People's Congress on December 26, 2009 and came into effect on July 1, 2010, if defective products have caused harm and injuries to other persons, the producer shall be responsible for liabilities in torts. If the defect in the product is a result of the error of the vendor and such defect has caused harm to other persons, the vendor shall be held liable

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to tortious actions. If harm is done by a defective product, the victim may claim for damages against the producer of the product and may also claim for damages against the vendor of the product. For products which have been discovered to contain defects after they are marketed, the producer or vendor shall adopt remedial measures timely, such as giving caution notice or recall the products. If injury or harm is resulted due to remedial measures have not been adopted timely or implemented properly, tortious liabilities shall be borne. If the defective product is produced or sold with knowledge on the existence of defects and cause death or serious harm to the health of other persons, the victims are entitled to claim for punitive damages.

Laws and Regulations Relating to Intellectual Property Rights

Trademark

Pursuant to the Trademark Law of the People's Republic of China* (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People's Congress on August 23, 1982, which came into effect on March 1, 1983, and was subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013, and the Regulations for the Implementation of the Trademark Law of the People's Republic of China* (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, which came into effect on September 15, 2002 and was subsequently amended on April 29, 2014 and came into effect on May 1, 2014, the valid period for a registered trademark is 10 years commencing from the date of registration. Upon expiry of the validity period of registered trademarks, if continuous usage is required, an application for renewal shall be made within 12 months prior to the expiry date in accordance with the provisions. If the procedure is unable to be completed within this period, an extension for six months may be granted. Each renewal of registration is valid for a term of 10 years commencing from the expiry date of the previous term of the trademark. The administrative authority for industry and commerce is empowered to investigate and handle any behavior contravening the exclusive right of registered trademark in accordance with the laws. Criminal offences shall be transferred timely to judicial authorities for handling.

Patent

Pursuant to the Patent Law of the People's Republic of China* (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People's Congress on March 12, 1984, came into effect on April 1, 1985, and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and the Rules for the Implementation of the Patent Law of the People's Republic of China* (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, which came into effect on July 1, 2001 and was subsequently amended on December 28, 2002 and January 9, 2010, the patents in China include three categories, namely, invention patent, utility model and design patent. Invention patent refers to the new technical solution proposed in respect of the product, method or its improvement; utility model refers to the new technical solution which is practicable for application and proposed in respect of the shape, structure or a combination of both of the product; and design patent refers to a new design of a certain product in shape, pattern or a combination of both and in color, shape and pattern combinations aesthetically suitable for industrial application. The invention patent has a valid term of 20 years, utility model and design patent each

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has a term of 10 years, all of which are calculated from the date of application. Unauthorized use of patents without consent from owners of patents, forgery of the patents belonging to other persons, or engaging in other infringement acts against patent rights, will be liable to tortious liabilities. Serious offences may be prosecuted for criminal liabilities.

Laws and Regulations Relating to Labor Services, Social Insurance and Safe Production

Pursuant to the Labor Law of the People's Republic of China* (《中華人民共和國勞動法》) promulgated by the Standing Committee of the National People's Congress on July 5, 1994, came into effect on January 1, 1995, and subsequently amended on August 27, 2009, and the Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法》) promulgated on June 29, 2007, which came into effect on January 1, 2008 and was subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and the Regulations for the Implementation of Labor Contract Law of the People's Republic of China* (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and came into effect on September 18, 2008, the employers must establish and improve the safety and sanitary system in working premises, strictly comply with all national rules and standards with respect to safety and sanitation in working premises, and provide education on safety and sanitation of working premises to employees. The safety and sanitation facilities in working premises must comply with national standards formulated by the State. Employers must provide employees with working premises in a safe and sanitary environment in compliance with the national requirements and relevant labor protective rules. If a labor relationship will be or has been established between the employer and employee, they should enter into a labor contract in writing. Enterprise and entity must not force employees to work over-time, the employer shall pay overtime wages to employees in accordance with national laws and regulations. The wages paid by the employer must not be lower than the local minimum wage level and shall be paid to the employees on timely basis.

Pursuant to the Safe Production Law of the People's Republic of China* (《中華人民共和國安全生產法》) ("Safe Production Law") promulgated by the Standing Committee of the National People's Congress on June 29, 2002, which came into effect on November 1, 2002 and was subsequently amended on August 27, 2009, and the Law on Prevention and Control of Occupational Disease of the People's Republic of China* (《中華人民共和國職業病防治法》) promulgated on October 27, 2001, which came into effect on May 1, 2002 and was subsequently amended on December 31, 2011, the producers shall satisfy the safe production conditions as required under the Safe Production Law and other relevant laws, administrative regulations and national standards or industry standards. Producers who fail to satisfy the safe production conditions are prohibited from engaging in production operational activities or may be subject to punishment in the form of fines or other penalties. Producers shall provide employees with education and training program on safe production. In addition, producers may also provide employees with protective gears in compliance with national standards or industry standards for rendering services, and supervise and educate the employees to use such protective gears in accordance with the relevant usage rules. Producers who fail to satisfy the requirements of the relevant laws and regulations are prohibited from commencing production activities or may be subject to punishment in the form of fines or other penalties.

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Pursuant to the Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and came into effect on July 1, 2011 and other relevant laws and regulations of the PRC, the employers must complete social insurance registration with the social insurance agency and register social insurance for employees in accordance with the laws, including basic retirement insurance, basic medical insurance, unemployment insurance, maternity insurance and work injury insurance. The social insurance fees payable by employees will be paid on their behalf by employers, those employers who fail to pay social insurance fees for employees will be subject to punishment in the form of fines or other penalties.

Pursuant to the Regulations for the Administration of Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council, which came into effect on April 3, 1999 and was subsequently amended on March 24, 2002, the employer must complete the provident fund registration with the local housing provident fund administration center and make contributions to the housing provident fund for employees by paying into the special housing provident fund account set up by the entrusted bank. Both the employer and employees must make contributions to the housing provident fund at the ratio of not less than 5% of the average monthly salary of the employees in the previous year.

APPLICABLE VIETNAM LAWS AND REGULATIONS

Foreign Investment

In general, foreign investors are encouraged to invest into Vietnam and are subject to equal treatment with domestic investors in establishing a company other than in conditional or restricted business areas. Foreign investment shall be mainly governed by the Law on Investment No.67/2014/QH13 (the "Law on Investment") and the Law on Enterprises No. 68/2014/QH13 (the "Law on Enterprises") passed by the National Assembly of Vietnam on November 26, 2014, which became effective as of and from July 1, 2015.

The Law on Investment provides for a list of six restricted business areas and a list of 267 conditional sectors which may only be amended from time to time by the National Assembly or the government of Vietnam, respectively. Currently, manufacture of PV glass products is not named in those lists and there is no prohibition or restriction under the Law on Investment.

Depending on its business nature, investment scale (i.e., investment capital of VND5,000 billion), land use demand (i.e., leasing directly from the state), and/or technologies use (i.e., technologies to be used fall within the list of technologies of which transfer is restricted under the law on technologies transfer); the foreign investment project may be subject to the so called "in-principle approval" by the National Assembly of Vietnam, the Prime Minister of Vietnam or the People Committee of the local province in Vietnam, as the case may be. A foreign-invested company would be set up under the following legal forms, namely, limited liability companies, joint stock companies (akin to shareholding companies), partnerships and private enterprises. In the Vietnamese market, limited liability companies and joint stock companies are the most favorite corporate forms selected by foreign investors.

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Under the Law on Investment, investment incentives would be granted in various circumstances, such as:

- investment projects in the preferential investment industries and trades. For example, high-tech activities, production of new materials, and production of products with an added value of 30% or more and energy-saving products;
- investment projects located in preferential investment geographical areas. For example, areas with difficult/especially-difficult socio-economic conditions, industrial zones, export processing zones, high-tech zones and economic zones;
- projects with a scale of capital of VND6,000 billion (approximately US\$300 million) or more of which at least VND6,000 billion is disbursed for a period of three years from the date of issuance of the Investment Registration Certificate or the date of the so-called “in-principle approval”;
- investment projects located in rural areas and employing 500 employees or more; and
- high-tech enterprises and scientific and technological enterprises.

The government of Vietnam is authorized to specify the above-mentioned preferential investment industries, trades and geographical areas.

A foreign investor investing in Vietnam is required to obtain an investment registration certificate for its investment project under the Law on Investment, and then the foreign investor shall also apply for an enterprise registration certificate for incorporation of the foreign-invested enterprise under the Law on Enterprises in Vietnam. The foreign-invested enterprise is required to obtain various licences, permits and approvals for implementation of its businesses under the Vietnam laws (e.g., construction permit and environment-protection permits).

Environmental Protection

The foreign-invested enterprise is required to comply with various environmental protection provisions. For instance, depending on the nature of its business, the following permits or approvals must be obtained, such as: (i) the approval of the environmental impact assessment report (i.e., manufacturing electric equipment at annual capacity of 500 tons or more, production of batteries at the annual capacity of 100 tons or more or 50,000 kilowatt-hour); (ii) the certificate on the completion of environmental protection works and measures; (iii) the permit for exploiting and utilizing fresh water (surface water and underground water as the case maybe); (iv) the permit for discharging waste-water into water sources; (v) registration of the generator of hazardous materials (if any) with the local Department of Natural Resources and Environment in Vietnam; (vi) registration of the generator of industrial gaseous emission with the relevant government body in Vietnam; and (vii) the license for the industrial gaseous emission.

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Land

Foreign-invested enterprises may lease land site in an industrial zone from relevant developers. Alternatively, they may apply for leasing land directly from the State of Vietnam for a term of not more than 50 years. In special circumstances, the lease term may be 70 years.

Import/Export

Import/export activities of foreign-invested enterprises shall be mainly governed by the Commercial Law, Decree 187/2013/ND-CP dated November 20, 2013 of the government of Vietnam (“Decree 187”) and implementation regulations thereunder. Decree 187 sets forth, among other things, a list of export-prohibited goods and a list of goods which are subject to export licences to be issued by the relevant government bodies. For instance, goods of which export being imposed upon quotas set by the relevant foreign countries (in accordance with bilateral treaties with Vietnam) and goods of which export being subject to management as required by international treaties (to which Vietnam is a signing party) shall be subject to export licences to be granted by the Ministry of Industry and Trade in Vietnam. Currently, PV glass products are not named in those lists and there is no prohibition or restriction applicable to export of PV glass products.

Foreign Exchange

Following the movement in Vietnam to combat inflation and the so-called “dollarization of the economy,” the Ordinance No. 06/2013/UBTVQH13 passed by the Standing Committee of the National Assembly of Vietnam (amending Ordinance No. 28/2005/PL-UBTBQH11 dated December 13, 2005) provides for stringent provisions on foreign exchange management. Particularly, within the territory of Vietnam, all transactions, payments, listings, advertisements, quotations, setting prices, and recording prices in contracts and agreements and other similar forms of resident and non-resident transactions shall not be effected in foreign exchange except for cases permitted by the State Bank of Vietnam. The State Bank of Vietnam under Circular No. 32/2013/TT-NHNN dated December 26, 2013 (as amended by Circular No. 16/2015/TT-NHNN dated October 19, 2015) specifies 17 cases where the use of foreign currency in Vietnam is permitted, including:

- banks, non-banking credit institutions, and branches of foreign banks and other organizations authorized to conduct foreign exchange business and provide foreign exchange services are permitted use foreign exchange within the scope as provided by the State Bank of Vietnam. Examples of foreign exchange services include transact, make payments, list, advertise, quote, set prices and record prices in contracts and agreements;
- an institutional resident having legal entity status is permitted to transfer capital internally by foreign currency remittances as between the account of such institutional resident and accounts of its subsidiary entities without legal entity status, and vice versa;
- residents are permitted to contribute capital in foreign currency remittances in order to implement a foreign investment project in Vietnam;

APPLICABLE LAWS AND REGULATIONS

- residents being domestic or foreign contractors are permitted as follows: (i) with regard to foreign expenses relevant to implementation of a tender package via international tendering in accordance with the Law on Tendering in Vietnam, tenderers are permitted to submit their tenders in foreign currency and to receive payment in foreign currency remittances from the investor or head contractor in order to make payments and disbursements and to remit money overseas; and (ii) with respect to implementation of tender packages in accordance with the law on petroleum, tenderers are permitted to submit their tenders in foreign currency and to receive payment in foreign currency remittances from the investor or head contractor in order to make payments and disbursements and to remit money overseas;
- institutional residents conducting business in the aviation transport, hotel and tourism sectors are permitted to list and advertise prices of goods and services in Vietnamese dong and the equivalent foreign currency amounts on websites and in specialized publications (excluding menus and service price lists) in foreign languages; and
- residents and non-resident institutions are permitted to nominate and pay salaries, bonuses and/or allowances in foreign currency remittances or cash to foreign staff, whether or not they are residents of Vietnam.

Under the Ordinance on Foreign Currency (Ordinance No.28/2005/PL-UBTBQH11 as amended by Ordinance No.06/2013/UBTVQH13), the foreign-invested company must open a direct investment capital account at an authorized credit institution in Vietnam. The contribution by foreign investors of investment capital into Vietnam and remittance of profit out of Vietnam shall be implemented via such direct investment account. After fully discharging financial obligations to the State of Vietnam (e.g. tax obligations), foreign investors are permitted under the Law on Investment to remit abroad income/profit derived from their business investment activities of in Vietnam (e.g. investment in a foreign-invested company in Vietnam).

Under the Ordinance on Foreign Currency, a foreign-invested company is permitted to purchase foreign currency at authorized credit institutions in Vietnam (i.e., commercial banks) for payment of imported goods/services. A company must remit all foreign currency amounts derived from export of goods/services into a foreign currency account opened at an authorized credit institutions in Vietnam. If such company wish to retain foreign currency overseas, it must obtain approval from the State Bank of Vietnam. “Residents” in this context refers to, among others, local Vietnamese individuals, and domestic and foreign-invested companies established in Vietnam.

HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

Our Company, previously known as Zhejiang Flat Glass & Mirror Co., Ltd.* (浙江福萊特玻璃鏡業股份有限公司) and Flat Solar Glass Group Co., Ltd.* (福萊特光伏玻璃集團股份有限公司), was converted from Zhejiang Flat Glass & Mirror Ltd.* (浙江福萊特玻璃鏡業有限公司, which was originally named as Jiaxing City Naibang Trading Co., Ltd.* (嘉興市耐邦經貿有限公司) (“Naibang Trading”)), a limited liability company, into a joint stock limited company pursuant to the PRC Company Law on December 29, 2005.

Our history can be traced back to 1998 when Naibang Trading, the predecessor of our Company, was established and commenced the sales of, among other things, glass products. Our Company is currently primarily engaged in the business of designing and developing, producing and selling PV glass products, which are sold to PV module manufacturers in China and overseas. Our PV glass products are primarily used to manufacture c-Si PV cells, which can then be assembled to form c-Si PV modules (also known as c-Si PV panels). Our PV glass can also be used as covers for thin film PV cells.

BUSINESS MILESTONES

The table below sets out the key milestones in the development of our business:

<u>Date</u>	<u>Event</u>
June 1998	Naibang Trading, the predecessor of our Company, was established and engaged in the sales of, among other things, glass products.
November 2000 . .	We expanded our business to the processing of glass products, such as silver mirrors.
October 2002	We commenced manufacturing tempered glass.
December 2005 . .	Our Company was converted from a limited liability company to a joint stock limited company.
June 2006	Shanghai Flat, our wholly-owned subsidiary, was established when our Company acquired one furnace from a third party with a daily maximum production capacity of 100 tons, subsequent to which our Group entered into the PV glass industry.
October 2006	We became one of the designated suppliers of household glass products of a large multinational furniture retailer that designs and sells ready-to-assemble furniture, appliances and home accessories.
August 2007	Zhejiang Jiafu, our then indirectly wholly-owned subsidiary, was established with a view to further expand our scale of production of PV glass.

HISTORY AND CORPORATE STRUCTURE

<u>Date</u>	<u>Event</u>
June 2009	The PV glass production capacity of our Group was further increased as two furnaces at the production facilities of Zhejiang Jiafu, each with a daily maximum production capacity of 300 tons, were both completed and put into operation.
July 2010.	Our Group’s daily melting capacity for PV glass exceeded 1,290 tons upon completion of the construction of the glass processing facilities phase II of Zhejiang Jiafu.
October 2011	Our Company’s first float glass melting furnace with a daily maximum production capacity of 600 tons was put into operation.
May 2012	Our Company’s first 600 tons PV glass furnace commenced operation.
August 2012	Anhui Flat Materials obtained the extraction right to the Mine through open bid.
October 2012	Our Company’s first Low-E glass processing line was completed with an annual processing capacity of 5.8 million square meters, and commercial production commenced in late 2012.
December 2012 . . .	Our Company’s second float glass furnace was put into operation and our Group’s daily maximum production capacity of float glass was increased to 1,200 tons.
May 2013	Our Company’s second PV glass furnace with a daily capacity of 600 tons was put into operation, increasing our Group’s daily capacity of PV glass to 2,290 tons by November 2013.
June and December 2014.	Our Company’s distributed PV systems phase I (with a capacity of approximate 8.4 MW) and phase II (with a capacity of approximate 1.9 MW) were put into operation and connected to the electricity grid in June and December 2014, respectively, bringing our Group’s distributed PV systems electricity generation capacity to approximate 10.3 MW.
October 2014	Our Company introduced a full set of internationally leading, fully-automatic and continuous glass processing system.

For further information about the awards and accreditations obtained by our Group, please see the section headed “Business — Awards, Accreditations and Memberships” in this prospectus.

HISTORY AND CORPORATE STRUCTURE

OUR COMPANY

1. Establishment and Conversion from a Limited Liability Company to a Joint Stock Limited Company

Our predecessor, Naibang Trading, a limited liability company, was established in the PRC on June 24, 1998, with a total registered capital of RMB510,000 contributed by our Founders in cash with their respective own capital. Further details of our Founders are set out in the paragraph headed “Our Founders” below.

In November 2001, Naibang Trading changed its name to Zhejiang Flat Glass & Mirror Ltd.* (浙江福萊特玻璃鏡業有限公司). On December 29, 2005, Zhejiang Flat Glass & Mirror Ltd.* (浙江福萊特玻璃鏡業有限公司) was converted to a joint stock limited company under the name of Zhejiang Flat Glass & Mirror Co., Ltd.* (浙江福萊特玻璃鏡業股份有限公司), with a registered capital of RMB70,000,000, divided into 70,000,000 Domestic Shares with a par value of RMB1.00 each, of which 68,400,000 Domestic Shares were subscribed for by our Promoters at an aggregate consideration of RMB68,400,000, which was contributed to our Company by the appraised net assets of our predecessor, and the remaining 1,600,000 Domestic Shares were subscribed by Ms. Ruan Zeyun, for a cash consideration of RMB1,600,000, which was fully paid in November 2005.

2. Changes in Registered Capital and Transfer of Shares during the Track Record Period

As of the Latest Practicable Date, the registered capital of our Company was RMB337,500,000, divided by 337,500,000 Domestic Shares with a par value of RMB1.00 each.

From the date of our conversion from a limited liability company to a joint stock limited company on December 29, 2005, to the divestment of our Financial Investors (as detailed below) in our Company on May 30, 2014, the registered capital of our Company has been increased several times mainly as a result of (i) the issuance of new Domestic Shares; (ii) the merger by absorption of a company where our shares were used as considerations; (iii) the conversion of undistributed profits; (iv) conversion of capital reserve; and (v) the investments by our Financial Investors (as described below).

On May 30, 2014, the registered capital of our Company was reduced from RMB359,400,000 to RMB337,500,000 by the reduction of 21,900,000 Domestic Shares with a par value of RMB1.00 each, which amounted to approximate 6.09% of the then registered capital of our Company, by way of our Company’s repurchase and cancellation of the Domestic Shares held by our Financial Investors.

For details of the transfer of shares of our Company, please refer to the paragraph headed “1. Further Information about Our Company — B. Changes in share capital and transfer of shares” in the section headed “Appendix VII — Statutory and General Information” in this prospectus.

HISTORY AND CORPORATE STRUCTURE

3. Investments and Exit by Our Financial Investors

On December 20, 2010, a capital increase agreement was entered into among our Financial Investors, namely, Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth, and our Company.

Background of the Financial Investors

Primemont Capital is a limited liability company established under the laws of the PRC on April 8, 2010 and was held, as at May 30, 2014, the date on which Primemont Capital ceased to be our Shareholder, by Beijing Fenghui Futong Investment Co., Ltd.* (北京豐匯富通投資有限公司) and Fubang Asset Management Co., Ltd.* (富邦資產管理有限公司), both being Independent Third Parties, as to 50% and 50%, respectively.

Boxin Preferred is a limited partnership established under the laws of the PRC on December 16, 2010. As at May 30, 2014, the date on which Boxin Preferred ceased to be our Shareholder, all of the 49 partners of Boxin Preferred were Independent Third Parties.

Guoyuan Investment is a limited liability company established under the laws of the PRC on August 18, 2009 and was, as at May 30, 2014, the date on which Guoyuan Investment ceased to be our Shareholder, wholly-owned by Guoyuan Securities Co., Ltd.* (國元證券股份有限公司), an Independent Third Party.

Boxin Growth is a limited partnership established under the laws of the PRC on July 30, 2010. As at May 30, 2014, the date on which Boxin Growth ceased to be our Shareholder, all of the 15 partners of Boxin Growth were Independent Third Parties.

Considerations

The considerations paid by Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth were RMB140,224,000, RMB100,160,000, RMB75,120,000 and RMB50,080,000, respectively, which were determined after arms' length negotiation between the parties and by reference to the then forecasted earnings of 2010 as agreed between the parties. These considerations were fully paid up by the Financial Investors on December 22, 2010.

Shareholding

Immediately after completion of the respective investments into our Company by the Financial Investors, Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth held approximate 2.34%, 1.67%, 1.25% and 0.83% interest in our share capital, respectively.

Special Rights

No special right was granted to the Financial Investors.

HISTORY AND CORPORATE STRUCTURE

Use of Proceeds from the Investment

The proceeds from the investments by the Financial Investors were used for (i) research and development and manufacture of PV glass; and (ii) general working capital of our Company. The proceeds from the investments by our Financial Investors have been fully utilized.

Exit of the Financial Investors

On January 1, 2014, three capital reduction agreements were entered into between our Company and (i) Primemont Capital, (ii) Boxin Preferred and Boxin Growth, and (iii) Guoyuan Investment, respectively. Pursuant to such capital reduction agreements, our Company and each of Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth agreed to reduce and cancel an aggregate of 21,900,000 Domestic Shares of our Company, for considerations of RMB161,257,600, RMB115,184,000, RMB86,388,000 and RMB57,592,000 to each of them, respectively, which considerations were determined after arms' length negotiation between the relevant parties. On May 30, 2014, an aggregate of 21,900,000 Domestic Shares of our Company were cancelled and the registered capital of our Company was reduced by RMB21,900,000. As confirmed by our PRC Legal Advisors, upon completion of the relevant filing on change of registration at competent governmental institutions on May 30, 2014, Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth ceased to be Shareholders of our Company. As of the Latest Practicable Date, an aggregate of RMB417,081,300 of the considerations, which included principal and interest, were paid by our Company from internal resources of our Group. As confirmed by our PRC Legal Advisors, the aforesaid reduction and cancellation of Domestic Shares and exit of the Financial Shareholders remain valid and effective.

4. Acquisition of Equity Interest by Mr. Zhao Xiaofei

On April 10, 2015, Mr. Zhao Xiaofei, the spouse of Ms. Ruan Zeyun and the son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua, entered into an equity transfer agreement with Mr. Wang Jiahua pursuant to which Mr. Zhao Xiaofei agreed to acquire from Mr. Wang Jiahua, 0.36% equity interest in our Company for a cash consideration of RMB5.40 million, which was determined after arm's length negotiation between parties. Such consideration was irrevocably settled on April 17, 2015 and the transfer was completed on April 23, 2015. The equity interest acquired by Mr. Zhao Xiaofei under the above-mentioned agreement does not enjoy any special rights. On the basis of 4,800,000 Domestic Shares which Mr. Zhao Xiaofei will hold immediately upon completion of the Global Offering, representing approximately 0.27% of the total share capital of our Company upon the Listing before the exercise of the Over-allotment Option, the investment cost of Mr. Zhao Xiaofei is approximately RMB1.125 per Domestic Share, representing a discount of approximately 48.73% to the high end of the indicative Offer Price range of HK\$2.68 per H Share, and a discount of approximately 34.57% to the low end of the indicative Offer Price range of HK\$2.10 per H Share. The Domestic Shares held by Mr. Zhao Xiaofei are subject to lock up of twelve months from the Listing Date. The Sole Sponsor is of the view that the acquisition of interest by Mr. Zhao Xiaofei mentioned above is in compliance with the Interim Guidance on Pre-IPO Investments announced by the Stock Exchange on October 13, 2010 (as amended) and Guidance Letters HKEx-GL43-12 and HKEx-GL44-12.

HISTORY AND CORPORATE STRUCTURE

APPLICATION FOR A-SHARE LISTING

In October 2011, our Company filed with the CSRC an application for listing its shares on the main board of the Shanghai Stock Exchange (the “A-share Application”) which was sponsored by a sponsor institution duly licensed in the PRC (the “A-share Sponsor”). The CSRC formally accepted the A-share Application for review on November 2, 2011 and we received a set of comments from the CSRC in January 2012. Such comments were related to our Company’s business, operation and financial conditions in the three years ended December 31, 2009, 2010 and 2011 (the then track record period of the A-share Application). Principal comments include requests for disclosures and/or explanations on (i) our Company’s policies and plans of dividend distribution and the A-share Sponsor’s relevant opinions and the compliance with PRC laws and regulations, (ii) the capital investments of the A-share Sponsor and other investors in our Company before the A-share Application and the compliance with the relevant PRC laws and regulations; (iii) the connected transactions and the relevant details disclosed in the draft prospectus for the purpose of the A-share Application, the business scope of the connected persons, fairness of pricing and the compliance with the applicable rules and regulations; and (iv) the pollution emitted during our production process and our Company’s environmental protection policies and measures, related costs as well as compliance with the relevant PRC laws and regulations. Our Company submitted responses (the “Responses”) to such comments in March 2012 but did not receive any further comments or enquiries from the CSRC in relation to the Responses. However, during the CSRC’s review process in 2012, the global PV glass market has experienced a significant downturn. As such, our Company made a strategic decision to concentrate on its business development and abort the A-share Application. It subsequently submitted an application to the CSRC for withdrawal of the A-share Application in March 2013 on the basis that although the business of our Company had been operated in a normal manner and achieved profits, it had been negatively influenced by the uncertainty in the down-stream PV glass market. At all material times, the A-share Application was valid and had not been rejected or returned by the CSRC. For more details of the global PV glass market in 2012, please refer to “Analysis of PV Glass Market” in the section headed “Industry Overview.”

In May 2013, the CSRC issued a notification to our Company (the “CSRC Notification”) and decided to terminate the review process of the A-share Application pursuant to the relevant requirement on the basis of the voluntary withdrawal of A-share Application by our Company. Following the withdrawal of the A-share Application, the engagement between our Company and each advisor ceased. The A-share Sponsor and the reporting accountants involved in the A-share Application have respectively confirmed that they had no disagreement with our Company or any other advisor that was involved in the A-share Application, and that there was no matter that needed to be brought to our attention with respect to the withdrawal of the A-share Application and the CSRC Notification.

Save as disclosed in this prospectus, nothing has come to the attention of the Sole Sponsor that would reasonably make the Sole Sponsor aware of (a) any issues relating to the A-share Application which are relevant and material to the Listing and should reasonably be highlighted in this prospectus as part of the information that investors would reasonably require in order to make an informed assessment of our Company, and (b) any other matters relating to the A-share Application which might materially and adversely affect our Company’s suitability for the Listing or the accuracy of the information disclosed in this prospectus.

HISTORY AND CORPORATE STRUCTURE

Having performed the necessary due diligence with respect to the A-share Application, the Sole Sponsor, itself not being licensed to advise on the A-share Application or on PRC listing matters generally, is not aware of any matters that would cause the Sole Sponsor to believe that the CSRC would have then rejected our Company's A-share Application had our Company elected to proceed with the CSRC review process for the A-share Application with the improved global PV glass market.

OUR SUBSIDIARIES

1. Shanghai Flat

In order to utilize a glass melting furnace with a daily maximum capacity of 100 tons acquired by our Company from a third party in April 2006, Shanghai Flat was established under the laws of the PRC as a limited liability company on June 6, 2006 with a registered capital of RMB20,000,000 contributed by our Company in cash.

At the time of commencement of business in June 2006, Shanghai Flat used the above-mentioned furnace to engage in the business of production of patterned glass. Subsequently, as our Group started research and exploration in the PV glass industry and developed several important overseas customers, including a renowned Japanese multinational corporation, Shanghai Flat made certain enhancements and modifications to such furnace so that it could be used to produce PV glass, and built another furnace which can be used to produce PV glass by itself.

In May 2012, our Company's first 600-ton PV glass melting furnace, was put into operation and replaced the two PV glass melting furnaces, each with a daily melting capacity of 100 tons operated by Shanghai Flat.

Following the current trend of the PV industry, Shanghai Flat has been gradually switching their orders of PV glass to the Company since the second half of 2011. As of the Latest Practicable Date, Shanghai Flat was mainly engaged in architectural glass processing business.

2. Zhejiang Jiafu

On August 15, 2007, Zhejiang Jiafu was established under the laws of the PRC as a limited liability company with a registered capital of RMB100,000,000 contributed by our Company and Shanghai Flat in cash as to 55% and 45%, respectively.

Zhejiang Jiafu commenced its business in January 2009, after the installation and operation of the first of its two melting furnaces with a daily maximum production capacity of 300 tons, and was mainly engaged in the manufacture and sales of PV glass.

HISTORY AND CORPORATE STRUCTURE

Merger by Absorption of Gaoshang Real Estate and Capital Increase in 2008

Jiaxing Gaoshang Real Estate Development Co., Ltd.* (嘉興高上置業開發有限公司) (“Gaoshang Real Estate”) was established as a wholly-foreign owned company in the PRC on November 23, 2004, with registered capital of USD3,000,000. Gaoshang Real Estate was owned by Mr. Zheng Minxiong (鄭敏雄先生), Mr. Liu Qingxi (劉清溪先生) and Mr. Zheng Yaosen (鄭耀森先生) as to 38.33%, 36.67% and 25.00%, respectively, at the time of its establishment. Mr. Zheng Minxiong, Mr. Liu Qingxi and Mr. Zheng Yaosen were Independent Third Parties as of the Latest Practicable Date.

On June 30, 2008, with a view to facilitate the obtaining of a piece of land owned by Gaoshang Real Estate through acquisition of the equity interests in Gaoshang Real Estate for the construction of our office building, canteen and dormitory for our employees, two equity transfer agreements were entered into between Mr. Zheng Minxiong, Mr. Liu Qingxi and Shanghai Flat, and between Mr. Liu Qingxi, Mr. Zheng Yaosen and our Company, respectively. Pursuant to the equity transfer agreements, Mr. Zheng Minxiong and Mr. Liu Qingxi agreed to transfer and Shanghai Flat agreed to acquire 38.33% and 6.37% equity interests in Gaoshang Real Estate at consideration of RMB9,085,000 and RMB1,580,000, respectively, and Mr. Liu Qingxi and Mr. Zheng Yaosen agreed to transfer and our Company agreed to acquire 30.00% and 25.00% equity interests in Gaoshang Real Estate at the considerations of RMB7,110,000 and RMB5,925,000, respectively. Such considerations were determined with reference to the net book value of the land use rights and construction in process owned by Gaoshang Real Estate as at June 30, 2008 and were settled in full as of July 23, 2009. Immediately after the equity transfers, Gaoshang Real Estate was owned by our Company and Shanghai Flat as to 55% and 45%, respectively.

On October 15, 2008, upon resolutions passed at respective shareholders’ meetings of Gaoshang Real Estate and Zhejiang Jiafu, Gaoshang Real Estate was merged by absorption by Zhejiang Jiafu. Upon completion of such merger by absorption, the registered capital of Zhejiang Jiafu was increased from RMB100,000,000 to RMB123,714,977.05 and was owned by our Company and Shanghai Flat as to 55% and 45%, respectively.

Acquisition of 45% Equity Interests in Zhejiang Jiafu in 2014

On March 10, 2014, in the view to enhance management efficiency of our Group, an equity transfer agreement was entered into between our Company and Shanghai Flat, pursuant to which Shanghai Flat agreed to transfer and our Company agreed to acquire 45% equity interests held by Shanghai Flat in Zhejiang Jiafu at a consideration of RMB67,500,000, which was determined with reference to the then registered capital of Zhejiang Jiafu. Such consideration was offset in full by payables owed to our Company by Shanghai Flat as of June 23, 2014. Immediately upon completion of such equity transfer, Zhejiang Jiafu became wholly owned by our Company.

3. Anhui Flat Glass

On January 18, 2011, with the view to leverage on our current business presence in Anhui province and to better serve our customers located in the Northern and Western China, Anhui Flat Glass was established under the laws of the PRC as a limited liability company with registered capital

HISTORY AND CORPORATE STRUCTURE

of RMB150,000,000 contributed by our Company and Zhejiang Jiafu as to 60% and 40%, respectively. On January 18, 2013, the registered capital of Anhui Flat Glass was decreased to RMB30,000,000. As of the Latest Practicable Date, Anhui Flat Glass had not commenced its business and we were in the process of conducting the feasibility study. The business scope of Anhui Flat Glass as set out in its business license is the manufacture, processing and sales of special glass.

Acquisition of 40% Equity Interests in Anhui Flat Glass in 2014

On March 10, 2014, in the view to enhance management efficiency of our Group, an equity transfer agreement was entered into between our Company and Zhejiang Jiafu, pursuant to which Zhejiang Jiafu agreed to transfer and our Company agreed to acquire 40% equity interests held by Zhejiang Jiafu in Anhui Flat Glass at a consideration of RMB12,000,000, which was determined with reference to the then registered capital of Anhui Flat Glass. Such consideration was offset in full by payables owed to our Company by Zhejiang Jiafu as of June 23, 2014. Immediately upon completion of such equity transfer, Anhui Flat Glass became wholly-owned by our Company.

4. Anhui Flat Materials

On January 19, 2011, with a view to further strengthen our vertical integration and leverage on the abundance of quartzite ore, which can be processed into silica sand as one of our principal raw materials in glass production, in Anhui Province, Anhui Flat Materials was established under the laws of the PRC as a limited liability company with registered capital of RMB30,000,000 contributed by our Company and Zhejiang Jiafu as to 60% and 40%, respectively. Anhui Flat Materials commenced its business in September 2013 and was principally engaged in the operations of the mine and the sales of quartzite ore.

Acquisition of 40% Equity Interests in Anhui Flat Materials in 2014

On March 10, 2014, in the view to facilitate the management of our Group, an equity transfer agreement was entered into between our Company and Zhejiang Jiafu, pursuant to which Zhejiang Jiafu agreed to transfer and our Company agreed to acquire 40% equity interests held by Zhejiang Jiafu in Anhui Flat Materials at a consideration of RMB12,000,000, which was determined with reference to the then registered capital of Anhui Flat Materials. Such consideration was offset in full by payables owed to our Company by Zhejiang Jiafu as of June 23, 2014. Immediately upon completion of such equity transfer, Anhui Flat Materials became wholly owned by our Company.

5. Zhejiang Flat

On February 14, 2011, Zhejiang Flat was established under the laws of the PRC as a limited liability company with registered capital of RMB5,000,000 contributed solely by our Company. Zhejiang Flat commenced its business in April 2012 and was mainly engaged in the manufacture and sales of architectural or household glass products.

HISTORY AND CORPORATE STRUCTURE

6. Flat HK

On January 9, 2013, with a view to develop our international business, Flat HK was incorporated under the laws of Hong Kong as a limited company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, the 10,000 shares of Flat HK were issued and allotted to our Company. Flat HK commenced its business in August 2013 and was mainly engaged in the export of glass.

On September 30, 2013, the authorized share capital of Flat HK was increased by HK\$67,561 to HK\$77,561 divided into 77,561 shares of HK\$1.00 each. On the same day, the additional 67,561 shares of Flat HK were issued and allotted to our Company.

7. Flat New Energy

On March 11, 2014, with a view to leverage on the PRC Government's favourable policies on solar energy and to operate our distributed PV systems, Flat New Energy was established under the laws of the PRC as a limited liability company with registered capital of RMB10,000,000 contributed solely by our Company. Flat New Energy commenced its business in March 2014 and was mainly engaged in the investment, construction, operation and maintenance of new energy power plants. As of the Latest Practicable Date, the power generation facilities operated by Flat New Energy have a total capacity of approximately 10.3 MW.

Views of Our PRC Legal Advisors

Our PRC Legal Advisors are of the view that (i) the merger by absorption and acquisitions mentioned above have been properly and legally completed and settled; (ii) the rights and obligations under the capital increase agreement entered into among the Financial Investors and our Company have been legally released; and (iii) the historical transfer of shares referred to in this section have been properly and legally completed and settled.

HISTORY AND CORPORATE STRUCTURE

OUR FOUNDERS

The names, capital contributions made by and approximate shareholding percentages of our Founders in Naibang Trading as at the date of the establishment of Naibang Trading are set out below:

Name of Founders	Capital contribution	Approximate shareholding percentage
	(RMB)	(%)
Mr. Ruan Hongliang (阮洪良先生)	60,000	11.78
Mr. Chen Xinhua (陳新華先生)	50,000	9.81
Mr. Zou Haiming (鄒海明先生)	50,000	9.81
Ms. Wang Huifen (王惠芬女士)	40,000	7.84
Mr. Zhu Quanming (祝全明先生)	40,000	7.84
Ms. Luo Shuying (駱淑英女士)	40,000	7.84
Mr. Xu Lingen (徐林根先生)	40,000	7.84
Mr. Zheng Wenrong (鄭文榮先生)	40,000	7.84
Mr. Wu Herong (吳和榮先生)	40,000	7.84
Mr. Wu Jianping (伍建平先生)	40,000	7.84
Mr. Shen Fuquan (沈福泉先生)	40,000	7.84
Mr. Chen Jian (陳堅先生)	15,000	2.94
Mr. Wei Yezhong (魏葉忠先生)	5,000	0.98
Mr. Zhang Yongming (張永明先生)	5,000	0.98
Mr. Lu Peihua (陸培華先生)	5,000	0.98
TOTAL	510,000	100.00

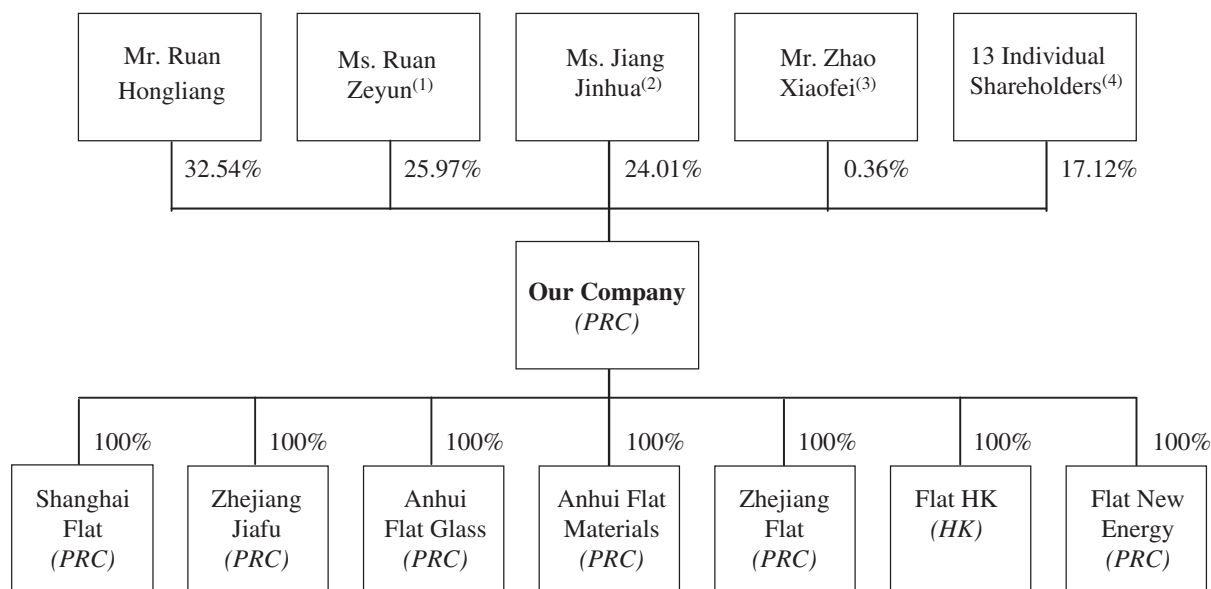
Among our Founders, Mr. Ruan Hongliang is an executive Director, chairman of our Board and general manager of our Company. Mr. Wei Yezhong is an executive Director and deputy general manager of our Company. Mr. Zheng Wenrong is a Supervisor and chairman of board of Supervisors of our Company. Mr. Shen Fuquan and Mr. Zhu Quanming are Supervisors of our Company, whilst Mr. Zhang Yongming is an employee of our Company. Please refer to the section headed “Directors, Supervisors and Senior Management” for further details of the background and relevant industry experience of Mr. Ruan Hongliang, Mr. Wei Yezhong, Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming as of the Latest Practicable Date.

As of the Latest Practicable Date, Mr. Chen Xinhua, Mr. Zou Haiming, Ms. Wang Huifen, Ms. Luo Shuying, Mr. Xu Lingen, Mr. Wu Herong, Mr. Wu Jianping, Mr. Chen Jian and Mr. Lu Peihua did not own any Domestic Shares.

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The chart below sets out our ownership and corporate structure immediately prior to the Global Offering:



Notes:

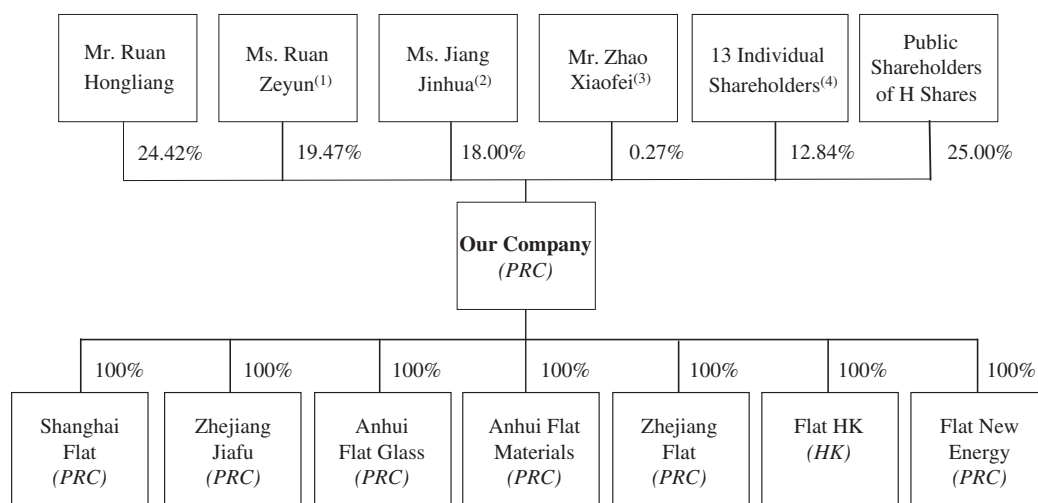
- (1) Ms. Ruan Zeyun is the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua, and the spouse of Mr. Zhao Xiaofei.
- (2) Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang and the mother of Ms. Ruan Zeyun.
- (3) Mr. Zhao Xiaofei is the spouse of Ms. Ruan Zeyun and son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua.
- (4) The 13 individual Shareholders and their respective approximate shareholding in our Company as of the Latest Practicable Date are as follows:

Name of Shareholders	Registered capital held (RMB)	Approximate shareholding percentage (%)
Mr. Zheng Wenrong (鄭文榮先生) ^(a)	14,445,000	4.28
Mr. Shen Fuquan (沈福泉先生) ^(b)	9,630,000	2.85
Mr. Zhu Quanming (祝全明先生) ^(c)	9,630,000	2.85
Mr. Wei Yezhong (魏葉忠先生) ^(d)	4,815,000	1.43
Mr. Tao Hongqiang (陶虹強先生) ^(e)	3,852,000	1.14
Mr. Shen Qifu (沈其甫先生) ^(f)	3,210,000	0.95
Ms. Tao Hongzhu (陶宏珠女士) ^(g)	3,210,000	0.95
Mr. Wei Zhiming (韋志明先生) ^(h)	3,210,000	0.95
Mr. Pan Rongquan (潘榮觀先生)	1,605,000	0.48
Ms. Jiang Jinlan (姜瑾蘭女士) ⁽ⁱ⁾	1,500,000	0.44
Mr. Zhu Hai'ou (諸海鷗先生) ⁽ⁱ⁾	1,500,000	0.44
Mr. Zheng Yong (鄭永先生)	900,000	0.27
Mr. Sun Lizhong (孫利忠先生)	300,000	0.09

HISTORY AND CORPORATE STRUCTURE

- (a) Mr. Zheng Wenrong is the chairman of the board of Supervisors of our Company.
- (b) Mr. Shen Fuquan is a Supervisor of our Company.
- (c) Mr. Zhu Quanming is a Supervisor of our Company.
- (d) Mr. Wei Yezhong is an executive Director and a deputy general manager of our Company.
- (e) Mr. Tao Hongqiang is a cousin of Mr. Ruan Hongliang, an uncle of Ms. Ruan Zeyun and the elder brother of Ms. Tao Hongzhu.
- (f) Mr. Shen Qifu is an executive Director of our Company.
- (g) Ms. Tao Hongzhu is a cousin of Mr. Ruan Hongliang, an aunt of Ms. Ruan Zeyun and the younger sister of Mr. Tao Hongqiang.
- (h) Mr. Wei Zhiming is a deputy general manager of our Company.
- (i) Ms. Jiang Jinlan is a sister of Ms. Jiang Jinhua, a sister-in-law of Mr. Ruan Hongliang and an aunt of Ms. Ruan Zeyun.
- (j) Mr. Zhu Hai'ou is a nephew of Mr. Ruan Hongliang and a cousin of Ms. Ruan Zeyun.

The chart below sets out our ownership and corporate structure immediately after the Global Offering, assuming the Over-allotment Option is not exercised:



Notes:

- (1) Ms. Ruan Zeyun is the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua and the spouse of Mr. Zhao Xiaofei.
- (2) Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang and the mother of Ms. Ruan Zeyun.
- (3) Mr. Zhao Xiaofei is the spouse of Ms. Ruan Zeyun and son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua.

HISTORY AND CORPORATE STRUCTURE

- (4) The 13 individual Shareholders and their respective approximate shareholding in our Company immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised, are as follows:

Name of Shareholders	Registered capital held	Approximate shareholding percentage
	(RMB)	(%)
Mr. Zheng Wenrong (鄭文榮先生)	14,445,000	3.21
Mr. Shen Fuquan (沈福泉先生)	9,630,000	2.14
Mr. Zhu Quanming (祝全明先生)	9,630,000	2.14
Mr. Wei Yezhong (魏葉忠先生)	4,815,000	1.07
Mr. Tao Hongqiang (陶虹強先生)	3,852,000	0.86
Mr. Shen Qifu (沈其甫先生)	3,210,000	0.71
Ms. Tao Hongzhu (陶宏珠女士)	3,210,000	0.71
Mr. Wei Zhiming (韋志明先生)	3,210,000	0.71
Mr. Pan Rongguan (潘榮觀先生)	1,605,000	0.36
Ms. Jiang Jinlan (姜瑾蘭女士)	1,500,000	0.33
Mr. Zhu Hai'ou (諸海鷗先生)	1,500,000	0.33
Mr. Zheng Yong (鄭永先生)	900,000	0.20
Mr. Sun Lizhong (孫利忠先生)	300,000	0.07

As confirmed by our PRC Legal Advisors, Shares issued by our Company prior to the Listing and held by the 13 individual Shareholders in the table above are subject to a lock-up period of one year commencing from the Listing Date. For management positions of and relationship amongst certain Shareholders shown in the above corporate structure chart, see corresponding notes of the chart as set out at page 125 to 126 in this section.

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OVERVIEW

We were the largest PV glass manufacturer globally and in China in terms of sales revenue of PV raw glass and processed PV glass in 2014, according to the Frost & Sullivan Report. Our sales revenue from PV glass in 2014 accounted for approximately 18.9% of the total global sales revenue of PV glass and approximately 26.3% of the total sales revenue of PV glass in China. Our PV glass products are mainly ultra-clear patterned PV glasses, which are primarily used to manufacture c-Si PV cells that can subsequently be assembled to form c-Si PV modules. Our PV glass can also be used as covers for thin film PV cells. We sell our PV glass products primarily to domestic and overseas PV module manufacturers. According to the Frost & Sullivan Report, most of the global top ten PV module manufacturers in 2014 have purchased our PV glass products. While we derive a majority of our revenue from PV glass, we also manufacture and sell float glass, household glass and architectural glass, which, together with the PV glass, comprise our four major glass products. For the year ended December 31, 2014, our revenue from such four major segments was RMB2,078.4 million, RMB353.8 million, RMB250.9 million and RMB139.2 million, respectively.

According to the Frost & Sullivan Report, we were one of the largest PV raw glass manufacturers in China in 2014. As of December 31, 2014, we owned and operated seven furnaces for raw glass production, five of which were used for manufacturing ultra-clear PV raw glass and had an aggregate daily maximum production capacity of 2,290 tons, which ranked second in China in 2014, according to the Frost & Sullivan Report, and the remaining two furnaces were used for manufacturing float glass with an aggregate daily maximum production capacity of 1,200 tons. As of the Latest Practicable Date, our aggregate daily maximum production capacity for PV raw glass and float glass remained at 2,290 tons and 1,200 tons, respectively. We currently operate 16 production lines for PV raw glass, 21 dedicated processing lines for PV glass, two production lines for float glass, 12 processing lines for household glass and 12 processing lines for architectural glass.

Our production base is strategically located in Jiaxing, Zhejiang Province, which is part of the Yangtze River Delta region. We believe our future success is closely linked to the economic development of the region, where many of our existing and potential PV glass customers are located due to favorable government policies that encourage the development and application of new and clean alternative energy. We have built a strong customer base in China and overseas that includes leading PV module manufacturers, such as Solar Frontier K.K., a wholly owned subsidiary of Showa Shell Sekiyu K.K., and we have supplied PV glass products to a renowned Japanese multinational corporation. We have also established stable long-term relationship with a large multinational furniture retailer that designs and sells ready-to-assemble furniture, appliances and home accessories. This reflects the general acceptance and recognition of the high quality of our glass products by several internationally renowned companies and brands.

We are recognized as a leader in the PV glass industry in China as we were the first PV glass manufacturer in the PRC to obtain the SPF certifications for PV glass from the Institut Für Solartechnik in Switzerland for having passed the Solartechnik Prüfung Forschung (SPF) testing procedure tailored for PV glasses. In addition, we have participated in setting industry standards of PV glass manufacturing. Our PV glass products have also been recognized in China for its superb quality, which were used in several iconic structures, including in the PV projects of the China Pavilion and other theme pavilions of the 2010 Shanghai World Expo and the National Stadium in

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Beijing, also known as the Bird's Nest. In addition, in recognition of our leading position and expertise in PV glass manufacturing, we received numerous awards in China, including, among others, the National Key New Product Award awarded by, among others, Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) in 2008. We also possess industry-leading technologies and strong research and development capabilities that we believe are instrumental to our success. For instance, we have developed a coating agent in-house for our PV glass to enhance its light transmission rate. Based on laboratory testing carried out by an independent testing center, our 3.2mm coated PV glass has a light transmission rate of up to 94.5% as compared to 91.8% before the application of the coating agent. We have included the composition and the production method of this coating agent among one of our patents, "A reflection-reducing and high transmission rate PV glass and its production method"* (一種減反射高透過率鍍膜太陽能超白壓花玻璃及其製造方法).

We have experienced rapid growth during the Track Record Period. Our revenue for the years ended December 31, 2012, 2013 and 2014, was RMB1,488.6 million, RMB2,187.3 million and RMB2,833.3 million, respectively, representing a CAGR of 38.0%, and for the five months ended May 31, 2014 and 2015, was RMB1,149.8 million and RMB1,237.4 million, respectively. Our profit after tax for the years ended December 31, 2012, 2013 and 2014, was RMB59.9 million, RMB203.6 million and RMB392.7 million, respectively, representing a CAGR of 156.1%, and for the five months ended May 31, 2014 and 2015, was RMB162.1 million and RMB161.5 million, respectively. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our gross profit margin was 21.6%, 27.2%, 32.8%, 33.0% and 28.2%, respectively, and the gross profit margin for our PV glass segment was 25.8%, 27.6%, 37.0%, 36.4% and 33.1%, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following principal competitive strengths have contributed to our success and will continue to enable us to compete effectively and to capitalize on future growth opportunities.

We were the largest PV glass manufacturer globally and in China and one of the most experienced manufacturers in China with advantageous geographic location.

We were the largest PV glass manufacturer globally and in China in terms of sales revenue of PV raw glass and processed PV glass in 2014, according to the Frost & Sullivan Report. Our sales revenue of PV glass in 2014 accounted for approximately 18.9% and 26.3% of the total sales revenue globally and in China, respectively, which were 1.8% and 11.4% higher than the second and third largest PV glass manufacturers in the world, and 2.6% and 15.9% higher than the second and third largest PV glass manufacturers in China, respectively, according to the Frost & Sullivan Report. During the Track Record Period, the majority of our revenue was derived from the manufacture and sales of PV glass. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, our revenue from the PV glass segment was RMB1,120.5 million, RMB1,438.4 million, RMB2,078.4 million and RMB937.2 million, respectively, representing 75.3%, 65.8%, 73.3% and 75.7% of our total revenue for the same periods, respectively.

In addition, we were the first PV glass manufacturer in the PRC to obtain the SPF certifications for PV glass from the Institut Für Solartechnik in Switzerland for having passed the Solartechnik Prüfung Forschung (SPF) testing procedure tailored for PV glasses. The SPF certificate is generally

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recognized as the industry standard for quality PV glass and is generally required by our PV glass customers in Europe. We commenced manufacturing and selling PV glass products to domestic and overseas PV module manufacturers in 2006. Furthermore, we are recognized as a leader in the industry in China based on our participation in setting industry standards of PV glass manufacturing in China the use of our PV glass in certain iconic structures in the PRC and awards we received for our products. For example, our Company has been the deputy director of the PV Glass 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) since October 2009. We have participated in the drafting of the PRC PV glass industry standards, including the standards for (i) the PV glass for solar cell modules* (太陽能電池用玻璃) (JC/T 2001-2009), which became effective in June 2010; (ii) the anti-reflective coated glass for PV modules* (太陽能光伏組件用減反射膜玻璃) (JC/T 2170-2013), which came into force in September 2013, and (iii) the norm of energy consumption per unit product of ultra-white patterned glass* (光伏壓延玻璃單位產品能源消耗限額) (GB30252-2013), which came into force in September 2014. In addition, our PV glass products were used in iconic structures in the PRC, including in the PV projects of the China Pavilion and other theme pavilions of the 2010 Shanghai World Expo and the National Stadium in Beijing, which is also known as the Bird's Nest. In recognition of our leading position and expertise in the PV glass manufacturing, we received numerous awards in China, including National Key New Product Award awarded by, among others, Ministry of Science and Technology of the PRC for our PV glass products in 2008. See “— Awards, Accreditations and Memberships” for more information.

Moreover, we are located in northern Zhejiang Province, which is part of the Yangtze River Delta. We believe our strategic location is vital to our past and future success. The prosperity and continued economic growth of the region, especially in northern Zhejiang Province, coupled with the encouragement by the local governments to develop and apply new and clean alternative energy, created a conducive business environment for domestic PV module manufacturers, a majority of which are our existing and targeted customers. We believe our proximity to many of our existing and potential customers in the Yangtze River Delta will support our growth strategy and enable us to capture new business opportunities.

We have vertically integrated business operations, which enable us to better control our production cost and to maximize our return.

We have a vertically integrated business model which encompasses a comprehensive value chain from production of raw glass to finished goods. We currently offer four types of glass products: PV glass, float glass, household glass and architectural glass. The PV glass products we sell are generally ultra-clear patterned PV glass product, except we sold small quantities of PV raw glass to several of our customers during the Track Record Period. See “Financial Information — Factors Affecting Our Results of Operations — Our Product Mix and Customer Mix” and “Financial Information — Principal Income Statement Components — Revenue — Segment Revenue — PV Glass” for more information. During the Track Record Period, all of our PV glass products were processed from the PV raw glass we manufactured in-house, and approximately 90% of our household glass and architectural glass products were processed from the float glass we manufactured in-house.

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Silica sand is one of the principal raw materials we use in the production of our PV raw glass and float glass. During the Track Record Period, we procured ultra-clear silica sand for the production of our ultra-clear PV raw glass from suppliers in Hainan Province, Guangdong Province and Anhui Province, and float silica sand for the production of float glass from suppliers in Fengyang, Anhui Province. While maintaining stable relationships with our existing network of raw material suppliers, we continue to seek new suppliers that can offer us better prices. In order to secure a more stable source of silica sand supply for our production of float glass, we have acquired the mining right to the Mine. We commenced using the silica sand processed and refined from the quartzite ore extracted from the Mine for the production of our float glass since January 2015. Since we do not have processing and refinement capabilities, we have arrangements with certain of our customers to process the quartzite ore for us. After processing by such customers, the quartzite ore extracted from the Mine can be used in the production of our float glass. See “Business — Mining Rights” for more information.

In addition, we were one of the largest PV raw glass manufacturer in China in 2014, according to the Frost & Sullivan Report. As of December 31, 2014, we owned and operated seven furnaces for raw glass production, five of which were used for manufacturing ultra-clear PV raw glass and had an aggregate daily maximum production capacity of 2,290 tons, which ranked second in China in 2014, according to the Frost & Sullivan Report, and the remaining two furnaces were used for manufacturing float glass with an aggregate daily production capacity of 1,200 tons. As of the Latest Practicable Date, our aggregate daily maximum production capacity for PV raw glass and float glass remained at 2,290 tons and 1,200 tons, respectively. Of these furnaces, four have a daily maximum production capacity of 600 tons each, which are considered large-scale and are energy efficient. Based on our operating experience, a large-scale furnace of approximately 500 tons of daily maximum capacity and above can reduce unit energy consumption by up to approximately 20% as compared to a smaller furnace with approximately 300 tons of daily maximum production capacity. We plan to upgrade one of our existing PV glass furnaces with a daily maximum production capacity of 490 tons by optimizing its production method to enhance the efficiency of the fuel it burns. We believe this modification and upgrade will allow us to produce our PV glass on a more cost-efficient manner and enable us to further lower our emission of pollutants and thus, become more environmental friendly. See “— Our Business Strategies — Increase our production efficiency in order to continue to maintain our leading position in the global and domestic PV glass industry.”

Furthermore, our production facilities in Jiaxing are located by the Beijing-Hangzhou Grand Canal with a self-operated pier located by the banks, which we use primarily to receive raw materials for our production. The availability of such convenient waterway transportation allows us to incur relatively low transportation cost. In addition, our manufacturing facilities are in close proximity to Shanghai, which also provides us with easy access to the Port of Shanghai for exportation of our products overseas.

Accordingly, we were able to improve our gross profit margin during the Track Record Period, which increased from 21.6% for the year ended December 31, 2012 to 28.2% for the five months ended May 31, 2015. We believe by vertically integrating our operations, we have been able to better control our production cost and secure a stable and long-term supply of certain key raw materials.

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We have a stable and strong customer base as we provide high quality products.

We have established and maintained strong and stable relationships with our customers. For example, we have supplied PV glass products to a renowned Japanese multinational corporation since 2008, and as of the Latest Practicable Date, such Japanese multinational corporation continued to use our PV glass products in their PV modules. Our relationship with majority of our top ten customers during the Track Record Period who are in the PV modules industry predates the Track Record Period. We are able to leverage these long-term business relationships to expand our PV glass business. For instance, according to the Frost & Sullivan Report, most of the global top ten PV module manufacturers in 2014 have purchased our PV glass products. In addition to our PV glass customers, we established and maintained long-term relationships with our household glass customers. For instance, we are one of the qualified suppliers of a large multinational furniture retailer, and we sell our household glass to this furniture retailer and its furniture manufacturers since 2006. We have to pass a very stringent set of testing protocols of our household glass products and production facilities to become a qualified supplier for its furniture products. See “— Our Customers — Process to Qualify as a Supplier to Our Customers” for more information.

We believe our ability to attract new customers and to maintain relationships with our existing customers is a testament of the quality of our products, which is a result of the high-quality raw materials we produced in-house and used in the manufacturing of finished products, our advanced technical knowhow and the fruits of our research and development efforts and stringent quality control procedures. For example, based on our industry knowledge, the industry average of glass bursting rate of ultra-clear patterned PV glass, a key indicator of the quality of ultra-clear patterned PV glass, is approximately 100 ppm but the average glass bursting rate of our ultra-clear PV patterned glass products is only approximately 50 ppm, which means our PV glass products are more stable than the average ones in the industry. In addition, we developed a coating agent in-house for our PV glass to enhance its light transmission rate, which could increase between 2.0% to 3.0% as compared to regular PV glass without such coating. Please see “— We possess industry-leading technologies and strong research and development capabilities” for more information.

We have a product mix that is adaptable to market fluctuations.

We currently have a mix of glass products, which consists of PV glass, float glass, household glass and architectural glass. PV glass is the principal glass products we manufacture and sell, which accounted for 75.7% of our total revenue for the five months ended May 31, 2015, whereas float glass, household glass and architectural glass accounted for 10.3%, 7.8% and 4.6% of our total revenue for the same period, respectively. The gross profit margin for PV glass, float glass, household glass and architectural glass was 33.1%, 3.6%, 20.9% and 12.8% for the five months ended May 31, 2015, respectively. Our product mix allows us to adjust and optimize our profitability based on the existing market conditions and industry dynamics, and to weather possible downturn of the market for an individual product. For example, in 2012, the PV glass industry experienced a slowdown in growth after close to 80% growth in production volume in the PRC in 2011 as compared to 2010. This slowdown resulted in excess supply of PV glass in the market and a decrease in the average selling price of our PV glass products. We temporarily shut down two of our PV glass furnaces for technical upgrades in the second half of 2012, and only resumed operations when the PV glass market began to recover in the second half of 2013. Despite a decrease in the segment revenue from our PV glass

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in 2012 compared to 2011, we were able to sustain our business primarily due to a rise in the demand for float glass during the year and the corresponding expansion of our float glass production capacity, which allowed us to manage our risks and minimize the impact our business from the cyclical nature of the PV industry. Moreover, we were able to adjust our product mix to improve our liquidity, ensure production quality and maintain effective resource allocation.

We possess industry-leading technologies and strong research and development capabilities.

Our research and development capability has been instrumental to our success. We are the largest PV glass manufacturer in China in terms of sales revenue in terms of PV raw glass and processed PV glass in 2014, according to the Frost & Sullivan Report. To continue to innovate and to maintain our market-leading position, we have a strong research and development department comprising over 30 research specialists, a majority of whom possess university degree or above. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we have invested RMB59.9 million, RMB66.6 million, RMB129.3 million and RMB44.4 million, respectively into research and development-related initiatives.

With our continuous research and development efforts, we have successfully developed a coating agent in-house for our PV glass to enhance its light transmission rate, which we believe sets our products apart from those of our competitors. When the coating agent is applied, the light transmission rate of our PV glass could increase between 2.0% to 3.0% as compared to regular PV glass without such coating. Based on laboratory testing carried out by an independent testing center, our 3.2mm coated PV glass has a light transmission rate of up to 94.5% as compared to a light transmission rate of approximately 91.8% before the coating is applied.

In addition to our in-house research and development capabilities, we have also collaborated with universities and research centers in China during the Track Record Period to exchange technological ideas in PV glass-related technologies to strengthen our technical knowhow.

As a result of these efforts, as of the Latest Practicable Date, we owned 36 patents, the majority of which were related to PV glass manufacturing technologies. Our advanced technologies in PV glass have also been recognized through the National Torch Plan* (國家火炬計劃), a national program in China for the development and promotion of high-and-new technology products* (高新技術產品). In addition, in 2010, the National Building Federation* (中國建築材料聯合會) and China Machine and Metallurgy Building Materials National Committee* (中國機冶建材工會全國委員會) awarded our ultra-clear patterned PV glass the First Prize in National Building Materials Industry Technological Innovation Award* (全國建材行業技術革新獎), and China International Patent & Brand Expo Organizing Committee* (中國國際專利與名牌博覽會組織委員會) and China International Patent & Brand Expo Accreditation Committee* (中國國際專利與名牌博覽會評審委員會) awarded the Gold Prize for the ultraviolet ray — blocking technology for our PV glass. Please see “— Awards, Accreditations and Memberships” for details.

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We have an experienced and stable management team with extensive industry knowledge.

We have an experienced management team with extensive knowledge of the glass industry. Our management team consists of our executive Directors and senior management. Each of our executive Directors has at least 15 years of relevant industry and management experience. In particular, Mr. Ruan Hongliang, the chairman of our Board, has over 30 years of experience in glass manufacturing. In recognition of his contribution and expertise in glass and PV glass, Mr. Ruan holds offices as standing vice chairman of the Zhejiang Glass Industry Association* (浙江省玻璃行業協會). Furthermore, Mr. Wei Yezhong, one of our executive Directors, is a qualified engineer and has extensive experience in the glass industry. Mr. Wei Zhiming, the deputy general manager of our Group, is responsible for our PV glass department, and Mr. Tao Hongqiang, the manager of our research and development department, has participated in setting industry standards of PV glass manufacturing. In addition, we have a relatively stable senior management team as most of its members have been with us since we have entered the PV glass industry.

We believe our management team's in-depth industry knowledge and vision have enabled us to effectively formulate and implement sound business strategies, carefully evaluate and manage risks, accurately anticipate changes in the industry and timely capture market opportunities. For further information about our Directors and senior management, see "Directors, Supervisors and Senior Management" in this prospectus.

OUR BUSINESS STRATEGIES

We aim to strengthen our market position as a leading PV glass manufacturer and to increase our market share by pursuing the following strategies:

Increase our production efficiency in order to continue to maintain our leading position in the global and domestic PV glass industry.

As of the Latest Practicable Date, our PV glass furnaces include two furnaces each with a daily maximum production capacity of 300 tons, one furnace with a daily maximum production capacity of 490 tons and two furnaces each with a daily maximum production capacity of 600 tons. We plan to upgrade our existing PV glass furnace with a daily maximum production capacity of 490 tons by optimizing its production method to enhance the efficiency of the fuels it burns. We intend to invest an aggregate of approximately RMB150.0 million for the modification and upgrade works involving the 490-ton PV glass furnace, which will primarily include the modification of the existing production facilities and the related constructions, as well as the purchase of various production and auxiliary machinery. Approximately 50% of these expected capital expenditures will be funded by the net proceeds from the Global Offering and the remainder from our internal funds. We believe this modification and upgrade will be able to further reduce our production cost by increasing the production efficiency of our PV glass products. In addition, we expect it will allow us to further lower our emission of pollutants and thus, become more environmental friendly. We have obtained the approvals from the relevant PRC government authorities for our modification and upgrade works relating to the furnace with a daily maximum-production capacity of 490 tons, which we intend to commence in the first quarter of 2016. We expect the modification work will take approximately three months to complete. During this period, as the 490-ton PV glass furnace will be temporarily shut down

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to undergo the modification work, we estimate there will be a decrease in the sales of approximately 4.0 million sq.m. of PV glass, assuming we do not procure any PV raw glass elsewhere to process into PV glass for sale, which will be equivalent to approximately 5.8% of our total PV glass sales volume for the year ended December 31, 2014. In order to minimize the impact of this modification work on our business, we may purchase PV raw glass from third-party suppliers to process into PV glass for sales to our customers. We have had preliminary discussions with certain PV raw glass suppliers who expressed willingness to sell PV raw glass to us with our required quality and at prevailing market prices. As of the Latest Practicable Date, no definitive sales contracts have been entered into between us and such suppliers. Based on the foregoing, we believe the modification work of the 490-ton PV glass furnace will not have any material adverse impact on our business operations.

Expand overseas to increase the production and processing capacity of our PV glass and enhance our competitiveness.

We sold a significant amount of our glass products to overseas customers during the Track Record Period. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, our revenue generated from overseas sales of our glass products amounted to RMB688.6 million, RMB931.9 million, RMB1,299.6 million and RMB558.2 million, respectively, representing 46.2%, 42.6%, 45.9% and 45.1% of our total revenue for those periods, respectively. According to the Frost & Sullivan Report, the global annual production volume of PV modules is expected to grow from 52.9GW in 2015 to 77.8GW in 2019, representing a CAGR of 10.1%, which we believe will increase the overseas demand of our PV glass. We plan to establish PV glass production and processing facilities in Vietnam to satisfy the anticipated increase in the demand of our PV glass from overseas customers. We also believe it will allow us to better serve our overseas PV glass customers as a result of a closer proximity between them and our overseas production and processing facilities, and thereby, lower the transportation costs and shorten our delivery time. These new PV glass production and processing facilities can also allow us to capture the growth in the overseas market, which would allow us to free up our production and processing capacities in the PRC to satisfy domestic demand. Furthermore, the PRC government has encouraged the establishment of overseas glass production and processing facilities. We carried out a feasibility study on potential overseas expansion. Based on the feasibility study, we plan to target a suitable location in Northern Vietnam to establish our PV glass manufacturing facilities with an expected maximum daily production capacity of 800 tons of PV raw glass. We intend to invest an aggregate US\$100.0 million in connection with this expansion, of which approximately 60% will be funded by a portion of the net proceeds of the Global Offering and the remainder will be funded by our own working capital. The construction is expected to commence in 2016 and be completed in 2017. Please see “— Our Production Facilities and Processes — Our Overseas Expansion Plan For PV Glass Production” for further details on our expansion plan. As of the Latest Practicable Date, we have not entered into any legally binding agreement with any parties for such expansion and we have not incurred any capital expenditures for our overseas expansion in Vietnam.

BUSINESS

Continue to optimize our product mix

We plan to continue to optimize our product mix so we can readily adapt to the changing market conditions and reduce any adverse impact on our operations. Meanwhile, we aim to increase our profitability by allocating more production volume to products with high gross profit margins. The PRC government is also encouraging the increased use of energy-efficient materials such as Low-E glass in order to become more environmental friendly. According to the Twelve Five-year Plan for Construction Materials Industry (《建材工業“十二五”發展規劃》) and the Twelve Five-year Plan for New Materials Industry (《新材料產業“十二五”發展規劃》) issued by the Ministry of Industry and Information Technology of the PRC on November 8, 2011 and on January 4, 2012, respectively, the development of energy efficient safety glass products is one of the key development areas, and the use of Low-E glass is encouraged. Therefore, we plan to adjust our product mix to take advantage of the growth opportunity in energy-efficient materials by establishing new processing facilities for Low-E glass and auxiliary processing facilities for Low-E composite glass in Jiaxing, Zhejiang Province. The annual processing capacity of new Low-E glass facilities and Low-E composite glass is expected to be approximately 5.8 million sq.m. and 1.0 million sq.m., respectively. We intend to invest an aggregate of approximately RMB200.0 million for establishing the new processing facilities for the Low-E glass and auxiliary processing facilities for the Low-E composite glass in Jiaxing, Zhejiang Province, the PRC, which will primarily include the purchase and installation of machinery and equipment, and the construction of the processing premises. Approximately 70% of these expected capital expenditures will be funded by the net proceeds from the Global Offering and the remainder from our internal funds. We expect these new processing facilities for the Low-E glass and auxiliary processing facilities for the Low-E composite glass will commence operations by the end of 2016.

Furthermore, the PRC government recently launched “The Belt and Road Initiative,” which aims to promote economic cooperation between China and its neighbouring countries and creates new markets for PRC companies through infrastructure investment in China’s less developed trading partners. We believe this initiative may affect the demand of our architectural glass.

Further strengthen our research and development capabilities

We believe our sustainable development in the glass industry is attributable to our capabilities in technological innovation. The efficiency of the electricity generated by solar power depends on the quality of the PV glass. Hence, lowering the iron content and improving the light transmission rate of the PV glass, among other things, are important aspects of our continued research and development. We plan to devote more resources to our research and development department by continuing to improve our production technologies, in particular, technologies relating to the anti-reflective coating for PV glass to increase light transmission rate and the Low-E glass coating, and to develop new products such as PV glass with thickness under 2.8mm. Furthermore, we intend to improve the quality of our PV glass by further reducing the rate of defective glass in the production process.

BUSINESS

In order to achieve these goals, we aim to further expand our research and development department by hiring additional qualified and experienced personnel. We also plan to purchase new equipment for PV glass and Low-E glass production and research. In addition, we intend to continue to collaborate with universities and research and development centers in China to improve the manufacturing process and the quality of our glass products while reducing production cost and improving our operating efficiency. We believe these measures are vital for our continued success and our market-leading position.

Expand our geographical coverage in China by expanding our production capabilities domestically

Our production facilities are currently located in Jiaxing, Zhejiang Province. According to the Frost & Sullivan Report, outside of the Yaugtze River Delta, major PV module factories are located in Eastern and Central China. In order to leverage on our existing business presence in Anhui Province, which is located closer to Central China as compared to Jiaxing, we intend to build PV processing facilities there to (i) better serve our customers located in Central China or in close proximity to Central China; (ii) lower our transportation cost for shipment to these customers; and (iii) increase our market penetration in these areas.

We plan to establish PV glass processing facilities in Anhui Province as our preliminary launch in the area. We expect the new processing facilities will have an annual processing capacity of approximately 9.6 million sq.m. of PV glass. We expect to begin preliminary discussions with the local government in the Anhui Province for the project and to commence the approval applications in the first half of 2016. We expect to commence constructions of the processing facilities in the second half of 2016, which will commence operation in the first half of 2017. We expect to initiate commercial production during the first half of 2018 and intend to form a sales team in Anhui Province to allow us to reach to potential customers in or around Central China more easily and to better serve our existing customers in these regions. As of the Latest Practicable Date, we were in the process of conducting the feasibility study. Based on our preliminary estimation, we expect to invest an aggregate amount of approximately RMB94.0 million for our expansion in Anhui Province, which will primarily include the construction of PV glass processing facilities, the acquisition of PV glass processing and auxiliary machinery and the acquisition of the land use rights for the premises. We paid a deposit of RMB24.0 million to the local government in Anhui Province for the acquisition of the land use rights, and we expect the remaining RMB70.0 million of capital expenditures to be funded by our internal sources of capital. See also “Financial Information — Contractual Commitments — Capital Commitments” for further details on our RMB24.0 million deposit made to the local government.

Capitalizing on our existing distributed PV systems operating experience to expand the capacity of our distributed PV systems

In 2014, we successfully installed our first distributed PV systems, providing us with approximately 10.3MW of electricity per year, which was equivalent to approximately 0.8% of our total electricity consumed for the year ended December 31, 2014, based on our internal records. For the five months ended May 31, 2015, our distributed PV systems provided approximately 1.8% of our total electricity consumed, based on our internal records.

BUSINESS

As we continue to optimize our cost structure and enhance our profitability, we are currently exploring opportunities to expand our distributed PV systems by leveraging on our existing operating experience. We plan to construct new distributed PV systems with a total capacity of 15.0MW, all of which will be used internally for our production. We intend to invest an aggregate of approximately RMB100.0 million for the construction of and purchase the equipment for these 15.0 MW distributed PV systems, a majority of which will be funded by the net proceeds from the Global Offering and the remainder from our internal funds. As of the Latest Practicable Date, we have obtained the approval from the relevant PRC government authorities for such expansion. See “— Our Production Facilities and Processes — Power Generation Facilities” for more information.

OUR BUSINESS MODEL

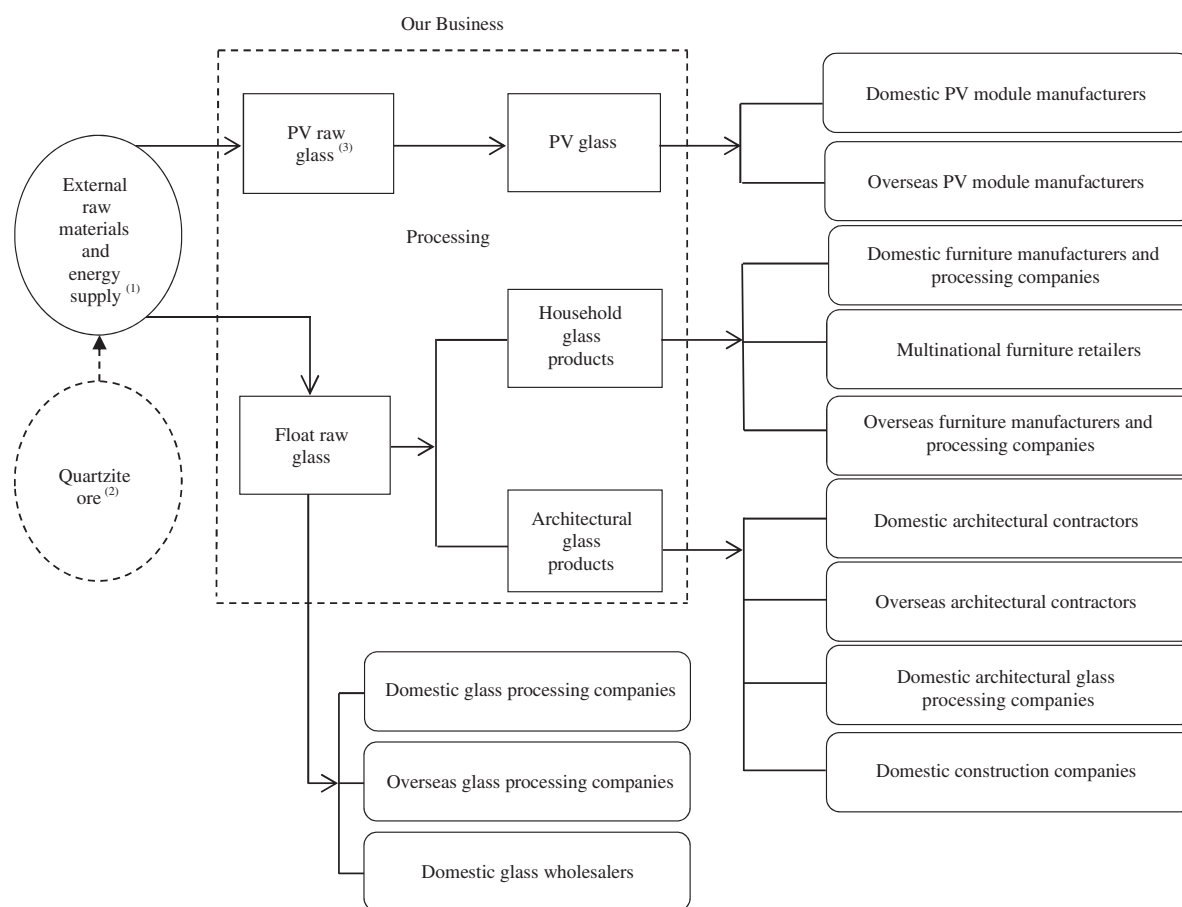
We are principally engaged in the design, development, production and sales of PV glass, which is sold to PV module manufacturers in China and overseas. PV modules are made up of multiple PV cells in an integrated group. PV cells include c-Si PV cells and thin film PV cells. According to the Frost & Sullivan Report, in terms of installed capacity, c-Si PV cells account for approximately 90.5% of PV cells globally in 2014. Our PV glass products are primarily used for the production of c-Si PV cells but could also be used as covers for thin film PV cells.

In addition to PV glass, which is processed from PV raw glass that we manufacture in-house, we also manufacture and sell float glass, household glass and architectural glass. Float glass is both a product we directly sell to certain customers and a type of raw glass that we use to produce household glass and architectural glass. To maintain a cost-efficient operating structure, we have adopted a vertically integrated business model that gives us more control over our production. Our vertical integration commences from the production of raw glasses (comprising PV raw glass and float glass), which are subsequently processed into PV glass, household glass and architectural glass products, as the case may be. During the Track Record Period, all of our PV glass products were processed from the PV raw glass we manufactured in-house, and approximately 90% of our household glass and architectural glass products were processed from the float glass we manufactured in-house. We occasionally purchase float glass from third parties, primarily for certain special orders from customers with particular requirements or if it would be more economical to procure from third parties.

We have obtained the mining rights to the Mine in Anhui Province to mine quartzite ore, which can be processed into silica sand, which is one of the major raw materials we use for the production of float glass. During the Track Record Period, we engaged an Independent Third Party to perform extraction work in the relevant areas of the Mine. Since we do not have any processing or refinement capabilities, we generally sell the quartzite ore extracted from the Mine to certain of our customers who will process and refine such quartzite ore into silica sand. We have arrangements in place with these customers pursuant to which they agree to prioritize the supply of silica sand to us according to our demand if the quality of the silica sand meets our standards. However, we are not obligated to purchase silica sand from them. Through this arrangement, we can manage our procurement costs efficiently and have a stable source of quality float silica sand in case if there is a shortage in the market. Since January 2015, we have purchased certain amount of silica sand processed by such customers for our float glass production. See “— Mining Rights” in this section for more information.

BUSINESS

The following diagram illustrates our business models for different product segments:



Notes:

- (1) Includes fuel, all of which is procured from third parties, and electricity, a portion of which is provided internally through our residual heat power facilities and our distributed PV systems.
- (2) Quartzite ore extracted from the Mine is subject to refinement by external parties into silica sand, which we have priority to purchase such silica sand for our production use. Since January 2015, certain amount of float silica sand processed and refined from the Mine's quartzite ore was used in the production of our float glass.
- (3) We sold a small amount of PV raw glass to certain of our customers during the Track Record Period. For the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015, based on our internal records, we sold approximately 1.3 million sq.m., 5.9 million sq.m., 1.1 million sq.m. and 0.5 million sq.m. of PV raw glass to third parties, respectively, generating revenue of approximately RMB17.3 million, RMB104.1 million, RMB24.1 million and RMB10.4 million, respectively.

BUSINESS

OUR PRODUCTS

We currently manufacture and sell four main types of glass products, namely, (i) PV glass, (ii) float glass, (iii) household glass and (iv) architectural glass. The following table sets forth our revenue by product type during the Track Record Period:

Product type	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
PV glass	1,120,450	75.3	1,438,413	65.8	2,078,373	73.3	845,016	73.5	937,227	75.7
Float glass	170,616	11.5	425,298	19.4	353,846	12.5	159,089	13.8	126,978	10.3
Household glass	182,218	12.2	222,578	10.2	250,875	8.9	105,499	9.2	96,579	7.8
Architectural glass	15,273	1.0	100,770	4.6	139,197	4.9	39,868	3.5	57,147	4.6
Others ⁽¹⁾	—	—	224	—	11,015	0.4	322	—	19,501	1.6
Total	1,488,557	100.0	2,187,283	100.0	2,833,306	100.0	1,149,794	100.0	1,237,432	100.0

Note:

(1) Others mainly include the quartzite ore extracted from the Mine, which was sold to third parties since 2013.

The following table sets forth our gross profit and gross profit margin by product type during the Track Record Period:

Product type	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(unaudited)									
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
PV glass	288,977	25.8	396,803	27.6	768,601	37.0	307,694	36.4	309,811	33.1
Float glass	(2,536)	(1.5)	110,371	26.0	69,475	19.6	36,123	22.7	4,607	3.6
Household glass	31,212	17.1	54,411	24.4	62,531	24.9	25,227	23.9	20,200	20.9
Architectural glass	3,470	22.7	33,345	33.1	33,762	24.3	10,067	25.3	7,313	12.8
Others ⁽¹⁾	—	—	(69)	(30.8)	(6,035)	(54.8)	140	43.5	7,187	36.9
Total	321,123	21.6	594,861	27.2	928,334	32.8	379,251	33.0	349,118	28.2

Note:

(1) Others mainly include the quartzite ore extracted from the Mine, which was sold to third parties since 2013.

BUSINESS

We primarily sell our glass products to customers in the PRC, Japan, Singapore, Korea, Taiwan, Germany and the United States. The following table sets forth our revenue by geographical location during the Track Record Period:

Location	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
PRC	800,002	53.8	1,255,370	57.4	1,533,670	54.1	635,393	55.3	679,189	54.9
Japan.	111,341	7.5	174,153	8.0	453,109	16.0	169,067	14.7	183,537	14.8
Other countries and regions in Asia ⁽¹⁾ . . .	363,601	24.4	461,250	21.1	503,880	17.8	196,102	17.0	241,434	19.5
Europe.	150,537	10.1	214,466	9.8	250,650	8.8	112,188	9.8	86,686	7.0
North America	49,806	3.3	63,646	2.9	60,555	2.1	25,831	2.2	35,234	2.9
Other countries	13,270	0.9	18,398	0.8	31,442	1.2	11,213	1.0	11,352	0.9
Total	<u>1,488,557</u>	<u>100.0</u>	<u>2,187,283</u>	<u>100.0</u>	<u>2,833,306</u>	<u>100.0</u>	<u>1,149,794</u>	<u>100.0</u>	<u>1,237,432</u>	<u>100.0</u>

Note:

(1) Include, among others, Korea, Singapore and Taiwan, and exclude the PRC and Japan.

We set out below a description of our major products:

PV Glass

We commenced production and sales of PV glass in 2006. PV cells are divided into c-Si PV cells and thin film PV cells, with c-Si PV cells accounting for approximately 90.5% of PV cell globally in 2014 in terms of installed capacity, according to the Frost & Sullivan Report. PV glass is generally used as the cover of c-Si PV cells and thin film PV cells. Our PV glass products are mainly ultra-clear patterned PV glasses. Our PV glass is primarily used to manufacture c-Si PV cells, which could then be assembled to form c-Si PV modules (also known as c-Si PV panels). Our PV glass can also be used as covers for thin film PV cells, which account for the remaining approximately 9.5% of the PV cells globally in 2014 in terms of installed capacity, according to the Frost & Sullivan Report.

PV glass generally has a high level of light transmittance due to its pattern on the surface and low-iron content. The pattern on the surface of PV glass decreases the light reflection and increases the light refraction and therefore, permits more light to penetrate through the glass. Our PV glass products range between 2.8mm and 6.0mm in thickness with at least 91.5% light transmission rate through the glass without coating and at least 93.5% light transmission rate with coating.

BUSINESS

We manufacture PV glass products for our customers in accordance with their requirements, such as surface quality, dimension, light transmission rate and strength. Our PV glass is tempered to give desired mechanical strength to the glass to withstand adverse weather conditions and normal wear-and-tear. The key raw materials we use in the production of our PV glass mainly include ultra-clear silica sand, soda ash (also known as sodium carbonate), limestone and dolomite.

We generally sell our PV glass products to PV module manufacturers in the PRC and overseas. During the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we sold approximately 35.4 million sq.m., 51.2 million sq.m., 69.5 million sq.m. and 32.0 million sq.m. of PV glass, respectively, with an average selling price of approximately RMB31.69 per sq.m., RMB28.12 per sq.m., RMB29.89 per sq.m. and RMB29.28 per sq.m., respectively.

We set forth below an illustration of our PV glass products:

Ultra-clear patterned PV glass



Float Glass

Float glass is primarily produced as a raw material for the manufacturing of our other types of glass, such as household glass and architectural glass. Our first float glass production line commenced operation in October 2011 and our second float glass production line commenced operation in December 2012. Our float glass furnaces operate on a non-stop basis to maintain our production efficiency. Any suspension of our glass melting furnaces would otherwise require us to incur significant amount of re-starting costs and waste raw materials in the event these furnaces resume their operations. On the other hand, we manufacture household glass and architectural glass according to the orders we receive from our customers, which may not be able to fully utilize the amount of float glass we produce. Therefore, we sell a portion of our float glass to glass processing manufacturers and glass wholesalers. See “— Our Customers — Float Glass Customers” for more information.

We generally manufacture the float glass that we use in our production of household glass and architectural glass based on sizes that we require for the type of the household glass or architectural glass we produce. As for float glass that we sell to glass processing companies and glass wholesalers, we generally manufacture them based on industry-standard dimensions and thicknesses. The key raw materials we use in the production of our float glass include float silica sand, soda ash, dolomite, limestone and sodium sulfate.

BUSINESS

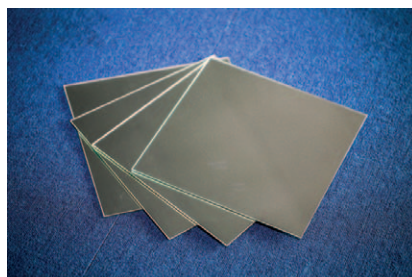
During the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we sold a total of approximately 159,900 tons, 340,990 tons, 311,650 tons and 121,800 tons of float glass, respectively, with an average selling price of approximately RMB1,066.94 per ton, RMB1,247.23 per ton, RMB1,135.39 per ton and RMB1,042.21 per ton, respectively.

Household Glass

Our household glass products mainly comprise mirror products, including silver mirror glass, which has a high reflection rate of approximately 92% and is principally used for interior construction, tempered glass for cabinet doors and shelves and other types of glass for household use, such as kitchen cabinets, furniture and interior decorations. We manufacture our household glass products primarily from the float glass we produce in-house. We mainly sell our household glass products to overseas customers, which generally require a high quality standard. During the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we sold a total of approximately 5.0 million sq.m., 5.9 million sq.m., 6.7 million sq.m. and 2.8 million sq.m. of household glass, respectively, with an average selling price of approximately RMB36.37 per sq.m., RMB37.47 per sq.m., RMB37.34 per sq.m. and RMB35.02 per sq.m., respectively.

We set forth below an illustration of our household glass products:

Silver mirror glass



Architectural Glass

Our architectural glass products mainly comprise tempered glass, Low-E glass, insulated glass and laminated glass. Tempered glass is a type of safety glass, and is principally used when safety is prioritized, such as by building regulations. When the glass breaks, tempered glass will break into smaller and rounder pieces, whereas laminated glass will prevent the glass from separating. Tempered glass has a higher resistance to thermal stress and wind, and hence, is mainly used for building windows, glass railings, escalator barriers, vehicle windows, vessel windows, glass desktops, display shelves, interior decoration and furniture. Laminated glass, on the other hand, is made of two sheets of glass bonded together with polyvinyl butyral, a plastic inner layer which prevents separation. Laminated glass is widely used in bus stations, airports, banks, showrooms, vehicles and vessels windows, furniture and interior decorations. In addition, our insulated glass is principally used for heat or sound insulation, such as in office buildings and airports.

BUSINESS

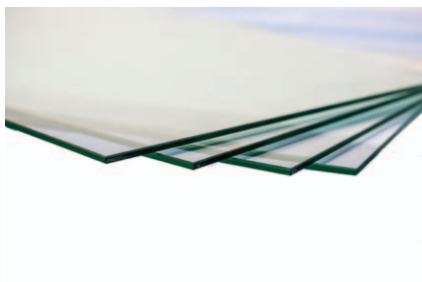
Low-E glass is also known as low-emissivity coated glass, which is coated with compounds that have low surface radiation rate to reduce infrared radiation, or heat generally, through the glass while permitting light through the glass. In cooler climate or during the winter season, Low-E glass could help trap the heat indoors by reducing the loss of heat from indoors to outdoors. In warmer climate or during the summer season, Low-E glass could help reflect heat and radiation away from the building and keep the space indoors cooler than outdoors. In addition, Low-E glass can be further processed from laminated glass, tempered glass and insulated glass into various types of Low-E composite glass products. Therefore, Low-E glass and Low-E composite glass are considered more environmental friendly. They can be used in office and residential buildings, such as glass doors or windows, to increase the efficiency of heat insulation. We commenced commercial production of Low-E glass in 2012. We believe our offering of Low-E glass will become a key feature in our architectural glass portfolio as the customers are more actively searching for energy saving solutions.

We may adopt several different production processes to meet the specification of product orders from our customers. Similar to our household glass, we also produce architectural glass products primarily from the float glass we manufacture in-house.

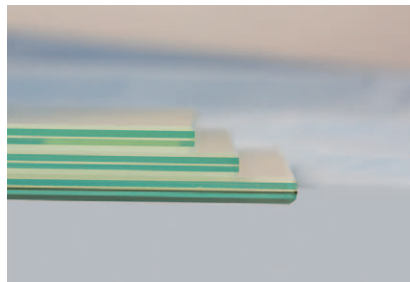
During the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we sold approximately 0.2 million sq.m., 1.7 million sq.m., 2.7 million sq.m. and 1.0 million sq.m. of architectural glass, respectively, with an average selling price of approximately RMB67.89 per sq.m., RMB57.98 per sq.m., RMB51.71 per sq.m. and RMB56.21 per sq.m., respectively.

Set forth below are illustrations of our architectural glass products:

Tempered glass



Laminated glass



Low-E glass



Insulated glass



BUSINESS

OUR PRODUCTION FACILITIES AND PROCESSES

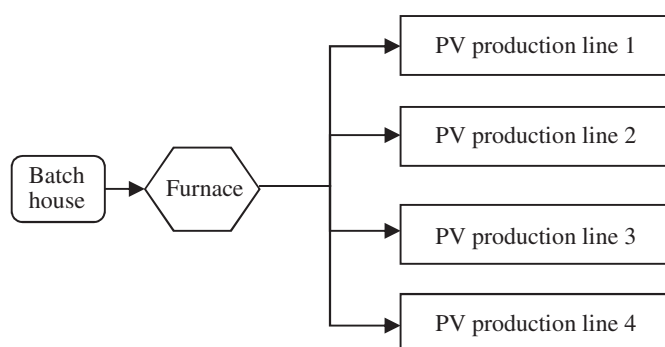
Our production facilities are strategically located in Jiaxing, Zhejiang Province, the PRC, in the Yangtze River Delta. Our production facilities in Jiaxing are located by the Beijing-Hangzhou Grand Canal with a self-operated pier located by the banks, which provides us with a convenient waterway to transport raw materials for our production.

As of the Latest Practicable Date, we operated 16 production lines for the production of PV raw glass, 21 dedicated processing lines for PV glass, two production lines for float glass, 12 processing lines for household glass and 12 processing lines for architectural glass (including tempering, laminating, insulating and Low-E coating).

Production Facilities For PV Glass

Each of our production lines for PV raw glass includes, among others, batch house, furnace, lehr and tester. Each of our processing lines for PV glass includes, among others, edging machine, coating machine and tempering machine. We currently operate five PV glass furnaces along with 16 PV raw glass production lines and 21 dedicated processing lines for PV glass. All of our PV glass is processed from the PV raw glass we manufacture in-house. Our production lines, including the furnaces, generally operate 24 hours a day, seven days a week.

The following diagram illustrates one of the setups of our PV raw glass production lines:



The following table sets forth the designed production capacity, actual production volume and utilization rate for our PV raw glass during the Track Record Period:

PV raw glass	For the year ended December 31,			For the five months ended May 31,
	2012 ⁽¹⁾	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽¹⁾
Designed production capacity ⁽²⁾ (tons)	479,040	570,650 ⁽³⁾	835,850 ⁽⁴⁾	345,790
Actual production volume (tons)	364,739	447,976	662,247	261,816
Utilization rate ⁽⁵⁾ (%).	76.1	78.5	79.2	75.7

BUSINESS

Notes:

- (1) The data and information set out in the table were based on our internal records.
- (2) Designed production capacity is calculated by multiplying the designed daily production capacity by actual production days for the year or period.
- (3) Our designed production capacity increased from 2012 to 2013 primarily due to (i) one of our large PV glass furnaces with a daily maximum production capacity of 600 tons commenced operations in May 2013; and (ii) two of our PV glass furnaces with daily maximum production capacity of 300 tons each that were temporarily shut down in the second half of 2012 to undergo technical upgrades, resumed operations in the fourth quarter of 2013.
- (4) Our designed production capacity increased in 2014 compared to 2013 primarily due to an increase in the number of days in which our PV glass furnaces operated.
- (5) Utilization rate is calculated by dividing the actual production volume for the year or period by the designed production capacity for the year or period.

The following table sets forth the designed processing capacity and actual processing volume and utilization rate for our PV glass during the Track Record Period:

PV glass	For the year ended December 31,			For the five months ended May 31,
	2012⁽¹⁾	2013⁽¹⁾	2014⁽¹⁾	2015⁽¹⁾
Designed processing capacity ⁽²⁾⁽³⁾ (<i>sq.m.</i>)	63,679,820	78,604,820 ⁽⁴⁾	93,852,820 ⁽⁵⁾	39,511,868
Actual processing volume ⁽²⁾ (<i>sq.m.</i>)	33,470,406	44,305,215	74,402,247	32,105,189
Utilization rate ⁽⁶⁾ (%).	52.6	56.4	79.3	81.3

Notes:

- (1) The data and information set out in the table were based on our internal records.
- (2) Designed processing capacity is calculated by multiplying the designed daily processing capacity by actual days of operations for the year or period.
- (3) The designed processing capacity and the actual processing volume are calculated based on the capacity and processing volume of dedicated PV glass processing lines, respectively.
- (4) Our designed processing capacity increased from 2012 to 2013 as four new dedicated processing lines commenced operations in 2013.
- (5) Our designed processing capacity increased from 2013 to 2014 as a new dedicated processing line commenced operations in 2014.
- (6) Utilization rate is calculated by dividing the actual processing volume for the year or period by the designed processing capacity for the year or period.

During the Track Record Period, we processed all of the PV glass products from the PV raw glass we manufactured in-house.

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Production Facilities For Float Glass

Each of our production lines for float glass includes, among others, batch house, furnace, tin bath, Lehr, and tester. We currently have two float glass furnaces and two float glass production lines. Our production lines, including the furnaces, generally operate 24 hours a day, seven days a week.

The following table sets forth the designed production capacity, actual production volume and utilization rate for our float glass during the Track Record Period:

Float glass	For the year ended December 31,			For the five months ended May 31,
	2012 ⁽¹⁾	2013 ⁽¹⁾	2014 ⁽¹⁾	2015 ⁽¹⁾
Designed production capacity ⁽²⁾ (tons) . .	234,600	438,000 ⁽³⁾	438,000	181,200
Actual production volume (tons)	221,944	435,657	432,631	173,284
Utilization rate ⁽⁴⁾ (%).	94.6	99.5	98.8	95.6

Notes:

- (1) The data and information set out in the table were based on our internal records.
- (2) Designed production capacity is calculated by multiplying the designed daily production capacity by actual production days for the year or period.
- (3) Our designed production capacity increased in 2013 compared to 2012 primarily because we commenced operations of our second float glass furnace with a daily maximum production capacity of 600 tons in December 2012.
- (4) Utilization rate is calculated by dividing the actual production volume for the year or period by the designed production capacity for the year or period.

Processing Facilities For Household Glass and Architectural Glass

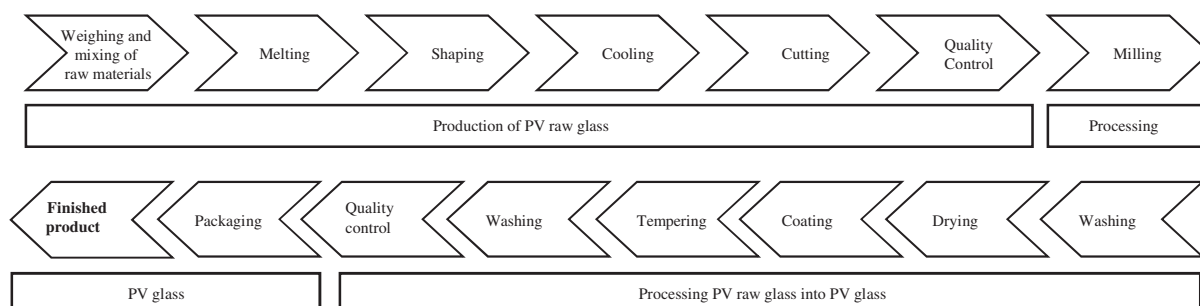
Our household glass and architectural glass products are processed from float glass. Our processing lines for household glass include, among others, edging machine, tempering machine, printing machine and cutting machine. Our processing lines for architectural glass include, among others, Low-E coating processing line, automatic insulating glass processing line, edging machine, tempering machine, cutting machine and autoclave.

Since our customers for household glass and architectural glass generally have their specific requirements that may involve one or more manufacturing processes, the total amount of work done on each type of finished product would differ from one customer to another or from one order to another. Hence, as there were no uniform standardized processes for household glass and architectural glass products sold to our customers, our Directors consider that the processing capacity and utilization rate for our household glass and architectural glass products could not be accurately ascertained and if any assumptions were made solely for the purpose of calculating the production capacity and utilization rate of our household glass and architectural glass products, the result would not be representative or meaningful.

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Production Processes

The following diagram sets forth the production process of our PV glass, our major product:



The following diagram sets forth the production process of our float glass we sold to third parties:



As for our household glass and architectural glass, the manufacturing process will depend on the specifications from, and requirements of, our customers. Hence, we do not have standardized manufacturing process for customized finished products. As an example, the following diagram sets forth the production process of our Low-E glass:



Power Generation Facilities

As a continuing effort to reduce production costs, we have successfully installed residual heat power generation facilities and 10.3MW distributed PV systems at our Jiaying production facilities to fulfill part of our electricity needs. We established and operated our residual heat power generation facilities since 2012. The principal equipment of our residual heat power generation facilities include residual heat power generator and flue gas treatment equipment. Our distributed PV systems came into operations in June 2014 and were installed on the roof-top of our production facilities. The principal equipment of our distributed PV systems are c-Si PV panels. We have obtained the relevant government approval for the operation of our distributed PV systems. See “— Regulatory Compliance and Legal Proceedings — Licenses and Permits” for more information.

As of May 31, 2015, our power generation facilities had a total capacity of approximately 119.5MW, which consisted of 109.2MW from the residual heat power generation and 10.3MW from the distributed PV systems. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the total cost of electricity associated with our production was RMB150.9 million, RMB180.8 million, RMB243.8 million and RMB106.0 million, respectively.

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During the same period, our residual heat power generation facilities provided us with 7.4%, 16.2%, 18.9% and 11.8% of our total electricity consumption, respectively, and for the year ended December 31, 2014 and for the five months ended May 31, 2015, our distributed PV systems provided us with 0.8% and 1.8% of our total electricity consumption, respectively, based on our internal records.

As we continue to optimize our cost structure and enhance our profitability, we are currently exploring opportunities to expand our distributed PV systems by leveraging on our operating experience. We plan to construct new distributed PV systems at our Jiaying production facilities with a total capacity of 15.0MW, all of which will be used internally for our production. As of the Latest Practicable Date, we have obtained the approval from the relevant PRC government authorities for such expansion.

As of the Latest Practicable Date, Ms. Ruan Zeyun, the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua, who is also our chief financial officer and the Board secretary, held the entire equity interest in a company named Jiaying Yihe Energy Co., Ltd. (嘉興義和能源有限公司) (“Yihe Energy”). It is intended that upon the registered capital of Yihe Energy being paid up and subject to obtaining all relevant government approvals, it will engage in the business of construction and operation of distributed PV systems and PV power stations and the sale of electricity generated by such distributed PV systems and PV power stations to third parties. For details of the interests of Ms. Ruan in Yihe, please refer to the section headed “Relationship with Controlling Shareholders — Interest of Ms. Ruan Zeyun” in this prospectus.

Our Overseas Expansion Plan For PV Glass Production

Overview

During the Track Record Period, we have sold a substantial portion of our glass products to overseas customers. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, our revenue generated from overseas sales amounted to RMB688.6 million, RMB931.9 million, RMB1,299.6 million and RMB558.2 million, respectively, representing 46.2%, 42.6%, 45.9% and 45.1% of our total revenue for those years or periods, respectively. We expect to continue to sell our glass products overseas. According to the Frost & Sullivan Report, the global annual production volume of PV modules is expected to grow from 52.9GW in 2015 to 77.8GW in 2019, representing a CAGR of 10.1%, of which, the annual production volume of PV modules in China is expected to grow from 40.0GW in 2015 to 64.4GW in 2019, representing a CAGR of 12.6%. Based on this growth projection, we believe we can increase our production and processing capacities to satisfy the projected increasing demand of our PV glass products. In addition, according to the Guidance on Serious Excess Production Capacities Contradictions issued by the State Council of the PRC on October 2013, Chinese glass companies are encouraged by the PRC government to expand their production overseas. Based on the foregoing reasons, we plan to establish PV glass manufacturing facilities outside China to expand our PV glass production capacity, to increase our overseas PV glass sales and to provide better localized services to our overseas PV glass customers, including those located in Southeast Asia, India, Europe, Korea and Japan.

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Accordingly, we have conducted a detailed feasibility study in May 2015 pursuant to which we plan to design and construct PV raw glass production facilities with an expected daily maximum production of 800 tons and an expected designed annual processing capacity of PV glass of approximately 27.0 million sq.m. in a suitable location in Northern Vietnam. We plan to commence construction of the manufacturing facilities in the third quarter of 2016 and expect to complete construction during the first quarter of 2017 and begin commercial production in the second quarter of 2017. Please see “— Construction Timetable” for more information. We considered that having new production facilities in Vietnam, is in the interest of our Company after taking into account the following factors:

- Vietnam has recently become a key target for foreign direct investment due to its relatively safe environment for investment, abundant natural resources, relatively low labor cost and favorable government policies, such as preferential tax incentives;
- Vietnam became a member of the ASEAN in 1995, which we could rely on to expand our presence into other ASEAN member states, such as Singapore, Malaysia, the Philippines, Thailand and Indonesia. Furthermore, Vietnam has entered into bilateral trade agreements with Korea and Japan, two of our key export destinations for our PV glass, pursuant to which goods originated from Vietnam enjoy lower custom duties compared to goods originated from China; and
- As advised by LVN & Associates, our Vietnamese legal advisors, as of the Latest Practicable Date, PV glass manufactured in Vietnam was not subject to any anti-dumping or anti-subsidy investigations initiated by the European Commission, the United States and Canada. However, we cannot guarantee that the PV glass produced in Vietnam will not be subject to such investigations in the future. Please see “Risk Factors — Risks Relating to Our Business and Our Industry — Our future plans in the PRC are subject to risks and uncertainties” for more information.

Our feasibility study covered, among other things, market analysis, production scale, estimation of construction costs and financial impact and key sources of raw materials and energy. In addition, in connection with the feasibility study, we may face numerous potential risks associated with our expansion plan, such as political risk, financial risk and sales risk, primarily because (i) there had been anti-China protests in Vietnam in 2014 when numerous factories owned by PRC nationals or corporations were damaged, looted or destroyed; (ii) once the construction commences, we may face rising construction costs, which will negatively impact our profitability; and (iii) after commercial production begins, we could have falsely gauged market demand, which may lead to difficulties in selling our PV glass products at the prices we anticipated or we may experience longer trade and bills receivable turnover days than we expected. Our PV glass to be manufactured in Vietnam may also be exposed to the risk of being subject to anti-dumping and/or anti-subsidy investigations by the European Commission, the United States and/or Canada, among others. Any of the foregoing could materially and adversely affect our business, results of operation, financial condition and prospects. Please see “Risk Factors — Risks Relating to Our Business and Our Industry — Our future plans in the PRC are subject to risks and uncertainties.”

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Market Analysis

We have considered a number of factors on whether there will be sufficient demand for our PV glass products to warrant the establishment of new PV glass manufacturing facilities in Vietnam according to our expansion plan. First, several PRC and international PV module manufacturers have already set up or planned to set up production facilities in Vietnam, such as Vina Solar Technology Co., Ltd. and Boviet Solar Technology Co., Ltd. Second, a number of international and PRC PV module manufacturers have also set up or planned to establish manufacturing facilities in several other ASEAN countries, such as Hanwha Q CELLS Co., Ltd., First Solar, Inc. and JinkoSolar Holding Co., Ltd. in Malaysia, Trina Solar Limited, Zhongli Talesun Solar Co., Ltd. and JA Solar Holdings Co., Ltd. in Thailand, and Canadian Solar Inc. in Indonesia. Some of these PV module producers are our existing or targeted customers. We believe the establishment of these PV module production facilities will likely drive the demand for PV glass in Vietnam and other parts of Southeast Asia. According to the feasibility study and as far as we were aware, as of the Latest Practicable Date, except for Xinyi Solar Holding Limited, one of our major competitors, which announced in late 2014 that it planned to establish an ultra-clear PV glass plant in Malaysia, no other domestic or overseas PV glass manufacturer having comparable scale or reputation as us has established and operated manufacturing plants in ASEAN member states.

We plan to prioritize our current PRC PV glass production and processing facilities to mainly serve our domestic customers, while our production and processing facilities in Vietnam will be primarily dedicated to serve our customers in Southeast Asia, Europe and India, as well as Korea and Japan. In the event demand for PV glass in China and in these overseas regions becomes uneven, we will adjust our production and processing capacities and allocations accordingly to ensure that overall customer demand can be satisfied.

Raw Material and Energy Procurement

The key raw materials we use to manufacture PV raw glass include ultra-clear silica sand, soda ash, limestone and dolomite. According to the feasibility study, all of such raw materials can be procured from suppliers in Vietnam, and their quality and cost compare favorably with those procured from PRC suppliers. In particular, Vietnam has an abundant supply of low-iron silica sand reserve, the quality of which is superior compared to the silica sand procured in China and the cost of which is approximately 15% to 20% lower than that in China. Since the Vietnamese government has imposed export restrictions on such silica sand, we will likely only be able to enjoy access to it if we establish our PV glass production facilities in Vietnam. We plan to use liquefied natural gas as a primary source of energy for the production of our PV glass in Vietnam to minimize the environmental impact of our operations. According to the feasibility study, the cost of liquefied natural gas in Vietnam is comparable to that in China. Furthermore, Vietnam has ample supply of electricity, the cost of which is generally 15% to 20% lower than the cost of electricity in China, according to the feasibility study.

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Construction Scale and Cost

The construction of the new PV glass production and processing facilities is expected to commence in the third quarter of 2016, which will be completed in the first quarter of 2017. The expected daily maximum production capacity of PV raw glass is expected to be 800 tons and the designed annual processing capacity of PV glass is expected to be approximately 27.0 million sq.m., assuming the rate of PV raw glass (which is the portion of PV raw glass produced that is suitable for further processing into PV glass) is approximately 80% and the rate of finished PV glass products (which is the portion of PV glass that is processed from PV raw glass which is of suitable quality for sale) is approximately 95%. In connection with this expansion plan, we intend to invest an aggregate US\$100.0 million, of which approximately 60% will be funded by a portion of the net proceeds of the Global Offering and the remainder will be funded by our internal working capital. As of the Latest Practicable Date, we had not incurred any capital expenditures for our overseas expansion in Vietnam. The breakdown of the estimated cost is set out below:

<u>Expense category</u>	<u>Estimated investment amount</u>
	<i>(US\$'000)</i>
Furnace, machinery and equipment	33,000
Building construction	22,500
Cost of land	10,000
Other fees and expenses	14,500
Working capital	<u>20,000</u>
Total	<u><u>100,000</u></u>

The breakeven point, which refers to the point at which the revenue generated by the new production and processing facilities equals their operating cost, is expected to be approximately 9.4 million sq.m. of PV glass sold annually, assuming an average selling price of US\$4.40 per sq.m. that is estimated with reference to our current average selling price. The payback period, which refers to the period of time required to recover the initial set up costs, assuming the revenue increases in line with our overall business growth and there will be no material adverse impact on the business and operating result of the production and processing facilities due to fluctuation in market demand, inflation, increase in raw material and energy costs and labor expenses throughout the operating period, is expected to be three years after the completion of the construction.

With respect to the location of our new PV glass production and processing facilities, we have considered a number of factors, including, but not limited to, weather, likelihood of earthquake and other natural disasters, quality of construction site, convenience of transportation, adequacy of water, electricity and communication systems as well as the availability of other utilities. As of the Latest Practicable Date, we have not identified the exact location in Northern Vietnam to build our new PV glass production facilities. In the event that the selection of a specific site for our new PV glass manufacturing facilities is finalized after the Listing, we will publish, on a voluntary basis, any further information in this regard in accordance with the applicable Listing Rules. For detailed capital expenditure involved in the construction of the new PV glass manufacturing facilities and our expansion plan, please refer to “Future Plans and Use of Proceeds” in this prospectus.

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Construction Timetable

The preliminary timetable of the construction of our new manufacturing facilities in Vietnam:

	2015				2016				2017			
	Quarter				Quarter				Quarter			
	1 st	2 nd	3 rd	4 th	1 st	2 nd	3 rd	4 th	1 st	2 nd	3 rd	4 th
Completion of due diligence on investment and construction site				—								
Entering into investment agreement with local government					—							
Entering into land acquisition agreement with local government					—							
Construction design					—	—						
Construction							—	—	—			
Placement of equipment order						—						
Equipment installation										—		
Trial production										—		
Commencement of commercial production											—	

Financial Impact of Our Expansion Plan

We expect that our expansion plan will have the following impact on our operations:

- *Revenue* — When the new production and processing facilities in Vietnam are constructed, we expect to produce and sell approximately 27.0 million sq.m. of PV glass per annum. Assuming the average selling price of our PV glass is US\$4.40 per sq.m., our revenue is expected to increase by approximately US\$118.8 million per annum.
- *Cost of sales* — As we increase our production and processing volume, our cost of sales is expected to increase by approximately US\$90.0 million per annum, assuming raw material costs and energy costs remain relatively stable.
- *Gross profit and gross profit margin* — The gross profit margin is expected to be approximately 24.2%, which is lower than that of the existing PV glass segment primarily due to the fact that new production and processing facilities in the initial operational stage will have lower production and processing efficiency compared to our existing facilities. We intend to improve the gross profit margin of our new Vietnamese production facilities to at least match that of our existing production and processing facilities within 12 months of operation.

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The above financial analysis does not take into consideration numerous investment and tax preferential treatments currently offered by the Vietnamese government. Accordingly, after due and careful inquiry and based on the feasibility study conducted internally, our Directors are of the view that our expansion plan will allow us to capture additional market share overseas, is expected to be profitable in the long term and will likely generate notable economic benefit for our Group.

Management of Vietnamese Operations

Currently, our management does not have any relevant experience in the Vietnamese PV glass market. However, in order to successfully implement our expansion plan and conduct our business operations in Vietnam, we plan to form a management team comprising competent and experienced management staff. Specifically, the management team of our Vietnamese subsidiary will include one general manager, who will be selected from our senior management staff in China. He or she will be based in Vietnam overseeing all aspects of our business operations in the country and providing technical guidance to our manufacturing operations therein. He or she will also be responsible for the technical aspect of the production and processing facilities, the supervision of the construction works relating to the production and processing facilities, and the training of technicians. The general manager will report directly to the Board and our Chairman. He or she will be supported by two or more managers who will be based in China. Our senior management team in Vietnam will also include at least one Vietnamese manager with sufficient management experience in the Vietnamese PV glass industry and will be responsible for exploring business opportunities and establishing or maintaining business relationships with our potential and existing suppliers and customers, as the case may be. While we expect to provide all of the technical guidance and research and development efforts to the Vietnamese subsidiary, it will be managed on a daily basis by our Vietnamese manager(s). Our Vietnamese manager(s) will also be responsible for managing local staff and related human resources matters, and assisting our general manager in the management of the production and processing facilities. In terms of raw material procurement, the procurement department of our Group in Jiaxing will be mainly responsible for the procurement of principal raw materials to be used by our production and processing facilities in Vietnam while the procurement department of our Vietnamese subsidiary will be in charge of procuring auxiliary raw materials. With respect to the sales of the PV glass made in Vietnam, our sales team in China will coordinate the sales efforts involving our glass products to our domestic and overseas customers.

Legal Requirements

LVN & Associates, our Vietnamese legal advisors, has advised us that for us to establish an operating subsidiary in Vietnam and to operate in Vietnam, we are required to obtain certain licenses and permits, such as Government Authorizations, which include Investment Registration Certificate, Enterprise Registration Certificate, Certificate(s) of Right to Use Land and Ownership of Houses and Other Assets Attached to Land, which we do not have any legal impediment to obtain such licenses and permits. Furthermore, we are advised that there are no legal restrictions to (i) establish an operating subsidiary in Vietnam, (ii) establish or acquire PV glass production and processing facilities in Vietnam, or (iii) manufacture and sell PV glass products to our customers in Southeast Asia and elsewhere overseas through the operating subsidiary to be established in Vietnam.

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Furthermore, our Vietnamese legal advisors have advised us that, as of the Latest Practicable Date, (i) there was no on-going anti-dumping or anti-subsidy investigation or other foreign trade regulation or local policy against Vietnamese manufacturers or exporters of PV glasses, cells or modules, and (ii) there was no anti-dumping duty or countervailing duty imposed on Vietnamese-manufactured PV glasses, cells or modules by other countries.

The foregoing represents our expansion plan formulated on the basis of current market and operating conditions, estimated production capacity and forecasted customer demand as of the date of the feasibility study, and may be subject to changes and adjustments as our Directors believe necessary and appropriate. Please see “Risk Factors — Risk Relating to Our Business and Our Industry — Our future plans in the PRC are subject to risks and uncertainties.”

As of the Latest Practicable Date, we have not identified any acquisition target for our expansion in Vietnam. In addition, if the market condition or customer demand changes, such as the possibility that the PV glass produced in Vietnam becomes subject to anti-dumping or anti-subsidy investigations, we may consider other suitable alternative locations to establish our overseas PV glass manufacturing facilities. In the event this occurs, we will voluntarily issue an announcement in accordance with the applicable Listing Rules.

QUALITY CONTROL

We are committed to maintaining a high quality of our products by performing a variety of quality control, inspection and testing procedures throughout our production processes and identify defects and irregularities throughout all stages of production processes. We set forth below our primary quality control measures:

- **Raw materials** — We have a set of written quality requirements for raw materials we procure. We sample check each delivery of fuel and raw materials, including silica sand, soda ash and limestone, before these raw materials enter our warehouse to ensure their quality is in compliance with our requirements.
- **Production processes** — Throughout our glass production processes, we conduct quality control test on the output for every key production stage. Raw materials are regularly monitored to ensure adherence to the prescribed production formula. The condition of, and the activities in, the furnace is also constantly monitored by a computer system and our technical staff. We installed and operated a German glass surface defects inspection system for each of our PV and float glass production lines to monitor the glass quality and identify any defects when the glass is cooled and shaped. Defects identified by such inspection system are further examined manually by our staff to ensure the defective glass will not be processed further and will return to the furnace for re-production. For our household glass and architectural glass products, we have also implemented strict quality control procedures at different stages of processing, including edging, film coating and tempering.

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- **Finished products** — We have on-site staff 24 hours a day, seven days a week, to inspect, on regular intervals, our glass products of its outward appearance and conduct tests to evaluate its performance in accordance with requirements of our customers and various applicable international or industry standards, such as light transmission rate, durability and appearance. Furthermore, we inspect the packaging of each product and sample batches of products before delivery takes place.

Our quality management department devotes significant resources to maintaining and improving the quality of our products. The department hosts monthly meetings to discuss quality issues arising from the production processes and to formulate solutions on potential improvement. As of the Latest Practicable Date, our quality management team consisted of 165 members. In addition, we have implemented and maintained stringent quality control standards and inspection procedures. These standards and procedures are established with reference to various international or industry standards of different products, including the PV glass for solar cell modules* (太陽能電池用玻璃) (JC/T 2001-2009), the anti-reflective coated glass for PV modules* (太陽能光伏組件用減反射膜玻璃) and the European Standard for glass in building — thermally toughened soda lime silicate safety glass (EN12150-1).

We have been accredited with ISO9001:2008 certification for the quality of our management system, which we have implemented throughout our supply, production and sales processes. In addition, the quality of our products is also recognized through numerous certifications we received. For example, our 3.2mm PV glass has obtained SPF certifications in Switzerland. Based on our industry knowledge, SPF certification is a well-accepted industry certification system and prerequisite by many PV module manufacturers. Furthermore, our PV glass products are tested against hazardous substances as set out in the Restriction of Hazardous Substances (RoHS) Directive 2002/95/EC adopted by the European Union and are RoHS compliant.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material losses from product liability.

SUPPLIERS AND RAW MATERIALS PROCUREMENT

We procure a majority of our raw materials from third-party suppliers that are based in the PRC, and a small quantity of raw materials from certain overseas suppliers, including those in the United States. Our raw materials mainly include silica sand and soda ash. Furthermore, fuel and electricity are also major components in our cost of production. See “— Energy” below for more information.

For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the purchases from our five largest suppliers amounted to RMB524.2 million, RMB398.3 million, RMB589.0 million and RMB259.1 million, respectively, representing 44.9%, 25.0%, 30.9% and 29.2%, respectively, of our cost of sales, and purchases from our largest supplier amounted to RMB233.6 million, RMB175.4 million, RMB254.4 million and RMB109.3 million, respectively, representing 20.0%, 11.0%, 13.4% and 12.3%, respectively, of our cost of sales during the same period. During the Track Record Period, we did not experience any difficulty in sourcing energy or raw materials or shortage or delay in the supply of energy or raw materials.

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Our five largest suppliers during the Track Record Period mainly comprised of suppliers of chemicals, fuel and silica sand. We have one to five years of relationship with our five largest suppliers during the Track Record Period. Our Directors have confirmed that except for the supplier of the natural gas we consume, we did not rely on any single supplier for raw materials during the Track Record Period. Please see “— Energy” for more information on the contractual arrangement between us and our natural gas supplier. During the Track Record Period, other than Jiaxing City Yucheng Commerce and Trading Co., Ltd* (嘉興市譽誠商貿有限公司) (“Yucheng”), none of our Directors or their close associates or Shareholders who owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. To the best knowledge, information and belief of our Directors, Yucheng, one of our top five suppliers for the year ended December 31, 2014, was wholly-owned by Mr. Jiang Jinhua, an executive Director and the spouse of Mr. Ruan Hongliang, our Chairman. Yucheng ceased operations on January 23, 2015 and was subsequently deregistered on May 13, 2015. During the Track Record Period, we primarily acquired soda ash from Yucheng. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we purchased a total of nil, nil, RMB76.0 million and nil of raw materials from Yucheng, respectively, representing nil, nil, 4.0% and nil of our total cost of sales, respectively.

Credit Terms and Payment Method

For the procurement of raw materials, our suppliers generally offer us a credit term of up to 90 days from the time when the goods are received from them and we generally settle our procurement cost by bank transfer or bank acceptance bills.

Raw Materials

Silica sand and soda ash are two major raw materials we consume in the production of our glass products. During the Track Record Period, we purchased silica sand from our external suppliers. We generally enter into legally binding long-term agreements with our silica sand suppliers, a summary of their key terms is set forth below:

<i>Duration</i>	Generally ranging from three months to one year
<i>Minimum purchase commitment</i>	Based on separate purchase orders
<i>Product price</i>	As set out in the agreements and supplemental agreements
<i>Payment term</i>	On or before next calendar month end given quantity delivered was confirmed and tax invoice provided

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<i>Inspection and product returns</i>	We inspect the products according to the quality standards as set out in the respective agreement. If the product quality is below the prescribed standards but within our acceptable range, a discount will be applied. If the product quality is outside our acceptable range, our supplier is required to arrange for product returns
<i>Renewal</i>	Renewable by mutual consent
<i>Termination</i>	May be terminated by mutual consent

Beginning in January 2015, we purchased certain amount of silica sand for the production of a portion of our float glass from certain of our quartzite ore customers who processed certain amount of quartzite ore extracted from the Mine to float silica sand for us as we do not have any processing and refinement capabilities. We have entered into long-term agreements with these companies. See “—Mining Rights” for more details.

We also typically enter into legally binding long-term agreements with our soda ash suppliers, a summary of their key terms is set forth below:

<i>Duration</i>	Generally one year
<i>Minimum purchase commitment</i>	Ranges of purchase volume are set out in the agreements and actual purchase volumes are based on separate purchase orders
<i>Product price</i>	Based on separate purchase orders and in line with market conditions
<i>Payment term</i>	On or before next calendar month end, given quantity delivered was confirmed and tax invoice provided
<i>Inspection and product returns</i>	We inspect the product according to the quality standards as set out in the respective agreement. If the product quality is below the set standards but within our acceptable range, a discount will be applied. If the product quality is outside our acceptable range, our supplier shall arrange for product returns
<i>Termination</i>	May be terminated by mutual consent; otherwise, the term will be automatically renewed for one year

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Energy

Energy costs are a major component in our cost of production, which primarily consists of the costs of fuel and electricity. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the energy costs associated with our production amounted to RMB514.0 million, RMB538.5 million, RMB696.6 million and RMB307.7 million, respectively, representing 41.9%, 34.5%, 35.1% and 36.9%, respectively, of our total cost of production.

During the Track Record Period, we consumed fuel oil, petroleum coke and natural gas as our primary types of fuel for our furnaces. We use these three main types of fuel interchangeably, and consider the prevailing market price of the type of fuel, the environmental impact of the relevant fuel consumption and the applicable PRC laws and regulations on environmental protection when placing purchase orders to minimize our production cost.

We generally enter into legally binding long-term agreements with our energy suppliers. Our long-term agreements with our fuel suppliers do not include minimum purchase quantity or price in order to provide us with more flexibility. We set forth below a summary of the typical key terms of the long-term agreements with our fuel oil and petroleum coke suppliers:

<i>Duration</i>	Fixed term of around ten months to one year
<i>Quantity</i>	May include a set quantity to be supplied by the supplier, such as 3,000 tons per month, to be delivered every ten days at 1,000 tons each
<i>Price</i>	Market price. Certain suppliers may be required to quote prices approximately three times per month to us as reference
<i>Discounts</i>	Depends on the supplier. In case the quality is below our acceptable range but within a range that we are willing to take the order, a discount of RMB50 per ton for each of the quality criteria will be applied
<i>Delivery</i>	Depends on the supplier. Some suppliers may deliver to our production facilities and they will bear the transportation cost, and other may require us to arrange for transportation to pick up from the supplier's facilities
<i>Product returns</i>	Depends on the supplier. Products could be returned if water content is over 1.5% or quality is below our acceptable range, or we could reject the delivery if we set out the disputed quantity or quality in writing

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<i>Payment terms</i>	Depends on the supplier. Generally within ten days after satisfactory product testing and issuance of invoice (including 17% value-added tax) by electronic bank transfers or bank acceptance bills
<i>Termination</i>	Depends on the supplier. May be terminated by mutual agreement or the agreement may be modified by mutual agreement

We also enter into legally binding long-term agreements with our natural gas supplier. We set forth below a summary of the typical key terms of such agreements.

<i>Duration</i>	Generally valid until notified by the natural gas supplier in writing
<i>Price</i>	Based on the ranges of average daily gas consumption as set out in the agreement
<i>Quantity</i>	Actual gas consumption
<i>Payment terms</i>	Payment via direct bank debit on a weekly basis based on actual weekly gas consumption
<i>Termination</i>	Generally valid until notified by the natural gas supplier in writing. However, the natural gas supplier is entitled to unilaterally terminate the agreement by giving us a 30-day prior notice, when it considers the selling price is below the cost

During the Track Record Period, we procured natural gas from one single supplier as the natural gas we consumed was supplied through exclusive pipelines connected from such supplier to our production facilities. In the event there is any disruption in the supply of one type of energy we consume, we will be required to purchase another type of energy as a substitute. However, this may result in a higher production cost. See “Risk Factors — Risks Relating to Our Business and Our Industry — We consume large amount of fuel and electricity in our production process and any disruption in the supply of fuel and electricity would materially and adversely affect our business, financial condition and operating results” for more information.

OUR CUSTOMERS

Our PV glass customers are primarily domestic and overseas PV module manufacturers, whereas our float glass customers are primarily domestic and overseas glass processing manufacturers and domestic glass wholesalers. In addition, we sell our 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. Except for our float glass, we generally manufacture our PV glass, household glass and architectural glass products in accordance

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with the purchaser orders we receive from our customers. In addition, some of our household glass customers will typically provide us 12-month rolling forecasts to inform us their anticipated orders throughout the year, which are regularly updated. The table below sets forth a summary of our different type of customers by product type and major products within such category:

<u>Type of product</u>	<u>Major product(s)</u>	<u>Main type of customers</u>
PV glass	Ultra-clear patterned PV glass	Domestic and overseas PV module manufacturers
Float glass ⁽¹⁾	Float glass	Domestic and overseas glass processing companies and domestic glass wholesalers
Household glass	Mirror products, tempered glass for cabinet doors and shelves, and other types glass for household use	Domestic and overseas furniture manufacturers and processing companies and multinational furniture retailers
Architectural glass	Tempered glass, insulated glass, Low-E glass, laminated glass and their composite glass products	Domestic and overseas architectural contractors, domestic architectural glass processing companies and construction companies

Note:

- (1) In addition to selling our float glass directly to our customers, we also sell our float glass to glass wholesalers. See “— Float Glass Customers” in this section for more information.

For the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015, sales to our five largest customers amounted to RMB412.2 million, RMB546.8 million, RMB831.1 million and RMB425.6 million, respectively, representing 27.7%, 25.0%, 29.3% and 34.4%, respectively, of our total revenue, and sales to our largest customer amounted to RMB130.3 million, RMB190.3 million, RMB222.8 million and RMB179.3 million, respectively, representing 8.8%, 8.7%, 7.9% and 14.5%, respectively, of our total revenue. During the Track Record Period, we had three to eight years of relationship with our five largest customers. During the Track Record Period, none of our Directors or their close associates or Shareholders who, to the best knowledge, information and belief of our Directors who owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

Credit Terms and Payment Method

For the sales of our products, we generally offer a credit term of 30 to 90 days to our customers, or, in the case of certain of our overseas PV glass customers, we offer a credit term as long as 150 days. Our customers generally settle our invoices by bank transfers or bank acceptance bills.

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PV Glass Customers

We generally do not enter into legally binding framework agreements with our PV glass customers unless they require. If we enter into framework agreements with our PV glass customers, these framework agreements usually set out the responsibilities of the parties. We set forth below a summary of the salient terms of the framework agreements that we have entered into with our PV glass customers during the Track Record Period:

<i>Duration</i>	Generally one year
<i>Minimum purchase commitment</i>	Generally none
<i>Product price</i>	Generally to be determined and confirmed based on separate purchase orders. In some cases, pricing terms are set out in the agreement, which will be valid for several months and subject to adjustment if raw material prices increase or fall by more than 10%, while in some other cases, during the term of the agreement, the prices shall not be higher than the maximum purchase price as set out in the agreements
<i>Payment term</i>	30 days after delivery by bank transfers or bank acceptance bills
<i>Inspection</i>	Generally, when the products are delivered to the customer's delivery address, the customer may inspect the products, including the specifications, amount and quality, within the grace period. If the customer has not raised any objection within the grace period, we will be deemed to have made satisfactory delivery of our products based on the sales order
<i>Product returns</i>	If objection has been raised by the customer within the grace period, we shall exchange or repair the items or arrange for refund as requested by the customer
<i>Renewal</i>	May be renewed by written mutual consent, subject to negotiation of new terms one month or three months prior to the expiry of the initial term of the agreement, as the case may be

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Termination..... The termination terms vary among the agreements, which generally include the following: The customer may terminate the agreement if (i) 5% or more of the products within a batch or a delivery are defective or a cumulative of 10% of the products are defective; (ii) we delay the delivery of goods by more than 15 days; and (iii) less than 95% of the products we supplied per month are of satisfactory quality. The agreement could also be terminated if any of the party breaches the terms of the agreement or goes into liquidation or unable to repay its debts

We are generally required to be qualified before becoming a supplier of our PV glass customers. See “— Process to Qualify as a Supplier to Our Customers” for more information.

Float Glass Customers

We use a portion of the float glass we manufacture in-house for the processing of our household glass and architectural glass products, and sell the remainder to our glass wholesaler customers and directly to other float glass customers, which mainly comprised of glass processing companies. To the best knowledge, information and belief of our Directors, our glass wholesaler customers will onward sell our float glass products to glass processing companies. Our glass wholesaler customers are not allowed to trade in our name, and to the best knowledge, information and belief of our Directors, none of our glass wholesaler customers was trading in our name.

For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, revenue generated from the sales of float glass amounted to RMB170.6 million, RMB425.3 million, RMB353.8 million and RMB127.0 million, respectively, representing 11.5%, 19.4%, 12.5% and 10.3% of our total revenue, respectively.

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The following table sets forth the number of our float glass customers and their respective contribution to the segment revenue from the sale of float glass for the years or periods indicated based on our internal records:

Type of float glass customers	For the year ended December 31,						For the five months ended May 31,	
	2012		2013		2014		2015	
	<i>Approximate % of segment revenue</i>		<i>Approximate % of segment revenue</i>		<i>Approximate % of segment revenue</i>		<i>Approximate % of segment revenue</i>	
	<i>Number</i>	<i>revenue</i>	<i>Number</i>	<i>revenue</i>	<i>Number</i>	<i>revenue</i>	<i>Number</i>	<i>revenue</i>
Glass wholesaler customers	52	70.3	75	62.6	52	57.6	34	42.0
Other customers ⁽¹⁾	42	29.7	70	37.4	82	42.4	47	58.0
Total	94	100.0	145	100.0	134	100.0	81	100.0

Note:

(1) Other customers for the sales of our float glass mainly comprised of glass processing companies.

The percentage of the revenue generated from the sales of our float glass to glass wholesaler customers decreased during the Track Record Period, primarily because we only commenced the production and sales of our float glass in October 2011, and we primarily sold to glass wholesaler customers to reduce sales and marketing expenditure and resources. Our reliance on glass wholesaler customers decreased as this business segment matured and we adjusted our sales strategy accordingly. During the Track Record Period, we only received sale proceeds from our glass wholesaler customers and we did not receive any royalty payments from such customers in connection with our sales of float glass to them. We do not expect the proportion of our total revenue that is attributable to the sales of float glass will significantly increase in the near future.

The following table sets forth the changes in the number of our glass wholesaler customers for the years or periods indicated based on our internal records:

Number of glass wholesaler customers	For the year ended December 31,			For the five months ended May 31,
	2012	2013	2014	2015
At beginning of the year or period	16	52	75	52
Increases during the year or period	36	32	11	4 ⁽¹⁾
(Decreases) during the year or period	—	(9)	(34)	(22)
At the end of the year or period	<u>52</u>	<u>75</u>	<u>52</u>	<u>34</u>

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Note:

- (1) Two of these new wholesaler customers were our previous wholesaler customers who ceased purchasing float glass from us in 2013 and/or 2014.

The significant increase in the number of our glass wholesaler customers from 2012 to 2013 was mainly attributable to the organic growth of our float glass business since we commenced float glass production and sales at the end of 2011 and significantly increased our float glass production capacity when a new furnace commenced operations at the end of 2012. The number of our glass wholesaler customers decreased in 2014 and 2015 primarily due to our effort to develop sales to the other float glass customers that we believe generally tend to have more stable business relationship with us. Furthermore, we did not actively terminate business relationships with any of our glass wholesaler customers during the Track Record Period. In the foreseeable future, we plan to prioritize the float glass we manufacture in-house to satisfy the demand of our household glass and architectural glass. In the meantime, we will continue to focus on increasing the sales of our float glass to those customers with whom we have had long-term and stable relationships. To the best knowledge, information and belief of our Directors, none of our glass wholesaler customers during the Track Record Period was or operated by any of our ex-employees.

We have entered into legally-binding framework agreements with some of our float glass customers during the Track Record Period, which included certain of our glass wholesaler customers and other float glass customers. For those customers who did not sign any framework agreement with us, such as the remainder of our glass wholesaler customers and other float glass customers, they purchased on a one-off basis according to their demand. The following table sets forth a summary of the key terms of such framework agreements entered into during the Track Record Period:

<i>Pricing</i>	Selling price is set by us with reference to the prevailing market conditions, while the actual transaction price between the parties thereto is based on the price set out on the delivery note for each batch of products
<i>Payment and credit term</i>	Payment prior to delivery
<i>Transfer of risks</i>	Ex-factory
<i>Minimum purchase quantity</i>	Subject to agreement on the price between the parties, the customer commits to purchase certain quantity of glass products on a monthly basis while we are subject to then existing production capacities and quality standards, endeavors to satisfy the aforesaid demand from our customer. However, our Directors confirmed that in practice, such minimum purchase quantity requirement was indicative by nature and was not strictly enforced by us, and there would be no adverse consequence on our glass wholesaler customers for failing to purchase the minimum quantity

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<i>Terms</i>	Generally for a period of one year, or up to the end of the next year
<i>Termination and renewal</i>	Certain framework agreements provide that the term will be automatically renewed for additional one-year terms except where one party serves notice to the other to terminate the agreements prior to the expiry of the original term, while some other framework agreements provide that the agreements will be terminated upon expiry

These framework agreements did not contain any clauses on (i) geographical or other type of exclusivity granted in favor of our float glass customers; (ii) obsolete stock arrangements; (iii) goods return arrangements; (iv) sales and expansion targets; (v) provision by our float glass customers of sales and inventory reports and estimates to us; and (vi) imposition of retail prices to be charged by our glass wholesaler customers to its customers.

Beginning in April 2015, we have entered into new legally-binding framework agreements with our float glass customers when the original agreements expired. The terms of the new framework agreements are substantially the same as the original framework agreements. The following table sets forth the key terms of the new framework agreements:

<i>Pricing</i>	Selling price is set by us with reference to the prevailing market conditions, while the actual transaction price between the parties to the agreement is based on the price set out on the relevant sales confirmation
<i>Payment and credit term</i>	Payment prior to delivery
<i>Transfer of risks</i>	Ex-factory
<i>Purchase quantity</i>	The customer's purchase plan shall be confirmed by both parties in writing
<i>Terms</i>	Generally for a period of one year
<i>Termination</i>	The agreement may be terminated by mutual written consent

The new framework agreements do not contain any clauses on (i) geographical or other type of exclusivity granted in favor of our float glass customers; (ii) obsolete stock arrangements; (iii) goods return arrangements; (iv) sales and expansion targets; (v) provision by our float glass customers of sales and inventory reports and estimates to us; (vi) minimum purchase amount; (vii) imposition of retail prices to be charged by our glass wholesaler customers to its customers; and (viii) renewal arrangements.

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Our relationship with our glass wholesaler customers is one of buyers and sellers. To the best knowledge, information and belief of our Directors, it is an industry norm for the float glass manufacturers to sell float glass to a group of glass wholesalers and we do not derive any other benefit from selling float glass in this manner. We do not have any control over the distribution by such wholesalers of our float glass products once they are delivered, how these glass wholesalers set the prices of our float glass products, how much stock they should keep, who do they sell to, or which products they will carry. Our sales to our glass wholesaler customers are on normal commercial terms and were negotiated on arm's length basis, and we generally issue sales confirmations to our glass wholesaler customers, which set out the product prices and quantities. During the Track Record Period, only a small number of our glass wholesaler customers enjoyed a credit term of up to one month. However, beginning in 2015, we required all of our float glass customers, including our glass wholesaler customers, to make full payment before we deliver our float glass products. We also do not provide any guarantee on minimum resale value in favor of our glass wholesaler customers nor are we required to repurchase any of the float glass sold to our glass wholesaler customers under any circumstance. Our glass wholesaler customers cannot return any unsold or obsolete stock to us. In case there are any major quality problems involving the float glass products sold, we will negotiate with our customers for a reasonable discount on the next order rather than for the product to be returned. During the Track Record Period, we did not record any return of unsold or obsolete stock from our glass wholesaler customers. We recognize revenue from the sale of the goods when the significant risks and rewards of ownership have been transferred to the buyer. In this case, revenue is generally recognized when the products are delivered and when the titles are passed.

Our glass wholesaler customers may sell float glass purchased from us as well as from other glass manufacturers. We compete with other float glass manufacturers in the PRC in terms of pricing and quality. We believe that any potential competition among our own products within the same geographical location is small. Hence, we believe supplying our float glass to more than one glass wholesalers in the same vicinity is consistent with industry norm and will not have any material adverse impact on our operations or financial condition.

Household Glass Customers

We entered into a legally binding framework agreement with our large multinational furniture retailer customer to provide our household glass products to it and its designated manufacturers. This framework agreement generally sets out the purchase volumes, payment terms and quality standards. We set forth below a summary of the key terms:

<i>Duration</i>	Approximately 22 months
<i>Minimum capacity commitment</i>	We undertake to have a minimum annual processing capacity for each product as set out in the agreement
<i>Minimum purchase commitment</i>	Equivalent to 20-foot containers per order. Furniture manufacturers will provide forecast estimates each month for the next twelve weeks

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<i>Product</i>	Mirror glass, tempered glass shelves and door furniture components
<i>Product price</i>	As set out in the agreement and fixed for an initial four months and re-negotiated every four months; prices are generally agreed on April 1, August 1 and December 1, which will be valid from May 1, September 1 and January 1, respectively
<i>Price adjustment</i>	The parties have the right to re-negotiate the price every four months
<i>Security stock</i>	A quantity of each product must be kept as security stock and ready to be shipped to the manufacturers within three to seven working days from the receipt of the order. The customer undertakes to purchase these security stock upon termination of the agreement
<i>Product returns</i>	Only defective items may be returned if notified in writing, subject to our inspection within 15 days; replacement delivery shall be made at our cost
<i>Warranty</i>	Limited to defects, which appear within two years from the time the products are received by the furniture manufacturers, except for defects caused by our negligence, in which case, there will be no time limit
<i>Renewal</i>	Renewable for 12 months and to be agreed between the parties three months prior to the expiration of the term
<i>Termination</i>	Either party may terminate the agreement at any time by providing notice to the other party in the event of any remediable breach, which has not been cured within 30 days after the receipt of notice, including repeated delays in delivery, low service level, repeated claims, insufficient product quality, becoming insolvent or subject to liquidation
<i>Breach of contract</i>	Subject to arbitration as mutually agreed by the parties

We are required to be qualified before supplying household glass products to the above customer and its manufacturers. See “— Process to Qualify as a Supplier to Our Customers” for more information.

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Architectural Glass Customers

Our architectural glass customers generally place orders with us as needed. New architectural customers who tend to place larger purchase orders with us may first place a trial order with us to test our products and may even inspect our production facilities. They may also request for trial orders if they require new customized products. During the Track Record Period, we have not entered into any long-term or framework agreements with our architectural glass customers.

Process to Qualify as a Supplier to Our Customers

In order to become a qualified PV glass supplier to our customers, our products and manufacturing facilities must meet their standards. First, our customers will generally require us to provide certificates of our PV glass products, such as SPF certifications, to prove that our products have passed the international standard testing. Then, we will have to provide sample products to these customers so they can perform independent testing to ensure our products will meet their requirements. Once our products have passed such testing, our customers will generally request to visit our production facilities to perform audits. If the production facilities audits are satisfactory, our customers will generally place trial orders. In the event they are satisfied with the trial orders, our customers may subsequently place formal orders with us and we will then become their qualified supplier. After becoming a qualified supplier to our PV glass customers, we are also generally required to pass their annual audits to ensure that our products and production facilities continue to meet their quality standards. Based on our experience, the entire process of becoming a qualified supplier to our PV glass customers will take approximately three to six months to complete. During the Track Record Period, we have passed our customers' initial audit and subsequent annual audits on our PV glass products and production facilities. For some of our PV glass customers, they will assemble complete sets of the PV modules using our PV glass first and then obtain certification of our products from qualified third parties.

In order to supply household glass products to our large multinational furniture retailer customer and its furniture manufacturers, our household glass products and manufacturing facilities must pass the standards set by such furniture retailer. These standards include, among others, operations, quality control, production capabilities in terms of volume, technical knowhow and quality, and compliance with applicable rules and regulations. Once we passed such standards, our large multinational furniture retailer customer and its furniture manufacturers will place trial orders with us for sample testing. After our household products passed the sample testing, we will then enter into framework agreements with our larger multinational furniture retailer customer to supply household glass products to it and its furniture manufacturers. See “— Our Customers — Household Glass Customers” for more information of the major terms of the framework agreements.

In order for us to continue to be a qualified supplier, the multinational furniture retailer routinely inspects our production facilities and performs annual inspections on our records, including production records, and on our compliance with relevant laws and regulations. During the Track Record Period, we have passed their initial audit and subsequent annual audits on our household glass products and production facilities.

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SALES AND MARKETING

Overview

During the Track Record Period and as of the Latest Practicable Date, our products were marketed and sold in the PRC and overseas. As of May 31, 2015, our sales department had 88 personnel, of whom approximately 75% have college degrees or above. It comprises a PV glass sales team and a float glass, household glass and architectural glass sales team. Our sales department is mainly responsible for formulating our sales and marketing strategies, identifying and developing potential customers and servicing existing customers.

Pricing Policy

The price of our PV glass products is primarily based on negotiations with our customers, taking into consideration marketing conditions, product specifications, supply and demand of comparable products, the size of the purchase orders and our production costs.

As for our float glass, we generally price such products based on our internal pricing guideline, which contains four price categories corresponding to the four grades of our float glass products based on their quality. Our pricing guideline is subject to change from time to time. We take into account marketing conditions, accumulated purchase volume, supply and demand of comparable products and our cost of production.

Regarding our household glass products, we take into consideration the following factors when negotiating with our customers: Processing requirements of our customers, market conditions, supply and demand of comparable products, the size of the purchase orders and our production cost. In addition, with respect to sales related to the large multinational furniture retailer, the price is first set in the framework agreement and may be adjusted every four months based on the terms and conditions of the framework agreements. See “— Our Customers — Household Glass Customers” for more information. During the framework agreement and subsequent price adjustment negotiations, we take into account specifications from the furniture retail customer, supply and demand of comparable products, the size of the purchase order and our production costs.

With respect to our architectural glass products, the price for each order is a result of negotiations with our customers, taking into consideration of processing requirements from our customers, marketing conditions, supply and demand of comparable products, the size of the orders and our production costs.

We usually do not offer any discounts on our products to our PV glass, household glass and architectural glass customers. For our float glass customers, we usually offer a bulk purchase discount for those customers purchasing more than 300 tons of float glass from us on a monthly basis. In addition, customers who pay us in cash would receive a small discount based on the total purchase price. If the float glass we delivered has quality issues, provided that we agree to the quality issue identified by our customers, we will reclassify the relevant batch of the float glass and price it according to such reclassification.

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Marketing and Promotion

Our PV glass sales team directly reaches out to our customers and potential customers, who primarily are PV module manufacturers located in the PRC and overseas, to promote our products. We also attend annual SNEC International PV Power Generation Conference & Exhibition held in China to showcase our new products and to promote and market our Company and our products to our customers and potential customers.

Based on our reputation and broad recognition, our float glass customers generally approach us for the purchase of our float glass products. To maintain our relationships with our existing customers and to attract new customers, our float glass sales team approaches them directly from time to time to secure the sales of our products. As float glass is a generic product and could be substituted with other float glass from other manufacturers, based on our experience, the key factor of marketing and promoting our float glass products is our selling price relative to the quality of the product.

With respect to household glass and architectural glass customers, we typically approach them directly or they contact us voluntarily to secure orders.

To enhance our brand recognition, we also participate in seminars, tradeshow and exhibitions in the PRC or overseas to promote and increase our products' exposure in the market. In addition, we are involved in industry associations, which we believe provide us with different channels to reach out to potential customers while continuing to strengthen our relationship with existing customers.

After-sales Services, Sales Return Policy and Warranty

We generally maintain a product return and warranty policy. Specific terms of product return and warranty are based on the agreements with, or purchase orders from, our customers. Please see “— Our Customers” in this section for details of product returns and warranty arrangements with the different types of customers.

As for the sales of household glass products to certain of our customers, our after-sales services and warranty are governed by the relevant framework agreements for such sales. See “— Our Customers — Household Glass Customers” for more information.

During the Track Record Period, we did not receive any material product returns or make any large-scale product recalls due to any quality defects, and we did not have any material warranty claims on our products, which would have a material and adverse effect on our business and results of operations.

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INVENTORIES

We actively monitor our inventories, which include raw materials, work-in-progress and finished products. We generally do not keep any PV raw glass in our inventory as we manufacture our PV glass products by order. We only keep float glass as inventory for the production of our household glass and architectural glass. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements. As of December 31, 2012, 2013, 2014 and May 31, 2015, our inventories were RMB258.0 million, RMB200.8 million, RMB308.6 million and RMB225.1 million, respectively. For the years ended December 31, 2012, 2013, and 2014 and for the five months ended May 31, 2015, our inventory turnover days were 60 days, 53 days, 49 days and 45 days, respectively. See also “Financial Information — Description of Selected Consolidated Statements of Financial Position Items — Inventories” for more information on our inventories and inventory turnover days during the Track Record Period.

We monitor our inventory levels and make provisions in accordance with our accounting policy. During the Track Record Period, we had not made any provision of impairment loss of our inventories. We generally keep raw material inventory at levels that we believe are sufficient for about one to two months of production.

RESEARCH AND DEVELOPMENT

We believe strong research and development capabilities are important to ensuring our success and our ability to develop new products. To advance our research and development capabilities and to maintain our market-leading position, we established a strong research and development department comprising over 200 staff, of which over 30 were research specialists as of May 31, 2015, a majority of whom possess university degrees or above. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we have invested RMB59.9 million, RMB66.6 million, RMB129.3 million and RMB44.4 million into research and development, respectively. Our research and development expenses mainly consist of trial production cost of new products at our production facilities, remuneration of our research specialists, costs of glass and raw materials we use in our laboratory testing, and the expenditures on purchasing new equipment or improving existing equipment.

Through our continuous research and development efforts, we have successfully developed technologies that improve the performance of our products. For instance, we developed a PV coating agent and when it is applied, the light transmission rate of our PV glass could increase between 2.0% to 3.0% as compared to regular PV glass without such coating. Based on laboratory testing carried out by an independent testing center, our 3.2mm coated PV glass has a light transmission rate of up to 94.5% as compared to a light transmission rate of approximately 91.8% before the coating is applied. We have included the composition and the production method of this coating agent among one of our patents, “A reflection-reducing and high transmission rate ultra-clear patterned PV glass and its production method”* (一種減反射高透過率鍍膜太陽能超白壓花玻璃及其製造方法). For our current production of PV glass, we use our in-house developed coating agent, which is principally based on this patent with new modifications and improvements.

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Furthermore, as of the Latest Practicable Date, we owned 36 patents in the PRC, of which, 34 were utility model patents and two were invention patents. We are also currently developing three new products registered with the Zhejiang Economic and Information Commission* (浙江省經濟和信息化委員會) as new provincial industrial product development projects, including PV glass and Low-E glass. We believe the development of these new products will expand our product portfolio and be complementary to our growth strategies due to the development of new Low-E glass products and PV glass products.

In addition to our in-house research and development capabilities, we have also collaborated with universities in China during the Track Record Period to exchange technological ideas in PV glass-related technologies.

We plan to expand our research and development efforts by continuing to improve our production technologies, in particular, technologies relating to the anti-reflective coating for PV glass to increase light transmission rate and the Low-E glass coating, and to develop new products such as PV glass with a thickness of under 2.8mm. Furthermore, we also plan to improve the quality of our PV glass by further reducing the rate of defective glass in the production process.

AWARDS, ACCREDITATIONS AND MEMBERSHIPS

We have received certain awards and accreditations since our establishment in recognition of the technological advancement we achieved with respect to our products. The following table sets forth certain of the awards and accreditations we have received:

<u>Year</u>	<u>Award/Accreditation</u>	<u>Awarding organization</u>	<u>Awarded product/entity</u>
2015	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)	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)	Our Company
2014	Top 30 of the Glass Processing Enterprises in China of the Year 2013* (2013年度中國加工玻璃三十強企業)	China Architectural and Industrial Glass Association	Our Company

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<u>Year</u>	<u>Award/Accreditation</u>	<u>Awarding organization</u>	<u>Awarded product/entity</u>
2013	Advanced Entity in the National Building Materials Industry* (全國建材行業先進集體)	Ministry of Human Resources and Social Security of the People's Republic of China* (中華人民共和國人力資源和社會保障部), and China Building Materials Federation	Our Company
2013	Advanced Entity in the Zhejiang Key Construction Project Competition* (浙江省重點建設立功競賽先進集體稱號)	The People's Government of Zhejiang Province (浙江省人民政府)	Our Company
2010	Third Prize in Shanghai Science and Technology Award (上海市科學技術獎)	Shanghai People's Government (上海市人民政府)	Technological development in ultraviolet ray-blocking ultra-clear patterned PV glass
2010	First Prize in National Building Materials Industry Technological Innovation Award (全國建材行業技術革新獎)	China Building Materials Federation and China Machine and Metallurgy Building Materials National Committee (中國機冶建材工會全國委員會)	Ultra-clear patterned PV glass
2010	Gold Prize	China International Patent & Brand Expo Organizing Committee (中國國際專利與名牌博覽會組織委員會) and China International Patent & Brand Expo Accreditation Committee (中國國際專利與名牌博覽會評審委員會)	Ultraviolet ray-blocking ultra-clear patterned PV glass

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<u>Year</u>	<u>Award/Accreditation</u>	<u>Awarding organization</u>	<u>Awarded product/entity</u>
2008	National Key New Product	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部), Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部), Ministry of Commerce of the PRC (中華人民共和國商務部) and General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國品質監督檢驗檢疫總局)	Ultra-clear patterned PV glass

Our Company has also been invited to become a member or a committee member of certain professional associations for glass products or PV products. The following table sets forth some of the seats that we currently hold:

<u>Office or membership</u>	<u>Organization</u>
Member	China Architectural and Industrial Glass Association
Member	Material Branch of Building Curtain Wall Specialized Committee* (建築幕牆專業委員會材料分會) of Shanghai Decoration and Fitment Association* (上海裝飾裝修行業協會)
Vice President	Zhejiang Provincial Glass Industry Association* (浙江省玻璃行業協會)
Deputy Director	PV Glass Specialized Committee of China Architectural and Industrial Glass Association
Standing Vice President	Jiaxing PV Industry Association* (嘉興市光伏行業協會)
Member	Zhejiang Building Materials Association* (浙江省建材工業協會)
President	Jiaxing Xiuzhou District New Energy Industry Association* (嘉興市秀洲區新能源行業協會)

COMPETITION

We are a global PV glass manufacturer based in the PRC and we face competition from domestic and overseas PV glass manufacturers. The market concentration for PV glass is high as the top five PV glass producers in the PRC accounted for approximately 80.4% of the total sales revenue in the PRC in 2014, of which, the top two PV glass producers in the PRC, including our Group, accounted

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for approximately 50% of the total sales revenue, according to the Frost & Sullivan Report. Based on our operating experience, we believe the principal competitive factors in our relevant markets include:

- quality of PV glass, including, among other things, light transmission rate and durability;
- selling price;
- production cost;
- production scale, including production and processing capacities;
- technological and innovative capabilities;
- customer services and reputation; and
- geographical location.

There are certain major barriers of entry to the PV glass industry, including substantial capital investment required to set up the operations, high product quality requirements from customers, product certifications requirements, larger scale production to achieve economies of scale, established relationships with customers and regulatory approvals. Please see “Industry Overview — Analysis of PV Glass Market — Competitive Analysis” for further details on the competition we face including the key players in the PV glass industry. In addition, our business also faces a number of risks relating to market competition. See “Risk Factors — Risk Relating to Our Business and Our Industry — We face significant competition in the PV glass industry market, which could materially and adversely affect our profitability” for more information.

MINING RIGHTS

Silica sand is one of our major raw materials for the production of our PV raw glass and float glass. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the cost of silica sand accounted for 7.7%, 10.3%, 10.8% and 11.1% of our cost of production, respectively. During the same periods, based on our internal records, the total amount of silica sand we purchased was approximately 343,000 tons, 551,000 tons, 751,000 tons and 278,000 tons, respectively, of which, approximately 216,000 tons, 243,000 tons, 450,000 tons and 155,000 tons were ultra-clear silica sand, respectively, and approximately 127,000 tons, 308,000 tons, 301,000 tons and 123,000 tons of float silica sand, respectively.

In order to secure a stable supply of quality silica sand for our float glass production, our wholly-owned subsidiary, Anhui Flat Materials (the “Purchaser”) entered into a mining rights agreement with Chuzhou City Bureau of Land Resources (the “Seller”) (滁州市國土資源局) dated April 13, 2011, pursuant to which the Purchaser obtained the extraction right to the seventh segment of a quartzite mine located at the Lingshan-Mujishan mining zone in Fengyang County, Chuzhou City, Anhui Province, the PRC (中國安徽省滁州市鳳陽縣) for a consideration of RMB226.6 million.

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We set forth below a summary of the key terms of the mining rights agreement for the Mine:

<i>Location of the Mine</i>	No. 7 glass production use quartzite mine, Lingshan-Mujishan mining zone, Fengyang County, Chuzhou City, Anhui Province, the PRC
<i>Area of the Mine</i>	0.1102 sq.km.
<i>Consideration</i>	RMB226,600,000
<i>Payment terms</i>	(i) 50% of the consideration, equivalent to RMB113,300,000, to be paid before April 23, 2011; (ii) 25% of the consideration, equivalent to RMB56,650,000, to be paid before April 23, 2016; (iii) 25% of the consideration, equivalent to RMB56,650,000, to be paid before April 23, 2021; plus, interest on the outstanding balance of the consideration at a rate not less than the prevailing lending rate of PBOC; and (iv) In the event the Purchaser fails to pay the purchase price as set out in the mining rights agreement, the Seller has the right to withdraw the mining right and the Purchaser shall bear any financial loss caused to the Seller. In the event of delay in payment, an overdue fine of 0.2% shall be paid from the date on which the payment is due
<i>Minimum extraction quantity</i>	Not less than 500,000 tons per year
<i>Designed service period</i>	31 years
<i>Duration of mining right</i>	To be determined based on the mining permit
<i>Other obligations</i>	The Purchaser shall invest at the place of the Mine within four years from the date of obtaining the mining rights, a large scale glass or processed glass company, as provided in the Large, Medium and Small Sized Industrial Enterprises Division Standards* (《大中小型工業企業劃分標準》) issued by the National Bureau of Statistics of the PRC (中華人民共和國國家統計局) (the “Other Obligation”)

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As advised by our PRC Legal Advisors, the mining rights of Anhui Flat Materials will not be affected even if Anhui Flat Materials fails to invest in a large-scale glass or processed glass company by August 12, 2016 in accordance with the Other Obligation. Our PRC legal advisors' view was arrived on the basis that (i) pursuant to the Notice on the Restriction to Impose Matters Related to Business Autonomy as Prerequisites to Investment Projects Approvals for Enterprises* (《關於一律不得將企業經營自主權事項作為企業投資項目核准前置條件的通知》) jointly issued by NDRC and the State Commission Office for Public Sectors Reform of the PRC (中央機構編制委員會辦公室) on December 31, 2014, for all matters within the business autonomy of enterprises, such matters shall not be prerequisites to approve investment projects, and such clauses are deemed invalid; (ii) the notice referred to in (i) above is also applicable to subsisting agreements entered into before December 31, 2014; (iii) the clause relating to Other Obligation in the mining rights agreement is the type of clause prohibited by the notice referred to in (i) above and therefore, is deemed invalid; and (iv) according to an interview carried out with the Seller in February 2015, which is also the competent authority that granted us the relevant mining permit, as advised by our PRC Legal Advisors, in the event that Anhui Flat Materials fails to invest in the establishment of a large scale glass or processed glass company within the time period stipulated in the agreement (i.e., by August 12, 2016), the mining permit of Anhui Flat Materials will not be revoked by the Land and Resources Department of the PRC.

We set forth below a summary of our mining permit for the Mine:

Name of certificate	Number	Issuing department	Mining right owner	Name of mine	Validity	Extraction method	Area (square kilometers)	Mining limit	Production scale
Mining Permit of the PRC	C3400002012087130127089	Anhui Province Land and Resources Department of the PRC	Anhui Flat Materials	Lingshan-Mujishan No. 7 quartz mine project (靈山-木屐山礦區玻璃專用石英岩礦7號段)	22 August 2012 to 22 August 2022	Open pit mining	0.1104	185.2 m to 80 m above sea level	1,500,000 tons per year

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, we have obtained the requisite approvals, licenses and permits for our mining activities in all material aspects, including the mining permit and the production safety permit. As advised by our PRC Legal Advisors, upon the expiration of our mining permit, pursuant to the applicable PRC law, Anhui Flat Materials shall satisfy requirements such as having fully settled the considerations for the Mine, either having obtained the confirmation of acceptance of land rehabilitation examination or payment confirmation for land rehabilitation, and holding a valid mining license for the renewal, and there is no legal impediments in our application to renew our mining permit. At the current pace of extraction under the mining permit, we expect all of the quartzite at the Mine will be depleted before the expiry of the mining permit. In the event that we apply for an extension of our mining permit, as of the Latest Practicable Date, our Directors do not foresee any material obstacle in complying with the above requirements for the renewal of the mining permit and hence, our Directors believe that we will be able to renew our mining permit.

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During the Track Record Period, we engaged Chuzhou Langyashan Mining Constructions Technology Co., Ltd.* (滁州琅琊山礦業工程技術有限公司) (“Chuzhou Langyashan”), an Independent Third Party, to drill and to blast the relevant areas of the Mine in connection with the extraction work. We commenced our outsourcing relationship with Chuzhou Langyashan in September 2013, who held the necessary qualification for blasting. We set forth below a summary of the legally binding agreement we entered into with Chuzhou Langyashan:

<i>Duration and renewal</i>	One year and automatically renewable for another year upon expiry
<i>Services</i>	Chuzhou Langyashan to provide drilling and blasting work at the Mine
<i>Anhui Flat Material’s responsibilities</i>	Anhui Flat Materials shall, among other things, provide an onsite supervisor to liaise blasting related matters
<i>Chuzhou Langyashan’s responsibilities</i>	Chuzhou Langyashan shall, among others: <ul style="list-style-type: none">• draft the blasting work and design plan and emergency plan;• arrange for approvals for blasting and purchasing flammable products, and procure, transport and store the flammable products;• follow Anhui Flat Materials’s instructions in arranging for blasting work and be responsible for the result of the blasting work;• purchase accident insurance for all blasting workers and follow the <i>Blasting Safety Procedures</i>* (《爆破安全規程》) (GB6722-2011) and the <i>Civil Explosives Safety Regulations</i>* (《民用爆炸品安全管理條例》) in the PRC; and• be responsible for blind gun and blasting accident handling, including all fees and safety related responsibilities
<i>Price</i>	Depending on the amount of blasting work based on the agreed measurement of 2.62 tons per cubic meter at RMB11.266 per cubic meter, which excludes mining technical service fees. In the event there is a large difference in the amount calculated, an authoritative company will be engaged to perform the measurement
<i>Indemnity and liquidated damages</i>	<ul style="list-style-type: none">• Anhui Flat Materials has the right to claim against Chuzhou Langyashan all damages from blind gun and blasting work accidents

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- If the result of the blast does not satisfy the quality requirement (boulder yield to be less than 10%, 90% of the length of the ore to be less than 20 centimeters, and the blasting depth shall not be less than 90% of the depth of the design pit), Chuzhou Langyashan shall pay RMB5,000 to Anhui Flat Materials as liquidated damages, and after three incidents, Anhui Flat Materials has the right to terminate the agreement
- If any of the staff of Chuzhou Langyashan does not follow the orders of the onsite supervisor of Anhui Flat Materials, Chuzhou Langyashan shall pay RMB500 as liquidated damage

<i>Invoicing</i>	Every 15th day of the calendar month
<i>Payment method</i>	Bank transfer
<i>Termination</i>	Either party may provide written notice to the other party one month before the expiry for not renewing the agreement.

We generally will set the production plan for our contractors, and their work will be monitored by our management in Anhui to ensure adherence to the plan. When we make the production plan, we take into account matters such as safety issues, production output, costs and the relevant laws and regulations. We believe with our production plan and the supervision of the works of our contractors, we are able to adequately manage our operations at the Mine.

Since we do not have any quartzite ore processing and refinement capabilities, we generally sell the quartzite ore extracted from the Mine to our customers who are able to process and refine it into silica sand. We have arrangements in place with these customers pursuant to which they agree to sell us, but we are not obligated to purchase from them, the amount of the silica sand we need in connection with the production of our float glass if the silica sand meets our standards. We have entered legally binding agreements with these customers, a summary of their key terms is set forth below:

<i>Duration and renewal</i>	From the date of the agreement to December 31, 2016 and automatically renewable for one year upon expiry if the parties do not object
<i>Price</i>	Price of the quartzite ore to be sold by Anhui Flat Materials will depend on the market price and to be confirmed by the end of the month based on the quality of the ore
<i>Payment term</i>	The customer shall settle the payables by the end of the next calendar month after receipt of the sales invoice

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First right of refusal..... If the silica sand processed from the quartzite ore attains the quality required by Anhui Flat Materials's headquarters, such silica sand shall be supplied to Anhui Flat Materials's headquarters, and terms for such sales, such as price and payment terms, shall be agreed to and contracted with Anhui Flat Materials's headquarters separately

Based on the actual amount of quartzite ore refined into silica sand by the main purchaser of quartzite ore for the fourth quarter of 2014, we estimate that approximately 0.5 kilograms of float silica sand can be processed and refined from each kilogram of quartzite ore. Therefore, it is anticipated that we will extract 1,500,000 tons of quartzite ore each year and approximately 750,000 tons of float silica sand will be refined from quartzite ore extracted from the Mine.

Beginning in November 2012, Anhui Flat Materials commenced the construction of the roads and mining facilities at the area of the Mine and passed the relevant governmental inspection and acceptance in September 2014. As by-products of such construction, certain amount of quartzite ore was extracted from the surface of the Mine. We sold certain amount of quartzite ore extracted from the Mine to third parties in 2013 and 2014. Beginning in January 2015, we used certain amount of the silica sand processed and refined from the quartzite ore that is extracted from the Mine for the production of our float glass. Since we do not have processing and refinement capabilities, we have made arrangements with certain of our customers pursuant to which we sell quartzite ore to them for processing and we have a priority to purchase the processed silica sand if it meets our requirements. During the Track Record Period, we did not recognize the sales of quartzite ore and the purchases of silica sand from our customers who processed our quartzite ore on a net basis because (i) we sold our quartzite ore to these customers at market price; (ii) we have a priority rather than an obligation to purchase, at our discretion, the silica sand processed from our quartzite ore if its quality meets our requirements; and (iii) these customers sold the silica sand to us at market prices. As such, we did not purchase all of the silica sand processed from the quartzite ore we sold to these customers and have only purchased part of the silica sand processed by them from our quartzite ore. Therefore, the sales of quartzite ore and the purchases of silica sand from our customers who process our quartzite ore were separate transactions. We expect this relationship with our quartzite ore customers to continue in the foreseeable future. Since January 2015, we purchased certain amount of silica sand processed by our quartzite ore customers for our float glass production. We may gradually use more of the silica sand refined from the quartzite ore of the Mine if more quartzite ore with suitable quality can be extracted in the future. Notwithstanding that the Mine is expected to contribute a certain proportion of silica sand necessary for our internal production use, we expect to retain third-party suppliers for silica sand to complement and stabilize the supply we need whenever necessary.

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The table below sets forth the extraction rate and production rate of the Mine during the Track Record Period:

	For the year ended December 31,			For the five months ended May 31,
	2012	2013	2014	2015
	Approved annual extraction amount (<i>tons</i>)	1,500,000	1,500,000	1,500,000
Amount of quartzite ore extracted (<i>tons</i>).	—	169,600	664,300	918,100
Extraction rate ⁽¹⁾ (%)	—	11.3	44.3	63.4
Amount of quartzite ore sold to third parties (<i>tons</i>)	—	14,553	665,753	947,180
Average selling price (<i>RMB</i>)	—	15.38	16.55	20.59

Note:

(1) Equals the amount of quartzite ore extracted divided by the approved annual extraction amount.

For the year ended December 31, 2012, 2013, 2014 and the five months ended May 31, 2015, Anhui Flat Materials recorded loss of RMB6.0 million, RMB6.1 million, RMB13.1 million and a profit of RMB2.1 million, respectively. During the Track Record Period, our extraction costs (including the amortisation of the mining rights) of the Mine amounted to nil, RMB0.3 million, RMB17.0 million and RMB12.1 million for the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015, respectively. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, our operating costs of the Mine amounted to RMB8.0 million, RMB8.0 million, RMB8.6 million and RMB3.0 million, respectively. Our sales of quartzite ore to third parties amounted to nil, RMB0.2 million, RMB11.0 million and RMB19.5 million, respectively, with an average selling price of nil, RMB15.38 per ton, RMB16.55 per ton and RMB20.59 per ton, respectively, for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, based on our internal records. The average selling price of our quartzite ore gradually increased as the quality of the ore gradually improved for the same periods. Although Anhui Flat Materials recorded losses for the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015, primarily due to the construction of the roads and mining facilities at the area of the Mine, and at the initial production stage of the Mine that the extracted quartzite ore was of a lower quality, which commanded a lower average selling price, we believe as we extract quartzite ore from deeper layer of the Mine, the quantity and quality of quartzite ore we extract will increase or improve, and the revenue generated from the sales of quartzite ore will increase with improving margins as well. As such, we believe that the Mine is favorable to our operations and the results of our Group in the medium- to long-term.

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Listing Rules Implications

According to Rule 18.01(3) of the Listing Rules, a “Mineral Company” is defined as “*a new applicant whose Major Activity (whether directly or through its subsidiaries) is the exploration for and/or extraction of Natural Resources...*” and “Major Activity” is defined as “*an activity of an issuer and/or its subsidiaries which represents 25% or more of the total assets, revenue or operating expenses of the issuer and its subsidiaries. Reference should be made to the issuer’s latest audited consolidated financial statements.*”

As of May 31, 2015, all mining activities of the Mine was carried out by Anhui Flat Materials, which was principally engaged in the operation of the Mine and the sales of quartzite ore extracted from the Mine. Based on the brightline test and our latest audited financial information for the five months ended May 31, 2015, the total assets, total revenue and operating expenses of Anhui Flat Materials was less than 25% of our total assets, total revenue and operating expenses, respectively. Our Company is therefore not a “Mineral Company” under Chapter 18 of the Listing Rules.

Our Directors confirm that if we will become a “Mineral Company” under Chapter 18 of the Listing Rules based on the brightline test after Listing, we will follow the continuing obligations under Rule 18.14 to 18.17 of the Listing Rules. See “Risk Factors — Risk Relating to Our Business and Our Industry — We may become a mineral company under Chapter 18 of the Listing Rules in the future.”

THE INDEPENDENT TECHNICAL REPORT

Preparation of the Independent Technical Report

In February 2015, we instructed the Independent Technical Consultant to prepare an Independent Technical Report on the Mine according to the JORC Code standards. The Independent Technical Report is an independent technical review of the mineral resources of the Mine. The scope of work of the Independent Technical Consultant in preparing the Independent Technical Report on the Mine included data collection, analysis, site visits, technical work and preparation of the Independent Technical Report. The Independent Technical Report was based on data provided to the Independent Technical Consultant by us. In the opinion of the Independent Technical Consultant, we provided open access to all records necessary to enable a technical assessment of the Mine and resource estimates. We warranted in writing to the Independent Technical Consultant that full disclosure was made of all material information and that, to the best of our knowledge and understanding, such information was complete, accurate and true.

The Independent Technical Consultant reviewed, among others, a detailed geology and resource estimation report on the Mine dated June 2010 (the “Resource Estimation Report”), a preliminary mine design report of the Mine dated November 2012 (the “Preliminary Mine Design Report”), an updated resource report in January 2015, a survey report prepared by the Land and Resources Bureau of the PRC in June 2015, associated maps and data, together with further data collected by the Independent Technical Consultant during site visits, which collectively formed the basis for the review of the Mine by the Independent Technical Consultant in preparing the Independent Technical Report. The Independent Technical Consultant acquired additional relevant materials independently from a variety of sources, which were used to expand on the information provided by us and, where appropriate,

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confirmed or provided alternative assumptions to those made by us. The Competent Persons also relied on opinions and technical works of the authors of the Preliminary Mine Design Report, which we provided. The Competent Persons obtained all of the information included in the Independent Technical Report from us or from public sources.

Summary of the Independent Technical Report

For an executive summary of the Independent Technical Report, See “Summary of the Independent Technical Report” in Appendix III to this prospectus. We also set forth below a summary of the Independent Technical Report.

Resource Estimates

According to the Independent Technical Report, the quartzite at the Mine is bulk industrial mineral, which covers an area of about two-thirds of the Mining Permit and down to the base of the Mining Permit at 80 meters above sea level, and is potentially economic. The quartzite at the Mine is considered pure having impurities of minor amount of iron and alumina. The quartzite is sedimentary in origin but has undergone high grade metamorphism since deposition. The rock is Mid-Proterozoic in age, belonging to the upper member of the Baiyunshan Unit of the Fengyang Group.

The Independent Technical Consultant noted that in the Resource Estimation Report, the total tonnage of glass-use quartzite within the Mining Permit was 18,167,000 tons with average major chemical composition of 98.76% silicon dioxide (SiO_2), 0.312% aluminum oxide (Al_2O_3), 0.074% iron oxide (Fe_2O_3), 0.0109% titanium dioxide (TiO_2) and 0.0007% chromium (III) oxide (Cr_2O_3). The Independent Technical Consultant further noted that no mine or process plant recovery factors were applied to these estimates, and appropriate quality controls, procedures and assurance were used. The Independent Technical Consultant assayed the samples collected from the Mine during site visits and observed that such samples returned results of silicon dioxide (SiO_2), aluminum oxide (Al_2O_3) and iron oxide (Fe_2O_3) within the range of values contained in the Resource Estimation Report and Preliminary Mine Design Report, and found that the estimates as set out in the Resource Estimation Report complied with JORC Code standard for the material within the Mining Permit.

The Independent Technical Consultant was supplied with the topography, drill and trench assays and undertook a full three dimensional check on the resource estimate using Ordinary Kriging methods for silicon dioxide (SiO_2), aluminum oxide (Al_2O_3) and iron oxide (Fe_2O_3). The findings by the Independent Technical Consultant were in close agreement with and confirmed the resource estimate in the Preliminary Mine Design Report.

According to the PRC standards of classifications of industrial glass-use quartzite index, when the silicon dioxide (SiO_2) is greater than or equal to 96% , aluminum oxide (Al_2O_3) is less than or equal to 2% and iron oxide (Fe_2O_3) is less than or equal to 0.33%, such quartzite are suitable for glass production. According to the Independent Technical Report, the various groups of ore at the Mine

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generally fulfill the requirements of industrial index of detailed geological investigations where silicon dioxide (SiO₂) is approximately 99% with little aluminum oxide (Al₂O₃) and iron oxide (Fe₂O₃), and the lithology of rock is mainly quartzite, with some muscovite bearing quartzite. Hence, most of the orebody at the Mine is classified as glass-producing quartzite.

The following table sets forth the resource estimate by resource category of the Mine as of May 31, 2015:

Element	Amount <i>(million tons)</i>	Silicon dioxide (SiO ₂)	Aluminum oxide (Al ₂ O ₃)		Iron oxide (Fe ₂ O ₃)	
		<i>(%)</i>	<i>(%)</i>	<i>(ppm)</i>	<i>(%)</i>	<i>(ppm)</i>
Measured ⁽¹⁾	—	—	—	—	—	—
Indicated ⁽²⁾	7.9	98.79	0.325	3,250	0.069	690
Inferred ⁽³⁾	4.1	98.69	0.283	2,830	0.083	830
Total	12.0	98.76	0.312	3,120	0.074	740

Notes:

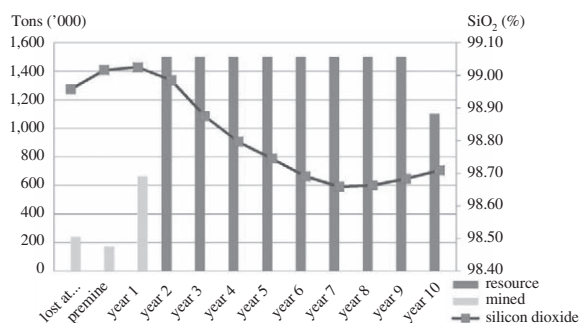
- * The Independent Technical Consultant found the estimates in the table above to be in close agreement with its estimates of the total remaining resources within the pit limits after allowance for surface, pre-mine and past production, being 12,200,000 tons, and the average major chemical composition was 98.76% silicon dioxide (SiO₂), 0.305% aluminum oxide (Al₂O₃) and 0.064% iron oxide (Fe₂O₃).
- (1) A measured mineral resource is that part of a quartzite resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with confidence sufficient to allow the application of “modifying factors” (which are considerations used to convert mineral resources to “ore reserves,” defined as the economically mineral part of a measured and/or indicated mineral resource, according to the JORC Code. These include, but not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors) to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.
- (2) An indicated mineral resource is that part of a quartzite resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of “modifying factors” in sufficient detail to support detailed mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered.
- (3) An inferred mineral resource is that part of a quartzite resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Furthermore, the Independent Technical Consultant concluded that the iron content of the ore may cause beneficiation costs to rise in order to produce a product that will meet the requirements of PV glass or float glass production, which may materially affect the mineral resource estimate.

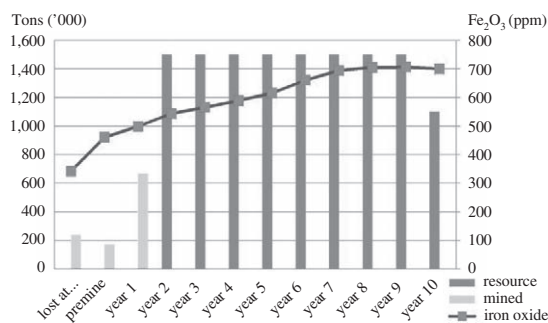
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In terms of the expected life of the Mine, the Independent Technical Consultant noted that in the Preliminary Mine Design Report, the life of the Mine was stated as ten years. The following tables sets forth the life of the Mine production plan for silicon dioxide and iron oxide:

Life of Mine Production Plan Silicon Dioxide (SiO₂)⁽¹⁾⁽²⁾⁽³⁾



Life of Mine Production Plan Iron Oxide (Fe₂O₃)⁽¹⁾⁽²⁾⁽³⁾



Notes:

- (1) Based on our schedule provided to the Independent Technical Consultant.
- (2) Based on 55 degrees pit walls, a base at 80 meters above sea level and after allowance for 88% mining tonnage recovery.
- (3) No mining factors have been applied to the in situ grade estimates for mining dilution or loss as a result of the grade control or mining process. No metallurgical factors have been applied to the in situ grade estimates.

Source: The Independent Technical Report

Location and Access

The Lingshan-Mujishan mining area is located to the west of the southern mountain range of Fengyang County, Anhui Province, the PRC. It is about 20 km to the south of the Fengyang County and 35 km from Bengbu City. The administration of the area is under Damiao city of Fengyang County. The tenement is 0.1104 sq. km. in area.

The Lingshan-Mujishan mine area contains 18 mining permits and the Independent Technical Report is relating to the Mining Permit for area numbered 7.

Risk Assessment

The Independent Technical Report categorized risks into the following categories:

- (i) *Major risk:* The factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) on the project cash flow and performance and could potentially lead to project failure.
- (ii) *Moderate risk:* The factor, if uncorrected, could have a significant effect (10% to 15%) on the project cash flow and performance unless mitigated by some corrective action.

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(iii) *Minor risk*: The factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

The likelihood of a risk event occurring within seven years has been considered as either (i) likely, which means will probably occur; (ii) possible, which means may occur; or (iii) unlikely, which means unlikely to occur. The degree or consequence of a risk and its likelihood were combined into an overall risk assessment as illustrated below:

<u>Likelihood of risk (within seven years)</u>	<u>Consequence of risk</u>		
	<u>Minor</u>	<u>Moderate</u>	<u>Major</u>
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

The Independent Technical Report identified four types of risks relating to the Mine: Mineral resource risk, mining risk, product price risk and production target risk. The following table sets forth a summary of the risk assessment of the Independent Technical Consultant:

<u>Risk issue/Likelihood/Consequence</u>	<u>Likelihood</u>	<u>Consequence rating</u>	<u>Risk</u>	<u>Comment and possible mitigation</u>
Mineral resource				
Geology: ore body interpretation . . .	Unlikely	Moderate	Low	—
Lack of understanding of geological controls	Unlikely	Moderate	Low	—
Mineralization may not extend to depth	Unlikely	Moderate	Low	—
Grade capping	Unlikely	Moderate	Low	—
Incorrect resource estimate methodology distorts the grade tonnage curve	Unlikely	Moderate	Low	—
Resource confidence	Unlikely	Moderate	Low	—
Operational risk				
Significant production shortfalls . . .	Possible	Moderate	Low	—
Adverse weather conditions	Likely	Minor	Low	—
Openpit wall failure	Unlikely	Moderate	Low	—
Economic conditions				
Product price	Possible	Minor	Low	All products can be either sold to third parties or used in our production.
Environmental				
Tailing storage facility overflow . . .	Unlikely	Minor	Low	—

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<u>Risk issue/Likelihood/Consequence</u>	<u>Likelihood</u>	<u>Consequence rating</u>	<u>Risk</u>	<u>Comment and possible mitigation</u>
Capital and operating costs				
Project timing delays	Unlikely	Moderate	Low	—
Capital cost increase	Unlikely	Moderate	Low	—
Operating costs underestimated significantly	Unlikely	Minor	Low	—
Licensing and permitting	Unlikely	Moderate	Low	—
Project implementation				
Critical path delays	Unlikely	Moderate	Low	—

Limitations on the Independent Technical Report

Geological information usually consists of a series of small points of data on a large blank canvas, and the true nature of any body of mineralization is not known until the last ton of ore has been mined out, by which time exploration has long since ceased. Exploration information relies on interpretation of a relatively small statistical sample of the deposit being studied. Thus, a variety of interpretations may be possible from the fragmentary data available. Investors should note that the statements and diagrams quoted from the Independent Technical Report are based on the best information available at the time, but may not necessarily be absolutely correct. Such statements and diagrams are subject to change or refinement as new exploration makes new data available, or new research alters prevailing geological concepts. Appraisal of all the information mentioned above forms the basis for the Independent Technical Report. The views and conclusions expressed are solely those of the Independent Technical Consultant. When conclusions and interpretations credited specifically to other parties are discussed, then those are not necessarily the views of the Independent Technical Consultant.

Qualification of the Competent Persons

The information in the Independent Technical Report that relates to resources at the Mine is based on information compiled by Andrew Vigar, who is a fellow of the Australian Institute of Geoscientists, and Glenn Sheldon, who is a fellow of The Australasian Institute of Mining and Metallurgy. Andrew Vigar and Glenn Sheldon are both employed by Mining Associates Ltd. Andrew Vigar and Glenn Sheldon have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration in the Independent Technical Report and to the activity which he is undertaking to qualify as a “Competent Person” as defined in the JORC Code.

Independence of the Independent Technical Consultant and the Competent Persons

The Independent Technical Consultant confirmed that neither they nor any of the Competent Persons have any material existing or contingent interest in the outcome of the Independent Technical Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of the Independent Technical Consultant.

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The Independent Technical Consultant confirmed that they have no prior association with our Company in relation to the mineral assets that are the subject of the Independent Technical Report. The Independent Technical Consultant further confirmed that they have no beneficial interest in the outcome of the technical assessment conducted in connection with the preparation of the Independent Technical Report which is being capable of affecting its independence. We are contracted to pay a total of approximately US\$94,564 to the Independent Technical Consultant for preparing the Independent Technical Report, which was based on their normal professional daily rates plus reimbursement for incidental expenses, and not contingent upon the outcome of the Independent Technical Report.

INSURANCE

We maintain automobile insurance and property comprehensive insurance for our production facilities. We also maintain natural disaster insurance for our power generation facilities.

Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims in the PRC. Such insurance is not mandatory under the laws and regulations of the PRC. Our Directors believe that our insurance coverage is generally consistent with the industry practice and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See “Risk Factors — Risks Relating to Our Business and Our Industry — We may suffer losses for contingencies not covered by our insurance policies” in this prospectus for more information. During the Track Record Period, we had not been subject to any insurance claims which were material to us.

EMPLOYEES

As of December 31, 2012, 2013 and 2014 and May 31, 2015, we employed 2,438, 2,974, 2,989 and 2,827 full-time employees, respectively. The following table sets forth the total number of employees by function as of May 31, 2015:

Function	Number of Employees	% of Total
Production	2,026	71.7
Quality Control	362	12.8
Research and development	216	7.6
Administration	78	2.8
Sales and marketing	88	3.1
Finance and Management	33	1.2
Procurement	24	0.8
Total	<u>2,827</u>	<u>100.0</u>

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We enter into separate labor contracts with our employees in accordance with the PRC labor law. As confirmed by the relevant PRC local labor authorities, we have not been subject to any penalties in relation to any violation of PRC labor laws and regulations.

We mainly recruit our employees based on the relevant requirements of the position, the experience and qualification of the employee and the prevailing market conditions at the relevant time. During the Track Record Period, we engaged third-party employment recruitment agencies for the recruitment of certain of our employees. For employees we hired through such agencies, we were responsible for making contributions to various social security fund and housing provident fund. As of the Latest Practicable Date, we had not experienced any significant problems with our employees or disruption to our operation due to labor disputes, nor had we experienced any difficulties in the recruitment and retention of experienced staff.

We believe our success depends on our employees' provision of consistent, high-quality and reliable services. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. Prior to commence of work, new employees must attend mandatory in-house training. Furthermore, our employees may attend external trainings such as trainings for manufacturing management, quality control management and human resources management.

In terms of remuneration, our employees' remuneration depends on their particular functions: (i) our sales personnel's remuneration includes base salary and bonus based on their total sales amount and recovery rate of accounts receivables; (ii) our production personnel's remuneration includes base salary and piece rate salary; and (iii) our administration personnel's remuneration includes basic salary, subsidies and performance-based bonuses. We make contributions for our employees in relation to the mandatory social security funds including pension, work-related injury insurance, maternity insurance, medical and unemployment insurance in accordance with applicable laws and regulations of the PRC. Except as disclosed in "— Regulatory Compliance and Legal Proceedings — Legal Proceedings and Regulatory Non-compliance," we provide full coverage of housing provident fund contributions to our employees as required by local regulations.

INFORMATION SYSTEMS

We believe our information technology systems are important to our daily business operations. We have successfully implemented enterprise resource planning (ERP) systems to support our production processes, quality control, inventory, delivery, procurement, sales, costs management, accounting functions and human resources management.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 34 utility model patents, two invention patents and 32 trademarks in the PRC, as well as seven trademarks in countries and regions outside the PRC, including four trademarks in Hong Kong. In addition, we had seven trademark applications in the PRC and six trademark applications in Hong Kong. We are also the registered owner of one domain names. See "3. Further Information About the Business — B. Our intellectual property rights" in Appendix VII to this prospectus for more information.

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To protect our intellectual property, we have formulated and implemented our internal confidentiality measures. Furthermore, we generally have confidentiality clauses in our agreements with our customers, research and development personnel, and the parties we cooperate with in design and research and development activities.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had material impact on our Group. See also “Risk Factors — Risks Relating to Our Business and Our Industry — We may be exposed to infringement or misappropriation claims by third parties” for more information.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Licenses and Permits

Our PRC Legal Advisors, have confirmed that our Company and its PRC subsidiaries have obtained all licenses, permits, approvals and certificates necessary to conduct their operations in all material respects, including the mining permit, the production safety permit and the license to operate our self-operated pier located by the banks of Beijing-Zhejiang Grand Canal near our production facilities, which expire on August 22, 2022, November 9, 2017 and February 28, 2018, respectively.

Anti-dumping and Anti-subsidy Investigations

There have been anti-dumping and anti-subsidy investigations initiated by the European Commission, the United States and Canada against Chinese PV products manufactures in recent years.

Investigation made by European Commission on PV glass imported from the PRC

EU ProSun Glass, on behalf of the producers representing more than 25% of the PV glass production in the European Union, lodged a complaint with the European Commission in January 2013 that PV glass produced in the PRC were dumped into the European Union and jeopardize the EU PV glass industry. In February 2013, the European Commission launched an anti-dumping investigation on PV glass imported from the PRC. A similar complaint was lodged by EU ProSun Glass in March 2013 and in April 2013, the European Commission launched an anti-subsidy investigation on PV glass imported from the PRC into the European Union. In May 2014, as a result of these investigations, the European Commission imposed definitive anti-dumping duty and countervailing duty on imports of Chinese-made PV glass. According to the anti-dumping and anti-subsidy measures imposed by the European Commission, our customers are subject to an anti-dumping duty rate of 29.3% and a countervailing duty rate of 12.8% on our PV glass products that are imported into the European Union for five years.

Furthermore, EU ProSun Glass, on behalf of the producers representing more than 25% of the EU production of PV glass, lodged a complaint with the European Commission in November 2014 that despite the imposition of anti-dumping duties on imports of Chinese PV glass, Chinese PV glass

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export prices decreased and there was insufficient movement in the resale prices or subsequent selling prices in the European Union, which resulted in an increased dumping margin. The European Commission commenced the absorption reinvestigation in December 2014. We responded to the notice of initiation for the absorption reinvestigation. In August 2015, the European Commission published its findings on the absorption reinvestigation and increased the anti-dumping duty applicable to our customers who would be importing our PV glass products into the European Union to 71.4% from the previous anti-dumping duty of 29.3% as the European Commission found that export prices of PV glass products originated from the PRC decreased since the imposition of the original anti-dumping measures in 2014.

Investigation made by the United States on PV modules, laminates and/or panels consisting of c-Si PV cells from the PRC and its impact

The U.S. Department of Commerce commenced its anti-dumping and anti-subsidy investigations on c-Si PV cells imported from China in 2011 and announced its final determination in October 2012. Accordingly, c-Si PV cells imported into the United States are subject to anti-dumping duty ranging from 18.32% to 249.96% and countervailing duty ranging from 14.78% to 15.97%.

Furthermore, in December 2014, the U.S. Department of Commerce has announced its affirmative final determination in anti-dumping duty investigations of imports of modules, laminates and/or panels consisting of c-Si PV cells from the PRC not covered by existing anti-dumping and countervailing duties. As a result, the U.S. Customs and Border Protection will collect cash deposits for anti-dumping duty equals to the applicable weighted-average dumping margins and the countervailing duty equals to the final subsidy rates, unless the products are covered by existing anti-dumping and countervailing duty orders on c-Si PV cells. The U.S. Department of Commerce has determined that the c-Si PV products from the PRC have been sold in the United States at dumping margins ranging from 26.7% to 165.0% and received countervailable subsidies from the PRC government ranging from 27.6% to 49.8%. To the best of our knowledge, information and belief, some of our PV glass customers in the PRC exported c-Si PV cells to the United States. However, we do not have any knowledge of nor can we ascertain accurately the amount of our PV glass that has been used by our PV glass customers in the production of c-Si PV cells sold to their U.S. customers.

Investigation made by Canada Border Services Agency on PV modules and laminates from the PRC and its impact

The Canada Border Services Agency has initiated investigations in December 2014 on alleged injurious dumping and subsidizing of certain PV modules and laminates originating in or exported from the PRC. The determination of final duty was announced in July 2015, ranging from 9.3% to 154.4% depending on the exporter. Some of our PV glass customers in the PRC exports PV modules and/or laminates to Canada. However, we do not have any knowledge of nor can we ascertain accurately the amount of our PV glass that has been used by our PV glass customers in the production of PV modules and laminates sold to their Canadian customers.

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As provisional duty has been imposed in Canada for the importation of PV modules and/or laminates from the PRC, the prices of PV panels and PV cells imported from the PRC increased as a result and thereby, may reduce their demand and price-competitiveness overseas, and may indirectly affect the demand of PV glass in China. See also “Risk Factors — Risk relating to Our Business and Our Industry — Our operating results are subject to various foreign trade regulation measures, including anti-dumping and anti-subsidy imposed on imported PV glass products.”

Sales of PV glass products to Europe, U.S. and Canada

For the three years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, based on our internal records, our sales generated from direct sales of our PV glass products to Europe amounted to RMB55.4 million, RMB110.4 million, RMB128.0 million, RMB52.2 million and RMB32.3 million, respectively, representing 3.7%, 5.0%, 4.5%, 4.5% and 2.6% of our total revenue, respectively, and we did not make any indirect sales of PV glass products through wholesalers or distributors during the periods. During the same periods, based on our internal records, the sales volume of our PV glass to Europe was approximately 1.7 million sq.m., 3.5 million sq.m., 4.4 million sq.m., 1.9 million and 1.1 million sq. m., respectively, and the average selling price of our PV glass sold to Europe was approximately RMB32.68 per sq.m., RMB31.55 per sq.m., RMB29.22 per sq.m., RMB28.09 per sq.m. and RMB29.79 per sq.m., respectively, for the same periods. The average selling price of PV glass sold to our European customers fell in 2014 mainly due to a few of our European customers who paid a higher price for our PV glass have ceased PV module manufacturing, which to our best knowledge, information and belief, were not directly related to the imposition of anti-dumping and anti-subsidy duties. The sales volume of our PV glass to our European customers and the revenue generated from such sales decreased for the five months ended May 31, 2015 as compared to the same period in 2014 primarily due to some of our European customers ceasing to manufacture PV modules in Europe and had moved its production to Asia. The average selling price during the same period increased primarily due to an increase of orders with coating, which demanded higher selling price. Although we experienced a decrease in average selling price in 2014 and a decrease in the sales of PV glass to Europe for the five months ended May 31, 2015, we do not believe such decrease was primarily due to such investigation and/or the imposition of duties during the Track Record Period. Furthermore, with the higher anti-dumping duty imposed by the European Commission in August 2015 applicable to our customers who would be importing our PV glass products into the European Union, we expect our sales of PV glass products to Europe will further decrease in the future. As our sales of PV glass products to Europe accounted for approximately 2.6% of our total revenue for the five months ended May 31, 2015 based on our internal records, we do not expect any further decrease in our sales of PV glass products to Europe will have a material and adverse impact on our business operations or financial results.

In addition, based on our internal records, the sales of our PV glass to North America, which includes the United States and Canada, for the years ended December 31, 2012, 2013 and 2014 and for five months ended May 31, 2014 and 2015 amounted to RMB40.7 million, RMB31.2 million, RMB49.7 million, RMB21.0 million and RMB26.9 million, respectively, representing 2.7%, 1.4%, 1.8%, 1.8% and 2.2%, respectively, of our total revenue. During the same periods, based on our internal records, the sales volume for our sales to our North American customers was approximately 1.3 million sq.m., 1.0 million sq.m., 1.8 million sq.m., 0.8 million sq.m. and 1.0 million sq.m., respectively, and the average selling price was approximately RMB31.82 per sq.m., RMB31.02 per

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sq.m., RMB27.79 per sq.m., RMB27.64 per sq.m. and RMB26.77 per sq.m., respectively. The sales volume of our PV glass sold to North American customers and the revenue generated from such sales decreased in 2013 mainly because we ceased selling our PV glass to one smaller customer with lower profit margin. In 2014, the sales volume of our PV glass sold to North American customers and the revenue generated from such sales increased as one of our customers increased their production in North America. However, the average selling price decreased in 2014 as compared to 2013 because certain of our selling price included shipping and transportation costs in 2013 as requested by our customers. The sales volume of our PV glass sold to North American customers and the revenue generated from such sales for the five months ended May 31, 2015 increased as compared to the five months ended May 31, 2014 primarily because our customers continue to expand their production operations in North America. Hence, we did not notice any material and adverse impact on our sales to North America during the Track Record Period from the U.S. and Canadian anti-dumping and anti-subsidy investigations, duties and/or tariffs. Furthermore, since our products did not include PV modules, laminates and/or panels, the U.S. and Canadian anti-dumping and countervailing duties and/or tariffs did not have any direct impact on our business and financial results.

To our best knowledge, information and belief, some of our PV glass customers in the PRC exported c-Si PV cells to United States and PV modules and laminates to Canada. Subsequent to the imposition of the anti-dumping duty in the United States in 2012 and in Canada in 2015, we were not aware any material and adverse impact on our business and financial results directly related to the imposition of such duties. According to the Frost & Sullivan Report, exports of PV modules from the PRC to the United States and Canada amounted to a small fraction of China's total PV module export, being 12.7% in 2013 and 16.3% in 2014. Furthermore, based on our internal records, our sales of PV glass products to our PRC customers (including customers who may have exported c-Si PV cells to the United States and PV modules and laminates to Canada) for the year ended December 31, 2012, 2013 and 2014, and for the five months ended May 31, 2014 and 2015, amounted to RMB570.2 million, RMB685.7 million, RMB988.6 million, RMB420.9 million and RMB465.6 million, respectively, and the sales volume of PV glass products to our PRC customers during the same periods amounted to 20.0 million sq.m., 27.2 million sq.m., 34.9 million sq.m., 15.3 million sq.m. and 16.6 million sq.m., respectively. The average selling price of our PV glass products sold to our PRC customers was RMB28.47 per sq.m., RMB25.18 per sq.m., RMB28.29 per sq.m., RMB27.50 per sq.m. and RMB27.98 per sq.m., respectively, for the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2014 and 2015, based on our internal records. The average selling price decreased in 2013 as compared to 2012 primarily due to the fact that we sold 5.9 million sq.m. of PV raw glass with average selling price of RMB17.67 per sq.m., which was lower than the selling prices of our PV glass products, based on our internal records. Although the average selling price decreased in 2013, our sales increased by 20.3% during the same year. Hence, we believe the imposition of anti-dumping and countervailing duties did not have any material and adverse impact on our business and financial condition as a whole during the Track Record Period.

Going forward, according to the Frost & Sullivan Report, despite the fact that the PV industry in China had experienced excess capacity and oversupply several years ago, with the recovery of the PV installation globally and an increase in the consumption of PV glass in 2014, the production volume of PV glass in China is expected to grow at a CAGR of 10.4% from 2015 to 2019. Furthermore, according to the Frost & Sullivan Report, although the U.S. and Canadian anti-dumping and anti-subsidy duties on Chinese PV modules will negatively affect PV module exports to these

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countries, these duties will not lead to a significant impact on export business of China's PV module as China's PV module exports to the United States and Canada accounted for a small fraction of its total PV module export and the Asian market has taken place as the largest export destination for China's PV modules with a market share of more than 50% and the growing PV demand in Asia is expected to offset the decline of exports to the United States and Canada. Hence, we do not believe the anti-dumping and countervailing duties imposed in the United States on c-Si PV cells, in Canada on PV modules and laminates and in the European Union on PV glass will have any material and adverse effect on our business and financial results.

International Sanctions on Our Sales to Russia, Belarus and Tunisia

During the Track Record Period and up to the Latest Practicable Date, we made sales of our glass products to certain customers in Russia, Belarus and Tunisia (the "Subject Sales"). For the three years ended December 31, 2012, 2013, and 2014 and for the five months ended May 31, 2015, based on our internal records, we sold float glass and household glass products to several customers in Russia, which accounted for approximately 0.2%, 0.1%, 0.03% and 0.02% of our total revenue, respectively. Since June 1, 2015 and up to the Latest Practicable Date, we had a sales transaction made to one of our household glass customers in Russia for approximately US\$0.01 million. To the best knowledge, information and belief of our Directors, these Russian customers were engaged in glass processing business. For the year ended December 31, 2014, based on our internal records, we also sold household glass products to a customer in Belarus, representing approximately 0.004% of our total revenue. During the Track Record Period and up to the Latest Practicable Date, we had not made any other sales to Belarus. Furthermore, for the year ended December 31, 2014 and for the five months ended May 31, 2015, based on our internal records, we sold PV glass to a customer in Tunisia, representing approximately 0.005% and 0.03% of our total revenue respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made any other sales to Tunisia. To the best knowledge, information and belief of our Directors, our Belarusian customer was a manufacturer for a large multinational furniture retailer, and our Tunisian customer was a PV module manufacturer. Other than our Belarusian customer who placed its order pursuant to the framework agreement for the sales of household glass to certain manufacturers for a large multinational furniture retailer, we have not entered into any framework agreements related to the Subject Sales. All of the Subject Sales were individual orders and were completed as of the Latest Practicable Date.

The United States and certain other jurisdictions, including the European Union, Australia and Canada, have imposed broad economic sanctions against certain countries, individuals and legal entities. These jurisdictions have sanctions against certain persons in, or prohibit the export of certain items to, Russia, Belarus and Tunisia. The applicability of the sanctions in Australia, Canada, the European Union and the United States is addressed forth below:

Australian Sanctions

In Australia, sanction laws consist of a statute implementing the United Nations Security Council sanctions and separate laws containing Australia's autonomous sanctions. None of Russia, Belarus and Tunisia is subject to the United Nations Security Council sanctions, and neither Belarus nor Tunisia is subject to Australia's autonomous sanctions. However, Australian law imposes sanctions in respect of dealings connected with Russia, including in respect of the supply, sale and transfer of arms and

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related materials, and items for use in petroleum exploration and production to Russia, for use in Russia or for the benefit of Russia. Furthermore, Australia imposes restrictions on specified commercial activities with certain Russian state-owned and controlled entities and other Russian entities, and financial sanctions against certain designated persons and entities in Russia. The products sold under the Subject Sales were not related to arms and related materials, and were not used in petroleum exploration and production, and none of our customers in Russia is a designated person or entity under Australia's autonomous sanctions. Although some payments made by Russian customers are made via Russian state-owned and controlled banks, our Group is not prohibited from being a payee of those payments under Australian's sanctions laws on the basis that it did not involve a financial instrument being issued by any of those banks. Hence, in accordance with the advice provided by our Australian Sanctions law legal advisors, our Group considers that Australian sanctions laws are not applicable to us.

Canadian Sanctions

Canada has enacted different sanction regimes against Russia, Belarus and Tunisia. With respect to Russia, Canada has enacted sanctions against designated persons in Russia, and any person in Canada and any Canadian outside of Canada is prohibited from dealing in any property held by or on behalf of such designated persons, entering into or facilitating any transaction related to such dealings or providing financial or other related services in respect of such dealings, making goods available to these designated persons, and providing any financial or related service to, or for the benefit of, such designated persons. Further, Canada prohibits dealings in debt and equity in relation to certain listed Russian entities, their property, and rights or interests in their property. Persons in Canada and Canadians outside Canada are also prohibited from supplying certain listed goods from anywhere to Russia or to any person in Russia for use in offshore, Arctic or shale oil exploration or production. As for Belarus, Canada restricts the export of products and technology to Belarus by anyone from Canada, and no one may do anything in Canada that causes or assists, or is intended to cause or assist, any shipment, diversion or transfer of any controlled goods or technology from anywhere to Belarus. For Tunisia, Canada has enacted asset freeze measures against certain politically exposed foreign persons from Tunisia and persons in Canada are prohibited from dealing in any property of these persons, entering into or facilitating any financial transactions related to such dealings, and providing financial services or other related services in respect of any property of these persons.

Although we have Canadian customers, we do not otherwise have any presence in Canada: We do not have any operations in Canada, do not have any Canadian employees, are not affiliated with any person in Canada, have no sales agent in Canada and no sales agent in Canada acting on our behalf to assist in sales. We sell directly to Canadian buyers. We do not export items directly from Canada or indirectly from Canada through a third country to any other country, including Russia, Tunisia and Belarus. Therefore, as advised by our Canadian sanctions law legal advisors, these Canadian sanctions do not apply to us.

EU Sanctions

In the European Union, the European Council has adopted individual asset freeze measures involving persons in Russia, Belarus and Tunisia and economic sanctions which prohibit specific transactions in certain economic sectors in relation to Russia and Belarus. The European Union

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blocking sanctions would generally forbid dealings with or involving persons on the consolidated list of sanctioned persons and entities in each member state of the European Union. To the best of the knowledge, information and belief of our Directors, none of the Subject Sales involve any of the sanctioned persons and entities. In relation to Russia, the European Union has imposed sectoral sanctions which restrict, inter alia, the export of dual use and technology, the export of goods suited for certain categories of oil exploration and production projects and dealings with regard to new loans and credit or transferable securities and money-market instruments issued by certain designated persons and entities. The Subject Sales, to the best of the knowledge, information and belief of our Directors, do not involve any of the prohibited items nor do they involve any of the designated persons and entities. These measures are only applicable to “EU persons”, which include (i) nationals of EU member states; (ii) legal persons, entities or bodies incorporated or constituted under EU member state laws; and (iii) legal persons, entities or bodies in respect of any business done within the European Union, which includes its territory, its airspace or onboard vessels under the jurisdiction of any member state. These measures do not have any extra-territorial application. To the best knowledge, information and belief of our Directors, no EU person has been involved in the Subject Sales, we were not an “EU person” under the EU sanctions and the Subject Sales do not fall under the scope of the EU sanctions. Thus, as advised by our EU sanctions law legal advisors, the EU sanctions do not apply to us.

U.S. Sanctions

In the United States, the U.S. government has imposed blocking sanctions against certain Russian, Belarussian and Tunisian persons, which would generally forbid dealings with or involving any person who is the subject of such sanctions. In connection with Russia, the U.S. government has also promulgated “sectoral” sanctions, which restrict dealings related to certain forms of debt, equity or both issued by the sectorally sanctioned person in Russia. The U.S. sanctions also extend to supply of items for certain types of Russian petroleum activity. The U.S. sanctions may be applicable to us as a Chinese company if (i) we are a U.S. person; (ii) we act through a person in the United States, or (iii) the item being sold originated from the United States or contained U.S.-origin content. “U.S. person” in this case refers to a U.S. citizen, U.S. permanent resident alien and entity organized under the U.S. law or a person in the United States.

To the best knowledge, information and belief of our Directors, none of the customers of the Subject Sales or our Group is a U.S. person, and none of our products sold through the Subject Sales originated from the United States or contained U.S.-origin content. As such, as advised by our U.S. sanctions law legal advisors, the Subject Sales were not within the U.S. sanctions prohibitions as they did not occur in the United States and were not executed by a U.S. person. Therefore, as advised by our U.S. sanctions law legal advisors, the U.S. sanctions are not applicable to us. Furthermore, there is no indication of any involvement by blocked persons or involvement by sectorally sanctioned persons in ways that could implicate sectoral sanctions.

United Nations Sanctions

The United Nations introduced a number of economic sanctions regimes, including asset freezes and blocking of financial transactions with targeted persons on the *Consolidated United Nations Security Council Sanctions List*. The United Nations Security Council resolutions do not govern the

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actions of private parties. Rather, they are instructions to UN members to impose specified sanctions prohibitions that apply to private parties. Therefore, as advised by our international sanctions law legal advisors, United Nations Security Council resolutions are not directly applicable to us as private parties. In any event, no relevant UN sanctions regime exists in relation to Russia, Belarus or Tunisia. Furthermore, to the best of the knowledge, information and belief of our Directors, no person on the *Consolidated United Nations Security Council Sanctions List* has been involved in the Subject Sales. Therefore, as advised to us by our Australian, Canadian, EU and U.S. sanctions law legal advisors, the UN sanctions regimes do not entail additional sanctions applicable to us.

Sanctions Risks

Based on the above and as of the date of this prospectus, we do not believe the Subject Sales and our future sales to our customers of the Subject Sales are likely to present material sanctions risks to our Shareholders or potential investors merely as a result of holding our Shares or of investing in our Company, or to the Stock Exchange and its affiliates as a result of the Listing or of providing services relating to the Listing. For details of potential risks, please see “Risk Factors — Risks Relating to Our Business and Our Industry — Our business, financial condition and results of operations may be materially and adversely affected by the Australian, Canadian, EU and U.S. sanctions against Russia, Belarus and Tunisia.” Furthermore, based on our best knowledge, information and belief, we confirm that our business does not involve any prohibited activities under the relevant sanctions laws and regulations of Australia, Canada, the European Union and the United States. As for the United Nations sanctions, as the United Nations Security Council resolutions do not govern the actions of private parties, rather, they are instructions to UN members to impose specified sanctions prohibitions that apply to private parties. Therefore, as advised by our international sanctions law legal advisors, the United Nations Security Council resolutions are not directly applicable to us as private parties. Accordingly, to our best knowledge, information and belief, we confirm that the United Nations sanctions are not directly applicable to us.

Internal Control Measures

As we intend to continue to make sales to our customers of the Subject Sales in Russia, Belarus and Tunisia, in order to identify and monitor our exposure to risks associated with sanctions laws relating to such sales, we will adopt, before the Listing, enhanced internal control measures, including, among others:

- (a) to further enhance our existing internal risk management functions, our Board has established a risk management committee. Members of the risk management committee include Mr. Ruan Hongliang, the chairman of our Board, Ms. Jiang Jinhua, our executive Director, and Ms. Pan Yushuang, our independent non-executive Director. Mr. Ruan Hongliang serves as the chairman of our risk management committee. Our risk management committee is principally responsible for monitoring our exposure to sanctions law risks and overseeing our implementation of the related internal control policies;

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- (b) our credit and risk control department will assist our risk management committee in the day-to-day monitoring of our sanctions risks, including reviewing the existing and potential customers' information against our control list of Sanctioned Countries and persons and, if needed, report to the risk management committee, to prepare summary of the use of proceeds from the Global Offering for risk management committee's review and to monitor our transactions against sanctions risks as requested by our risk management committee;
- (c) for new customers from Russia, Belarus and Tunisia and the other Sanctioned Countries, our risk management committee must review and approve these potential customers before we can enter into any agreements with these potential customers;
- (d) we will maintain a control list of the Sanctioned Countries, persons and entities to review our existing and potential customers' information, and will update the list from time to time;
- (e) our risk management committee may also engage external legal counsel with necessary expertise and experience in sanctions matter to evaluate sanctions-related risks as and when necessary and will adhere to appropriate advice provided by such external legal counsel;
- (f) the risk management committee will convene monthly meetings with our credit and risk control department, and to the extent necessary, our sales, procurement, finance and/or internal audit departments, to assess the latest sanctions-related risks our operations may be exposed to;
- (g) trainings relating to sanctions law will be provided to our Directors, senior management members and other relevant personnel; and
- (h) our risk management committee will monitor our use of the proceeds from the Global Offering, as well as the performance of our undertaking to the Stock Exchange relating to sanctions matters.

Our Directors are of the view that the above measures will provide reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to sanctions law. The Sole Sponsor is of the view that the internal control measures set out above will provide a reasonably adequate and effective framework to assist our Company in identifying and monitoring any material risk relating to sanctions laws.

Undertakings to the Stock Exchange

We undertake to the Stock Exchange that (i) we will not use the proceeds from the Global Offering, as well as other funds raised through the Stock Exchange to finance or facilitate, directly or indirectly, any projects or businesses in the Sanctioned Countries; (ii) we will not enter into sanctionable transactions that would expose ourselves, our Shareholders or potential investors, or the Stock Exchange and its affiliates, to risks of being sanctioned; and (iii) if we believe that the transactions we have entered into in the Sanctioned Countries, if any, will put us and our investors and Shareholders in the risks of being sanctioned, we will disclose on the Stock Exchange's website, on

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our website, and in our annual or interim report of our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and its business intention relating to the Sanctioned Countries. If we were in breach of such undertaking to the Stock Exchange, we risk possible delisting of our H Shares from the Stock Exchange.

Occupational Health and Safety

We are subject to various production safety rules and regulations in the PRC. For further details, please refer to the section headed “Applicable Laws and Regulations” in this prospectus.

We have implemented various safety guidelines and operating procedures for our production process to ensure safe operation of our manufacturing facilities and to prevent injuries. We conduct regular and thorough worksite inspection to eliminate potential hazards in our work environment. We also provide mandatory safety training to all new employees prior to commence of work. Furthermore, we provide our employees with occupational safety education and training to enhance their awareness of safety issues from time to time.

We have not experienced any material work-place accident during the Track Record Period, and our PRC Legal Advisors, have confirmed that we are in compliance in all material respects with applicable laws relating to labor safety matter in the PRC.

Land Rehabilitation

The mining activities at the Mine is subject to laws, rules and regulations on land rehabilitation promulgated by the PRC government, a summary of which is set out in the section headed “Applicable Laws and Regulations — Applicable PRC Laws and Regulations” in this prospectus.

With respect to the Mine, we have to pay the security deposit for land rehabilitation to the Anhui Province Land and Resources Department of the PRC of approximately RMB2.5 million in nine installments, with the first year payment equivalent to 20% of the total security deposit, and each of the remaining eight installments equivalent to 10% of the total security deposit. To our best knowledge, information and belief, the land rehabilitation security deposit is determined by the relevant government authority based on the estimated maximum cost of land rehabilitation. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we paid a total of RMB0.5 million, nil, RMB0.2 million and RMB0.2 million for the land rehabilitation security deposit, respectively. As advised by our PRC Legal Advisors, we have paid our land rehabilitation security deposit in accordance with the applicable laws and regulations in the PRC.

Because (i) we have made payments for the first several installments of land rehabilitation security deposit during the Track Record Period in accordance with the requirements set forth by the relevant government authorities; (ii) we believe the total amount of land rehabilitation security deposit of RMB2.5 million would be sufficient to cover the actual costs of land rehabilitation; and (iii) the amount of payment for each installment is relatively small, therefore, we have not made any provision for the outstanding installments of land rehabilitation security deposit during the Track Record Period.

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Environmental Matters

Our operation is subject to the current environmental laws, rules and regulations promulgated by the PRC government, a summary of which is set out in the section headed “Applicable Laws and Regulations — Applicable PRC Laws and Regulations” in this prospectus. The environment related laws, rules and regulations applicable to our operations in the PRC include, among others, Environmental Protection Law of the People’s Republic of China* (《中華人民共和國環境保護法》), Law on Environmental Impact Assessment of the People’s Republic of China* (《中華人民共和國環境影響評價法》) and Law on Prevention and Control of Water Pollution of the People’s Republic of China* (《中華人民共和國水污染防治法》).

One of our major pollutants produced from our production is nitrogen oxides and sulphur dioxide. We have invested approximately RMB250.0 million during the Track Record Period to install environmental protection and energy-saving equipment to minimize the impact on the environment from our production, including flue-gas desulphurization facility, flue-gas denitration facility, residual heat power generator and emissions monitor system. We can also monitor, through the emissions monitor system, whether we satisfy the PRC standards on exhaust gas emissions. Furthermore, we have been accredited with ISO14001:2004 for environmental management system relating to the production processes of our PV glass, which enables us to reduce our cost of waste management and our consumption of energy and materials.

During the Track Record Period and up to the Latest Practicable Date, we have not received any notice or warning in relation to material pollution in respect of our production and facilities or material non-compliance with the applicable environmental laws, rules and regulations. Non-compliance with any environmental laws, rules and regulations may, depending on the seriousness of the violation, result in an order for rectification from the authorities, penalties or an order for cessation of production. There is no assurance that the PRC national or local government authorities will not impose additional environmental protection requirements, which might disrupt our manufacturing process or require us to incur additional expenditure to comply with such additional requirements. During the Track Record Period, we have not been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any material non-compliance with any environmental protection laws in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof. Based on our internal records, our cost for compliance with applicable environmental rules and regulations for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015 was approximately RMB23.2 million, RMB20.5 million, RMB44.6 million and RMB30.0 million, respectively. We expect our annual cost for compliance with applicable environmental rules and regulations for the year ending December 31, 2015 will be approximately RMB40.0 million.

Legal Proceedings and Regulatory Non-compliance

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business. As of the Latest Practicable Date, we were not engaged in any actual or threatened litigation, arbitration or claim of material importance or in any bankruptcy, and no litigation,

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arbitration or claim or bankruptcy is known to our Directors to be pending or threatened by or against us that would have a material adverse effect on our operating results, financials or reputation. Our PRC Legal Advisors, have confirmed that the operations of our Company and its PRC subsidiaries comply with all the relevant PRC rules and regulations in all material aspects.

We set out below the non-compliance relating to our Group during the Track Record Period:

Non-compliance incidents	Legal consequences	Latest status and actions taken	Our PRC Legal Advisors' view
<p>During the Track Record Period, we did not fully comply with the relevant requirements for making contributions to the housing provident fund for our relevant employees, primarily because we and our wholly-owned subsidiaries in the PRC (i) did not make the requisite contributions for several months during the Track Record Period; and (ii) did not make contributions to housing provident fund for newly hired employees.</p> <p>We estimate that the housing provident fund contributions and penalty, if any, that we may be required to pay as of the Latest Practicable Date amounted to approximately RMB176,500.</p>	<p>According to the relevant PRC laws and regulations, the relevant government authorities may require us to make the unsubscribed contribution within a given period and, if we fail to do so within the prescribed period, they may impose a fine on us in the amount of 0.1% of outstanding housing provident fund contributions for each day such contributions are overdue, and may also apply from a PRC court for an order to enforce the payment.</p> <p>As of the Latest Practicable Date, we had not received any requirement from the relevant PRC government authorities requiring us to make the outstanding contribution within a prescribed period.</p>	<p>We have made provisions of RMB176,500 for the underpayment of housing provident fund and penalty, if any, during the Track Record Period.</p> <p>We have received a confirmation letter from the relevant PRC government authority, which confirmed that (i) we have established housing provident fund system in accordance with relevant laws and regulations; and (ii) no administration penalty has been or will be imposed on us as a result of any breach of the applicable laws and regulations on housing provident fund.</p> <p>Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us due to our non-compliance with the housing provident fund regulations, except for the provisions which has been made during the Track Record Period.</p>	<p>Based on (i) the confirmation letter issued by the relevant PRC government authority; (ii) the provision we had made; and (iii) the indemnity provided by our Controlling Shareholders in favor of our Group under the Deed of Indemnity, our PRC Legal Advisors, are of the view that our non-compliance with respect to the housing provident fund contribution will not have a materially adverse impact on our business or operations.</p>

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PROPERTIES

As of the Latest Practicable Date, we owned ten parcels of land in the PRC with a total site area of approximately 644,605.1 sq.m. and 31 buildings a total gross floor area of approximately 485,786.33 sq. m. We have recently entered into a building ownership transfer agreement on October 9, 2015 to acquire the land use rights for a parcel of land and building ownership for buildings erected on the land located on Xigang Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC. The land had an aggregate site area of approximately 8,857.00 sq.m. and the buildings had an aggregate gross floor area of approximately 5,159.38 sq.m. The total consideration for the acquisition amounted to approximately RMB8.4 million, which is expected to be paid in the first quarter of 2016 and after the registration of the building ownership transfer agreement has been completed with the relevant PRC authority, which will be settled with our internal source of funds. We intend to use this property primarily for warehousing and storage. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of May 31, 2015, each of our owned properties had a carrying amount of less than 15% of our total assets. As a result, this prospectus is exempt from compliance with the requirements of Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. Furthermore, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all our interests in land and buildings. We also leased two properties with a total gross floor area of 240.7 sq.m.

Owned Properties

Land

As of May 31, 2015, we owned land use rights for ten parcels of land in the PRC with an aggregate site area of approximately 644,605.1 sq.m. A summary of our land use rights is set out below:

<u>No.</u>	<u>Description/Location</u>	<u>Site area (sq. m.)</u>	<u>Owner</u>	<u>Existing or intended usage</u>
1.	Located on Xiuyuan Road West-side, Xiuzhou Industrial Area, Jiaxing, Zhejiang Province, the PRC, and comprised of two parcels of land	78,294.9	Our Company	Production facilities, warehouses and offices
2.	Located on No. 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC, and comprised of two parcels of land	358,402.0	Our Company	Production facilities, warehouses, offices and pier construction

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No.	Description/Location	Site area (sq. m.)	Owner	Existing or intended usage
3.	Located on Xigang Road West-side, Xiuzhou Industrial Area, Jiaxing, Zhejiang Province, the PRC, and comprised of one parcel of land	8,000.0	Our Company	Under construction
4.	Located on Hongyue Road North-side and Binhe Road West-side, Honghe Town, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC, and comprised of two parcels of land	41,447.2	Zhejiang Jiafu	Production facilities, warehouses, and offices
5.	Located on No. 59 Yuanting Road, Anting Town, Jiading District, Shanghai, the PRC, and comprised of one parcel of land	34,233.0	Shanghai Flat	Production facilities, warehouses and offices
6.	Location on No. 999 Hongfu Road, Honghe Town, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC, and comprised of two parcels of land	124,228.0	Zhejiang Jiafu	Production facilities, warehouses and offices

Buildings

As of May 31, 2015, we had 30 building ownership certificates for buildings located in the PRC with an aggregate gross floor area of approximately 481,781.6 sq.m. A summary of our building ownership is set out below:

No.	Description/Location	Gross Floor Area (sq. m.)	Owner	Existing usage
1.	Located on No. 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC and comprised of 11 buildings	281,206.7	Our Company	Production facilities, warehouses, and offices
2.	Located on Xiuyuan Road West-side, Xiuzhou Industrial Area, Jiaxing, Zhejiang Province, the PRC and comprised of seven buildings	52,811.7	Our Company	Production facilities, and warehouses

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No.	Description/Location	Gross Floor Area (sq. m.)	Owner	Existing usage
3.	Located on Hongyue Road North-side and Hongxin Road East-side, Honghe Town, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC and comprised of four buildings	32,095.8	Zhejiang Jiafu	Production facilities, warehouses, and offices
4.	Located on Hongxin Road East-side, Hongyue Road South-side and Binhe Road West-side, Honghe Town, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC and comprised of one building	48,400.2	Zhejiang Jiafu	Production facilities, warehouses, and offices
5.	Located on No.999 Hongfu Road, Honghe Town, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC and comprised of six buildings	53,689.6	Zhejiang Jiafu	Production facilities, and warehouses
6.	Located on No. 59 Yuanting Road, Anting Town, Jiading District, Shanghai, the PRC and comprised of one building	13,577.6	Shanghai Flat	Production facilities, warehouses and offices

As of the Latest Practicable Date, we had one additional building ownership certificate for a building owned by our Company located on No. 1999 Yunhe Road, Xinzhou District, Jiaxing, Zhejiang Province, the PRC for a total gross floor area of 4,004.73 sq.m., which was primarily used for warehousing and storage.

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Leased Properties

As of May 31, 2015, we leased two properties (excluding intra-group lease arrangement) with Independent Third Parties in the PRC, with an aggregate floor area of approximately 240.7 sq.m. A summary of our lease arrangement is set out below:

<u>No.</u>	<u>Description/Location</u>	<u>Site area (sq. m.)</u>	<u>Lessee</u>	<u>Existing usage</u>	<u>Date of Expiry</u>
1.	Quartz sand processing zone, Damiao Town, Fengyang County, Anhui Province, the PRC	150.0	Anhui Flat Materials	Offices	December 31, 2017
2.	Room 1201, Unit 1, Building 2, Dacheng Mingzuo, Economic and Technological Development Zone, Xiaoshan, Hangzhou, Zhejiang Province, the PRC	90.7	Company	Offices	December 19, 2015

The relevant lease agreement for our leased property in Hangzhou, Zhejiang Province, was not registered with the relevant PRC government authorities. Our PRC Legal Advisors have advised us that we may be required by the relevant authorities to register the relevant lease agreement within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. However, as of the Latest Practicable Date, we have not been fined by the relevant PRC authorities with respect to this non-registered lease, and our PRC Legal Advisors have advised us that the non-registration of such lease agreement will not affect its validity.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Controlling Shareholders, Mr. Ruan Hongliang and Ms. Jiang Jinhua, own approximately 32.54% and 24.01% of our total registered capital. Immediately following completion of the Global Offering and without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, Mr. Ruan Hongliang and Ms. Jiang Jinhua will own approximately 24.42% and 18.00% interest in our Company, respectively. Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang. On June 12, 2015, Mr. Ruan Hongliang and Ms. Jiang Jinhua entered into a concert party agreement which confirmed, among other things, that they have been and will continue to be acting in concert in relation to the exercise of voting rights on general meetings of our Company until such time as such agreement is varied or terminated by the parties in writing. Accordingly, Mr. Ruan Hongliang and Ms. Jiang Jinhua together will be entitled to exercise approximately 42.42% of the voting rights at the general meetings of our Company, and each of Mr. Ruan Hongliang and Ms. Jiang Jinhua will be regarded as our Controlling Shareholder under the Listing Rules immediately following the Listing.

As of the Latest Practicable Date, neither our Controlling Shareholders nor our executive Directors had interest in any other companies which may directly or indirectly, compete with our Group's business.

INTEREST OF MS. RUAN ZEYUN

Ms. Ruan Zeyun is our chief financial officer, Board secretary and one of our joint company secretaries. She is also the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua and is interested in approximately 25.97% of our registered capital as of the Latest Practicable Date, and will hold approximately 19.47% interest in our Company immediately following completion of the Global Offering (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

Apart from interest in our Company, Ms. Ruan Zeyun owns 100% interest in Jiaying Yihe Energy Co., Ltd.* (嘉興義和能源有限公司) (“Yihe Energy”), a limited liability company established in the PRC on June 16, 2015 with a registered capital of RMB10 million. As of the Latest Practice Date, the registered capital of Yihe Energy has not been paid up.

It is intended that upon the registered capital of Yihe Energy being paid up, and subject to obtaining all relevant government approvals, it will engage in the business of construction and operation of distributed PV systems and PV power stations, and sale of electricity generated by such distributed PV systems and PV power stations to third parties. On June 25, 2015, Yihe Energy obtained a government approval from the Development and Reform Bureau of Jiaying, Xiuzhou District* (嘉興市秀州區發展和改革局) to construct 85MW of distributed PV systems with a total investment amount of RMB700 million. This approval is not subject to any completion schedule or deadline. As of the Latest Practicable Date, Yihe Energy has not commenced constructions of the 85MW of distributed PV systems.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Group is principally engaged in the business of design and development, production and sale of PV glass and our major products include PV glass, float glass, household glass and architectural glass, which is different from the principal business activities of Yihe Energy. Whilst our Group currently operates a distributed PV system and planned to build a new 15MW distributed PV system, the electricity generated by these distributed PV systems are all used and intended to be used to support our production activities with no external sales of electricity to third parties. As such, our Directors consider that the business of Yihe Energy do not and will not, directly or indirectly, compete with the principal business of our Group.

As of the Latest Practicable Date, Yihe Energy intends to construct distributed PV systems with an annual designed capacity ranging from 30 to 50 MW in 2016. Given the embryonic stage of Yihe Energy's business, together with our Directors' belief that it is in the best interest of our Shareholders for our Group to continue to focus on our capital resources, management effort and expertise on further developing our existing principal business activities instead of developing a new business segment, our Directors are of the view that it is premature for our Group to consider any form of co-operation with Yihe Energy at this stage. Going forward, depending on our Group's business development strategies as determined by our Board from time to time, and the business performance of Yihe Energy, our Board may revisit the merits of any form of co-operation with Yihe Energy, including but not limited to acquiring any interest in it. Any decision in this regard will be made taking into consideration the interests of our Shareholders as a whole and in compliance with the relevant requirements of the Listing Rules.

As of the Latest Practicable Date, it is not intended that there will be any continuing connected transaction between our Group and Yihe Energy upon the Listing. In the event that our Group and Yihe Energy enter into any continuing connected transactions in the future, we will comply with the relevant requirements of the Listing Rules.

Right of First Refusal and Call Option

Ms. Ruan Zeyun has undertaken to our Company that, during the "restricted period" (as referred to in "Non-competition Undertaking — Non-competition" below) in the event that she intends to dispose of any or all of her direct or indirect interests in Yihe Energy (the "Yihe Energy Interests"), or she and/or Yihe Energy intends to dispose any or all of the distributed PV systems or PV power stations owned by Yihe Energy from time to time (together with the Yihe Energy Interests, the "Subject Interests"), she, or she shall procure and undertake that Yihe Energy (as the case may be), shall first offer our Company the right to acquire any or all of such Subject Interests. Ms. Ruan Zeyun and/or Yihe Energy may only proceed with the proposed disposal, on terms not more favorable than those offered to our Company, following the rejection of such offer by our Company.

In addition, Ms. Ruan Zeyun has irrevocably and unconditionally granted our Company an exclusive and irrevocable option to acquire, or direct any of our subsidiaries to acquire, at the sole and absolute discretion of our Company, any or all of the Subject Interests at a consideration to be arrived at after arm's length negotiation and on a fair and reasonable basis as agreed between our Company and herself.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

Non-competition

Pursuant to the Deed of Non-competition, each of the Controlling Shareholders and Ms. Ruan Zeyun (collectively the “Covenantors”) have jointly and severally and irrevocably undertaken to our Company (for itself and for the benefit of its subsidiaries) that he or she would not, and would procure that his or her close associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on his or her own account or in conjunction with any person, firm or company, carry on, participate, be interested, engaged in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the “Restricted Business”).

The Deed of Non-competition is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting approval of the listing of all H Shares proposed to be issued by our Company pursuant to the Global Offering and permission to deal in such shares on the Main Board of the Stock Exchange;
- (b) all conditions precedent under the Underwriting Agreements having been fulfilled (and/or the performance of any such conditions precedent having been waived by the Underwriters) and all obligations of the Underwriters under the Underwriting Agreements having become unconditional and neither of the Underwriting Agreements having been terminated pursuant to the terms and conditions therein; and
- (c) the listing and trading of the H Shares on the Main Board of the Stock Exchange.

The “restricted period” stated in the Deed of Non-competition refers to the period during which the Covenantors undertake not to compete with our Group in accordance with the provisions of the Deed of Non-competition until the occurrence of the earliest of: (i) the H Shares of our Company ceasing to be listed on the Main Board of the Stock Exchange; (ii) in respect of each Covenantor, the relevant Covenantor or any of his/her close associates ceasing to hold directly or indirectly an equity interest in our Company; (iii) in respect of the Controlling Shareholders only, the Controlling Shareholders and/or their respective close associates jointly or severally exercising or controlling the exercise of less than 30% in aggregate of the voting power at general meetings of our Company and ceasing to be the single largest Shareholders; or (iv) in respect of Ms. Ruan Zeyun only, Ms. Ruan Zeyun and/or her close associates jointly or severally exercising or controlling the exercise of less than 15% of the voting power at general meetings of our Company.

Options for New Business Opportunities

Each of the Covenantors has undertaken to procure that, during the restricted period, if any business opportunity is offered to any of the Covenantors or his/her respective close associates which falls within the scope of the Restricted Business, the Covenantors will immediately notify or cause

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

their close associates to notify (“Offer Notice”) our Company of such business opportunity, and will assist our Company (and/or its subsidiaries) to obtain such business opportunity on the same terms as those offered to them or their close associates, or on more favorable terms or on terms acceptable to our Company (and/or its subsidiaries).

The Covenantors will be entitled to pursue such business opportunity only if (i) the Covenantors and/or their respective close associates have given Offer Notice to our Company in relation to the terms and detailed information with respect to their investment, participation and engagement in and/or operation of such business opportunity; and (ii) such business opportunity as offered by the third party has first been offered to our Company (and/or its subsidiaries), including: (a) the terms of offer between our Company (and/or its subsidiaries) and the third party; or (b) the terms on which our Company (and/or its subsidiaries) to engage in the Restricted Business with the Covenantors and/or their respective close associates, and our Company, after review and approval by the independent non-executive Directors and at the Board and/or general meeting of Shareholders (if applicable), where the Covenantors shall abstain from voting, has confirmed that our Company (and/or its subsidiaries) does not intend to invest in, conduct, operate and/or participate in such business opportunity and has made relevant written confirmation to the Covenantors, and the major terms on which the Covenantors and/or their respective close associates invest in, conduct, operate or participate in such business opportunity subsequently will not be more favorable than those terms offered to our Company.

Exceptions

In the event that the Board or general meeting of Shareholders (if applicable) resolves that it is appropriate for the Covenantors and/or their respective close associates and our Company (and/or its subsidiaries) to jointly invest in, conduct, operate and/or participate in the business opportunity offered by such third party as mentioned under the paragraph headed “Options for New Business Opportunities” above, and if our Company gives written invitation, the Covenantors and/or their respective close associates may together with our Company (and/or its subsidiaries), jointly invest in, conduct, operate and/or participate in the business opportunity subject to the provisions of the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and/or independent Shareholders of the Company and/or other approvals).

In addition, in any one of the following circumstances, the Covenantors and their respective close associates may hold or own business identical with or similar to the Restricted Business, as well as the shares or any other securities of any company (the “Listed Company”) listed on any stock exchange recognized by the laws of the relevant countries (including a stock exchange recognized by the laws and regulations of the PRC):

- (a) the latest audited financial statements of the Listed Company prepared in accordance with the relevant accounting standards and systems (if the Listed Company has prepared unconsolidated financial statements and consolidated financial statements simultaneously, then shall use the consolidated financial statements) show that the turnover of those

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

business identical with or similar to Restricted Business accounts for no more than 10% of the total consolidated turnover of the Listed Company, or the net assets of such business accounts for no more than 10% of the total consolidated assets of the Listed Company; or

- (b) the total number of the shares held by the Covenantors and their respective close associates in aggregate does not exceed 5% of the total issued share capital of such Listed Company, and the Covenantors and their respective close associates are not entitled to appoint more than half of the directors of such Listed Company, and at any time there should exist at least another shareholder of the Listed Company whose shareholding in such Listed Company is higher than the total number of shares held by the Covenantors and their respective close associates in aggregate.

Further Undertaking

Each of the Covenantors has further undertaken that:

- (a) upon the request of our independent non-executive Directors, it will provide all information necessary for our independent non-executive Directors to review the Covenantors' and their respective close associates' (excluding our Company and its subsidiaries) compliance with and enforcement of the Deed of Non-competition;
- (b) it agrees that we disclose the decision made by the independent non-executive Directors related to the compliance with and enforcement of the Deed of Non-competition in our annual report, or by way of announcement according to the Listing Rules; and
- (c) it will make a declaration to our Company and our independent non-executive Directors annually regarding its compliance with the Deed of Non-competition for us to disclose in our annual report.

The Covenantors have been informed that our Company will also adopt the following procedures to make sure that the undertakings under the Deed of Non-competition are observed by the Covenantors:

- (a) we will provide to our independent non-executive Directors the Offer Notice within fifteen days of receipt;
- (b) our independent non-executive Directors will report in our announcement or annual report after Listing (i) their findings on the compliance by the Covenantors and/or their respective close associates of the Deed of Non-competition; and (ii) any decision made in relation to the Offer Notice and the basis of such decision; and
- (c) our independent non-executive Directors may, if considered necessary, engage, at the cost of the Company, professional advisors to provide advice in connection with decision relating to the Offer Notice.

Each of our Directors confirms that he or she is not interested in any business apart from our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently of the Controlling Shareholders and his/her respective close associates after completion of the Global Offering:

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. Ruan Hongliang, a Controlling Shareholder of our Company, is one of our executive Directors, the chairman of the Board and the general manager of our Company. Ms. Jiang Jinhua, the other Controlling Shareholder of our Company, is an executive Director, deputy chairman of the Board and a deputy general manager of our Company. Ms. Ruan Zeyun, the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua, serves as our Board secretary and chief financial officer of our Company and Mr. Zhao Xiaofei, spouse of Ms. Ruan Zeyun, also serves as a deputy general manager of our Company.

Save as disclosed above, no other Controlling Shareholder or their respective close associates holds any directorship in our Company. Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, including the fact that the majority of our Board and senior management team of our Group are independent from the Controlling Shareholders, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders following the completion of the Global Offering.

Operational Independence

We conduct our business activities independent from our Controlling Shareholders. Our Group has established our own organizational structure comprised of individual departments, each with specific area of responsibilities. We have also established a set of internal control procedures to facilitate the effective operation of our business.

Therefore, we believe that we are capable of carrying on our business independently of the Controlling Shareholders and his/her respective close associates.

Financial Independence

Our Group has an accounting and financial system independent of our Controlling Shareholders and makes financial decisions according to our Group's own business needs. Our Group's accounting and finance functions are independent of our Controlling Shareholders. As of the three years ended December 31, 2014 and as of May 31, 2015, our Controlling Shareholders provided guarantees in

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

favor of us in connection of bank loans with principal amounts of RMB975.4 million, RMB708.0 million, RMB644.7 million and RMB687.7 million, respectively. All of the guarantees given by our Controlling Shareholders have been released on June 3, 2015, other than the guarantee given for a syndicated loan with a principal amount of RMB40.0 million, which has been released as at August 3, 2015. In addition, as of May 31, 2015, Mr. Ruan Hongliang, one of our Controlling Shareholders has a loan due from us in the form of an entrusted loan with a principal amount of RMB31.0 million at an interest rate of 5.88% per annum. As of the Latest Practicable Date, such amount had been repaid in full. Our Directors confirm that our Group does not intend to obtain any further borrowing from any of the Controlling Shareholders or to rely on their guarantees or pledges. Therefore, there is no financial dependence on our Controlling Shareholders.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Members of Our Board

The following table sets forth certain information regarding members of our Board:

Name	Age	Date of joining our Group	Current position	Date of appointment of current term of office	Roles and responsibilities	Relationship with other Directors/Supervisors/ senior management
Mr. Ruan Hongliang (阮洪良先生) . .	54	June 1998	Chairman, executive Director and general manager	September 30, 2015	Overall corporate strategies formulation, management of business and operation of our Group	Spouse of Ms. Jiang Jinhua, father of Ms. Ruan Zeyun and father-in-law of Mr. Zhao Xiaofei
Ms. Jiang Jinhua (姜瑾華女士) . .	54	June 2000	Deputy chairman, executive Director and deputy general manager	September 30, 2015	Assisting Mr. Ruan Hongliang to discharge his duties as the general manager of our Company	Spouse of Mr. Ruan Hongliang, mother of Ms. Ruan Zeyun and mother-in-law of Mr. Zhao Xiaofei
Mr. Wei Yezhong (魏葉忠先生) . .	43	June 1998	Executive Director and deputy general manager	September 30, 2015	Management of our architectural glass business department	N/A
Mr. Shen Qifu (沈其甫先生) . .	49	September 1999	Executive Director	September 30, 2015	Management of the business and operation of Zhejiang Flat	N/A
Ms. Pan Yushuang (潘煜雙女士) . .	51	August 2009	Independent non-executive Director	September 30, 2015	Providing independent views on management of our Group	N/A
Mr. Li Shilong (李士龍先生) . .	62	July 2012	Independent non-executive Director	September 30, 2015	Providing independent views on management of our Group	N/A
Mr. Ng Ki Hung (吳其鴻先生) . .	62	January 2015	Independent non-executive Director	September 30, 2015	Providing independent views on management of our Group	N/A

Executive Directors

Mr. Ruan Hongliang (阮洪良先生), aged 54, is a founder of our Group. He is currently an executive Director and the chairman of Board and the general manager of our Company, mainly responsible for the overall corporate strategies formulation, management of business and operation of our Group. Mr. Ruan graduated from Jiaying First High School (嘉興市第一中學) in July 1978.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ruan has over 30 years' experience in glass industry. Mr. Ruan served in our 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 our predecessor from May 2000 to September 2003. Mr. Ruan has served in our Company as the chairman of the Board and the general manager since December 2005. Mr. Ruan also serves in our subsidiaries. He has been a director and general manager of Shanghai Flat since June 2006, of Zhejiang Jiafu since August 2007, of Anhui Flat Materials since January 2011, of Anhui Flat Glass since January 2011, of Zhejiang Flat since February 2011 and of Flat New Energy since March 2014. He has also been a director of Flat HK since January 2013.

Outside of our 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 is the spouse of Ms. Jiang Jinhua, father of Ms. Ruan Zeyun and father-in-law of Mr. Zhao Xiaofei. As of the Latest Practicable Date, Mr. Ruan held RMB109,839,600 registered capital of our Company, representing approximately 32.54% of our registered capital.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Jiang Jinhua (姜瑾華女士), formerly known as Ms. Jiang Jin'e (姜瑾娥), aged 54, joined our Group in June 2000 and is currently an executive Director, the deputy chairman of Board and a deputy general manager of our Company, mainly responsible for assisting Mr. Ruan Hongliang to discharge his duties as the general manager of our 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 22 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 our 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 our Group, Ms. Jiang has been the legal representative of Jiaying 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 Jiaying Glassware Plant* (嘉興市玻璃製品廠) from August 1998 to August 2009. Ms. Jiang served as a supervisor of Jiaying 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 Jiaying* (嘉興市優秀女企業家)" by Female Association of Jiaying* (嘉興市婦女聯合會) and Association of Female Entrepreneur in Jiaying* (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 Jiaying* (嘉興市秀洲區企業家協會).

Ms. Jiang is the spouse of Mr. Ruan Hongliang, mother of Ms. Ruan Zeyun and mother-in-law of Mr. Zhao Xiaofei. As of the Latest Practicable Date, Ms. Jiang held RMB81,020,400 registered capital of our Company, representing approximately 24.01% of our registered capital.

Mr. Wei Yezhong (魏葉忠先生), aged 43, a co-founder of our Group and is currently an executive Director and a deputy general manager of our Company, mainly responsible for management of our architectural glass business department. Mr. Wei graduated from Jiaying Advanced Vocational College* (嘉興市高等專科學校) in Jiaying City, Zhejiang Province, the PRC, in July 1992. Mr. Wei has been an assistant engineer recognized by Jiaying Municipal Bureau of Personnel, Zhejiang Province* (浙江省嘉興市人事局), now known as Jiaying 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 Jiaying 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 20 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 our Company since July 2009 and a Director since August 2009. He also served as the chairman of the board of Supervisors of our Company from December 2005 to June 2009 and served as the executive deputy general manager of Zhejiang Flat from February 2012 to January 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

As of the Latest Practicable Date, Mr. Wei held RMB4,815,000 registered capital of our Company, representing approximately 1.43% of our registered capital.

Mr. Shen Qifu (沈其甫先生), aged 49, joined our Group in September 1999 and is currently an executive Director of our 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 15 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 our Company from December 2005 to June 2009 and as the chairman of the board of Supervisors of our 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.

As of the Latest Practicable Date, Mr. Shen held RMB3,210,000 registered capital of our Company, representing approximately 0.95% of our registered capital.

Independent Non-Executive Directors

Ms. Pan Yushuang (潘煜雙女士), aged 51, joined our Group in August 2009 and is currently an independent non-executive Director of our Company. Ms. Pan graduated from Central South University of Technology* (中南工業大學, the predecessor of Central South University (中南大學)) in Changsha City, Hunan Province, the PRC, in March 1996 with a master degree in engineering and furthered her study in Macao University of Science and Technology (澳門科技大學) in Macao, where she graduated with a doctor degree in management (finance) in January 2007. She has been a professor recognized by Zhejiang Provincial Department of Personnel* (浙江省人事廳), now known as Zhejiang Province Human Resources and Social Security Bureau* (浙江省人力資源與社會保障局), since November 2005.

Ms. Pan has served as an independent Director of our Company since August 2009. Ms. Pan has been long dedicated to education of accounting and has over 10 years' experience of accounting and finance. She has served as a professor of accounting in Jiaying College* (嘉興學院) since 2005. She was hired as 2013 Exam Proposition (Analyzation) Expert for the National Professional Qualification Exam of Accounting* (2013年度全國會計專業技術資格考試命(審)題專家) by the Leading Group Office of the National Professional Qualification Exam of Accounting* (全國會計專業技術資格考試領導小組辦公室) and the Accounting Qualification Assessment Center of Ministry of Finance* (財政部會計資格評價中心) in July 2013. She was awarded by Zhejiang Provincial Bureau of Education*

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(浙江省教育廳) as one of the Young and Middle-aged Academic Leaders in Institutions of Higher Education in Zhejiang Province* (浙江高校中青年學科帶頭人) in January 2008, and as one of Distinguished Teachers in Institutions of Higher Education in Zhejiang province* (浙江高等學校教學名師) in March 2011. She has also served as a member of Committee of Professional Education of Accounting under Accounting Society of China* (中國會計學會會計教育專業委員會) since May 2010.

Ms. Pan served as an independent non-executive director of Zhejiang Jingxing Paper Joint Stock Co., Ltd.* (浙江景興紙業股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002067) from September 2007 to September 2013. She currently serves as an independent non-executive director in three listed companies, including Zhejiang Qianjiang Biochemical Co., Ltd.* (浙江錢江生物化學股份有限公司) (listed on Shanghai Stock Exchange, stock code: 600796) since June 2013, Zhejiang Jingxin Pharmaceutical Co., Ltd.* (浙江京新藥業股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002020) since October 2013 and Zhejiang Jiaxin Silk Co., Ltd.* (浙江嘉欣絲綢股份有限公司) (listed on Shenzhen Stock Exchange, stock code: 002404) since July 2014.

Mr. Li Shilong (李士龍先生), aged 62, joined our Group in July 2012 and is currently an independent non-executive Director of our 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 62, joined our Group in January 2015 and is currently an independent non-executive Director of our 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF SUPERVISORS

The following table sets forth certain information regarding members of our board of Supervisors:

Name	Age	Date of joining our Group	Current position	Date of appointment of current term of office	Roles and responsibilities	Relationship with other Directors/ Supervisors/senior management
Mr. Zheng Wenrong (鄭文榮先生) . .	52	June 1998	Chairman of the board of Supervisors	September 30, 2015	Monitoring and supervising our operational and financial activities	N/A
Mr. Shen Fuquan (沈福泉先生) . .	56	June 1998	Supervisor	September 30, 2015	Monitoring and supervising our operational and financial activities	N/A
Mr. Zhu Quanming (祝全明先生) . .	62	June 1998	Supervisor	September 30, 2015	Monitoring and supervising our operational and financial activities	N/A
Ms. Zhang Hongming (張紅明女士) . .	42	March 2003	Supervisor	September 30, 2015	Monitoring and supervising our operational and financial activities	N/A
Mr. Meng Lizhong (孟利忠先生) . .	32	May 2005	Supervisor	September 30, 2015	Monitoring and supervising our operational and financial activities	N/A

Mr. Zheng Wenrong (鄭文榮先生), aged 52, a co-founder of our Group, is currently the chairman of the board of Supervisors of our Company. Mr. Zheng graduated from Jiaxing First High School* (嘉興市第一中學) in June 1979.

Mr. Zheng has over 16 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 our Company from December 2005 to January 2015 and from August 2011 to March 2012, respectively. And he has served as the deputy head of the president's office of our Company since March 2012. 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Outside of our 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.

As of the Latest Practicable Date, Mr. Zheng held RMB14,445,000 registered capital of our Company, representing approximately 4.28% of our registered capital.

Mr. Shen Fuquan (沈福泉先生), aged 56, a co-founder of our Group, is currently a Supervisor of our Company.

Mr. Shen has over 15 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 our Company from December 2005 to January 2015 and has been a manager of procurement department since November 2011. 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 our 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.

As of the Latest Practicable Date, Mr. Shen held RMB9,630,000 registered capital of our Company, representing approximately 2.85% of our registered capital.

Mr. Zhu Quanming (祝全明先生), aged 62, a co-founder of our Group, is currently a Supervisor of our Company.

Mr. Zhu has over 16 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 our Company from December 2005 to September 2010, respectively. He served in our 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 our 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.

As of the Latest Practicable Date, Mr. Zhu held RMB 9,630,000 registered capital of our Company, representing approximately 2.85% of our registered capital.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zhang Hongming (張紅明女士), aged 42, joined our Group in March 2003 and is currently a Supervisor of our 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 our Company from March 2003 to September 2010, a general manager assistant of processed glass business department of our 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 has served as a deputy manager of credit control department in finance center of our Company since September 2014.

Before joining our 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 32, joined our Group in May 2005 and is currently a Supervisor of our 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 10 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

Name	Age	Date of joining our Group	Current position	Date of appointment of current term of office	Roles and responsibilities	Relationship with other Directors /Supervisors/senior management
Mr. Wei Zhiming (韋志明先生)	46	August 2006	Deputy general manager	September 30, 2015	Management of PV glass business department and technology research and development of our Group	N/A
Mr. Zhao Xiaofei (趙曉非先生)	30	May 2011	Deputy general manager	September 30, 2015	Management of the business and operation of Zhejiang Jiafu	Spouse of Ms. Ruan Zeyun and son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Date of joining our Group	Current position	Date of appointment of current term of office	Roles and responsibilities	Relationship with other Directors /Supervisors/senior management
Ms. Ruan Zeyun (阮澤雲女士)	28	October 2009	Chief financial officer and Board secretary	September 30, 2015	Daily affairs of the Board and management of our finance center	Spouse of Mr. Zhao Xiaofei and daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua

Mr. Wei Zhiming (韋志明先生), aged 46, joined our Group in August 2006 and is currently the deputy general manager of our Company, mainly responsible for the management of PV glass business department and technology research and development of our 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 23 years' experience in glass industry. He has served as a deputy general manager of the Company and the general manager of PV glass business department of our Company since May 2011 and February 2012, respectively. He served successively as assistant to president and deputy manager of technology research and development center of our 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 our 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.

As of the Latest Practicable Date, Mr. Wei held RMB3,210,000 registered capital of our Company, representing approximately 0.95% of our registered capital.

Mr. Zhao Xiaofei (趙曉非先生), aged 30, joined our Group in May 2011 and is currently the deputy general manager of our Company, mainly responsible for the management of the business and operation of Zhejiang Jiafu. 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 PV glass sales department of sales center of our Company and assistant to general manager of sales center of our 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 our Company from November 2012 to February 2013, as well as deputy general

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

manager of sales center of our 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 has served as the executive deputy general manager of Zhejiang Jiafu and a deputy general manager of our Company since July 2013 and January 2015, respectively.

Prior to joining our 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 and son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jinhua. As of the Latest Practicable Date, Mr. Zhao held RMB1,200,000 registered capital of our Company, representing approximately 0.36% of our registered capital.

Ms. Ruan Zeyun (阮澤雲女士), formerly known as Ms. Ruan Xiao (阮曉), aged 28, joined our Group in October 2009 and is currently the chief financial officer and Board secretary of our 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 our 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 is also interested in 100%, and a director of Yihe Energy. For details, please refer to the section headed “Relationship with Controlling Shareholders — Interest of Ms. Ruan Zeyun”.

Ms. Ruan is the spouse of Mr. Zhao Xiaofei and daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. As of the Latest Practicable Date, Ms. Ruan held RMB87,633,000 registered capital of our Company, representing approximately 25.97% of our registered capital.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, (i) each Director, Supervisor and senior management has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; and (ii) there was no other matter with respect to the appointment of our Directors, Supervisors and senior management that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors, Supervisors and chief executive that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Ms. Ruan Zeyun (阮澤雲), formerly known as Ms. Ruan Xiao (阮曉), aged 28, joined our Group in October 2009 and was appointed as a joint company secretary on April 1, 2015. For details of biographies of Ms. Ruan Zeyun, please refer to the subsection headed “Senior Management” above.

Ms. Leung Wing Han Sharon (梁穎嫻), was appointed as a joint company secretary of our Company on April 1, 2015. She is a vice president of SW Corporate Services Group Limited. She has over 10 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.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference pursuant to the Board meeting on October 16, 2015 in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three Directors: Ms. Pan Yushuang, Mr. Li Shilong and Mr. Ng Ki Hung. Ms. Pan Yushuang currently serves as the chairman of the audit committee. The primary responsibilities of the audit committee are to review and supervise our financial reporting process, which include, among other things:

- reviewing our annual and interim financial statements, earnings releases, critical accounting policies and practices used to prepare financial statements, alternative treatments of financial information, the effectiveness of our disclosure controls and procedures and important trends and developments in financial reporting practices and requirements;
- reviewing the planning and staffing of internal audits, the organization, responsibilities, plans, results, budget and staffing of our internal audit team and the quality and effectiveness of our internal controls;
- reviewing our risk assessment and management policies; and
- establishing procedures for the treatment of complaints received by us regarding accounting, internal accounting controls, auditing matters, potential violations of law and questionable accounting or auditing matters.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration committee

We have established a remuneration committee with written terms of reference pursuant to the Board meeting on October 16, 2015 in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee of our Company consists of three Directors: Ms. Pan Yushuang, Mr. Ruan Hongliang and Mr. Li Shilong. Ms. Pan Yushuang currently serves as the chairman of our Company's remuneration committee. The primary responsibilities of the remuneration committee are to formulate the evaluation standards and conduct evaluation of the Directors and senior management, and to determine, and review the compensation policies and schemes for the Directors and senior management, including, among other things:

- approving and overseeing the total compensation package for the Directors and senior management, evaluating the performance of and determining and approving the compensation to be paid to senior management;
- reviewing and making recommendations to the Board with respect to the Directors' compensation; and
- reviewing and making recommendations to the Board regarding our Company's policy and structure for the remuneration of all Directors and senior management.

Nomination committee

We have established a nomination committee with written terms of reference pursuant to the Board meeting on October 16, 2015 in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee of our Company consists of three Directors: Mr. Ruan Hongliang, Ms. Pan Yushuang and Mr. Ng Ki Hung. Mr. Ruan Hongliang currently serves as the chairman of the nomination committee. The primary responsibilities of our Company's nomination committee are to formulate the nomination procedures and standards for candidates for Directors and senior management, to conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management.

Strategic development committee

We have established a strategic development committee with written terms of reference pursuant to the Board meeting on October 16, 2015. The strategic development committee of our Company consists of three Directors: Mr. Ruan Hongliang, Mr. Wei Yezhong and Ms. Pan Yushuang. Mr. Ruan Hongliang serves as the chairman of the strategic development committee. The primary responsibilities of our strategic development committee are to study, advise on and review our Company's long-term development plans and strategies.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Risk management committee

We have established a risk management committee with written terms of reference pursuant to the Board meeting on October 16, 2015. The risk management committee of our Company consists of three Directors: Mr. Ruan Hongliang, Ms. Jiang Jinhua and Ms. Pan Yushuang. Mr. Ruan Hongliang serves as the chairman of the risk management committee. The primary responsibilities of our risk management committee are to review our Group's business operations, in particular overseas and export business, to monitor and control our Group's sanction risk level and to formulate our Group's risk management strategies.

See also "Business — Regulatory Compliance and Legal Processings — International Sanctions on Our Sales to Russia, Belarus and Tunisia — Internal Control Measures" for further information of our risk management committee.

COMPENSATION OF THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

For the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors and Supervisors were approximately RMB2.65 million, RMB3.00 million, RMB2.58 million and RMB1.24 million, respectively.

Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The remuneration and benefits in kind (if applicable) received by the top five highest paid individuals (including Directors and Supervisors) for the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015 were approximately RMB2.44 million, RMB2.95 million, RMB2.46 million and RMB1.13 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors or Supervisors waived any remuneration for any of the last three years. Save as disclosed above, no other payments have been paid, or are payable, by us or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Under the remuneration policy of our Company, the remuneration committee will consider factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance of our Directors, Supervisors and the senior management as the case may be, in assessing the amount of remuneration payable to our Directors, Supervisors and such employees. It is estimated that under the arrangements currently in force, the aggregate remuneration payable to the Directors and Supervisors for the year ending December 31, 2015, is estimated to be approximately RMB2.14 million and RMB1.09 million, respectively.

COMPLIANCE ADVISOR

We have appointed Messis Capital Limited as our compliance advisor, pursuant to Rule 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Messis Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Messis Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE

Our Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules with the exception of code provision A.2.1, which requires the roles of chairman and chief executive be held by different individuals.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both positions. Throughout our business history of over 15 years, Mr. Ruan has held the key leadership position of our Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of our Group. Taking into account the consistent leadership within our Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, our Directors (including our independent non-executive Directors) consider that Mr. Ruan is the best candidate for both positions and the present arrangements are beneficial and in the interests of our Company and our Shareholders as a whole.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon Listing.

SHARE CAPITAL

As of the date of this prospectus, the registered share capital of our Company is RMB337,500,000 divided into 337,500,000 Shares with a nominal value of RMB1.00 each.

Pursuant to the resolutions of extraordinary Shareholders' meeting dated May 18, 2015, immediately upon the Listing, the Shares with a nominal value of RMB1.00 each in the registered share capital of our Company will be split into four Shares of RMB0.25 each. Accordingly, immediately upon the Listing, assuming the Over-allotment Option is not exercised, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate Percentage to Total Share Capital
1,350,000,000	Domestic Shares	75%
<u>450,000,000</u>	H Shares to be issued under the Global Offering	<u>25%</u>
<u><u>1,800,000,000</u></u>	Total	<u><u>100%</u></u>

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately after the Global Offering will be as follows:

Number of Shares	Description of Shares	Approximate Percentage to Total Share Capital
1,350,000,000	Domestic Shares	72.29%
450,000,000	H Shares to be issued under the Global Offering	24.10%
<u>67,500,000</u>	H Shares to be issued upon full exercise of the Over-allotment Option	<u>3.61%</u>
<u><u>1,867,500,000</u></u>	Total	<u><u>100%</u></u>

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK\$50 million.

SHARE CAPITAL

On the basis of the issue of 450,000,000 H Shares under the Global Offering (before exercise of the Over-allotment Option), our Company will meet the public float requirement under the Listing Rules after the completion of the Global Offering (without taking into account any exercise of the Over-allotment Option).

Our Shares

Our Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in Renminbi. Apart from certain qualified domestic institutional investors in the PRC through Shanghai-Hong Kong Stock Connect (滬港通), H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and transferred between legal or natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors. Dividends and other payments payable by our Company to holders of H Shares shall be denominated and declared in Hong Kong dollars and payable in Hong Kong dollars, while dividends and other payments payable by our Company to holders of Domestic Shares shall be denominated and declared in Renminbi and payable in Renminbi.

Ranking

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VI to this prospectus, our Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Unlisted Shares

Upon the completion of the Global Offering, we will have two classes of ordinary Shares, H Shares and Domestic Shares. As at the date of this prospectus, all of our Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange (“Unlisted Shares”). The term “Unlisted Shares” is used to describe whether certain Shares are listed or traded on a stock exchange and is not a specific definition under PRC laws. Given the above, our PRC Legal Advisors have advised us that the use of the term “Unlisted Shares” in the Articles of Association does not contravene, and is not inconsistent with, any PRC laws and regulations (including the Special Regulations and the Mandatory Provisions).

SHARE CAPITAL

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares, and such H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such shares, any requisite internal approval processes (other than Shareholders' approval by class) shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the listing of such converted H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require prior application for listing at the time of our initial listing in Hong Kong.

No class shareholder voting is required for the listing and trading of the converted H Shares on an overseas stock exchange. Any application for listing of the converted H Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion. Please refer to the paragraph headed "Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares." in the section headed "Risk Factors — Risk relating to the Global Offering and Our H Shares" for risk factors related to the conversion of our Unlisted Shares.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on our H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange complying with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

SHARE CAPITAL

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that in relation to the Hong Kong Public Offer of a company, the shares issued by a company prior to the Hong Kong Public Offer of shares shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 working days upon listing.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons will, immediately following completion of the Global Offering (without taking into account the exercise of the Over-allotment Option), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Shareholder	Class	Nature of interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding in the total share capital of our Company as of the Latest Practicable Date ⁽¹⁾	Number of Shares held after the Global Offering	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering ⁽²⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽³⁾
Mr. Ruan Hongliang (阮洪良) ⁽⁴⁾	Domestic Shares	Beneficial owner and parties acting in concert	190,860,000	56.55%	763,440,000	56.55%	42.42%
Ms. Jiang Jinhua (姜瑾華) ⁽⁵⁾	Domestic Shares	Beneficial owner and parties acting in concert	190,860,000	56.55%	763,440,000	56.55%	42.42%
Ms. Ruan Zeyun (阮澤雲) ⁽⁶⁾	Domestic Shares	Beneficial owner and interest of spouse	88,833,000	26.33%	355,332,000	26.33%	19.74%
Mr. Zhao Xiaofei (趙曉非) ⁽⁷⁾	Domestic Shares	Beneficial owner and interest of spouse	88,833,000	26.33%	355,332,000	26.33%	19.74%

Note:

- (1) The calculation is based on the total number of 337,500,000 Domestic Shares in issue as of the Latest Practicable Date.
- (2) The calculation is based on the total number of 1,350,000,000 Domestic Shares in issue immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).
- (3) 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 immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).
- (4) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. In addition, pursuant to a concert party agreement dated June 12, 2015 entered into between Mr. Ruan Hongliang and Ms. Jiang Jinhua, Mr. Ruan Hongliang is deemed to be interested in the 324,081,600 Domestic Shares owned by Ms. Jiang Jinhua under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (5) Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang. Ms. Jiang Jinhua owns 324,081,600 Domestic Shares. In addition, pursuant to a concert party agreement dated June 12, 2015 entered into between Mr. Ruan Hongliang and Ms. Jiang Jinhua, Ms. Jiang Jinhua is deemed to be interested in the 439,358,400 Domestic Shares owned by Mr. Ruan Hongliang under the SFO.
- (6) Ms. Ruan Zeyun owns 350,532,000 Domestic Shares and is deemed to be interested in the 4,800,000 Domestic Shares owned by Mr. Zhao Xiaofei under the SFO.
- (7) Mr. Zhao Xiaofei is the spouse of Ms. Ruan Zeyun. Mr. Zhao Xiaofei directly owns 4,800,000 Domestic Shares and is deemed to be interested in the 350,532,000 Domestic Shares owned by Ms. Ruan Zeyun under the SFO.

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering (without taking into account the exercise of the Over-allotment Option), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the “Cornerstone Investment Agreement”) with Huarong International Asset Management Great China Investment Fund L.P. (“Huarong Asset Management Fund”), pursuant to which Huarong Asset Management Fund has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with a principal amount of HK\$230.18 million (exclusive of applicable brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price (the “Cornerstone Placing”).

Based on the Offer Price of HK\$2.10 (being the low-end of the proposed Offer Price range), the total number of H Shares to be subscribed by Huarong Asset Management Fund would be 109,609,000, representing approximately (i) 6.09% of the Shares in issue upon the completion of the Global Offering and 24.36% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 5.87% of the Shares in issue upon completion of the Global Offering and 21.18% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised. Based on the Offer Price of HK\$2.39 (being the mid-point of the proposed Offer Price range), the total number of H Shares to be subscribed by Huarong Asset Management Fund would be 96,309,000, representing approximately (i) 5.35% of the Shares in issue upon the completion of the Global Offering and 21.40% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 5.16% of the Shares in issue upon completion of the Global Offering and 18.61% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised. Based on the Offer Price of HK\$2.68 (being the high-end of the proposed Offer Price range), the total number of H Shares to be subscribed by Huarong Asset Management Fund would be 85,888,000, representing approximately (i) 4.77% of the Shares in issue upon the completion of the Global Offering and 19.09% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 4.60% of the Shares in issue upon completion of the Global Offering and 16.60% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed by Huarong Asset Management Fund will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. Huarong Asset Management Fund will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. Immediately following the completion of the Global Offering, Huarong Asset Management Fund will not have any board representation in our Company, nor will it become a substantial shareholder (as defined under the Listing Rules) of our Company. Huarong Asset Management Fund does not have any preferential rights compared with other public Shareholders under the Cornerstone Investment Agreement. The Offer Shares to be subscribed by Huarong Asset Management Fund will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer.

Huarong Asset Management Fund is an exempted limited partnership established in the Cayman Islands and principally engaged in equity investment. The limited partners of Huarong Asset Management Fund are Beyond Steady Limited (堅越有限公司) (“Beyond Steady”, a company incorporated in the British Virgin Islands with limited liability) and an individual (the “Individual

CORNERSTONE INVESTOR

Investor”). Huarong Asset Management Fund is managed by Huarong International Asset Management Great China Investment Fund Limited (“Huarong GP”), an exempted limited liability company incorporated in the Cayman Islands, as the general partner. Huarong GP and Beyond Steady are respectively indirect wholly-owned subsidiaries of Huarong International Financial Holdings Limited (“HRIF”), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 993). HRIF and its subsidiaries are principally engaged in brokerage and dealings of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment holding, provision of management and consultancy services.

Each of Huarong Asset Management Fund, Beyond Steady, the Individual Investor, Huarong GP, HRIF and their respective ultimate beneficial owners (as the case may be) is an Independent Third Party and is not our connected person (as defined under the Listing Rules), and is not a shareholder of our Company. Details of the actual number of the Offer Shares to be allocated to Huarong Asset Management Fund will be disclosed in the allotment results announcement to be issued by our Company on or around November 25, 2015.

CONDITIONS PRECEDENT

The subscription obligation of Huarong Asset Management Fund under the Cornerstone Investment Agreement is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Placing Agreement being entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these agreements;
- (2) the Listing Committee having granted approval of the listing of, and permission to deal in, the H Shares (including the Offer Shares to be subscribed by Huarong Asset Management Fund) and that such approval or permission having not been revoked;
- (3) no Laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offer, the International Placing or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (4) the respective representations, warranties, undertakings and confirmations of Huarong Asset Management Fund and our Company under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of Huarong Asset Management Fund.

CORNERSTONE INVESTOR

RESTRICTIONS ON DISPOSALS BY HUARONG ASSET MANAGEMENT FUND

Huarong Asset Management Fund has agreed that, without the prior written consent of our Company and the Joint Bookrunners, it will not, whether directly or indirectly, at any time during a period of six months starting from the Listing Date, dispose of any of the shares subscribed by it under the Cornerstone Investment Agreement and any shares or other securities of or interests in our Company derived therefrom (the “Relevant Shares”) or any interest in any company or entity holding any Relevant Shares, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the foregoing securities, nor shall it agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of the Relevant Shares, in any way.

Huarong Asset Management Fund may transfer the H Shares so subscribed in certain limited circumstances as set out in the Cornerstone Investment Agreement, such as transfer to a wholly-owned subsidiary of Huarong Asset Management Fund, provided that, among other things, such wholly-owned subsidiary undertakes in writing that it will be bound by Huarong Asset Management Fund’s obligations under the Cornerstone Investment Agreement.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements as of and for each of the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015 and the accompanying notes included in the accountants' report set out in Appendix I to this prospectus (the "Accountants' Report"). The Accountants' Report has been prepared in accordance with IFRS. Potential investors should read the Accountants' Report and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but not limited to, those discussed elsewhere in this prospectus, particularly in "Risk Factors" and "Forward-looking Statements".

OVERVIEW

We were the largest PV glass manufacturer globally and in China in terms of sales revenue of PV raw glass and processed PV glass in 2014, according to the Frost & Sullivan Report. Our sales revenue from PV glass in 2014 accounted for approximately 18.9% of the total global sales revenue of PV glass and approximately 26.3% of the total sales revenue of PV glass in China. Our PV glass products are mainly ultra-clear patterned PV glasses, which are primarily used to manufacture c-Si PV cells that can subsequently be assembled to form c-Si PV modules. Our PV glass can also be used as covers for thin film PV cells. We sell our PV glass products primarily to domestic and overseas PV module manufacturers. According to the Forst & Sullivan Report, most of the global top ten PV module manufacturers in 2014 have purchased our PV glass products. While we derive a majority of our revenue from PV glass, we also manufacture and sell float glass, household glass and architectural glass, which, together with PV glass, comprise our four major glass products.

According to the Frost & Sullivan Report, we were one of the largest PV raw glass manufacturers in China in 2014. As of December 31, 2014, we owned and operated seven furnaces for raw glass production, five of which were used for manufacturing ultra-clear PV raw glass and had an aggregate daily maximum production capacity of 2,290 tons, which ranked second in China in 2014, according to the Frost & Sullivan Report, and the remaining two furnaces were used for manufacturing float glass with an aggregate daily maximum production capacity of 1,200 tons. As of the Latest Practicable Date, our aggregate daily maximum production capacity for PV raw glass and float glass remained at 2,290 tons and 1,200 tons, respectively. We currently operate 16 production lines for PV raw glass, 21 dedicated processing lines for PV glass, two production lines for float glass, 12 processing lines for household glass and 12 processing lines for architectural glass.

We have experienced rapid growth during the Track Record Period. Our revenue for the years ended December 31, 2012, 2013 and 2014, was RMB1,488.6 million, RMB2,187.3 million and RMB2,833.3 million, respectively, representing a CAGR of 38.0%, and for the five months ended May 31, 2014 and 2015, was RMB1,149.8 million and RMB1,237.4 million, respectively, representing an increase of 7.6%. Our profit after tax for the years ended December 31, 2012, 2013 and 2014, was RMB59.9 million, RMB203.6 million and RMB392.7 million, respectively, representing a CAGR of 156.1%, and for the five months ended May 31, 2014 and 2015, was RMB162.1 million and RMB161.5 million, respectively.

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RECENT DEVELOPMENT

From June 1, 2015 and up to the Latest Practicable Date, our business generally remained relatively stable. During the period, in order to increase the market penetration of our architectural glass products, we enhanced our price competitiveness such that average selling price for our architectural glass decreased by approximately 8.9% for the period from June 1, 2015 to the Latest Practicable Date as compared to the first five months ended May 31, 2015, based on our internal records. As a result, our sales of architectural glass increased. Further, during the period, the average selling price of our household glass increased by approximately 7.7% as compared to the average selling price for the five months ended May 31, 2015 and recovered to similar level for the year ended December 31, 2014, while the average selling price for our PV glass and float glass remained relatively stable as compared to the five months ended May 31, 2015, based on our internal records. To the best of our knowledge, there is no change to the overall economic and market condition in China or in the PV glass industry in which we operate that may have a material adverse effect to our business operations and financial position. On the other hand, as of the Latest Practicable Date, we were in the course of upgrading our Low-E processing facilities to improve our Low-E glass processing efficiency, among other upgrades. We expect such processing efficiency to improve from an average of 52 seconds per glass to up to 35 seconds per glass upon completion of the technological upgrade.

In terms of our operations, the global natural gas prices experienced a dramatic decline since the second half of 2014, according to the Frost & Sullivan Report. In China, natural gas price is regulated by the NDRC. According to the Frost & Sullivan Report, the average price of natural gas in China has not been significantly affected by the fluctuations in the global natural gas price. Based on our internal records, we also have not noticed any significant price adjustments for our procurement of natural gas. As a result, the recent global natural gas price fluctuations did not have a material impact on our financial performance.

In August 2015, the PBOC had announced rounds of devaluation of the Renminbi by lowering its daily mid-point from a high of US\$1.00 to RMB6.1162 on August 10, 2015 to a low of US\$1.00 to RMB6.4010 on August 13, 2015. Renminbi devalued against the US dollars in August 2015 as (i) majority of our raw materials are procured within the PRC and settled in Renminbi; (ii) majority of our expenses for our operations such as selling and administrative expenses are incurred in the PRC and settled in Renminbi; (iii) our expected capital expenditures incurred in the PRC will principally be settled in Renminbi, and (iv) for our planned overseas expansion, we expect to procure the machineries and equipment from the PRC, which will be settled in Renminbi, we have not experienced nor expect any material and adverse effect on our business, operations and financial results due to the devaluation of the Renminbi. Since then, the valuation of RMB had increased and the latest mid-point trading price announced by PBOC on November 6, 2015 was US\$1.00 to RMB6.3459.

In August 2015, the European Commission adjusted the anti-dumping duty applicable to our customers who would be importing our PV glass products into the European Union from 29.3% to 71.4%. As a result, we expect our sales of PV glass products to the European Union will further decrease in the future. As our sales of PV glass products to Europe accounted for approximately 2.6% of our total revenue for the five months ended May 31, 2015, based on our internal records, we do not

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expect further decrease in our sales of PV glass products to the European Union will have a material and adverse impact on our business operations or financial results. The remaining sales to Europe (4.4% of our total sales based on our internal records) for the five months ended May 31, 2015 primarily comprised of our household glass products.

On September 9, 2015, we obtained additional banking facilities from Bank of China, Jiaxing Branch, one of our principal lenders, of RMB415.0 million. On September 21, 2015, September 22, 2015 and October 26, 2015, we drew down RMB30.0 million, RMB30.0 million and RMB140.0 million, respectively, under this facility to replenish our liquidity and enhance our working capital. The BOC Loan bore an interest rate of the two-year benchmark lending rate issued by the PBOC at the time of respective draw-down. The BOC Loan is repayable according to the following schedule: one-eighth of the BOC Loan is repayable by May 31, 2016, one-fourth is repayable by December 31, 2016, one-fourth is repayable by April 30, 2017 and the remaining three-eighth is repayable by August 31, 2017.

On October 9, 2015, we entered into an agreement to acquire the land use rights for a parcel of land and the ownership for buildings erected on the land located on Xigang Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC, which we intend to use primarily for warehousing and storage. See “Business — Properties” for details.

BASIS OF PRESENTATION

The financial information is presented in RMB, which is also the functional currency of our Company and its principal subsidiaries.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial conditions have been and will continue to be affected by a number of external factors, including the following:

Demand and Supply of PV Glass

We are primarily engaged in the design and development, production and sales of PV glass. Most of our PV glass customers are PV module manufacturers in China and around the world. The global demand for PV glass depends largely on the demand for PV modules and the application of solar energy as an alternative to traditional energy sources, such as coal and petroleum.

During the Track Record Period, we experienced growth in our PV glass business as its segment revenue increased from RMB1,120.5 million in 2012 to RMB2,078.4 million in 2014, representing a CAGR of 36.2%, and from RMB845.0 million for the five months ended May 31, 2014 to RMB937.2 million for the five months ended May 31, 2015, representing an increase of 10.9%. Our gross profit margin for the PV glass business segment also increased from 25.8% in 2012 to 37.0% in 2014. These increases were in line with the increase in demand for PV modules globally during the Track Record Period as the sales volume of our PV glass products grew from approximately 35.4 million sq.m. in 2012 to approximately 51.2 million sq.m. in 2013, and further to approximately 69.5 million sq.m. in 2014, representing a CAGR of 40.1%. However, our gross profit margin for the PV glass segment

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decreased from 36.4% for the five months ended May 31, 2014 to 33.1% for the five months ended May 31, 2015. The decrease was mainly because we used a higher proportion of natural gas in our production during the period to replace certain amount of fuel oil when we switched to new fuel oil suppliers in order to secure the supply of higher quality fuel oil, which led to a higher energy cost.

While the sales volume of our PV glass experienced growth during the Track Record Period, the average selling prices decreased from approximately RMB31.69 per sq.m. in 2012 to RMB28.12 per sq.m. in 2013 primarily due to excess supply in the market and increase in sales of PV raw glass during the period, which had a lower average selling price as compared to our PV glass products. The average selling price of our PV glass increased to approximately RMB29.89 per sq.m. in 2014 as the PV glass market gradually recovered in 2013 and the selling prices began to stabilize in the second half of 2013 and 2014. The average selling price of PV glass continued to level off at RMB29.28 per sq. m. for the five months ended May 31, 2015 as compared to an average selling price of RMB30.33 per sq. m. for the five months ended May 31, 2014.

Our Directors believe that our operating results have been and will continue to be affected by various external factors, which include, but not limited to, the environment in which we operate in, government policies affecting the solar energy industry and other alternative energy sectors, and our ability to obtain regulatory approval to expand our production capacity, all of which are beyond our control.

Our Product Mix and Customer Mix

Our results of operations and financial conditions are impacted by our product mix and customer mix. We currently have a diversified product portfolio consisting of PV glass, float glass, household glass and architectural glass products. We commenced production and sales of PV glass, float glass, household glass and architectural glass products in 2006, 2011, 2000 and 2002, respectively. In order to diversify our product mix and create additional revenue stream, we commenced commercial production and sales of our float glass in late 2011. During the Track Record Period, we have adjusted our product mix from time to time in response to the changing market conditions. We will continue to refine our product mix and enhance our risk resisting capability by adjusting the production volume of our different products based on customer demand and prevailing market conditions.

For the years ended December 31, 2012, 2013 and 2014, we experienced significant growth in the segment results of our PV glass and household glass products, while maintaining substantial contribution from our float glass and architectural glass products. For example, the segment results of our PV glass and household glass increased from RMB289.0 million and RMB31.2 million in 2012, respectively, to RMB768.6 million and RMB62.5 million in 2014, respectively, representing a CAGR of 63.1% and 41.5%, respectively. The segment results for our float glass improved from a segment loss of RMB2.5 million in 2012 to a segment profit of RMB110.4 million in 2013 as we increased our production volume and sales of float glass in 2013 to match the increased demand. However, it decreased to RMB69.5 million in 2014 as a result of (i) more float glass we manufactured in-house being used to process household glass and architectural glass; and (ii) excess supply of float glass in the surrounding market due to increased production volume of our competitors. The segment results for our architectural glass increased from RMB3.5 million in 2012 to RMB33.3 million in 2013 and remained stable in 2014 at RMB33.8 million as we were affected by the overall slowdown in the

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property development and construction sector in the PRC, resulting in a decrease in the average selling price despite an increase in our sales volume. When the market prices of float glass, household glass and architectural glass experienced a decline for the first five months ended May 31, 2015, we continue to focus on the growth in our PV glass segment, which increased from RMB307.7 million for the five months ended May 31, 2014 to RMB309.8 million.

We believe our past success and future growth depends on our ability to maintain our existing customers and attract new customers. We have established stable relationships with our domestic and international customers. Our relationship with the majority of our top ten customers during the Track Record Period predates the Track Record Period. Our PV glass products are mainly sold to domestic and international PV module manufacturers. We sell float glass mainly to glass processing manufacturers and glass wholesalers, while we sell household glass mainly to multinational furniture retailers and overseas furniture manufacturers, and sell architectural glass mainly to architectural contractors and architectural glass processing companies.

Energy and Raw Material Procurement Cost

A substantial part of our cost of production consists of the cost of raw materials and energy. Our production cost of raw materials increased from RMB493.0 million in 2012 to RMB904.2 million in 2014. Our production cost of raw materials was RMB380.0 million for the five months ended May 31, 2014 and RMB356.0 million for the five months ended May 31, 2015. To produce our PV raw glass and float glass, we require, among others, soda ash and silica sand. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, the cost of soda ash amounted to 27.2%, 29.5%, 30.9%, 32.0% and 30.6% of our total production cost of raw materials, respectively, and the cost of silica sand amounted to 19.3%, 22.3%, 23.7%, 22.5% and 25.9% of our total production cost of raw materials, respectively. The purchase price of soda ash fluctuated between RMB1,196 per ton and RMB1,855 per ton between January 1, 2012 to May 31, 2015 while the purchase price of float silica sand and ultra-clear silica sand fluctuated between approximately RMB141 per ton and RMB200 per ton and between approximately RMB274 per ton and RMB580 per ton, during the same periods, respectively, based on our internal records. These fluctuations in the purchase price of our key raw materials were primarily due to their general fluctuations in the demand and supply in China during these periods and were closely related to glass production, which impacted our raw material costs and profitability during the Track Record Period. The price of silica sand has been rising as limited mineral resources of natural quartzite restricts the expansion of exploitation while the increase in the production of glass boosts the demand. In order to secure a more stable source of silica sand supply for our production of float glass, we entered into a mining rights agreement with Chuzhou City Bureau of Land Resources in April 2011 for the extraction right to the seventh segment of a quartzite mine located at the Lingshan-Mujishan mining zone in Fengyang County, Chuzhou City, Anhui Province, China. We have sold the quartzite ore extracted from the Mine to third parties since 2013. Beginning in January 2015, we used certain amount of the silica sand processed and refined from the quartzite ore extracted from the Mine for the production of our float glass. For details of the Mine, please see “Business — Mining Rights.”

In addition, energy costs, being the costs of fuel and electricity, are another major component in our cost of production. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, the energy costs associated with our production amounted to

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RMB514.0 million, RMB538.5 million, RMB696.6 million, RMB288.0 million and RMB307.7 million, respectively, representing 41.9%, 34.5%, 35.1%, 35.4% and 36.9%, respectively, of our total cost of production. We primarily use fuel oil, petroleum coke and natural gas as fuel for the production of our glass products. The purchase prices of fuel oil and petroleum coke are based on the prevailing market price at the time of order while the purchase price of natural gas is adjusted in accordance with the terms set forth in the framework agreement. Any fluctuation in purchase prices of fuel oil, petroleum coke and/or natural gas may materially affect our overall cost of production and our profitability.

Production Capacity and Efficiency

In order to meet customer demand, we must ensure that we have sufficient production capacity, which affects our revenue, production efficiency and our profitability. We have also implemented automated production processes for our PV raw glass and float glass, which improved our production efficiency and lowered our labor costs. We currently have 16 production lines for PV raw glass, 21 dedicated processing lines for PV glass, two production lines for float glass, 12 processing lines for household glass and 12 processing lines for architectural glass. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the designed annual production capacity for our PV raw glass was approximately 479,040 tons, 570,650 tons, 835,850 tons and 345,790 tons, respectively, and the designed annual processing capacity for our PV glass was approximately 63.7 million sq.m., 78.6 million sq.m., 93.9 million sq.m. and 39.5 million sq.m., respectively. For the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015, the utilization rate of the production capacity of our PV raw glass was 76.1%, 78.5%, 79.2% and 75.7%, respectively, and the utilization rate of the processing capacity of our PV glass products was 52.6%, 56.4%, 79.3% and 81.3%, respectively. In addition, for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, the designed annual production capacity for our float glass was 234,600 tons, 438,000 tons, 438,000 tons and 181,200 tons, respectively, and the utilization rate of the production capacity was 94.6%, 99.5%, 98.8% and 95.6%, respectively. We intend to upgrade our existing PV glass furnace with 490 tons of daily maximum production capacity by optimizing its production method in order to enable it to burn different types of fuel more efficiently. We believe this will allow us to manufacture sufficient quantities of PV raw glass on a cost-efficient manner and allow us to further lower our emission of pollutants and thus, become more environmental friendly.

With respect to our household glass and architectural glass products, since our customers for these products generally have their specific requirements that involve one or more manufacturing processes, the total amount of work done on each type of the finished products would differ from one customer to another, and may differ from one order to another. Therefore, our Directors consider that the processing capacity and utilization rate for our household glass and architectural glass could not be accurately ascertained or be representative or meaningful. During the Track Record Period, we have experienced a growing demand for our Low-E glass products. Accordingly, we intend to expand the processing capacity by adding a new Low-E and Low-E composite glass processing facility by the end of 2016. In addition, we plan to allocate approximately 17.2% of the net proceeds of the Global Offering to build new processing facilities and increase our processing capacity for Low-E glass to meet the increasing customer demand.

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If any of our production or processing facilities experience significant downtime, or we may not be able to produce sufficient products to meet the orders of our customers, or we may not be able to produce our products on a cost-efficient manner, our business, financial condition and results of operations may be materially and adversely affected. See “Risk Factors — Risks Relating to Our Business and Our Industry — Our future plans in the PRC are subject to risks and uncertainties.”

Taxation

We are subject to enterprise income tax in China. During the Track Record Period, our subsidiary, Zhejiang Jiafu, was approved as high-technology enterprise and was entitled to the PRC enterprise income tax at the rate of 15%. The approval for Zhejiang Jiafu is valid from 2013 to 2015. The effective tax rate for our Group for the years ended December 31, 2012, 2013, 2014 and for the five months ended May 31, 2015 was 5.6%, 22.9%, 19.3% and 17.4%, respectively. In addition, in January 2015, according to the Notice of Ministry of Finance and State Administration of Taxation on Issues Concerning Preferential Policies on Enterprise Income Tax for Public Infrastructure Projects and Projects of Environmental Protection, Energy Saving and Water Conservation, Flat New Energy, one of our wholly-owned subsidiaries that mainly engages in the construction, operation and maintenance of distributed PV systems, received preferential tax treatment by the relevant PRC authorities and will be exempt from enterprise income tax for the first three financial years from 2014 to 2016 and subject to 50% reduction for the subsequent three financial years from 2017 to 2019. As advised by our PRC Legal Advisors, the tax preferential treatments that have been granted to our subsidiaries are in compliance with the relevant PRC law and currently effective. Further information is set forth under “Financial Information — Principal Income Statement Components — Income Tax Expenses” and “Risk Factors — Risks relating to Conducting Operations in the PRC — Any change in our tax treatment, including an unfavorable change in preferential enterprise tax rates in the PRC, may have a negative impact on our operating results.”

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We have not changed our assumptions during the Track Record Period and have not noticed any material errors regarding our assumptions. Under the circumstances, we do not expect that our assumptions are likely to change significantly in the future. We set forth below those accounting policies which we believe are of significant importance to us or involve the most critical accounting judgment and estimates used in the preparation of our financial statements. Our significant accounting policies, judgment and estimates, which are important for an understanding of our financial condition and results of operations, are more detailed set forth in Note 3 and Note 4 in the Accountants’ Report in Appendix I to this prospectus.

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Significant Accounting Policies

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when the goods are delivered and the titles have been passed, at which time all of the following conditions are satisfied: (i) we have transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods we sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to us; and (v) the costs incurred or to be incurred in respect of the transaction can also be measured reliably. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. 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.

Dividend income from investments is recognized when the owners' rights to receive payment have been established. Deposits and installments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidated statements of financial position under current liabilities.

Property, Plant and Equipment

Property, plant and equipment, which include 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 recognized so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. 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 recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with our 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.

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An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of such 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 recognized 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 amortization and any accumulated impairment losses. Amortization is recognized on a straight-line basis or on units of production basis over their estimated useful lives. The estimated useful life and amortization 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.

Derecognition of Intangible Assets

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

Impairment on Tangible and Intangible Assets and Investments in Subsidiaries

At the end of each reporting period, we review the carrying amounts of its tangible and intangible assets as well as investment 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, we estimate 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Research and Development Expenditure

Expenditure on research activities is recognized 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 recognized 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 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 development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

The amount initially recognized 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 recognized, 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 amortization and accumulated impairment losses (see the accounting policy in respect of impairment losses on non-current assets above), if any.

Inventories

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

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Government Grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that we should purchase, construct or otherwise acquire non-current assets are recognized 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 our Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Financial Instruments

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred 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. Our current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary

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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 recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where we are 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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.

Key Sources of Estimation Uncertainty

Useful Lives of Property, Plant and Equipment

We estimate 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. Our management will increase the depreciation charge where useful lives are less than previously estimated.

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Impairment of Property, Plant and Equipment

We regularly review whether there are any indications of impairment and recognize an impairment loss if the carrying amount of an asset is lower than its recoverable amount. We also test for 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.

Recognition of Deferred Tax Assets

We recognize 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 utilized. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in the profit or loss of the period in which such reverse takes place.

Impairment of Trade and Bills Receivables

When there is objective evidence of impairment loss, we 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.

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RESULTS OF OPERATIONS

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue	1,488,557	2,187,283	2,833,306	1,149,794	1,237,432
Cost of sales	<u>(1,167,434)</u>	<u>(1,592,422)</u>	<u>(1,904,972)</u>	<u>(770,543)</u>	<u>(888,314)</u>
Gross profit	321,123	594,861	928,334	379,251	349,118
Other income	20,339	15,256	20,479	6,495	14,282
Other gains and losses	(27,963)	(11,134)	(38,522)	(22,360)	(4,569)
Selling and marketing expenses	(57,921)	(102,246)	(108,845)	(45,312)	(46,588)
Administration expenses . . .	(75,320)	(93,769)	(105,458)	(43,472)	(43,849)
Research and development expenditure	(59,894)	(66,582)	(129,333)	(37,085)	(44,377)
Finance costs	<u>(56,958)</u>	<u>(72,343)</u>	<u>(80,251)</u>	<u>(35,856)</u>	<u>(28,566)</u>
Profit before tax	63,406	264,043	486,404	201,661	195,451
Income tax expenses	<u>(3,523)</u>	<u>(60,428)</u>	<u>(93,737)</u>	<u>(39,583)</u>	<u>(33,912)</u>
Profit and total comprehensive income for the year/period	<u>59,883</u>	<u>203,615</u>	<u>392,667</u>	<u>162,078</u>	<u>161,539</u>

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PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Our revenue is generated primarily from the sales of (i) PV glass, (ii) float glass, (iii) household glass and (iv) architectural glass. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our total revenue was RMB1,488.6 million, RMB2,187.3 million, RMB2,833.3 million, RMB1,149.8 million and RMB1,237.4 million, respectively. The revenue we generated from the sales of our products was mainly a function of sales volume and selling price.

Segment Revenue

We derive revenue primarily from the sales of our PV glass. We also generate some of our revenue by selling our float glass, household glass and architectural glass products. The table below sets forth our segment revenue for the years or periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
							<i>(unaudited)</i>			
Sales of										
PV glass	1,120,450	75.3	1,438,413	65.8	2,078,373	73.3	845,016	73.5	937,227	75.7
Float glass	170,616	11.5	425,298	19.4	353,846	12.5	159,089	13.8	126,978	10.3
Household glass	182,218	12.2	222,578	10.2	250,875	8.9	105,499	9.2	96,579	7.8
Architectural glass	15,273	1.0	100,770	4.6	139,197	4.9	39,868	3.5	57,147	4.6
Others ⁽¹⁾	—	—	224	—	11,015	0.4	322	—	19,501	1.6
Total	<u>1,488,557</u>	<u>100.0</u>	<u>2,187,283</u>	<u>100.0</u>	<u>2,833,306</u>	<u>100.0</u>	<u>1,149,794</u>	<u>100.0</u>	<u>1,237,432</u>	<u>100.0</u>

Note:

- (1) Others mainly include the quartzite ore extracted from the Mine, which was sold to third parties in 2013, 2014 and 2015.

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The following table sets forth the number of units sold and the average selling price of our various glass products during the years or periods indicated:

Product type	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	Average selling price		Average selling price		Average selling price		Average selling price		Average selling price	
	Units ⁽¹⁾	price	Units ⁽¹⁾	price	Units ⁽¹⁾	price	Units ⁽¹⁾	price	Units ⁽¹⁾	price
	'000	RMB	'000	RMB	'000	RMB	'000	RMB	'000	RMB
PV glass.	35,356	31.69	51,160	28.12	69,535	29.89	27,866	30.33	32,006	29.28
Float glass	160	1,066.94	341	1,247.23	312	1,135.39	130	1,221.97	122	1,042.21
Household glass	5,010	36.37	5,941	37.47	6,719	37.34	2,766	38.14	2,758	35.02
Architectural glass . .	225	67.89	1,738	57.98	2,692	51.71	849	46.94	1,017	56.21

Note:

- (1) The units for float glass are in tons while the units for PV glass, household glass and architectural glass are in sq. m. All information relating to the number of units sold and average selling prices was unaudited and based on our internal records. Accordingly, the data and information derived from those figures in the table above and disclosed elsewhere in this prospectus were based on our internal records.

PV Glass

PV glass is one of our principal glass products, and is sold primarily to renowned PV module manufacturers in China and abroad. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, the sales of our PV glass generated segment revenue of RMB1,120.5 million, RMB1,438.4 million, RMB2,078.4 million, RMB845.0 million and RMB937.2 million, respectively. The average selling price for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015 was RMB31.69 per sq.m., RMB28.12 per sq.m., RMB29.89 per sq.m., RMB30.33 per sq.m. and RMB29.28 per sq.m., respectively. The decrease of average selling price from 2012 to 2013 was primarily due to an excess capacity of the PV industry in 2012, which caused a dramatic decrease in the price of PV modules and thus, the price of PV glass in the second half of 2012. The price of PV glass started to stabilize during the second half of 2013 primarily due to the gradual recovery of the PV industry. The average selling price of our PV glass decreased from RMB30.33 per sq.m. for the five months ended May 31, 2014 to RMB29.28 per sq.m. for the five months ended May 31, 2015 as the demand from Europe decreased, primarily due to (i) certain of our customers ceased to manufacture PV modules, and (ii) the Euro weakened and our European customers placed less orders with us. As we continued to increase our market share, the sales volume and revenue generated from the sales of the PV glass increased steadily during the Track Record Period. We mainly sold PV glass during the Track Record Period while we occasionally sold PV raw glass. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, based on our internal records, we sold approximately 1.3 million sq.m., 5.9 million sq.m., 1.1 million sq.m., 0.7 million sq.m. and 0.5 million sq.m. of PV raw glass to third parties, respectively, generating revenue of approximately RMB17.3 million, RMB104.1

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million, RMB24.1 million, RMB10.7 million and RMB10.4 million, respectively. The sales volume of, and revenue generated from the sales of, PV raw glass were substantially higher in 2013 compared to 2012 and 2014 mainly because in 2013, based on requests from one of our PV glass customers, we sold approximately 5.3 million sq.m. of PV raw glass to its PV glass processing supplier during the period when our PV glass was undergoing quality standard testing by such customer. We generated revenue of approximately RMB94.7 million in 2013 based on this arrangement, based on our internal records.

The selling price of our PV glass products is determined with reference to the prevailing market conditions. As PV glass products are generally used in the manufacturing of PV modules, the prices and demand for which are subject to a number of factors beyond our control, including, but not limited to, the demand and supply of the PV modules. Therefore, we adopted a flexible pricing policy for our PV glass products, taking into consideration numerous factors, including product specifications from our customers, the size of the orders, our production costs, and the supply and demand of comparable products. Please see “Business — Sales and Marketing — Pricing Policy” for more information.

Float Glass

We use a portion of the float glass we manufacture in-house for our production of household glass and architectural glass products and sell the remainder to third-party glass processing companies and glass wholesalers. The revenue generated from the sales of our float glass for the year ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015 amounted to RMB170.6 million, RMB425.3 million, RMB353.8 million, RMB159.1 million and RMB127.0 million, respectively. The average selling price for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015 was approximately RMB1,066.94 per ton, RMB1,247.23 per ton, RMB1,135.39 per ton, RMB1,221.97 per ton and RMB1,042.21 per ton, respectively. The average selling price of our float glass increased from the year ended December 31, 2012 to the year ended December 31, 2013 primarily due to the increase in demand for float glass from our customers. As a result of improved market conditions, both the sales volume and segment revenue of our float glass increased significantly for the year ended December 31, 2013. The decrease of the average selling price from the year ended December 31, 2013 to the year ended December 31, 2014 and from the five months ended May 31, 2014 to the five months ended May 31, 2015 was mainly because certain of our competitors commenced the operation of several new production lines of float glass, which led to an increase in the float glass supply, and thereby, resulting in a decrease in the market price. For the year ended December 31, 2014 and the five months ended May 31, 2015, we adjusted our product mix to use more float glass we manufactured in-house for the processing of our household glass and architectural glass and therefore, the sales attributable to our float glass decreased. We have internal pricing guidelines in place with respect to the float glass we sell to our customers, which take into consideration factors such as cumulative purchase volume, our production costs and prevailing market prices.

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Household Glass and Architectural Glass

We primarily sell our household glass, which comprises of mirror products, tempered glass for cabinet doors and shelves, and other types of glass for household use, to domestic furniture manufacturers and processing companies, multinational furniture retailers and overseas furniture manufacturers and processing companies. In addition, we sell architectural glass products, which mainly consist of tempered glass, Low-E glass, insulated glass and laminated glass to domestic and overseas architectural contractors, domestic architectural glass processing companies, and domestic construction companies. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, the segment revenue of household glass was RMB182.2 million, RMB222.6 million, RMB250.9 million, RMB105.5 million and RMB96.6 million, respectively, and the segment revenue of architectural glass was RMB15.3 million, RMB100.8 million, RMB139.2 million, RMB39.9 million and RMB57.1 million, respectively. For the years ended December 31, 2012, 2013 and 2014, the average selling price of our household glass product remain relatively stable at RMB36.37 per sq.m., RMB37.47 per sq.m. and RMB37.34 per sq.m. For the five months ended May 31, 2014 and 2015, the average selling price of our household glass products was RMB38.14 per sq.m. and RMB35.02 per sq.m., respectively. Such decline was primarily due to a decrease in the market price of float glass, which led to a decrease in the price of household glass products. In addition, for the years ended December 31, 2012, 2013, and 2014, the average selling price of our architectural glass products was RMB67.89 per sq.m., RMB57.98 per sq.m. and RMB51.71 per sq.m., respectively. The average selling price of architectural glass decreased during the period primarily due to (i) an overall slowdown of the PRC property development and construction industry, which led to a decrease in the demand for architectural glass products in the market; and (ii) the economy of scale of the production of our architectural glass. For the five months ended May 31, 2014 and 2015, the average selling price of our architectural glass products was RMB46.94 per sq.m. and RMB56.21 per sq.m., respectively. Such increase was primarily due to (i) our acceptance of certain Low-E glass orders with high quality requirements, which commanded higher selling price compared to regular Low-E glass products; and (ii) our architectural glass achieving better brand recognition, which resulted in higher selling price. We typically take into account the product specifications from our customers, the size of the purchase orders, our production costs and the supply and demand of comparable products when negotiating the selling prices of our household glass and architectural glass products with our customers.

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Geographical Markets

During the Track Record Period, our products were primarily sold to customers in the PRC, Japan, Singapore, Korea, Taiwan, Germany and the United States. The following table sets forth our revenue by geographical market, based on the location of operations of our customers for the years or periods indicated:

Location	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
PRC	800,002	53.8	1,255,370	57.4	1,533,670	54.1	635,393	55.3	679,189	54.9
Japan.	111,341	7.5	174,153	8.0	453,109	16.0	169,067	14.7	183,537	14.8
Other countries and regions in										
Asia ⁽¹⁾	363,601	24.4	461,250	21.1	503,880	17.8	196,102	17.0	241,434	19.5
Europe.	150,537	10.1	214,466	9.8	250,650	8.8	112,188	9.8	86,686	7.0
North America . .	49,806	3.3	63,646	2.9	60,555	2.1	25,831	2.2	35,234	2.9
Other countries. .	13,270	0.9	18,398	0.8	31,442	1.2	11,213	1.0	11,352	0.9
Total.	<u>1,488,557</u>	<u>100.0</u>	<u>2,187,283</u>	<u>100.0</u>	<u>2,833,306</u>	<u>100.0</u>	<u>1,149,794</u>	<u>100.0</u>	<u>1,237,432</u>	<u>100.0</u>

Note:

(1) Include, among others, Korea, Singapore and Taiwan, and exclude the PRC and Japan.

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Cost of Sales

Our cost of sales mainly consists of costs of raw materials, energy and labor, as well as depreciation. Our cost of sales is derived from the cost of production, as adjusted by changes in inventories of finished goods and work in progress. The following table sets forth the reconciliation of our cost of production with our cost of sales for the years or periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Raw materials										
Soda ash	134,130	10.9	212,699	13.6	279,367	14.1	121,275	14.9	108,790	13.1
Silica sand	95,029	7.7	160,744	10.3	214,269	10.8	85,227	10.5	92,055	11.1
Packing materials and coating										
liquid	166,871	13.6	235,149	15.1	280,379	14.1	119,221	14.6	102,080	12.2
Other raw materials ⁽¹⁾	96,925	7.9	113,108	7.3	130,204	6.5	53,842	6.6	53,041	6.4
Subtotal	<u>492,955</u>	<u>40.1</u>	<u>721,700</u>	<u>46.3</u>	<u>904,219</u>	<u>45.5</u>	<u>379,565</u>	<u>46.6</u>	<u>355,966</u>	<u>42.8</u>
Energy										
Fuel ⁽²⁾	363,165	29.6	357,738	22.9	452,836	22.8	186,234	22.9	201,710	24.2
Electricity	150,880	12.3	180,809	11.6	243,783	12.3	101,784	12.5	106,035	12.7
Subtotal	<u>514,045</u>	<u>41.9</u>	<u>538,547</u>	<u>34.5</u>	<u>696,619</u>	<u>35.1</u>	<u>288,018</u>	<u>35.4</u>	<u>307,745</u>	<u>36.9</u>
Labor	83,594	6.8	100,432	6.5	121,221	6.1	48,354	5.9	54,642	6.6
Depreciation	108,366	8.8	165,799	10.6	187,672	9.4	78,631	9.6	80,966	9.7
Others⁽³⁾	29,959	2.4	33,150	2.1	77,450	3.9	20,178	2.5	33,246	4.0
Total cost of production	<u>1,228,919</u>	<u>100.0</u>	<u>1,559,628</u>	<u>100.0</u>	<u>1,987,181</u>	<u>100.0</u>	<u>814,746</u>	<u>100.0</u>	<u>832,565</u>	<u>100.0</u>
Changes in inventories ⁽⁴⁾	<u>(61,485)</u>		<u>32,794</u>		<u>(82,209)</u>		<u>(44,203)</u>		<u>55,749</u>	
Total cost of sales	<u>1,167,434</u>		<u>1,592,422</u>		<u>1,904,972</u>		<u>770,543</u>		<u>888,314</u>	

Notes:

- (1) Include limestone, dolomite, pyroantimonate and sodium sulfate.
- (2) Includes fuel oil, petroleum coke and natural gas.
- (3) Mainly include equipment maintenance cost, consumption of materials, water, mining costs and other manufacturing costs.
- (4) Changes of inventories means finished goods and work in progress as of the beginning of the year/period less finished goods and work in progress as of the end of the year/period.

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Our cost of production primarily consists of costs of raw materials and costs of energy. It also includes labor costs, depreciation and others.

Raw Materials

Our raw material costs include the cost of soda ash, silica sand, auxiliary materials, such as packing materials and coating liquid, and other raw materials, such as dolomite, limestone, pyroantimonate and sodium sulfate. The production cost of raw materials increased from RMB493.0 million for the year ended December 31, 2012 to RMB904.2 million for the year ended December 31, 2014, primarily as a result of the increase in the production volume of our certain glass products, which led to a larger consumption of the raw materials. It decreased from RMB380.0 million for the five months ended May 31, 2014 to RMB356.0 million for the five months ended May 31, 2015, primarily due to a decrease in the price of soda ash for the first five months of 2015 compared to the same period in 2014. Based on our internal records, for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, the average purchase price of float silica sand was RMB190.91 per ton, RMB183.98 per ton, RMB187.76 per ton, RMB184.00 per ton and RMB195.27 per ton, respectively, while the average purchase price of ultra-clear silica sand was RMB460.29 per ton, RMB458.37 per ton, RMB487.83 per ton, RMB477.17 per ton and RMB496.16 per ton, respectively. The fluctuation in the average purchase price of float silica sand and ultra-clear silica sand during the Track Record Period was mainly due to changing supply and demand dynamics in the market.

Energy

The energy costs associated with our production primarily consist of the costs of fuel and electricity. During the Track Record Period, we used fuel oil, petroleum coke and natural gas as our primary types of fuel for the manufacturing of our glass products. We use these three main types of fuel interchangeably in connection with our production, and we consider the prevailing market price of each type of fuel when placing purchase orders to minimize our energy cost. The fuel cost associated with our production decreased slightly from RMB363.2 million for the year ended December 31, 2012 to RMB357.7 million for the year ended December 31, 2013, but increased by 26.6% to RMB452.8 million for the year ended December 31, 2014, primarily due to the increase in our production volume of our various glass products. For the five months ended May 31, 2015, the fuel cost associated with our production increased to RMB201.7 million from RMB186.2 million for the five months ended May 31, 2014 as we used a higher proportion of natural gas in connection with our production as a result of (i) stronger focus on environmentally friendly production process, and (ii) our continuous efforts in increasing production efficiency, where we switched to new fuel oil suppliers in order to secure the supply of higher quality fuel oil. During the Track Record Period, we engaged one natural gas supplier and a number of fuel oil suppliers, through framework agreements. See “Business — Suppliers and Raw Materials Procurement — Energy” for more information on the terms of the supply contracts for each of our primary energy sources.

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For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, the cost of electricity associated with our production was RMB150.9 million, RMB180.8 million, RMB243.8 million, RMB101.8 million and RMB106.0 million, respectively. As an effort to lower production costs, we have installed residual heat power generation facilities in 2012 to generate electricity for part of our electricity needs. In addition, we installed our first distributed PV systems with a total capacity of 10.3MW in June 2014 at our Jiaxing production facilities to gain operating experience in connection with our business strategy to expand our distributed PV systems. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, our power generation facilities supplied in the aggregate approximately 7.4%, 16.2%, 19.7% and 13.7% of our overall electricity consumption, based on our internal records. Our distributed PV systems supplied 0.8% and 1.8% of our overall electricity consumption for the year ended December 31, 2014 and the five months ended May 31, 2015, respectively, based on our internal records. As we increased our production volume, the overall cost of electricity associated with our production continued to rise during the Track Record Period as we consumed more electricity.

Labor

Labor costs primarily consist of salaries and benefits of employees in our production. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our labor cost associated with our production was RMB83.6 million, RMB100.4 million, RMB121.2 million, RMB48.4 million and RMB54.6 million, respectively, primarily due to an increase of base salary of our employees and an increase of piece rate labor cost we incurred as a result of an increase in our production output.

Depreciation

Depreciation represents the depreciation of our production facilities and other fixed assets used in our manufacturing process. The depreciation associated with our production increased from RMB108.4 million for the year ended December 31, 2012 to RMB187.7 million for the year ended December 31, 2014 and from RMB78.6 million for the five months ended May 31, 2014 to RMB81.0 million for the five months ended May 31, 2015, primarily due to our expanding capital expenditure on the production facilities in order to meet the increasing demand for our glass products and higher degree of automation in our production process.

Others

Others mainly include equipment maintenance cost, consumption of materials, water and other manufacturing costs. It increased from RMB30.0 million for the year ended December 31, 2012 to RMB33.2 million for the year ended December 31, 2013, and further to RMB77.5 million for the year ended December 31, 2014, and from RMB20.2 million for the five months ended May 31, 2014 to RMB33.2 million for the five months ended May 31, 2015, primarily due to increased production and sales of our various glass products, which resulted in increased consumption.

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Cost of Sales by Segment

The following table sets forth a breakdown of our cost of sales by segment for the years or periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB '000	%	RMB '000	%
							<i>(unaudited)</i>			
PV glass	831,473	71.2	1,041,610	65.4	1,309,772	68.8	537,322	69.7	627,416	70.6
Float glass	173,152	14.8	314,927	19.8	284,371	14.9	122,966	16.0	122,371	13.8
Household glass	151,006	13.0	168,167	10.6	188,344	9.9	80,272	10.4	76,379	8.6
Architectural glass	11,803	1.0	67,425	4.2	105,435	5.5	29,801	3.9	49,834	5.6
Others ⁽¹⁾	—	—	293	—	17,050	0.9	182	—	12,314	1.4
Total cost of sales	<u>1,167,434</u>	<u>100.0</u>	<u>1,592,422</u>	<u>100.0</u>	<u>1,904,972</u>	<u>100.0</u>	<u>770,543</u>	<u>100.0</u>	<u>888,314</u>	<u>100.0</u>

Note:

(1) Others mainly include quartzite ore extracted from the Mine, which was sold to third parties since 2013.

PV Glass

The segment cost for our PV glass increased by 25.3% from RMB831.5 million for the year ended December 31, 2012 to RMB1,041.6 million for the year ended December 31, 2013 primarily due to an increase of sales volume of our PV glass products as the demand for the installation of PV modules increased globally, especially in Asia, coupled with the increase of production capacity as one of our large PV glass furnaces with a daily maximum production capacity of 600 tons commenced operations in May 2013. It further increased by 25.7% to RMB1,309.8 million for the year ended December 31, 2014 mainly as a result of an increase in sales volume of our PV glass products as the demand for PV modules continued to increase and our production capacity increased as two of our PV glass furnaces each with a daily maximum production capacity of 300 tons that were temporarily shut down in 2012 to undergo technical upgrades resumed operations successively in the fourth quarter of 2013. The segment cost for PV glass increased by 16.8% from RMB537.3 million for the five months ended May 31, 2014 to RMB627.4 million for the five months ended May 31, 2015 primarily due to an increase in sales volume of PV glass during the period and a higher energy cost from the increased use of natural gas in our production.

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Float Glass

The segment cost for float glass increased by 81.9% from RMB173.2 million for the year ended December 31, 2012 to RMB314.9 million for the year ended December 31, 2013 primarily due to an increase in the sales volume of our float glass as we ramped up our float glass production by adding our second float glass production line, which commenced operations in December 2012, as well as our increased sales efforts to maintain our growth. However, it decreased by 9.7% to RMB284.4 million for the year ended December 31, 2014 mainly due to a decrease in sales volume of our float glass as the demand for our household glass and architectural glass increased. As a result, we required more float glass for our internal household and architectural glass production use. The segment cost for float glass decreased slightly from RMB123.0 million for the five months ended May 31, 2014 to RMB122.4 million for the five months ended May 31, 2015 primarily due to a decrease in sales of our float glass as we strategically have not adjusted the selling price of our float glass downward as much as the decline in market price of float glass.

Household Glass

With respect to household glass, the segment cost increased by 11.4% from RMB151.0 million for the year ended December 31, 2012 to RMB168.2 million for the year ended December 31, 2013, and further to RMB188.3 million for the year ended December 31, 2014, primarily due to increased sales to new and existing affiliates and furniture manufacturers of a large multinational furniture retailer as we strengthened our business relationship with such furniture retailer based on the excellent and stable quality of our household glass products, which resulted in higher number of purchase orders. The segment cost for household glass decreased by 4.8% from RMB80.3 million for the five months ended May 31, 2014 to RMB76.4 million for the five months ended May 31, 2015 primarily due to a slight decline in sales volume.

Architectural Glass

The segment cost for architectural glass increased substantially from RMB11.8 million for the year ended December 31, 2012 to RMB67.4 million for the year ended December 31, 2013 primarily due to a substantial increase in the sales volume of our architectural glass as we continued to optimize our product mix, including the new offering of Low-E glass products in early 2013. It further increased by 56.4% to RMB105.4 million for the year ended December 31, 2014 mainly due to continued increase in our sales of Low-E glass, better recognition of our brand and our product quality despite a slowdown in the growth of the property development and construction sector in the PRC. The segment cost for architectural glass increased substantially by 67.2% from RMB29.8 million for the five months ended May 31, 2014 to RMB49.8 million for the five months ended May 31, 2015 primarily due to an increase in the sales of architectural glass during the period, a higher cost of float glass production resulting from the increased energy cost and our acceptance of certain Low-E glass orders with high quality requirements.

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Gross Profit and Gross Profit Margin

For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our gross profit was RMB321.1 million, RMB594.9 million, RMB928.3 million, RMB379.3 million and RMB349.1 million, respectively, and our gross profit margin was 21.6%, 27.2%, 32.8%, 33.0% and 28.2%, respectively, for the same periods. The table below sets forth our gross profit and gross profit margin by business segment for the years or periods indicated:

	For the year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
PV glass	288,977	25.8	396,803	27.6	768,601	37.0	307,694	36.4	309,811	33.1
Float glass	(2,536)	(1.5)	110,371	26.0	69,475	19.6	36,123	22.7	4,607	3.6
Household glass	31,212	17.1	54,411	24.4	62,531	24.9	25,227	23.9	20,200	20.9
Architectural										
glass	3,470	22.7	33,345	33.1	33,762	24.3	10,067	25.3	7,313	12.8
Others ⁽¹⁾	—	—	(69)	(30.8)	(6,035)	(54.8)	140	43.5	7,187	36.9
Total	<u>321,123</u>	<u>21.6</u>	<u>594,861</u>	<u>27.2</u>	<u>928,334</u>	<u>32.8</u>	<u>379,251</u>	<u>33.0</u>	<u>349,118</u>	<u>28.2</u>

Note:

(1) Others mainly include quartzite ore extracted from the Mine, which was sold to third parties since 2013.

The increase in our overall gross profit margin during the Track Record Period was mainly attributable to an increase of our production efficiency and our improved cost control. The gross profit margin for our PV glass increased from 25.8% for the year ended December 31, 2012 to 27.6% for the year ended December 31, 2013 mainly due to the decrease in the cost of energy as a proportion of our production as a result of better cost control, which led to a decrease in the cost of sales for PV glass as a proportion of our revenue. It further increased to 37.0% for the year ended December 31, 2014 mainly due to an increase of the average selling price from RMB28.12 per sq.m. in 2013 to RMB29.89 per sq.m. in 2014. Furthermore, the gross profit margin for our PV glass decreased from 36.4% for the five months ended May 31, 2014 to 33.1% for the five months ended May 31, 2015 primarily due to a decrease in our average selling price as a result of decreased demand from our European customers and higher energy cost associated with our production.

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In addition, with respect to float glass, we incurred a negative gross profit margin of 1.5% in 2012 primarily because (i) the quality of finished products was not stable in the first half of 2012 as we only commenced production of float glass in late 2011 and were still incurring substantial cost of installation, equipment testing and adjustment in the first half of 2012; and (ii) the market price of float glass was lower in the first half of 2012 and began to rise in the second half of 2012. It increased to 26.0% in 2013 mainly as (i) the average selling price of float glass increased in 2013; and (ii) we continued to improve the stability of our first and second float glass production lines, which were in their third and second year of operations, respectively. The gross profit margin of float glass decreased to 19.6% for the year ended December 31, 2014 primarily as a result of a decrease in and an adjustment of the average selling price of float glass in 2014. The gross profit margin of float glass further decreased to 3.6% for the five months ended May 31, 2015 from 22.7% for the five months ended May 31, 2014 primarily due to the deteriorating market conditions, which continued into the first five months of 2015 and led to a lower average selling price for our float glass, and our higher energy cost for the same period.

The gross profit margin of household glass and architectural glass increased from 17.1% and 22.7% in 2012, respectively, to 24.4% and 33.1% in 2013, respectively, primarily due to a decrease in the cost of float glass used in our own production of household glass and architectural glass. The gross profit margin of household glass slightly increased to 24.9% in 2014. The gross profit margin of architectural glass decreased to 24.3% in 2014 mainly because of (i) a decrease in average selling price of our Low-E glass and other architectural glass products; (ii) a higher proportion of the segment revenue was attributable to certain architectural glass products that have lower gross profit margins compared to Low-E glass, which had a gross profit margin of 34.5% in 2014 and was comparable to 2013; and (iii) as Shanghai Flat only commenced production of architectural glass products in 2014, we incurred substantial cost of installation and equipment testing in 2014, which resulted in losses. Furthermore, the gross profit margin of household glass decreased from 23.9% for the five months ended May 31, 2014 to 20.9% for the five months ended May 31, 2015 primarily due to an increase in energy cost. As for our architectural glass, the gross profit margin decreased from 25.3% to 12.8% during the same period primarily due to an increase in energy cost and our acceptance of certain Low-E glass orders with high quality requirements, which led to a higher production cost as compared to regular Low-E glass products.

Sensitivity Analysis

The following tables set forth the sensitivity analysis with respect to the changes in average selling price of our PV glass and the cost of soda ash, silica sand and fuel associated with our production. The sensitivity analysis is hypothetical in nature and we assume that all other variables remained constant. The following sensitivity analysis is for illustrative purposes only, which indicates the likely impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. We set these hypothetical fluctuations in the sensitivity analysis based on our assessment of the reasonably possible changes in the average selling price of our PV glass, the production cost of certain key raw materials and fuel during the Track Record Period, and we believe that these are sufficiently significant to render the analysis meaningful.

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The following sensitivity analysis should not be construed as an indication of our performance during the Track Record Period:

Hypothetical fluctuation of average selling price of PV glass	-10%	-5%	5%	10%
	(RMB'000)			
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2012</i>				
Change in revenue	(112,045.0)	(56,022.5)	56,022.5	112,045.0
Change in gross profit	(112,045.0)	(56,022.5)	56,022.5	112,045.0
Change in profit after tax	(102,200.5)	(51,100.2)	45,298.4	90,596.8
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2013</i>				
Change in revenue	(143,841.3)	(71,920.7)	71,920.7	143,841.3
Change in gross profit	(143,841.3)	(71,920.7)	71,920.7	143,841.3
Change in profit after tax	(115,449.8)	(57,724.9)	57,724.9	115,449.8
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2014</i>				
Change in revenue	(207,837.3)	(103,918.7)	103,918.7	207,837.3
Change in gross profit	(207,837.3)	(103,918.7)	103,918.7	207,837.3
Change in profit after tax	(165,679.3)	(82,839.6)	82,839.6	165,679.3
<i>Impact on consolidated statement of profit and loss items for the five months ended May 31, 2015</i>				
Change in revenue	(93,722.7)	(46,861.4)	46,861.4	93,722.7
Change in gross profit	(93,722.7)	(46,861.4)	46,861.4	93,722.7
Change in profit after tax	(74,544.0)	(37,272.0)	37,272.0	74,544.0
Hypothetical fluctuation of cost of soda ash associated with our production				
	-10%	-5%	5%	10%
	(RMB'000)			
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2012</i>				
Change in production cost of raw materials	(13,413.0)	(6,706.5)	6,706.5	13,413.0
Change in gross profit	13,413.0	6,706.5	(6,706.5)	(13,413.0)
Change in profit after tax	10,511.9	5,256.0	(6,367.4)	(12,734.7)
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2013</i>				
Change in production cost of raw materials	(21,269.9)	(10,634.9)	10,634.9	21,269.9
Change in gross profit	21,269.9	10,634.9	(10,634.9)	(21,269.9)
Change in profit after tax	16,519.3	8,259.7	(8,259.7)	(16,519.3)
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2014</i>				
Change in production cost of raw materials	(27,936.7)	(13,968.3)	13,968.3	27,936.7
Change in gross profit	27,936.7	13,968.3	(13,968.3)	(27,936.7)
Change in profit after tax	21,786.4	10,893.2	(10,893.2)	(21,786.4)
<i>Impact on consolidated statement of profit and loss items for the five months ended May 31, 2015</i>				
Change in production cost of raw materials	(10,879.0)	(5,439.5)	5,439.5	10,879.0
Change in gross profit	10,879.0	5,439.5	(5,439.5)	(10,879.0)
Change in profit after tax	8,499.8	4,249.9	(4,249.9)	(8,499.8)

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Hypothetical fluctuation of cost of silica sand associated with our production

	-10%	-5%	5%	10%
	(RMB'000)			
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2012</i>				
Change in production cost of raw materials	(9,502.9)	(4,751.4)	4,751.4	9,502.9
Change in gross profit	9,502.9	4,751.4	(4,751.4)	(9,502.9)
Change in profit after tax	7,611.2	3,805.6	(4,388.4)	(8,776.8)
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2013</i>				
Change in production cost of raw materials	(16,074.4)	(8,037.2)	8,037.2	16,074.4
Change in gross profit	16,074.4	8,037.2	(8,037.2)	(16,074.4)
Change in profit after tax	12,642.0	6,321.0	(6,321.0)	(12,642.0)
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2014</i>				
Change in production cost of raw materials	(21,426.9)	(10,713.5)	10,713.5	21,426.9
Change in gross profit	21,426.9	10,713.5	(10,713.5)	(21,426.9)
Change in profit after tax	16,899.6	8,449.8	(8,449.8)	(16,899.6)
<i>Impact on consolidated statement of profit and loss items for the five months ended May 31, 2015</i>				
Change in production cost of raw materials	(9,205.5)	(4,602.8)	4,602.8	9,205.5
Change in gross profit	9,205.5	4,602.8	(4,602.8)	(9,205.5)
Change in profit after tax	7,260.8	3,630.4	(3,630.4)	(7,260.8)

Hypothetical fluctuation of cost of fuel associated with our production

	-20%	-10%	10%	20%
	(RMB'000)			
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2012</i>				
Change in production cost of fuel	(72,633.1)	(36,316.5)	36,316.5	72,633.1
Change in gross profit	72,633.1	36,316.5	(36,316.5)	(72,633.1)
Change in profit after tax	58,222.5	29,111.2	(33,505.8)	(67,011.6)
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2013</i>				
Change in production cost of fuel	(71,547.6)	(35,773.8)	35,773.8	71,547.6
Change in gross profit	71,547.6	35,773.8	(35,773.8)	(71,547.6)
Change in profit after tax	56,353.3	28,176.7	(28,176.7)	(56,353.3)
<i>Impact on consolidated statement of profit and loss items for the year ended December 31, 2014</i>				
Change in production cost of fuel	(90,567.1)	(45,283.6)	45,283.6	90,567.1
Change in gross profit	90,567.1	45,283.6	(45,283.6)	(90,567.1)
Change in profit after tax	71,206.3	35,603.2	(35,603.2)	(71,206.3)
<i>Impact on consolidated statement of profit and loss items for the five months ended May 31, 2015</i>				
Change in production cost of fuel	(40,342.0)	(20,171.0)	20,171.0	40,342.0
Change in gross profit	40,342.0	20,171.0	(20,171.0)	(40,342.0)
Change in profit after tax	31,675.0	15,837.5	(15,837.5)	(31,675.0)

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Other Income

Other income primarily consists of government grants. Government grants mainly represented (i) incentives provided by local PRC government in connection with our business expansion, technological advancement and product development efforts; and (ii) government subsidies relating to the construction of our furnaces and our PV glass and Low-E glass processing lines, the construction of our distributed PV systems, the technological upgrade of our PV glass plants and related technologies, and amount of power generated from our distributed PV systems. These government grants were either conditional or unconditional, and conditional government grants generally are specific to the projects on a case-by-case basis. During the Track Record Period, conditional government grants included the grants for our PV glass furnaces, our existing distributed PV systems and TCO glass projects. The TCO glass projects included the constructions of our float glass furnaces and TCO glass processing line. We ceased the TCO glass operations in 2012 due to then-prevailing market conditions and a change to our business strategy. As advised by our PRC Legal Advisors, according to a confirmation issued by the competent local government authorities, our business operations activities continually comply with the Interim Measures of Xiuzhou District of Jiaxing City on Administration of Special Funds to Support the Construction of Major Investment Project (嘉興市秀洲區扶持重大投資項目建設專項資金管理暫行辦法) and satisfy the conditions of the relevant government grants. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our other income was RMB20.3 million, RMB15.3 million, RMB20.5 million, RMB6.5 million and RMB14.3 million, respectively.

Other Gains and Losses

Other gains and losses primarily consist of losses or gains on disposal of property, plant and equipment, impairment of property, plant and equipment, losses on disposal of land use right, net foreign exchange loss, allowance for doubtful debts and gains on disposal of scarp material. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our other losses were RMB28.0 million, RMB11.1 million, RMB38.5 million, RMB22.4 million and RMB4.6 million, respectively.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of export expenses, domestic transportation and delivery expenses, staff salaries and benefits and sales commissions. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our selling and marketing expenses were RMB57.9 million, RMB102.2 million, RMB108.8 million, RMB45.3 million and RMB46.6 million, respectively.

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The following table sets forth a breakdown of our selling and marketing expenses for the years or periods indicated:

	For the Year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Export expenses	26,795	46.3	44,908	43.9	45,849	42.1	20,186	44.5	27,430	58.9
Domestic transportation and delivery expenses	18,772	32.4	38,363	37.6	39,420	36.2	13,578	30.0	8,504	18.3
Staff salaries and benefits	4,430	7.6	6,038	5.9	6,696	6.2	2,970	6.6	2,905	6.2
Sales commissions	4,354	7.5	8,842	8.6	12,091	11.1	6,180	13.6	6,062	13.0
Others ⁽¹⁾	3,570	6.2	4,095	4.0	4,789	4.4	2,398	5.3	1,687	3.6
Total selling and marketing expenses	57,921	100.0	102,246	100.0	108,845	100.0	45,312	100.0	46,588	100.0

Note:

- (1) Others mainly include, among others, office expenses, travel expenses, entertainment expenses and advertising and promotional expenses.

For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our selling and marketing expenses represented 3.9%, 4.7%, 3.8%, 3.9% and 3.8%, respectively, of our revenue. The change of most of the items under selling and marketing expenses were in line with the changes in our sales volume.

Administration Expenses

Our administration expenses primarily consist of staff salaries and benefits for administrative personnel (including insurance and other benefits), depreciation and amortization, office expenses, entertainment expenses, professional fees, tax expenses, environmental protection expenses and bank charges. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our administration expenses were RMB75.3 million, RMB93.8 million, RMB105.5 million, RMB43.5 million and RMB43.8 million, respectively.

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The following table sets forth a breakdown of our administration expenses for the years or periods indicated:

	For the Year ended December 31,						For the five months ended May 31,			
	2012		2013		2014		2014		2015	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
Staff salaries and benefits	30,564	40.6	37,779	40.3	51,057	48.4	23,854	54.9	23,448	53.5
Depreciation and amortization	19,865	26.4	20,464	21.8	11,225	10.6	4,953	11.4	4,176	9.5
Land use tax, property levy and business tax	7,943	10.5	9,028	9.6	8,757	8.3	4,277	9.8	5,744	13.1
Entertainment expenses	3,197	4.2	2,479	2.6	3,911	3.7	1,640	3.8	548	1.2
Professional fees	225	0.2	3,903	4.2	5,771	5.5	349	0.8	557	1.3
Environmental protection expenses	2,318	3.1	5,505	5.9	14,738	14.0	3,595	8.3	2,675	6.1
Office expenses	1,782	2.4	2,050	2.2	2,277	2.2	924	2.1	1,323	3.0
Bank charges	1,778	2.4	3,236	3.5	2,081	2.0	834	1.9	1,083	2.5
Others ⁽¹⁾	7,648	10.2	9,325	9.9	5,641	5.3	3,046	7.0	4,295	9.8
Total administration expenses	75,320	100.0	93,769	100.0	105,458	100.0	43,472	100.0	43,849	100.0

Note:

- (1) Others mainly include travel expenses, costs relating to repair and maintenance, automobile expenses, rental fees and product certification expenses.

For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, our administration expenses represented 5.1%, 4.3%, 3.7%, 3.8% and 3.5%, respectively, of our revenue. The amount of our administration expenses increased between the year ended December 31, 2012 and the year ended December 31, 2014 primarily due to an increase in the salaries and benefits of our staff as a result of an increase of base salary and performance-based bonus of our employees, and more expenses incurred in environmental protection due to an increase in the per unit tariff charged for our emission of flue gas. Depreciation and amortization expenses decreased significantly for the year ended December 31, 2014 primarily because we temporarily shut down two of our PV glass furnaces for most of 2013 to undergo technical upgrades, and accordingly, the related depreciation and amortization allocated to the administration expenses was higher for the year ended December 31, 2013 compared to the year ended December 31, 2014. Our administration expenses remained relatively stable for the five months ended May 31, 2014 and 2015.

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Research and Development Expenditure

Research and development expenditure mainly includes salaries and benefits of our technical staff, costs relating to trial production of our potential new glass products, costs of raw glass and other raw materials incurred in our laboratory testing and expenditures in relation to the development of new production processes or formulae. For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, we incurred RMB59.9 million, RMB66.6 million, RMB129.3 million, RMB37.1 million and RMB44.4 million, respectively, on research and development. We have not capitalized any of our research and development expenses incurred as intangible assets during the Track Record Period as such expenses have not met all of the criteria under the accounting policies for capitalization. See “— Critical Accounting Policies, Estimates and Judgments — Significant Accounting Policies — Research and Development Expenditure” in the prospectus for details of the policy. The following table sets forth an analysis of the principal components of our research and development expenditure for the years or periods indicated:

Principal components	For the year ended December 31,			For the five months ended May 31,	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Raw materials and energy	46,719	53,040	96,737	27,956	24,422
Labor costs	10,223	11,241	27,132	7,493	12,067
Depreciation and others	<u>2,952</u>	<u>2,301</u>	<u>5,464</u>	<u>1,636</u>	<u>7,888</u>
Total	<u><u>59,894</u></u>	<u><u>66,582</u></u>	<u><u>129,333</u></u>	<u><u>37,085</u></u>	<u><u>44,377</u></u>

We believe research and development capabilities are vital for maintaining our market leading position in light of the competitive industry in which we operate. We plan to continue to allocate resources to research and development on new products in amounts we deem necessary and appropriate. However, as of the Latest Practicable Date, we have not set a fixed amount of expenditure level (in terms of percentage of our revenue) dedicated to research and development in order to maintain our flexibility.

Finance Costs

Our finance costs primarily consist of interest expense on bank borrowings. Our finance costs were RMB57.0 million, RMB72.3 million, RMB80.3 million, RMB35.9 million and RMB28.6 million for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015, respectively.

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Income Tax Expenses

Income tax expenses consist of current tax and deferred income tax that we incurred. The following table sets forth a breakdown of our taxation expenses for the years or periods indicated:

	For the year ended December 31,			For the five months ended May 31,	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Current tax:					
PRC enterprise income tax . . .	14,924	55,315	104,249	46,213	36,564
Under-provision in prior years or period	—	436	—	—	—
Over provision in prior years or period	<u>(691)</u>	<u>—</u>	<u>(7)</u>	<u>(7)</u>	<u>(2,449)</u>
	14,233	55,751	104,242	46,206	34,115
Deferred tax	<u>(10,710)</u>	<u>4,677</u>	<u>(10,505)</u>	<u>(6,623)</u>	<u>(203)</u>
Total income tax expense for the year or period	<u>3,523</u>	<u>60,428</u>	<u>93,737</u>	<u>39,583</u>	<u>33,912</u>

Current tax primarily consists of PRC enterprise income tax payable by our PRC subsidiaries arising from sales in the PRC. Deferred tax comprises mainly the tax (credit)/charge for the current year.

Under Hong Kong law, our subsidiary in Hong Kong is subject to Hong Kong profits tax at the statutory Hong Kong corporate income tax rate of 16.5% of the estimated assessable profit during the Track Record Period.

Under the PRC EIT Law, our subsidiaries in the PRC are subject to PRC enterprise income tax at the statutory tax rate of 25%, except for (i) Zhejiang Jiafu, which was approved as a high-technology enterprise in 2010 with a preferential income tax rate of 15% for an initial period of three years from 2010 to 2012, and an extended period for another three years from 2013 to 2015; and (ii) Flat New Energy, which was approved to be exempt from PRC enterprise income tax for the first three financial years from 2014 to 2016, and will be subject to 50% reduction for the subsequent three financial years from 2017 to 2019.

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Our income tax expenses for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015 were RMB3.5 million, RMB60.4 million, RMB93.7 million, RMB39.6 million and RMB33.9 million, respectively. Our effective tax rate for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2014 and 2015 was 5.6%, 22.9%, 19.3%, 19.6% and 17.4%, respectively. Our effective tax rate was only 5.6% in 2012 primarily due to (i) a large proportion of our taxable profits was contributed by Zhejiang Jiafu, one of our subsidiaries, which enjoyed a preferential income tax rate of 15% as high-technology enterprise during the year; and (ii) despite a decrease in our revenue during the year, our research and development expenses did not experience a decrease, which were entitled to additional tax deductions.

We have paid all relevant taxes in accordance with applicable tax regulations and do not have any disputes or unresolved tax issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended May 31, 2015 compared with five months ended May 31, 2014

Revenue

Our revenue increased by RMB87.6 million, or 7.6%, from RMB1,149.8 million for the five months ended May 31, 2014 to RMB1,237.4 million. This increase was primarily due to (i) increased sales of our PV glass, which was RMB845.0 million for the five months ended May 31, 2014 compared to RMB937.2 million for the five months ended May 31, 2015, mainly as a result of increased demand for PV modules in Japan; (ii) increased sales of architectural glass, which was RMB39.9 million for the five months ended May 31, 2014 compared to RMB57.1 million for the five months ended May 31, 2015, primarily due to an increase in the sales of Low-E glass due to the increasing market recognition of our Low-E glass products; and (iii) increased sales of quartzite ore, which was RMB0.3 million for the five months ended May 31, 2014 compared to RMB19.5 million for the five months ended May 31, 2015 primarily because the quality of the quartzite ore extracted from the Mine improved and we were able to sell these quartzite ore at a higher price. These increases were partially offset by decreased sales of float glass and household glass from RMB159.1 million and RMB105.5 million, respectively, for the five months ended May 31, 2014 compared to RMB127.0 million and RMB96.6 million, respectively, for the five months ended May 31, 2015 primarily due to a decline in average selling price of float glass.

Cost of Sales

Our cost of sales increased by RMB117.8 million, or 15.3%, from RMB770.5 million for the five months ended May 31, 2014 to RMB888.3 million for the five months ended May 31, 2015. This increase was primarily due to (i) increased sales volume of PV glass and architectural glass; and (ii) increased energy cost as we used a higher proportion of natural gas in our production during the period to replace certain amount of fuel oil when we switched to new fuel oil suppliers in order to secure the supply of higher quality fuel oil.

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Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB30.2 million, or 8.0%, from RMB379.3 million for the five months ended May 31, 2014 to RMB349.1 million for the five months ended May 31, 2015. Our gross profit margin decreased from 33.0% for the five months ended May 31, 2014 to 28.2% for the five months ended May 31, 2015 primarily due to the increase of our energy cost as we used a higher proportion of natural gas in connection with our production.

Other Income

Our other income increased RMB7.8 million, or 120.0%, from RMB6.5 million for the five months ended May 31, 2014, primarily due to an increase in government grants of RMB7.7 million mainly relating to our outstanding performance.

Other Gains and Losses

Our other gains and losses changed, from a loss of RMB22.4 million for the five months ended May 31, 2014 to a loss of RMB4.6 million for the five months ended May 31, 2015. This increase was mainly due to a one-off impairment of property, plant and equipment for our outdated PV glass production facilities that were not suitable for production, which amounted to RMB11.1 million recorded in the five months ended May 31, 2014.

Selling and Marketing Expenses

Our selling and marketing expenses slightly increased by RMB1.3 million, or 2.9%, from RMB45.3 million for the five months ended May 31, 2014 to RMB46.6 million for the five months ended May 31, 2015. The increase was primarily due to increased export expenses from an increase in overseas sales of our glass products.

Administration Expenses

Administration expenses remained relatively stable at RMB43.8 million for the five months ended May 31, 2015 as compared to RMB43.5 million for the five months ended May 31, 2014.

Research and Development Expenditure

Our research and development expenditure increased by RMB7.3 million, or 19.7%, from RMB37.1 million for the five months ended May 31, 2014 to RMB44.4 million for the five months ended May 31, 2015. The increase was primarily a result of different research projects we undertook for the five months ended May 31, 2015, the scope of which required more labor and energy inputs, which led to an increase in our labor and energy costs.

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Finance Costs

Our finance costs decreased by RMB7.3 million, or 20.3%, from RMB35.9 million for the five months ended May 31, 2014 to RMB28.6 million for the five months ended May 31, 2015. The decrease was primarily due to (i) decreased interest rates on our bank borrowings; and (ii) decreased interest expenses incurred as we gradually made repayments to our Financial Investors during the period.

Income Tax Expenses

Our income tax expense decreased by RMB5.7 million, or 14.4%, from RMB39.6 million for the five months ended May 31, 2014 to RMB33.9 million for the five months ended May 31, 2015. The decrease was primarily due to the fact that a larger portion of our profit before tax was contributed by our subsidiary, Zhejiang Jiafu, which, as a high-technology enterprise, was entitled to enjoy a preferential income tax rate of 15% during the period.

Profit for the Period

As a result of the foregoing, our profit for the period remained relatively stable at RMB161.5 million for the period ended May 31, 2015 as compared to RMB162.1 million for the period ended May 31, 2014.

Year ended December 31, 2014 compared with year ended December 31, 2013

Revenue

Our revenue increased by RMB646.0 million, or 29.5%, from RMB2,187.3 million for the year ended December 31, 2013 to RMB2,833.3 million for the year ended December 31, 2014. This increase was primarily due to (i) increased sales of our PV glass, which was RMB1,438.4 million for the year ended December 31, 2013 compared to RMB2,078.4 million for the year ended December 31, 2014, mainly as a result of increased demand for PV modules and our increased production capacity as two of our PV glass furnaces with a daily maximum production capacity of 300 tons each resumed operations in the fourth quarter of 2013 after a temporary shut down in 2012 to undergo technical upgrades; (ii) increased sales of architectural glass, which was RMB100.8 million for the year ended December 31, 2013 compared to RMB139.2 million for the year ended December 31, 2014, primarily as a result of our continued sales efforts to optimize our product mix; and (iii) increased sales of household glass, which was RMB222.6 million for the year ended December 31, 2013 compared to RMB250.9 million for the year ended December 31, 2014, mainly due to our strengthened business relationship with a large multinational furniture retailer and overseas furniture manufacturers based on the excellent and stable quality of our household glass products, which resulted in higher number of purchase orders. These increases were partially offset by a decreased sales of float glass from RMB425.3 million for the year ended December 31, 2013 to RMB353.8 million for the year ended December 31, 2014, primarily because (i) certain of our competitors commenced the operation of several new float glass production lines, which caused an increase in the supply of the float glass in

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the market, and thereby, resulting in a decrease in the market price of float glass and in the sales volume of our float glass; and (ii) the amount of internally-produced float glass we used to process into household glass and architectural glass increased, which resulted in less float glass sold to third parties.

Cost of Sales

Our cost of sales increased by RMB312.6 million, or 19.6%, from RMB1,592.4 million for the year ended December 31, 2013 to RMB1,905.0 million for the year ended December 31, 2014. This increase was primarily due to an increase of sales volume of PV glass, which caused an increase in our consumption of raw materials and fuel in connection with our production.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB333.4 million, or 56.0%, from RMB594.9 million for the year ended December 31, 2013 to RMB928.3 million for the year ended December 31, 2014. Our gross profit margin increased from 27.2% in 2013 to 32.8% in 2014, primarily due to an increase in the average selling price of our PV glass products from RMB28.12 per sq.m. in 2013 to RMB29.89 per sq.m. in 2014 and an increase in our production efficiency in 2014 as compared to 2013 as a result of our refined cost management.

Other Income

Our other income increased from RMB15.3 million for the year ended December 31, 2013 to RMB20.5 million for the year ended December 31, 2014. This increase was primarily due to an increase in government subsidies of RMB5.3 million in 2014.

Other Gains and Losses

Our other gains and losses increased from a loss of RMB11.1 million for the year ended December 31, 2013 to a loss of RMB38.5 million for the year ended December 31, 2014. This increase was primarily due to (i) a one-off impairment of property, plant and equipment for our outdated PV glass production facilities that were not suitable for production, which amounted to RMB11.6 million; and (ii) an increase in allowance for doubtful debts, net, as a result of a special provision for overdue payment from one of our customers.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB6.6 million, or 6.5%, from RMB102.2 million for the year ended December 31, 2013 to RMB108.8 million for the year ended December 31, 2014. This increase was primarily the result of (i) an increase in staff cost and sales commission resulting from the increase in sales volume; and (ii) an increase in transportation and shipping expenses from an increase in the sales of architectural glass products to domestic customers; partially offset by a decrease in container usage fee in 2014 as we purchased a number of containers in bulk in 2013.

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Administration Expenses

Administration expenses increased by RMB11.7 million, or 12.5%, from RMB93.8 million for the year ended December 31, 2013 to RMB105.5 million for the year ended December 31, 2014. This increase was primarily due to (i) increased environmental protection expenses as a result of the per unit tariff charged for our emission of flue gas; and (ii) increased staff salaries and benefits as a result of increased contribution of social security funds and housing provident fund; partially offset by a decrease in depreciation and amortization expenses as we resumed operations in 2014 of two of our PV glass furnaces shut down in 2013 upon completion of technical upgrades. See also “Business — Regulatory Compliance and Legal Proceedings” for more information.

Research and Development Expenditure

Our research and development expenditure increased by RMB62.7 million, or 94.1%, from RMB66.6 million for the year ended December 31, 2013 to RMB129.3 million for the year ended December 31, 2014. This increase represented our efforts in research and development initiatives, including launching new projects related to the Low-E glass coating technology, the development of anti-reflective coating for PV glass to increase light transmission rate, as well as the development of new products such as PV glass with under 2.8mm of thickness, which resulted in increased spending on labor costs for our research and development personnel, as well as raw materials and energy used in our research and development projects.

Finance Costs

Our finance costs increased by RMB8.0 million, or 11.1%, from RMB72.3 million for the year ended December 31, 2013 to RMB80.3 million for the year ended December 31, 2014. This increase was primarily because, apart from interest expenses incurred on bank borrowings, interest expenses were also incurred since the date of exit by our Financial Investors until the date we made the repurchase payment. See also “History and Corporate Structure — Our Company — 3. Investments and Exit by Our Financial Investors” for more information.

Income Tax Expenses

Our income tax expenses increased by RMB33.3 million, or 55.1%, from RMB60.4 million for the year ended December 31, 2013 to RMB93.7 million for the year ended December 31, 2014. The effective tax rate decreased from 22.9% for the year ended December 31, 2013 to 19.3% for the year ended December 31, 2014 primarily because a larger portion of our profit before tax was contributed by our subsidiary Zhejiang Jiafu, which was entitled as a high-technology enterprise with a lower PRC enterprise income tax rate of 15% during the year.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB189.1 million, or 92.9%, from RMB203.6 million for the year ended December 31, 2013 to RMB392.7 million for the year ended December 31, 2014.

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Year ended December 31, 2013 compared with year ended December 31, 2012

Revenue

Our revenue increased by RMB698.7 million, or 46.9%, from RMB1,488.6 million for the year ended December 31, 2012 to RMB2,187.3 million for the year ended December 31, 2013. This increase was primarily the result of (i) increased sales of our PV glass, which was RMB1,120.5 million for the year ended December 31, 2012 compared to RMB1,438.4 million for the year ended December 31, 2013, mainly due to increased demand for PV modules in Asia, coupled with the increase of production capacity as one of our PV glass furnaces with daily maximum production capacity of 600 tons commenced operations in May 2013; (ii) increased sales of float glass, which was RMB170.6 million for the year ended December 31, 2012 compared to RMB425.3 million for the year ended December 31, 2013, primarily due to an increase in production capacity as an additional furnace commenced commercial production in the end of 2012 and the average selling price of float glass increased by 16.9% for the year ended December 31, 2013 compared to the year ended December 31, 2012 as a result of improved market conditions; (iii) increased sales of household glass from RMB182.2 million for the year ended December 31, 2012 to RMB222.6 million for the year ended December 31, 2013, mainly due to the sales to new furniture manufacturers of a large multinational furniture retailer as we strengthened our business relationship with such customers based on the excellent and stable quality of our household glass products; and (iv) increased sales of architectural glass from RMB15.3 million for the year ended December 31, 2012 to RMB100.8 million for the year ended December 31, 2013, as we continued to optimize our product mix, including the new offering of Low-E glass products in early 2013.

Cost of Sales

Our cost of sales increased by RMB425.0 million, or 36.4%, from RMB1,167.4 million for the year ended December 31, 2012 to RMB1,592.4 million for the year ended December 31, 2013. This increase was primarily a result of (i) a RMB253.2 million increase in the production cost of raw materials and energy, reflecting our increased sales volume during the year; and (ii) a RMB16.8 million increase in labor costs associated with our production due to an increase in the base salary of our employees and an increase of piece rate salary resulting from the increased manufacturing output.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by RMB273.8 million, or 85.3%, from RMB321.1 million for the year ended December 31, 2012 to RMB594.9 million for the year ended December 31, 2013. Our gross profit margin increased from 21.6% in 2012 to 27.2% in 2013 primarily due to an increase in our production efficiency in 2013 as compared to 2012.

Other Income

Our other income decreased from RMB20.3 million for the year ended December 31, 2012 to RMB15.3 million for the year ended December 31, 2013. This change was primarily the result of a decrease of government grants.

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Other Gains and Losses

Our other gains and losses changed from a loss of RMB28.0 million for the year ended December 31, 2012 to a loss of RMB11.1 million for the year ended December 31, 2013. This was primarily due to a special provision made in 2012 in relation to account receivables due from one of our PV glass customers, which contributed to a higher allowance for doubtful debts in 2012 as compared to 2013. This was partially offset by an increase in net foreign exchange losses as a result of the appreciation of Renminbi against foreign currencies in 2013 such as the U.S. dollar.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB44.3 million, or 76.5%, from RMB57.9 million for the year ended December 31, 2012 to RMB102.2 million for the year ended December 31, 2013. This increase was primarily due to (i) an increase in container usage fees as we purchased a number of domestic land transport containers in bulk in 2013; (ii) an increase in export expenses due to an increase in the sales of our products to overseas customers; and (iii) an increase in sales commissions paid to our sales staff reflecting an increase in the sales of our products.

Administration Expenses

Administration expenses increased by RMB18.5 million, or 24.6%, from RMB75.3 million for the year ended December 31, 2012 to RMB93.8 million for the year ended December 31, 2013. This increase was primarily the result of an increase in staff salaries and benefits as we increased our contribution of social security funds and housing provident funds, as well as the provision of other benefits.

Research and Development Expenditure

Our research and development expenditure increased by RMB6.7 million, or 11.2%, from RMB59.9 million for the year ended December 31, 2012 to RMB66.6 million for the year ended December 31, 2013. This increase was primarily a result of an increase in our investments in research and development relating to our PV glass.

Finance Cost

Our finance costs increased by RMB15.3 million, or 26.8%, from RMB57.0 million for the year ended December 31, 2012 to RMB72.3 million for the year ended December 31, 2013. Interest expenses incurred on bank borrowings attributable to the purchase or construction of furnaces and processing lines in 2012 were capitalized, and we ceased to capitalize such interest expenses when the furnaces and processing lines were put into use in 2013. As a result, although the borrowing cost decreased in 2013, the finance cost increased during the year.

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Income Tax Expense

Our income tax expense increased significantly from RMB3.5 million for the year ended December 31, 2012 to RMB60.4 million for the year ended December 31, 2013, primarily because our profit before tax increased by RMB200.6 million, or 316.4%, from RMB63.4 million for the year ended December 31, 2012 to RMB264.0 million for the year ended December 31, 2013 driven by our increased sales. Effective tax rate increased from 5.6% for the year ended December 31, 2012 to 22.9% for the year ended December 31, 2013 primarily because our Company incurred operating loss in 2012.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB143.7 million, or 239.9%, from RMB59.9 million for the year ended December 31, 2012 to RMB203.6 million for the year ended December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our working capital requirements, our purchase of property, plant and equipment and to repay loans and related interest expenses. To date, we have funded our operations principally with cash generated from our operations and bank borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, net proceeds from this Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in demand for, or pricing of, our products or a significant decrease in the availability of bank loans may adversely impact our liquidity. As of December 31, 2012, 2013 and 2014 and May 31, 2015, we had bank balances and cash of RMB125.2 million, RMB214.2 million, RMB141.2 million and RMB191.5 million, respectively.

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Cash Flows

The following table sets forth our cash flows for the years ended December 31, 2012, 2013, 2014 and for the five months ended May 31, 2014 and 2015:

	For the Year ended December 31,			For the five months ended May 31,	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash (used in)/from					
operating activities	(9,338)	553,737	605,427	127,329	170,742
Net cash used in investing					
activities	(289,113)	(235,970)	(197,872)	(29,042)	(83,448)
Net cash from/(used in)					
financing activities	<u>241,582</u>	<u>(228,836)</u>	<u>(480,509)</u>	<u>191,112</u>	<u>(37,046)</u>
Net (decrease)/increase in cash					
and cash equivalents	(56,869)	88,931	(72,954)	(92,825)	50,248
Cash and cash equivalents at the					
beginning of year/period	<u>182,112</u>	<u>125,243</u>	<u>214,174</u>	<u>214,174</u>	<u>141,220</u>
Cash and cash equivalents at					
 the end of year/ period	<u><u>125,243</u></u>	<u><u>214,174</u></u>	<u><u>141,220</u></u>	<u><u>121,349</u></u>	<u><u>191,468</u></u>

Cash flows from operating activities

For the five months ended May 31, 2015, our net cash used in operating activities amounted to RMB170.7 million, primarily reflecting our profit before taxation of RMB195.5 million, as positively adjusted by (i) depreciation of property, plant and equipment of RMB85.8 million; and (ii) decrease in inventories of RMB83.5 million, partially offset primarily by a decrease in trade and other payables of RMB180.1 million due to our efforts to achieve a lower procurement cost by shortening the time for payment.

For the year ended December 31, 2014, our net cash generated from operating activities amounted to RMB605.4 million, primarily reflecting our profit before taxation of RMB486.4 million, as positively adjusted primarily by (i) depreciation of property, plant and equipment of RMB200.3 million; and (ii) increase in trade and other payables of RMB174.8 million mainly as a result of an increase in purchase of raw materials and energy, partially offset primarily by (i) an increase in trade and other receivables of RMB167.0 million mainly due to an increase of sales; and (ii) an increase in inventories of RMB107.8 million primarily due to an increase in finished goods stored at our warehouse as of December 31, 2014 for delivery in the beginning of 2015 as requested by some of our customers.

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For the year ended December 31, 2013, our net cash generated from operating activities amounted to RMB553.7 million, primarily reflecting our profit before tax of RMB264.0 million, as positively adjusted primarily by (i) depreciation of property, plant and equipment of RMB180.2 million; (ii) increase in trade and other payables of RMB260.9 million mainly as a result of an increase in purchase of raw materials and energy to support the increase in our production; and (iii) a decrease in inventories of RMB57.2 million mainly due to a decrease of inventory of PV glass as the PV industry started to recover in 2013, which enabled us to maintain a low level of inventory, partially offset primarily by an increase in trade and other receivable of RMB244.7 million mainly due to more bank acceptance bills were used by our domestic customers to settle balance due to us, which extended the cash receipt date.

For the year ended December 31, 2012, our net cash used in operating activities amounted to RMB9.3 million, primarily reflecting our profit before taxation of RMB63.4 million, as positively adjusted primarily by (i) depreciation of property, plant and equipment of RMB133.4 million; and (ii) increase in trade and other payables of RMB168.1 million mainly as a result of an increase in our purchases of raw materials and energy to support the increase in our production capacity due to the commencement of operations involving our 600-ton PV glass furnace in May 2013, offset primarily by (i) an increase in inventories of RMB133.3 million, primarily due to the slow down in the PV industry, which resulted in slower inventory turnover; and (ii) an increase in trade and other receivables of RMB310.0 million mainly due to financial difficulties faced by some of our customers as the PV industry experienced a slowdown during the year.

Cash flows from investing activities

For the five months ended May 31, 2015, our net cash used in investing activities amounted to RMB83.4 million, reflecting cash outflows primarily due to purchase of property, plant and equipment of RMB85.3 million, mainly included the installation of new flue-gas denitration facilities, which came into operation in May 2015, offset by cash inflows on release of pledged bank deposits of RMB22.5 million.

For the year ended December 31, 2014, our net cash used in investing activities amounted to RMB197.9 million, reflecting cash outflows primarily due to purchases of property, plant and equipment of RMB243.8 million, including the installation of new distributed PV systems and the purchase of new automated manufacturing machinery, offset by cash inflows on the disposal of property, plant and equipment and government grants received.

For the year ended December 31, 2013, our net cash used in investing activities amounted to RMB236.0 million, reflecting cash outflows primarily due to purchases of property, plant and equipment of RMB207.4 million because of the construction and installation of a new PV glass furnace with a daily maximum production capacity of 600 tons and the modification of two PV glass furnaces with a daily maximum production capacity of 300 tons each in 2013, and a net increase in pledged bank deposits of RMB34.6 million in 2013.

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For the year ended December 31, 2012, our net cash used in investing activities amounted to RMB289.1 million, reflecting cash outflows primarily due to (i) purchases of property, plant and equipment of RMB212.2 million mainly due to the construction of a new float glass furnace and a new PV glass furnace with a daily maximum production capacity of 600 tons each in 2012; and (ii) purchases of intangible assets of RMB113.3 million relating to the mining rights of the Mine.

Cash flows from financing activities

For the five months ended May 31, 2015, our net cash used in financing activities amounted to RMB37.0 million, reflecting cash outflows primarily due to repayment of loans in the amount of RMB691.4 million, offset primarily by loan proceeds received in the amount of RMB790.7 million.

For the year ended December 31, 2014, our net cash used in financing activities amounted to RMB480.5 million, reflecting cash outflows primarily due to repayment of loan in the amount of RMB1,306.2 million and payment for capital reduction in the amount of RMB309.8 million arising from the exit of our Financial Investors in 2014, offset primarily by loan proceeds received in the amount of RMB1,202.6 million. See also “History and Corporate Structure — Our Company — 3. Investments and Exit by our Financial Investors” in this prospectus for details regarding the capital reduction.

For the year ended December 31, 2013, our net cash used in financing activities amounted to RMB228.8 million, primarily reflecting RMB1,424.9 million repayment of loan principal and RMB66.6 million interest payment in 2013, offset primarily by loan proceeds raised in the amount of RMB1,262.7 million.

For the year ended December 31, 2012, our net cash from financing activities amounted to RMB241.6 million, primarily reflecting cash inflows from loan proceeds of RMB1,130.8 million, offset primarily by RMB816.4 million repayment of loan principal and RMB72.8 million interest payment.

Working Capital

Our Directors believe that after considering the working capital needs for our operations and planned business expansion, our net current liabilities position as of September 30, 2015 and the financial resources available to us, including cash flow from our operations, bank balances and cash position as of September 30, 2015 and estimated net proceeds from the Global Offering of RMB720.2 million (based on the Offer Price of HK\$2.10 per H Share, being the low end of the indicative Offer Price range), and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements for at least the 12 months commencing from the date of this prospectus.

As of May 31, 2015, we had (i) a syndicated loan in the principal amount of RMB40.0 million that our Controlling Shareholders provided guarantee in favor of us; and (ii) an entrusted loan due to Mr. Ruan Hongliang, one of our Controlling Shareholders, with a principal amount of RMB31.0 million at an interest rate of 5.88% per annum, of which, RMB29.0 million of principal remained

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outstanding. As at the Latest Practicable Date, all of these were fully repaid. In addition, as of May 31, 2015, we had amounts due to our Financial Investors of approximately RMB52.4 million. Since June 1, 2015 and up to the Latest Practicable Date, we repaid to our Financial Investors an amount of approximately RMB46.6 million. See also “Relationship with Controlling Shareholders — Independence from the Controlling Shareholders — Financial Independence” for details on the amounts due to our Financial Investors.

We expect to incur RMB207.6 million and RMB829.2 million in capital expenditures for the year ending December 31, 2015 and the year ending December 31, 2016, respectively, primarily to be used for the acquisition of property, plant and equipment for our business expansion. See “Future Plans and Use of Proceeds” for more information.

As of December 31, 2012 and 2014 and May 31, 2015, we had net current liabilities of RMB131.8 million, RMB257.5 million and RMB115.6 million, respectively. We have implemented the following internal control measures to manage and improve our liquidity:

- sales reconciliation will be performed each month with our customers in order to ensure timely issuances of invoices. If sales reconciliation is not performed within the time limit, the commission and/or bonus that the relevant sales employee are entitled to will be reduced based on our internal policy and may be suspended until sales reconciliation has been performed in order to motivate our sales employees to complete reconciliations in time;
- in the event that any of our customers defaults in payment of over one month, the responsible sales employee must actively follow-up for payment. We reserve the right to take legal actions if any account is overdue for three months and above; and
- the commission and bonus of each sales employee is tied to the timing and method of payment from the sales he or she procured based on an internal scale in order to encourage such employee to negotiate a better payment option, such as payment by immediately available funds instead of bank acceptance bills, and to settle our invoices earlier rather than later.

In order to reduce our net current liabilities, we intend to obtain more long-term loans and gradually reduce our use of short-term loans to finance our working capital to the extent practicable and commercially viable. In July 2015, we obtained three banking facilities from our principal lenders: (i) a three-year banking facility of RMB446.0 million from Bank of China, Jiaying Branch; (ii) a three-year banking facility of RMB323.5 million from Industrial and Commercial Bank of China, Jiaying Branch; and (iii) a three-year banking facility of RMB220.0 million from China CITIC Bank, Jiaying Branch. Furthermore, in September 2015, we obtained an additional banking facilities from Bank of China, Jiaying Branch, one of our principal lenders, of RMB415.0 million. As of the Latest Practicable Date, we had unused banking facilities of RMB253.3 million.

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Furthermore, we have long-term relationships with our principal lenders. During the Track Record Period, we had made all interest payments on our bank borrowings in a timely manner and when our bank borrowings matured, we had been able to obtain new bank borrowings. In addition, we have obtained and intend to continue to obtain banking facilities from our principal bankers to support our general working capital and project financing needs. Our Directors do not expect any significant difficulty in obtaining the new financing if so required.

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Current Assets and Liabilities

The following table sets forth details of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
				May 31,	September
	2012	2013	2014	2015	30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
Current assets					
Prepaid lease payments . . .	4,188	4,239	4,209	4,312	4,312
Inventories	257,961	200,807	308,592	225,111	224,959
Trade and other receivables	952,809	1,201,612	1,342,470	1,322,124	1,640,169
Pledged bank deposits . . .	7,664	42,276	35,489	29,261	70,074
Bank balances and cash . .	125,243	214,174	141,220	191,468	184,434
Total current assets	<u>1,347,865</u>	<u>1,663,108</u>	<u>1,831,980</u>	<u>1,772,276</u>	<u>2,123,948</u>
Current liabilities					
Trade and other payables .	697,654	930,238	1,189,050	915,833	1,047,231
Dividends payable	—	—	54,388	—	250,000
Tax liabilities	19,762	53,729	67,385	30,513	56,524
Borrowings	750,101	653,698	764,103	839,379	882,384
Deferred revenue	12,156	12,936	14,536	14,201	14,201
Long-term payables for the acquisition of mining right due within one year	—	—	—	87,923	89,365
Total current liabilities	<u>1,479,673</u>	<u>1,650,601</u>	<u>2,089,462</u>	<u>1,887,849</u>	<u>2,339,705</u>
Net current (liabilities)/assets	<u>(131,808)</u>	<u>12,507</u>	<u>(257,482)</u>	<u>(115,573)</u>	<u>(215,757)</u>

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As of September 30, 2015, we had net current liabilities of RMB215.8 million compared to net current liabilities of RMB115.6 million as of May 31, 2015. The increase was primarily due to (i) dividends payable of RMB250.0 million declared in September 2015, which was subsequently settled in November 2015; and (ii) an increase in trade and other payables of RMB131.4 million as we increased our raw materials and energy consumption in the first nine months in 2015 in connection with our increased production and sales, partially offset by an increase of RMB318.0 million in trade and other receivables primarily as a result of an increased sales in the first nine months of 2015.

As of May 31, 2015, we had net current liabilities of RMB115.6 million compared to net current liabilities of RMB257.5 million as of December 31, 2014. This change was primarily due to (i) a decrease in trade and other payables of RMB273.2 million as we expedited payments to our suppliers as an effort to achieve lower procurement cost by shortening the time for payment; (ii) an increase in bank balances and cash position of RMB50.2 million as we increased our efforts to collect balances due from our customers; and (iii) a decrease in tax liabilities of RMB36.9 million mainly due to a larger portion of our profit before tax was contributed by our subsidiary, Zhejiang Jiafu, which as a high-technology enterprise enjoyed preferential enterprise income tax rate of 15% during the period, partially offset by (i) a decrease in inventories of RMB83.5 million as we made timely deliveries to our customers of finished goods stored at our warehouses; and (ii) an increase in our borrowings repayable within one year of RMB75.3 million mainly to fund an increase in our production and repayments for the exit of investment by our Financial Investors.

As of December 31, 2014, we had net current liabilities of RMB257.5 million compared to net current assets of RMB12.5 million as of December 31, 2013. This change was primarily due to (i) an increase in trade and other payables of RMB258.8 million as we increased our raw materials and energy consumption in 2014 in connection with our increase in production and sales; (ii) an increase in bank borrowings repayable within one year of RMB110.4 million to fund our business operations; (iii) an increase in dividend payable as we declared RMB54.4 million of dividend in 2014; and (iv) reduced bank balances and cash as of December 31, 2014 mainly due to the exit of investment by our Financial Investors. This increase was partially offset by (i) an increase in trade and other receivables in the amount of RMB140.9 million; and (ii) an increase in inventories of RMB107.8 million, mainly due to an increase in our sales.

Our net current assets increased by RMB144.3 million from net current liabilities of RMB131.8 million as of December 31, 2012 to net current assets of RMB12.5 million as of December 31, 2013. This increase was primarily due to (i) an increase in trade and other receivables of RMB248.8 million mainly as a result of our increased sales during the year; and (ii) an increase in bank balances and cash of RMB88.9 million. This increase was partially offset by (i) a decrease in inventories of RMB57.2 million mainly because the PV industry started to recover in 2013, which enabled us to maintain a lower level of inventory for PV glass; and (ii) an increase in trade and other payables of RMB232.6 million due to an increase in the purchases of raw materials and energy as a result of an increase in our production.

In addition, our net current liabilities of RMB131.8 million as of December 31, 2012 was mainly due to (i) a decrease in our revenue from our PV glass segment as compared to the previous year due to the downturn of the PV glass market in 2012, which in turn caused the decrease in our trade and bills receivables; and (ii) the funding of our capital expenditures through our short-term loans

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primarily for the constructions of our second 600-ton float glass furnace and our first 600-ton PV glass furnace. Our net current liabilities of RMB257.5 million as of December 31, 2014 was mainly due to the exit of investment by our Financial Investors. Furthermore, our net current liabilities of RMB115.6 million as of May 31, 2015 was primarily due to (i) the funding of our capital expenditures through our short-term loans primarily for our new flue-gas denitration facilities, which came into operation in May 2015; and (ii) the reclassification as current liabilities of the second tranche of the payment of consideration plus interest on the outstanding balance at the prevailing lending rate of PBOC due in April 2016 in the amount of RMB87.9 million for the acquisition of the mining rights of the Mine. See “History and Corporate Structure — Our Company — 3. Investments and Exit by Our Financial Investors” for more information. See also “Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of December 31, 2012 and 2014 and May 31, 2015 and a significant level of indebtedness during the Track Record Period. We may be exposed to liquidity risks, and our business, financial conditions and results of operations may be materially and adversely affected as a result.”

Inventories

Our inventories primarily consist of raw materials and consumables, work in progress and finished goods. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of May 31,
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	127,105	102,745	128,321	100,589
Work in progress	41,848	31,872	25,285	22,906
Finished goods	<u>89,008</u>	<u>66,190</u>	<u>154,986</u>	<u>101,616</u>
	<u>257,961</u>	<u>200,807</u>	<u>308,592</u>	<u>225,111</u>

Our inventories decreased by 27.1% to RMB225.1 million as of May 31, 2015 from RMB308.6 million as of December 31, 2014. The decrease in inventories was mainly because we made timely deliveries to our customers of finished goods stored at our warehouses.

Our inventories increased by 53.7% to RMB308.6 million as of December 31, 2014 from RMB200.8 million as of December 31, 2013. The increase in inventories was a result of an increase in inventory of finished goods stored at our warehouse as of December 31, 2014 for delivery in the beginning of 2015 as requested by some of our customers.

Our inventories decreased by 22.2% to RMB200.8 million as of December 31, 2013 from RMB258.0 million as of December 31, 2012. The decrease in inventory balance was mainly because the PV industry started to recover in 2013, which enabled us to maintain a lower level of inventory for PV glass.

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As of the Latest Practicable Date, based on our internal records, approximately RMB308.6 million, or 100%, of our inventories as of December 31, 2014 had been sold or utilized. The following table sets forth our average inventory turnover days for the periods indicated:

	For the Year ended December 31,			For the five months ended May 31,
	2012	2013	2014	2015
	Average inventory turnover days ⁽¹⁾	60	53	49

Note:

(1) Average inventory turnover days equal to the average of the opening and closing balances of inventories of the relevant period divided by cost of sales of the relevant year and multiplied by 365 days.

The average inventory turnover days decreased from 60 days for the year ended December 31, 2012 to 53 days for the year ended December 31, 2013, primarily as a result of an increase in the sales of our products as the PV industry recovered in 2013, and further decreased to 49 days for the year ended December 31, 2014 primarily as a result of an increase in the sales of our various glass products. The average inventory turnover days further decreased to 45 days for the five months ended May 31, 2015 as we made timely deliveries to our customers of finished goods stored at our warehouse.

Trade and Other Receivables

The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of May 31,
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	448,213	427,919	520,872	680,218
Less: Allowance for doubtful debts	(40,060)	(24,744)	(29,102)	(38,635)
	408,153	403,175	491,770	641,583
Bills receivables	401,925	704,430	796,007	615,127
Trade and bills receivables, net	810,078	1,107,605	1,287,777	1,256,710
Advances to suppliers	36,793	36,284	25,553	45,206
Other taxes recoverable	97,654	26,695	16,786	8,930
Other receivables	8,284	31,028	12,354	11,278
	952,809	1,201,612	1,342,470	1,322,124
Total trade and other receivables	952,809	1,201,612	1,342,470	1,322,124

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Our trade and bills receivables primarily relate to outstanding amounts receivable by us from our customers (in the form of trade receivables and bills receivables) less any allowance for doubtful debts. Our trade and bills receivables increased by 36.7% from RMB810.1 million as of December 31, 2012 to RMB1,107.6 million as of December 31, 2013 primarily due to an increase of RMB302.5 million in bills receivable in 2013 compared to 2012 mainly because more of our domestic customers chose to make payments to us in the form of bank acceptance bills as we increased our sales volume in 2013.

Payment terms with our customers are mainly on credit, with credit period ranging from 30 to 90 days, but may be longer than 90 days due to the transportation time. For example, our credit term may start 90 days from the departure date of the container from the Port of Shanghai for some of our overseas PV glass customers as these customers have better creditworthiness or long-term relationship with us. The following table sets forth the aging analysis of our trade receivables net of allowance of doubtful debts presented based on the date of delivery of goods to customers as of the dates indicated:

	As of December 31,			As of
	2012	2013	2014	May 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Age				
Within 3 months	242,908	363,141	401,012	507,477
Over 3 months but within 1 year	155,951	33,221	83,481	122,960
Over 1 year but within 2 years	8,904	4,709	6,264	8,651
Over 2 years	390	2,104	1,013	2,495
	<u>408,153</u>	<u>403,175</u>	<u>491,770</u>	<u>641,583</u>

Based on our internal records, as of the Latest Practicable Date, approximately RMB641.6 million, or 100.0%, of our trade receivables as of May 31, 2015 was settled; and approximately RMB571.3 million, or 92.9% of our bills receivables as of May 31, 2015 was settled. The following table sets forth the average turnover days of our trade and bills receivables for the periods indicated:

	For the year ended December 31,			For the
	2012	2013	2014	five
				months
				ended
				May 31,
				2015
Average turnover days of our trade and bills receivables ⁽¹⁾	158	160	154	154

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Note:

- (1) Average turnover days of our trade and bills receivables equal to the average of the opening and closing balances of trade and bills receivables for the relevant year or period divided by revenue and multiplied by the number of days during the year or period.

The average turnover days of our trade and bills receivables was relatively stable at 160 days for the year ended December 31, 2013 compared to 158 days for the year ended December 31, 2012. It decreased to 154 days for the year ended December 31, 2014 and remained stable at 154 days for the five months ended May 31, 2015 mainly due to our increased efforts to enhance the recovery of our receivables by establishing a credit monitoring department to review customer credit.

Trade receivables are initially recognized at fair value and subsequently measured at amortized costs less provision of impairment on bad and doubtful accounts. We have not provided any allowance of doubtful debts for the trade receivables which are past due (over 90 days from the date the invoices were issued) but not impaired because based on past experience, our management considers that those receivables are recoverable based on the good payment record of the customers, and therefore, we believe there has not been a significant deterioration in credit quality of our customers and the balances are still considered fully recoverable. In determining the recoverability of the trade receivables, we monitor change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. However, the Directors considered that the concentration of credit risk on our trade receivables exists because most of our large customers are located in the PRC. We normally do not hold any collateral or other credit enhancements over these balances.

The following table sets forth the movement in allowance for doubtful debts on trade receivable for the years or periods indicated:

	As of December 31,			As of May 31,
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	12,646	40,060	24,744	29,102
Provided for the year	27,841	3,680	18,352	9,573
Write-off for the year	<u>(427)</u>	<u>(18,996)</u>	<u>(13,994)</u>	<u>(40)</u>
At the end of the reporting year.	<u>40,060</u>	<u>24,744</u>	<u>29,102</u>	<u>38,635</u>

We generally determines the allowance for doubtful debts based on the evaluation of collectability and aging analysis of accounts and on our management's judgment, including the assessment of change in credit quality and the past collection history of each of our customers. As of December 31, 2012, 2013 and 2014 and May 31, 2015, the allowance for doubtful debts represented individually impaired trade receivables which have been overdue for a long time. Based on the foregoing, our Directors considered the recoverability of these debts to be low. During the Track Record Period, we mainly provided RMB18.5 million and RMB11.3 million of special allowance for

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doubtful debts to two of our PV glass customers in 2012 and 2014, respectively. In 2014, we established a credit control department to monitor the credit of our customers and to strengthen our approval procedures for credits provided to our customers. Our Group did not hold any collateral over these balances.

Trade and Other Payables

Trade and other payables principally consist of payments we owe to our raw material and energy suppliers. The following table sets forth the components of our trade and other payables as of the dates indicated:

	As of December 31,			As of May 31,
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	466,442	758,695	809,641	677,875
Notes payables	23,140	—	92,009	35,200
Interest payable	2,091	1,767	7,450	9,393
Salary and bonus payables	18,125	18,787	21,554	25,435
Advanced receipts from customers	13,282	13,700	21,674	12,716
Other taxes payable	7,860	8,763	23,566	44,095
Payables for acquisition of properties, plant and equipment	148,497	120,494	88,258	51,454
Payables to previous shareholders	—	—	110,601	52,367
Accruals and other payables	18,217	8,032	14,297	7,298
Total	<u>697,654</u>	<u>930,238</u>	<u>1,189,050</u>	<u>915,833</u>

Our trade and other payables increased from RMB697.7 million as of December 31, 2012 to RMB930.2 million as of December 31, 2013 and further increased to RMB1,189.1 million as of December 31, 2014, primarily as a result of increased purchases of raw materials and energy consumption commensurate with the increased production of our glass products. Our trade and other payables decreased from RMB1,189.1 million as of December 31, 2014 to RMB915.8 million as of May 31, 2015, primarily because we expedited our payments to our suppliers as an effort to achieve lower procurement cost by shortening the time for payment.

Based on our internal records, as of the Latest Practicable Date, approximately RMB677.9 million, or 100.0% of our trade payables as of May 31, 2015 was settled; and approximately RMB10.0 million, or 28.4% of our bills payables as of May 31, 2015 was settled.

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Our Group normally receives credit terms of up to 90 days from its suppliers. The following table sets forth the aging analysis of our trade payables as of the dates indicated:

Age	As of December 31,			As of
	2012	2013	2014	May 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2015
				<i>RMB'000</i>
Within 3 months	456,626	752,269	804,618	656,197
Over 3 months but within 180 days	5,589	356	1,691	13,238
Over 180 days but within 1 year	1,650	1,176	1,513	6,160
Over 1 year but within 2 years	1,920	3,266	902	967
Over 2 years	657	1,628	917	1,313
	<u>466,442</u>	<u>758,695</u>	<u>809,641</u>	<u>677,875</u>

The following table sets forth the average turnover days of our trade and bills payables for the years or periods indicated:

	For the year ended December 31,			For the
	2012	2013	2014	five
	<i>days</i>	<i>days</i>	<i>days</i>	months
				ended
				May 31,
				2015
				<i>days</i>
Average turnover days of our trade and bills payables ⁽¹⁾	127	143	159	136

Note:

- (1) Average turnover days of our trade and bills payables equal to the average of the opening and closing balances of trade and bills payables of the relevant year or period divided by cost of sales and multiplied by the number of days during the year or period.

The average turnover days of our trade and bills payables increased from 127 days for the year ended December 31, 2012 to 143 days for the year ended December 31, 2013, and further increased to 159 days for the year ended December 31, 2014 primarily because we took advantage of extended credit periods offered by certain of our suppliers. The average turnover days of our trade and bills payable decreased from 159 days for the year ended December 31, 2014 to 136 days for the five months ended May 31, 2015 as we expedited our payments to our suppliers as an effort to lower our

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procurement cost. Despite the increase in our trade and bills payables average turnover days between 2012 and 2014, we did not experience any breach of the payment terms of suppliers' agreements that would materially and adversely affect our business and financial position.

CAPITAL EXPENDITURES

Historical Capital Expenditures

For the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, we incurred capital expenditures for the acquisition of property, plant and equipment in the amounts of RMB392.5 million, RMB191.9 million, RMB193.6 million and RMB55.6 million, respectively. The following table sets out our historical capital expenditures during the years or periods indicated:

	For the year ended December 31,			For the five months ended May 31,
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	13,199	32,261	—	110
Plant and machinery	124,742	99,890	168,477	18,636
Motor vehicles	2,311	3,808	2,235	2,081
Other equipment	9,218	4,350	2,270	664
Construction in progress	<u>243,010</u>	<u>51,557</u>	<u>20,635</u>	<u>34,108</u>
Total	<u><u>392,480</u></u>	<u><u>191,866</u></u>	<u><u>193,617</u></u>	<u><u>55,599</u></u>

The capital expenditures incurred in the year ended December 31, 2012 primarily related to the construction of a new float glass furnace and a new PV glass furnace and its complementary processing equipment, and our acquisition of the mining rights to the Mine. The capital expenditure incurred in the years ended December 31, 2013 and 2014 primarily related to the construction of one new PV glass furnace and its complementary processing equipment and the modification of two PV glass furnaces. The capital expenditure incurred for the five months ended May 31, 2015 primarily related to the installation of our new flue-gas denitration facilities, which came into operation in May 2015.

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Planned Capital Expenditures

As part of our future growth strategy, we are authorized to commit, and have committed to capital expenditures of RMB57.0 million as of May 31, 2015. We currently expect to incur approximately RMB207.6 million in capital expenditures for the year ending December 31, 2015 primarily to be used in the acquisition of property, plant and equipment for our business expansion.

We anticipate that our planned capital expenditures will be financed by cash generated from our operations, bank loans and proceeds from the Global Offering. The estimated amounts of expenditures set out above may vary from the actual amounts of expenditures for a variety of reasons, including changes in market conditions, competition, and other factors.

Our current plan with respect to future capital expenditures is subject to change based on the evolution of our business plan, including potential acquisitions, progress of our projects, market conditions and our outlook of future business conditions. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding in the future is subject to a variety of uncertainties including our future results of operations, economic, political and other conditions in the PRC, PRC government policies relating to our industry and relevant rules and regulations in the PRC and Hong Kong regarding debt and equity financing. Other than as required by law, we do not undertake any obligation to publish updates of our capital expenditure plans. See “Forward-looking Statements” in this prospectus.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to the acquisition of property, plant and equipment and construction in progress. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment					
— Contracted but not provided for.	<u>207,152</u>	<u>103,721</u>	<u>65,430</u>	<u>56,982</u>	<u>81,605</u> <i>(unaudited)</i>

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In addition, as of December 31, 2012, 2013 and 2014 and May 31, 2015 there was an estimated commitment of RMB43.0 million by our Group to purchase a land use right under a project investment agreement we entered into with a local government in Anhui Province on August 12, 2010, pursuant to which we agreed to establish, among other things, certain glass productions lines within three to five years of the date of the agreement. Under this agreement, we have the right to acquire two parcels of land at a discount. In March 2011, we prepaid a deposit of RMB24.0 million to the local government for the acquisition of a land use right relating to this project. In July 2015, we entered into a supplemental agreement with the local government in Anhui Province to terminate the project investment agreement entered into in August 2010. Pursuant to the supplemental agreement, the deposit of RMB24.0 million will be used for the acquisition of land use rights for our PV glass processing facilities in Anhui Province. As of the Latest Practicable Date, we have not entered into any land acquisition agreement with the relevant government authority and we have not commenced construction of the PV glass processing facilities. See also “Business — Our Business Strategies — Expand our geographical coverage in China by expanding our production capabilities domestically” for details.

Operating Lease Commitments

During the Track Record Period, we leased a number of properties under operating leases, including representative offices. Leases are negotiated for a term of one to four years and rentals are fixed for an average of two years. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of May 31,	As of September 30,
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within one year	66	—	36	36	41

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INDEBTEDNESS

Bank and Other Loans

Our bank and other borrowings primarily consisted of short-term working capital loans and long-term project loans. Our bank and other loans as of December 31, 2012, 2013 and 2014, May 31, 2015 and September 30, 2015, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of December 31,			As of May 31,	As of September 30,
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Borrowings					
— Secured bank and other loans	1,136,901	931,558	852,413	999,379	1,012,884
— Unsecured and unguaranteed bank loans	<u>29,000</u>	<u>72,140</u>	<u>47,690</u>	<u>—</u>	<u>—</u>
	<u>1,165,901</u>	<u>1,003,698</u>	<u>900,103</u>	<u>999,379</u>	<u>1,012,884</u>
— Fixed-rate borrowings	380,231	432,698	207,190	87,075	333,284
— Variable-rate borrowings	<u>785,670</u>	<u>571,000</u>	<u>692,913</u>	<u>912,304</u>	<u>679,600</u>
	<u>1,165,901</u>	<u>1,003,698</u>	<u>900,103</u>	<u>999,379</u>	<u>1,012,884</u>

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	As of December 31,			As of May 31,	As of September 30,
	2012	2013	2014	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Carrying amount					
repayable:					
— Within one year	750,101	653,698	764,103	839,379	882,384
— More than one year, but not exceeding two years	255,800	270,000	136,000	140,000	102,000
— Over two years but not exceeding five years	160,000	80,000	—	11,000	21,750
— More than five years	—	—	—	9,000	6,750
Less: Amounts shown under current liabilities	<u>750,101</u>	<u>653,698</u>	<u>764,103</u>	<u>839,379</u>	<u>1,012,884</u>
Amounts shown under non-current liabilities	<u>415,800</u>	<u>350,000</u>	<u>136,000</u>	<u>160,000</u>	<u>882,384</u>

We primarily borrow bank and other loans to supplement our working capital and to finance our capital expenditure. The bank and other loans as of December 31, 2012, 2013 and 2014 and May 31, 2015 were primarily denominated in Renminbi, while a small portion of our bank loans was denominated in U.S. dollars. Our fixed rate borrowings bore effective interest rates ranging from 5.04% to 6.00% per annum as of December 31, 2012, from 5.00% to 6.36% per annum as of December 31, 2013, from 5.88% to 6.30% per annum as of December 31, 2014 and from 5.00% to 5.20% per annum as of May 31, 2015. Our variable-rate borrowings bore effective interest rates ranging from 2.30% to 6.98% per annum as of December 31, 2012, from 2.71% to 6.60% per annum as of December 31, 2013, from 4.20% and 6.46% per annum as of December 31 2014 and from 0.68% to 6.50% per annum as of May 31, 2015.

Our secured bank and other loans of RMB1,136.9 million, RMB931.6 million and RMB852.4 million, and RMB999.4 million as of December 31, 2012, 2013 and 2014 and May 31, 2015, respectively, were secured by (i) prepaid lease payment of land use rights, (ii) buildings and plant and machineries that we own, (iii) notes receivables and (iv) guarantees provided by our Controlling Shareholders, namely, Mr. Ruan Hongliang, our Chairman and Ms. Jiang Jinhua, one of our executive Directors. All of the guarantees given by our Controlling Shareholders have been released on June 3, 2015, other than the guarantee given for a syndicated loan with a principal amount of RMB40.0 million, which has been released as at August 3, 2015. Furthermore, as of May 31, 2015, Mr. Ruan Hongliang has a loan due from us in the form of an entrusted loan with a principal amount of RMB31.0 million at an interest rate of 5.88% per annum, and which has been fully repaid by end of October 2015.

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As of September 30, 2015, being the latest practicable date for the purpose of indebtedness statement in this prospectus, we had outstanding indebtedness of RMB1,012.9 million, all of which were interest-bearing bank and other borrowings that were secured by (i) prepaid lease payment of land use rights; (ii) buildings and plant and machinery that we owned; and (iii) notes receivables.

As of September 30, 2015, RMB882.4 million of our indebtedness was repayable within one year. As of September 30, 2015, our fixed-rate borrowings bore interest rates ranging from 3.0% to 5.3% per annum and our variable-rate borrowings bore interest rates ranging from 4.7% to 6.5% per annum. All bank and other loans as of September 30, 2015 were not guaranteed. As of September 30, 2015, the pledged bank deposits of RMB70.1 million were pledged for our notes payables and letter of credit.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans, default in payment of bank borrowings or breach of covenants, or cancellation of customer order or customer default during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of September 30, 2015, our Group did not have any material contingent liabilities or guarantees. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since September 30, 2015 and up to the Latest Practicable Date.

Disclaimer

Except as disclosed above and apart from intra-group liabilities and normal trade payables, as of September 30, 2015, being the latest practicable date for determining our indebtedness, we did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Our Directors confirm that there has not been any material change in our indebtedness and contingent liabilities since September 30, 2015.

LISTING EXPENSES

We expect to incur a total of RMB56.5 million of listing expenses (assuming an Offer Price of HK\$2.39, being the mid-point of the indicative Offer Price range between HK\$2.10 and HK\$2.68, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which RMB2.2 million is expected to be charged to our consolidated statements of profit or loss and comprehensive income for the year ending December 31, 2015 and RMB54.3 million is directly attributable to the issue of H Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting

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commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2015.

FINANCIAL RATIOS

The following table sets forth our key financial ratios during the Track Record Period:

	As of/for the year ended December 31,			As of/for the five months ended May 31,
	2012	2013	2014	2015
	Net profit margin ⁽¹⁾	4.0%	9.3%	13.9%
Return on assets ⁽²⁾	1.6%	5.2%	9.6%	4.0%
Return on equity ⁽³⁾	3.9%	11.7%	23.7%	8.9%
Current ratio ⁽⁴⁾	91.1%	100.8%	87.7%	93.9%
Quick ratio ⁽⁵⁾	73.7%	88.6%	72.9%	82.0%
Debt to equity ratios ⁽⁶⁾	67.7%	45.4%	45.8%	44.4%
Gearing ratio ⁽⁷⁾	75.9%	57.7%	54.3%	54.9%
Interest coverage ratio ⁽⁸⁾	2.11	4.65	7.06	7.84

Notes:

- (1) Net profit margin equals our net profit after tax divided by revenue for the year or period multiplied by 100%.
- (2) Return on assets equals net profit for the year or period divided by total assets as of the end of the year or period multiplied by 100%.
- (3) Return on equity equals net profit for the year or period divided by total equity amounts as of the end of the year or period multiplied by 100%.
- (4) Current ratio equals our current assets divided by current liabilities as of the end of the year or period multiplied by 100%.
- (5) Quick ratio equals our current assets less inventories divided by current liabilities as of the end of the year or period multiplied by 100%.
- (6) Debt to equity ratio equals total borrowings net of bank balances and cash at the end of the year or period divided by total equity at the end of the year or period multiplied by 100%.
- (7) Gearing ratio equals total debt divided by total equity as of the end of the year or period multiplied by 100%. Total debt includes all interest-bearing bank loans.
- (8) Interest coverage ratio equals profit before interest and tax of one year or period divided by finance cost of the same year or period.

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Analysis of Key Financial Ratios

Net Profit Margin

Our net profit margin increased from 4.0% for the year ended December 31, 2012 to 9.3% for the year ended December 31, 2013 and increased further to 13.9% for the year ended December 31, 2014, primarily attributable to the increase in the average selling price of our PV glass, an increase in our production efficiency, and decrease in our selling and administration expenses. Our net profit margin slightly decreased from 14.1% for the five months ended May 31, 2014 to 13.1% for the five months ended May 31, 2015, primarily attributable to the increase in our energy cost associated with our production, the decrease of average selling price of float glass and an increase in our research and development expenditure.

Return on Assets and Return on Equity

Our return on assets ratio increased from 1.6% for the year ended December 31, 2012 to 5.2% for the year ended December 31, 2013 and further increased to 9.6% for the year ended December 31, 2014 and our return of equity increase from 3.9% for the year ended December 31, 2012 to 11.7% for the year ended December 31, 2013, and further increased to 23.7% for the year ended December 31, 2014. These increases were primarily due to a substantial increase in our net profit. Our return on assets ratio for the five months ended May 31, 2015 was 4.0%, and on an annualized basis was 9.6%, which was comparable to that for the year ended December 31, 2014. Our return on equity ratio for the five months ended May 31, 2015 was 8.9%, and on an annualized basis was 21.4%, which was slightly less than that for the year ended December 31, 2014, primarily due to a small decrease in our net profit (on an annualized basis) due to an increase in energy cost associated with our production and an increase in our total equity.

Current Ratio and Quick Ratio

Our current ratio and quick ratio increased from 91.1% and 73.7% as of December 31, 2012, respectively, to 100.8% and 88.6% as of December 31, 2013, respectively. The increases in our current ratio and quick ratio were primarily a result of an increase of trade and bills receivables from the increase in sales, and a decrease in current borrowings.

Our current ratio and quick ratio decreased to 87.7% and 72.9% as of December 31, 2014, respectively. These decreases were mainly due to the payment for capital reduction in the amount of RMB309.8 million and additional payables of RMB110.6 million arising from the exit by our Financial Investors in 2014.

Our current ratio and quick ratio increased from 87.7% and 72.9% as of December 31, 2014, respectively, to 93.9% and 82.0% as of May 31, 2015. The increase in our current ratio and quick ratio were mainly due to a decrease in our trade and other payables as we expedited payments to our suppliers as an effort to enjoy a lower procurement cost by shortening the time for payment.

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Debt to Equity Ratio and Gearing Ratio

Our debt to equity ratio decreased from 67.7% as of December 31, 2012 to 45.4% as of December 31, 2013 mainly because of a decrease in bank borrowings from RMB1,165.9 million as of December 31, 2012 to RMB1,003.7 million as of December 31, 2013 and an increase in our total equity. Our debt to equity ratio remained relatively stable at 45.8% as of December 31, 2014. Our debt to equity ratio decreased from 45.8% as of December 31, 2014 to 44.4% as of May 31, 2015 primarily as a result of an increase in total equity.

Our gearing ratio also decreased from 75.9% as of December 31, 2012 to 57.7% as of December 31, 2013 primarily due to a decrease in bank borrowings and an increase in our total equity. It further decreased to 54.3% as of December 31, 2014 primarily as a result of a decrease in our bank borrowings, which was larger than the decrease in our total equity as a result of the exit of investment by our Financial Investors. Our gearing ratio remained relatively stable at 54.9% as of May 31, 2015.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors believe that each of the related party transactions set out in note 33 to the Accountants' Report in Appendix I to this prospectus were conducted in ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

As of May 31, 2015, we had distributable reserves representing retained earnings of our Company of RMB907.0 million, which is available for distribution to our equity holders.

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. The declaration, payment and amount of dividends will be subject to our discretion.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

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In 2012 and 2013, our Group neither declared nor paid any dividends to its equity holders. In 2014, our Group declared dividends of RMB54.4 million to its equity holders, which was paid in full in January 2015. We declared a special dividend of RMB250.0 million on September 30, 2015. We withheld RMB50.0 million from such dividend for individual income tax purposes and paid RMB200.0 million net of tax to the holders of the Domestic Shares in November 2015 with our internally available funds. The withholding tax will be settled in December 2015 using our internal funds. Following the Listing, the Board intends to recommend at the relevant Shareholders meeting an annual dividend of no less than 20% of our profit for the year available for distribution to the Shareholders, after taking into consideration the factors described above in the foreseeable future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since May 31, 2015 and there is no event since December 31, 2014 which would materially affect the information shown in the Accountants' Report.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of May 31, 2015 as if the Global Offering had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of May 31, 2015 or at any future dates following the Global Offering. It is prepared based on our audited consolidated net tangible assets as of May 31, 2015 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of May 31, 2015 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of our Group	Unaudited pro forma adjusted consolidated net tangible assets of our Group per Share ⁽³⁾	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB</i>	<i>HK\$⁽⁴⁾</i>
Based on the Offer Price of HK\$2.10 per Share	1,607,044	720,222	2,327,266	1.29	1.58
Based on the Offer Price of HK\$2.68 per Share	1,607,044	927,945	2,534,989	1.41	1.72

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Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as of May 31, 2015 is based on consolidated net assets of our Group of RMB1,819,073,000 and adjusted for intangible assets of RMB212,029,000 of our Group as extracted from the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 450,000,000 H shares to be issued under the Global Offering and the offer price of HK\$2.10 per share or HK\$2.68 per share after deduction of the underwriting fees and other related expenses payable by our Company, and do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per share is calculated after the adjustments referred to in note (2) above and on the basis of 1,800,000,000 Shares issued and outstanding following the completion of the one to four share split and the Global Offering and assuming that the Over-allotment Option for the Global Offering is not exercised. The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share does not take into account of proposed dividends of RMB250.0 million declared on September 30, 2015. Had such dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share will be further adjusted to RMB1.15 (equivalent to HK\$1.41, based on the indicative Offer Prices of HK\$2.10), or RMB1.27 (equivalent to HK\$1.55, based on the indicative Offer Prices of HK\$2.68).
- (4) The translation between Renminbi and Hong Kong dollar has been made at the rate of RMB0.8188 to HK\$1.00, PBOC rate prevailing on November 6, 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.
- (5) Except for the one to four share split referred in note (3) above, no adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company to reflect any trading results or other transactions which our Group entered into subsequent to May 31, 2015.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates, foreign currency risks, credit risks and liquidity risks, as well as other price risks. We manage our exposure to these and other market risks through regular operating and financial activities.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to our fixed-rate borrowings. We are also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, bank balances and variable-rate borrowings. Currently, we do 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.

Sensitivity Analysis

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

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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, our post-tax profit would have decreased/increased by approximately RMB5.4 million, RMB3.3 million, RMB4.7 million and RMB6.3 million for the years ended December 31, 2012, 2013 and 2014 and for the five months ended May 31, 2015, respectively. In our 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

The primary economic environment in which the principal subsidiary of our Company operates is the PRC and its functional currency is RMB. However, certain sales and purchases of our Group are denominated in United States Dollars ("USD"), Euro Dollars ("EUR") and Japanese Yen ("JPY"), which are currencies other than the functional currency of the relevant group entities and expose our Group to foreign currency risk.

The carrying amounts of our Group's and our Company's foreign currency denominated monetary assets and monetary liabilities at the end of each period are as follows:

Our Group

	Liabilities				Assets			
	As of December 31,			As of	As of December 31,			As of
	2012	2013	2014	May 31,	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	61,844	244,283	307,462	40,193	112,648	176,946	191,532	237,774
EUR	517	—	6,348	4,099	3,056	14,009	1,444	957
JPY	—	—	—	—	22,020	9,424	52,414	59,959
Total	<u>62,361</u>	<u>244,283</u>	<u>313,810</u>	<u>44,292</u>	<u>137,724</u>	<u>200,379</u>	<u>245,390</u>	<u>298,690</u>

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Our Company

	Liabilities				Assets			
	As of December 31,			As of	As of December 31,			As of
	2012	2013	2014	May 31,	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD	47,450	243,198	223,882	14,687	53,841	31,176	11,516	21,185
EUR	517	—	4,548	4,099	354	12,657	1,309	577
JPY	—	—	—	—	9,563	1,018	—	—
Total	<u>47,967</u>	<u>243,198</u>	<u>228,430</u>	<u>18,786</u>	<u>63,758</u>	<u>44,851</u>	<u>12,825</u>	<u>21,762</u>

We have 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 currency. Foreign exchange forward contracts can be used to eliminate the currency exposures. We have not entered into such forward contracts but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity Analysis

The following table details our sensitivity to a 5% change in RMB against USD, EUR and JPY. 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 currency against RMB, there would be an equal and opposite impact on the net profit for the year.

Our Group

	Year ended December 31,			Five months
	2012	2013	2014	ended May 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2015
				<i>RMB'000</i>
USD impact	1,905	(2,525)	(4,348)	7,409
EUR impact	95	526	(184)	(118)
JPY impact	826	354	1,966	2,248

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Our Company

	Year ended December 31,			Five months ended May 31,
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD impact.....	240	(7,951)	(7,964)	244
EUR impact.....	(6)	475	(122)	(132)
JPY impact	359	38	—	—

Credit risk

As of December 31, 2012, 2013 and 2014 and May 31, 2015, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties provided by us is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize the credit risk, the management of our 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, our Directors review the recoverability 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, our Directors consider that our credit risk is significantly reduced.

We have 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 counterparties are state-owned banks with good reputation or banks with good credit rating assigned by international credit-rating agencies and with good reputation.

We have concentration of credit risk on our trade receivables. For trade receivables, most of the large customers are located in the PRC. Outstanding balance of the five largest customers represented 35%, 23%, 35% and 38% of our trade receivables at December 31, 2012, 2013 and 2014 and May 31, 2015 respectively. In order to minimize 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.

As of December 31, 2012, 2013 and 2014 and May 31, 2015, included in our bills receivables were commercial bills of RMB70.0 million, nil, RMB100.1 million and RMB89.5 million, respectively. Our Directors are of the opinion that the credit risk of such commercial bills were insignificant as these bills were issued by selected customers, who maintained good credit quality with us.

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Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

We had net current liabilities at December 31, 2012 and 2014 and May 31, 2015, respectively. We rely on borrowings, particularly bank and other loans, as a significant source of liquidity. As of December 31, 2012 and 2014, our current portion of bank loans amounted to RMB750.1 million and RMB764.1 million, respectively. As of May 31, 2015, we did not have any banking facilities and therefore, we did not have any unutilized banking facilities. Our Directors closely monitor the use of cash, taking into consideration of future operation cash flows, capital expenditure and expansion plans, and are of the opinion that the funds generated from our operations are sufficient to pay its liabilities when they fall due. Further, based on our past experiences, our Directors are of the opinion that there is no difficulty to roll over our current bank loans when they become due. In July 2015, we obtained three banking facilities from our principal lenders, namely, (i) a three-year banking facility of RMB446.0 million from Bank of China, Jiaxing Branch; (ii) a three-year banking facility of RMB323.5 million from Industrial and Commercial Bank of China, Jiaxing Branch; and (iii) a three-year banking facility of RMB220.0 million from China CITIC Bank, Jiaxing Branch. Furthermore, in September 2015, we obtained an additional banking facilities from Bank of China, Jiaxing Branch, one of our principal lenders, of RMB415.0 million. Our Directors consider that our liquidity risk is properly managed. As of the Latest Practicable Date, we had unutilized banking facilities of RMB253.3 million.

The following table details our Group's and our Company'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 our Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
As of December 31, 2012								
Trade and other payables	N/A	658,387	—	—	—	—	658,387	658,387
Borrowings	6.78	124,761	672,007	281,402	173,635	—	1,251,805	1,165,901
Long-term payables for the acquisition of mining rights	6.55	—	—	—	100,243	68,350	168,593	126,651
Total		<u>783,148</u>	<u>672,007</u>	<u>281,402</u>	<u>273,878</u>	<u>68,350</u>	<u>2,078,785</u>	<u>1,950,939</u>

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	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2013								
Trade and other payables	N/A	888,988	—	—	—	—	888,988	888,988
Borrowings	6.38	127,121	579,825	288,191	83,345	—	1,078,482	1,003,698
Long-term payables for the acquisition of mining rights	6.55	—	—	—	103,775	64,818	168,593	134,175
Total		<u>1,016,109</u>	<u>579,825</u>	<u>288,191</u>	<u>187,120</u>	<u>64,818</u>	<u>2,136,063</u>	<u>2,026,861</u>
As of December 31, 2014								
Trade and other payables	N/A	1,122,256	—	—	—	—	1,122,256	1,122,256
Borrowings	5.96	177,207	609,073	141,938	—	—	928,218	900,103
Long-term payables for the acquisition of mining rights	6.15	—	—	94,272	—	74,321	168,593	141,650
Total		<u>1,299,463</u>	<u>609,073</u>	<u>236,210</u>	<u>—</u>	<u>74,321</u>	<u>2,219,067</u>	<u>2,164,009</u>
As of May 31, 2015								
Trade and other payables	N/A	833,587	—	—	—	—	833,587	833,587
Borrowings	5.70	141,955	732,057	143,739	14,493	9,352	1,041,596	999,379
Long-term payables for the acquisition of mining rights	6.15	—	94,272	—	—	74,321	168,593	144,573
Total		<u>975,542</u>	<u>826,329</u>	<u>143,739</u>	<u>14,493</u>	<u>83,673</u>	<u>2,043,776</u>	<u>1,977,539</u>
Our Company								
As of December 31, 2012								
Trade and other payables	N/A	474,519	—	—	—	—	474,519	474,519
Borrowings	6.39	24,659	431,160	281,402	173,635	—	910,856	836,126
Total		<u>499,178</u>	<u>431,160</u>	<u>281,402</u>	<u>173,635</u>	<u>—</u>	<u>1,385,375</u>	<u>1,310,645</u>
As of December 31, 2013								
Trade and other payables	N/A	650,580	—	—	—	—	650,580	650,580
Borrowings	5.94	41,033	394,358	288,191	83,345	—	806,927	744,198
Total		<u>691,613</u>	<u>394,358</u>	<u>288,191</u>	<u>83,345</u>	<u>—</u>	<u>1,457,507</u>	<u>1,394,778</u>

FINANCIAL INFORMATION

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2014								
Trade and other payables	N/A	766,432	—	—	—	—	766,432	766,432
Borrowings	6.14	89,022	465,876	141,938	—	—	696,836	642,612
Total		<u>855,454</u>	<u>465,876</u>	<u>141,938</u>	<u>—</u>	<u>—</u>	<u>1,463,268</u>	<u>1,409,044</u>
As of May 31, 2015								
Trade and other payables	N/A	650,133	—	—	—	—	650,133	650,133
Borrowings	5.81	63,303	473,350	142,439	—	—	679,092	652,962
Total		<u>713,436</u>	<u>473,350</u>	<u>142,439</u>	<u>—</u>	<u>—</u>	<u>1,329,225</u>	<u>1,303,095</u>

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Business Strategies” for detailed description of our future plans.

USE OF PROCEEDS

Assuming an offer price of HK\$2.39 per Offer Share, which is the mid-point of the indicative Offer Price range, and assuming that the Over-Allotment Option is not exercised, the net proceeds we will receive from the issue of the Offer Shares, after deducting underwriting commissions and fees (taking into no account of any discretionary fee) and estimated expenses payable by us is HK\$1,006.5 million.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 46.0%, or HK\$463.0 million, is expected to be used to establish overseas PV glass production and processing facilities in Vietnam by the second quarter of 2017. We expect that of this amount:
 - (i) approximately 59.1%, or HK\$273.6 million, is expected to be used for the construction of the furnace and the purchase of machinery and equipment for the production of PV raw glass and the processing of PV glass;
 - (ii) approximately 26.7%, or HK\$123.6 million, is expected to be used for buildings and construction; and
 - (iii) approximately 14.2%, or HK\$65.8 million, is expected to be used for the acquisition of the land.
- Approximately 17.2%, or HK\$173.1 million, is expected to be used to establish new Low-E and Low-E composite glass processing facilities by the end of 2016 with an annual processing capacity of approximately 5.8 million sq.m. at our production facilities in Jiaxing, Zhejiang Province, the PRC. We expect that of this amount:
 - (i) Approximately 72.2%, or HK\$125.0 million, is expected to be used for the purchase and installation of machinery and equipment; and
 - (ii) Approximately 27.8%, or HK\$48.1 million, is expected to be used for the construction of the processing premises.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 9.7%, or HK\$97.6 million, is expected to be used for costs relating to research and development of new products and purchase of new equipment for the next three years;
- Approximately 9.7%, or HK\$97.6 million, is expected to be used for working capital and other general corporate purposes;
- Approximately 9.1%, or HK\$91.6 million, is expected to be used for modifying and upgrading an existing PV glass furnace with a daily maximum production capacity of 490 tons, which is expected to commence in the first quarter of 2016; and
- Approximately 8.3%, or HK\$83.6 million, is expected to be used for the construction of new 15MW distributed PV systems for self-use, the construction of which is expected to commence in the second half of 2015 and to be completed in the first half of 2016.

If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$126.8 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$1,163.3 million, assuming an Offer Price of HK\$2.39 per Offer Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$145.9 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

UNDERWRITING

HONG KONG UNDERWRITERS

BOCI Asia Limited

China International Capital Corporation Hong Kong Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Public Offer, our Company is offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong subject to the terms and conditions of this prospectus and the Application Forms. Pursuant to the Hong Kong Underwriting Agreement, and conditional upon, among other things, the Listing Committee granting the Listing of, and permission to deal in, the Offer Shares to be issued as mentioned in this prospectus (including any additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) subject to such customary conditions that may be imposed by the Stock Exchange and certain other conditions including the Offer Price being determined by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by entering into the Price Determination Agreement on or before the Price Determination Date, the Hong Kong Underwriters have agreed severally (not jointly or jointly and severally) to subscribe or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination at any time prior to 8:00 a.m. on the Listing Date. The Joint Bookrunners (for themselves and on behalf of the Underwriters), in their sole and absolute discretion, shall be entitled by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect upon the occurrence of any of the following events:

- (a) there has come to the notice of the Joint Bookrunners that:
 - (i) any statement contained in any of this prospectus, the Application Forms, the formal notice, the offering circulars, the application proof prospectus, the post-hearing information pack and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) and the offering circulars was, when it was issued, or has become, untrue or incorrect in any material respect or misleading or that any forecast, expression of opinion, intention or expectation expressed in any of the above-mentioned documents is not fair and honest and based on reasonable assumptions; or

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission therefrom; or
 - (iii) any of the representations and warranties given by any of the warrantors in the Underwriting Agreements is (or would when repeated be) untrue, incorrect, inaccurate or misleading or having been breached; or
 - (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or the Joint Bookrunners or any of the Underwriters) to any of the Underwriting Agreements; or
 - (v) any event which has a material adverse effect; or
 - (vi) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
 - (vii) our Company withdrawing any of this prospectus, the Application Forms, the formal notice, the offering circulars, the application proof prospectus and the post-hearing information pack (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
 - (viii) any matter, event, act or omission which gives or is likely to give rise to any liability of any of the warrantors pursuant to the indemnities given by any of them in the Underwriting Agreements; or
 - (ix) any expert (other than the Sole Sponsor and/or Hong Kong Underwriters) having withdrawn or sought to withdraw its consent to being named in or to the issue of this prospectus or any of the offering circulars; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions or any monetary or trading settlement system (including, without limitation, conditions affecting stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union (or any member thereof), Japan or Singapore (each a “Relevant Jurisdiction”); or

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- (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events beyond the control of the Hong Kong Underwriters, including but not limited to in the nature of force majeure such as acts of government, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcano eruption, ice-storm, civil commotion, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including but not limited to Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1) or swine or avian influenza or Middle East Respiratory Syndrome (MERS) or Ebola virus or such related/mutated forms, accident or interruption or delay in transportation), in or affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared), act of war or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) the imposition or declaration of (A) any moratorium, suspension, restriction or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange and the Singapore Stock Exchange; or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
- (vii) any imposition of economic or other sanctions against any member of our Group, in whatever form, directly or indirectly, by any Relevant Jurisdiction or any governmental authority of any Relevant Jurisdiction; or
- (viii) any change or development or event involving a prospective change in the assets, liabilities, profit, losses, performance, condition (financial or otherwise), business, earnings, results of operations, trading position or prospects of our Group; or
- (ix) the commencement by any governmental authority, judicial, political or regulatory body or organization of any investigation, public action or proceedings in any Relevant Jurisdiction against any member of our Group or any of our Directors or the public announcement by any governmental authority, judicial, political or regulatory body that it intends to take any such action; or

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- (x) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (WUMP) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Bookrunners, adverse to the marketing for or implementation of the Global Offering; or
- (xi) an order or a petition is presented for the winding up or liquidation of any member of our Group, or any member of our Group makes any compromise or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xii) a valid demand by any creditor for repayment or payment of indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xiii) any litigation or claim being threatened or instigated against any member of our Group or any of our Directors; or
- (xiv) any contravention by any member of our Group of the Companies (WUMP) Ordinance, the Companies Ordinance or the Listing Rules or applicable laws; or
- (xv) any change or development or event involving a prospective change, or a materialization of, any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (xvi) non-compliance of this prospectus, the Application Forms, the formal notice, the offering circulars or any aspect of the Global Offering with the Companies Ordinance, the Companies (WUMP) Ordinance, the Listing Rules or any other applicable laws; or
- (xvii) a Director being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company; or
- (xviii) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the additional Shares that may be allotted and issued by our Company upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xix) the chairman or any of the chief executives of our Company vacating his or her office; or

and which, in any of (b)(i) to (b)(xix), individually or in the aggregate, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters):

- (A) is or may or will be or is likely to be materially adverse to, or affects, the business assets, liabilities, general affairs, management, shareholders’ equity, profit, losses, results of operations, or financial or trading position or prospects of our Group, taken as a whole; or

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- (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering, or the level of Offer Shares being applied for and/or make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged; or

- (C) makes or may make or will or is likely to make it inadvisable, impracticable or inexpedient to proceed with the Hong Kong Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice and the offering circulars; or

- (D) would have the effect of making any part of the Underwriting Agreements incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the Underwriting Agreements.

Similar events are expected to be contained in the International Placing Agreement that may allow the International Underwriters to terminate their respective obligations under such agreement.

International Placing

In connection with the International Placing, it is expected that our Company and our Controlling Shareholders will enter into the International Placing Agreement with, among others, the International Underwriters on or about the Price Determination Date.

Under the International Placing Agreement, subject to the terms and conditions set forth in such agreement, the International Underwriters are expected to severally (not jointly or jointly and severally) agree to subscribe or procure subscribers to subscribe for, the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Placing Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Placing Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Placing Agreement, our Company and our Warranting Shareholders (as defined below) will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the section headed “Undertakings pursuant to the Hong Kong Underwriting Agreement” below.

Our Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Sole Global Coordinator on behalf of the International Underwriters, after consultation with the Joint Bookrunners, at any time from the Listing Date up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 67,500,000 additional H Shares, representing in aggregate not more than 15% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the Global Offering, solely to cover over-allocation, if any, in the International Placing.

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Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.8% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer, out of which they will pay any sub-underwriting commission. Assuming an Offer Price of HK\$2.39, which is the mid-point of the indicative Offer Price range, it is estimated that the Hong Kong Underwriters will receive a gross underwriting commission of approximately HK\$3.0 million. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. In addition, we may at our discretion pay the Joint Bookrunners each an additional incentive fee of up to 1.5% of the aggregate proceeds of the Global Offering (including any proceeds from the exercise of the Over-allotment Option). The aggregate commissions and fees (excluding discretionary incentive fee), together with listing fees, legal and other professional fees and printing and other expenses relating to the Global Offering and the SFC transaction levy and Stock Exchange trading fee are estimated to be RMB56.5 million in aggregate (based on the Offer Price of HK\$2.39, being the mid-point of the indicative Offer Price range between HK\$2.10 and HK\$2.68 and assuming the Over-allotment Option is not exercised at all).

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offer and, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for BOCI, as the stabilizing manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their

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underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed “Structure of the Global Offering — Stabilization.” These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to, among others, our Company and the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), he/she will not, and will procure that any other registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which he/she is shown by this prospectus to be the beneficial owner of the Shares (as defined in Rule 10.07(2) of the Listing Rules) (the “Relevant Securities”); or

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- (ii) in the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Furthermore, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to, among others, our Company and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he/she will:

- (i) if he/she pledges or charges any of our securities beneficially owned by him/her in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) if he/she receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters and the Controlling Shareholders, Ms. Ruan Zeyun and Mr. Zhao Xiaofei (collectively, the “Warranting Shareholders”) have undertaken that except pursuant to the Global Offering during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the expiry of First Six-month Period, our Company will not and will procure our subsidiaries will not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right

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to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable) or deposit any share capital or other securities of our Company, as applicable, with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or other securities, in cash or otherwise.

Undertakings by the Warranting Shareholders

Each of the Warranting Shareholders (except for paragraph (b) below, the Controlling Shareholders only) has undertaken to each of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters (and is expected to undertake to the International Underwriters) that, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, he/she will not and, will procure that none of his/her affiliates will:

- (a) during the First Six-month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

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- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (a)(i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of our Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) during the Second Six-Month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, the Controlling Shareholders will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company;
- (c) until the expiry of the Second Six-month Period, in the event that he/she enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, he/she will take all reasonable steps to ensure that he/she will not create a disorderly or false market in the securities of our Company; and
- (d) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, he/she shall:
- (i) if and when he/she pledges or charges any securities or interests in the securities of our Company beneficially owned by he/she, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of securities so pledged or charged; and
 - (ii) if and when he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

HONG KONG UNDERWRITERS’ INTEREST IN OUR COMPANY

Except for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested legally or beneficially in the shares of any of the members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of the members of our Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as required under Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offer of 45,000,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below under “Hong Kong Public Offer”; and
- the International Placing of 405,000,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below), outside the United States (including with professional, institutional, corporate and other investors whom we anticipate may have a reasonable demand for the H Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors in other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares in the International Placing. Prospective investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price.

The H Shares will be traded in board lots of 1,000 each.

The number of Offer Shares to be offered under the Global Offering respectively may be subject to reallocation as described in “Pricing and allocation” in this prospectus.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offer.

The requisite PRC government approvals, including the approval of the CSRC, in respect of the Global Offering have been obtained.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, November 19, 2015 and in any event, no later than 5:00 p.m. on Tuesday, November 24, 2015.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HK\$2.68 per Offer Share and is expected to be not less than HK\$2.10 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Joint Bookrunners (on behalf of the Underwriters and with the consent of our Company) consider the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range to be inappropriate, the Joint Bookrunners (on behalf of the Underwriters) may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer on Thursday, November 19, 2015, cause to publish in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.flatgroup.com.cn a notice of the reduction. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in “Summary” in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The H Shares to be offered in the Global Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. Allocation of the International Placing Shares under the International Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell H Shares after the Listing. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our H Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

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Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The final Offer Price, the level of applications in the Hong Kong Public Offer, the level of indications of interest in the International Placing, the basis of allocations of the Hong Kong Offer Shares and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in “How to Apply for the Hong Kong Offer Shares—11. Publication of results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares under the Hong Kong Public Offer will be conditional on:

- (a) the granting of approval by the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued under the exercise of the Over-allotment Option), and such listing and permission not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- (b) the Offer Price having been determined on or around the Price Determination Date;
- (c) the execution and delivery of the International Placing Agreement on or around the Price Determination Date;
- (d) the obligations of the Underwriters under the Underwriting Agreements having become unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the requisite Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, December 16, 2015, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by 5:00 pm on Tuesday, November 24, 2015 between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock

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Exchange at www.hkexnews.hk and our Company at www.flatgroup.com.cn on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Wednesday, November 25, 2015 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (a) the Global Offering has become unconditional in all respects and (b) neither of the Underwriting Agreements has been terminated in accordance with its terms.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

HONG KONG PUBLIC OFFER

Number of H Shares initially offered

We are initially offering 45,000,000 H Shares at the Offer Price, representing 10% of the 450,000,000 H Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Offer Shares offered under the Hong Kong Public Offer will represent 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Global Offering) will be divided equally into two pools (subject to adjustment of odd lot size): Pool A comprises 22,500,000 Hong Kong Offer Shares and Pool B comprises 22,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee) of HK\$5 million or less will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK\$5 million and up to the total value of Pool B will fall into Pool B. For the purpose of this paragraph only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Investors should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that

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other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or in both pools will be rejected. No application will be accepted from applicants for more than 22,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

Reallocation and clawback

The allocation of H Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offer represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times, and (c) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offer, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 135,000,000, 180,000,000 and 225,000,000 Offer Shares, representing 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), respectively, of the total number of H Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as the Joint Bookrunners deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B.

If the Hong Kong Offer Shares are not fully subscribed, the Joint Bookrunners has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Bookrunners deems appropriate.

Applications

The Sole Global Coordinator (on behalf of the Underwriters) and the Sole Sponsor may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator and the Sole Sponsor so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that it is excluded from any application for Hong Kong Offer Shares under the Hong Kong Public Offer.

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest of, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the undertaking and/or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$2.68 per Offer Share plus the brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price

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Determination Date, is lower than HK\$2.68, being the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus.

INTERNATIONAL PLACING

Number of H Shares initially offered

The number of H Shares to be initially offered for subscription or sale under the International Placing will be 405,000,000 H Shares (subject to adjustment and the Over-allotment Option), representing 90% of the Offer Shares under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after the Global Offering assuming that the Over-allotment Option is not exercised. The International Placing is subject to the Hong Kong Public Offer becoming unconditional.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Under the International Placing, the International Underwriters will conditionally place the International Placing Shares with institutional and professional investors and other investors expected to have a sizeable demand for our H Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of International Placing Shares under the International Placing will be effected in accordance with the “book-building” process described in “Pricing and allocation” in this prospectus and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares, and/or hold or sell its H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of our Company and our Shareholders as a whole.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares being offered under the Global Offering (including the additional Offer Shares which may be made available under the exercise of the Over-allotment Option).

Save as disclosed in this prospectus, no part of our H Share is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

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OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, after consultation with the Joint Bookrunners, at any time on or prior to the date which is the 30th day after the last day for the lodging of Application Forms under the Hong Kong Public Offer. Under the Over-allotment Option, the Sole Global Coordinator on behalf of the International Underwriters will have the right to require us to allot and issue up to an aggregate of 67,500,000 additional new H Shares representing in aggregate of no more than 15% of the Offer Shares initially available under the Global Offering to cover over-allocations in the International Placing. Such over-allocations in the International Placing may also be covered by delayed delivery of H Shares to our cornerstone investor, Huarong International Asset Management Great China Investment Fund L.P., and/or the relevant placees, such delayed delivery shall be determined by the Joint Bookrunners in their sole discretion. If the Over-allotment Option is exercised in full, the additional H Shares will represent approximately 3.61% of our enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. These H Shares will be issued at the Offer Price. An announcement will be made if the Over-allotment Option is exercised.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. Any market purchases of H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be sold under the Over-allotment Option, namely 67,500,000 H Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilizing actions permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules, as amended, include: (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of the H Shares; (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the

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market price of the H Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the H Shares under the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimising any reduction in the market price of the H Shares; (e) selling or agreeing to sell any H Shares in order to liquidate any position held as a result of those purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applications for and investors in the H Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the date of the International Placing Agreement, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids must be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules, as amended, will be made within seven days of the expiration of the stabilization period.

In connection with the Global Offering, the Joint Bookrunners may over-allocate up to and not more than an aggregate of 67,500,000 additional H Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator on behalf of the International Underwriters after consultation with the Joint Bookrunners, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, November 26, 2015, it is expected that dealings in H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, November 26, 2015.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about Thursday, November 19, 2015, shortly after determination of the Offer Price, enter into the International Placing Agreement relating to the International Placing.

The terms of the underwriting arrangements, the Underwriting Agreement are summarised in “Underwriting” in this prospectus.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application. The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer or supervisor of the Company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, November 16, 2015, until 12:00 noon on Thursday, November 19, 2015 from:

- (1) any of the following addresses of the Hong Kong Underwriters:

BOCI Asia Limited

26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

- (2) or any of the following branches of Bank of China (Hong Kong) Limited:

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai
	Taikoo Shing Branch	Shop G1006, Hoi Sing Mansion, Taikoo Shing
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok
	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
New Territories	Kwai Chung Plaza Branch	A18-20, G/F Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung
	Citywalk Branch	Shop 65, G/F, Citywalk 1 Yeung Uk Road, Tsuen Wan
	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Sha Tin
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, November 16, 2015 until 12:00 noon on Thursday, November 19, 2015 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited — Flat Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, November 16, 2015 — 9:00 a.m. to 5:00 p.m.

Tuesday, November 17, 2015 — 9:00 a.m. to 5:00 p.m.

Wednesday, November 18, 2015 — 9:00 a.m. to 5:00 p.m.

Thursday, November 19, 2015 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 19, 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to the Company, our H Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the H Shares have not been and will not be registered under the U.S. Securities Act; (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (iii) you are not, and none of the other person(s) for whose benefit you are applying is, a U.S. person (as defined in Regulation S);

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- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, November 16, 2015 until 11:30 a.m. on Thursday, November 19, 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 19, 2015 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

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- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (WUMP) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong; and
- agree with the Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholders and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):
 - (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

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- (b) that any award made in such arbitration shall be final and conclusive; and
- (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company, for itself and for the benefit of each Shareholder, that the H Shares are freely transferable by the holders thereof; and
- authorize the Company to enter into a contract on its behalf with each Director, Supervisor, manager and officer whereby each such person undertakes to observe and comply with his or her obligations to the Shareholders as stipulated in the Articles of Association.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Monday, November 16, 2015 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
Tuesday, November 17, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, November 18, 2015 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, November 19, 2015 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

⁽¹⁾ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, November 16, 2015 until 12:00 noon on Thursday, November 19, 2015 (24 hours daily, except the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, November 19, 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the H Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, November 19, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

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“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for H Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to “Structure of the Global Offering — Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 a.m. on Thursday, November 19, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If the application lists do not open and close on Thursday, November 19, 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Wednesday, November 25, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company’s website at www.flatgroup.com.cn and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.flatgroup.com.cn and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, November 25, 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, November 25, 2015 to 12:00 mid-night on Tuesday, December 1, 2015;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, November 25, 2015 to Monday, November 30, 2015 (excluding Saturday, Sunday and Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, November 25, 2015 to Friday, November 27, 2015 at all the designated receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance as applied by Section 342E of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company, the Sole Global Coordinator or the Sole Sponsor believes that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.68 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, November 25, 2015.

14. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- H Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or around Wednesday, November 25, 2015. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, November 26, 2015 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 25, 2015 or such other date as notified by us in the newspapers.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or H Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, November 25, 2015, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, November 25, 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, November 25, 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 25, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, November 25, 2015, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of H Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, November 25, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, November 25, 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Wednesday, November 25, 2015. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, November 25, 2015 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, November 25, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, November 25, 2015.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.



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Hong Kong

16 November 2015

The Directors
Flat Glass Group Co., Ltd.

BOCI Asia Limited

Dear Sirs,

We set out below our report on the financial information of Flat Glass Group Co., Ltd.[#] 福萊特玻璃集團股份有限公司, (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 December 2014 and five months ended 31 May 2015 (the “Track Record Period”) (the “Financial Information”) for inclusion in the prospectus of the Company dated 16 November 2015 (the “Prospectus”) in connection with the proposed initial public offering and listing of the Company’s shares (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was established in the People’s Republic of China (the “PRC”) on 24 June 1998 (date of establishment) 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. The registration office of the Company is 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC.

Particulars of the Company’s subsidiaries during the Track Record Period and at the date of this report are as follows:

Name of subsidiary	Place and date of establishment/ incorporation	Issued and fully paid share capital/ paid up registered capital	Equity interest attributable to the Group as at					Principal activities
			31 December			31 May		
			2012	2013	2014	2015	the date of this report	
			%	%	%	%	%	
福萊特(香港)有限公司 Flat (Hong Kong) Co., Limited	Hong Kong 9 January 2013	Hong Kong Dollars (“HK\$”) 77,561	n/a	100	100	100	100	Trading of glass products
上海福萊特玻璃有限公司 Shanghai Flat Glass Co., Ltd.* [#] (“Shanghai Flat”)	The PRC 6 June 2006	Renminbi (“RMB”) 70,000,000	100	100	100	100	100	Manufacture and sale of glass products

APPENDIX I
ACCOUNTANTS' REPORT

Name of subsidiary	Place and date of establishment/ incorporation	Issued and fully paid share capital/ paid up registered capital	Equity interest attributable to the Group as at					Principal activities
			31 December			31 May	the date of this report	
			2012	2013	2014	2015		
%	%	%	%	%				
浙江嘉福玻璃有限公司 Zhejiang Jiafu Glass Co., Ltd.*# Co., Ltd. ("Zhejiang Jiafu")	The PRC 15 August 2007	RMB 150,000,000	100	100	100	100	100	Manufacture and sale of glass products
浙江福莱特玻璃有限公司 Zhejiang Flat Glass Co., Ltd.*# ("Zhejiang Flat")	The PRC 14 February 2011	RMB 10,000,000	100	100	100	100	100	Manufacture and sale of glass products
安徽福莱特光伏材料有限公司 Anhui Flat Solar Materials Co., Ltd.*# ("Anhui Flat Materials")	The PRC 19 January 2011	RMB 30,000,000	100	100	100	100	100	Extraction of a quartzite mine located in the PRC
嘉兴福莱特新能源科技有限公司 Jiaxing Flat New Energy Technology Co., Ltd.*# ("Jiaxing Flat")	The PRC 11 March 2014	—	n/a	n/a	100	100	100	Electricity generation of solar battery module
安徽福莱特光伏玻璃有限公司 Anhui Flat Solar Glass Co., Ltd.*# ("Anhui Flat")	The PRC 18 January 2011	RMB 30,000,000	100	100	100	100	100	Manufacture and sale of glass products

* Limited liability company established in the PRC.

The English name is translated for identification purpose only.

At the date of this report, all the subsidiaries are held by the Company directly. The Company and its subsidiaries have adopted December 31 as their financial year end date for statutory financial reporting purposes.

The statutory financial statements of the Company and its subsidiaries established in the PRC, namely Shanghai Flat, Zhejiang Jiafu, Zhejiang Flat, Jiaxing Flat, Anhui Flat Materials, and Anhui Flat were audited by the following certified public accountants for each of the three years ended 31 December 2014, or since their respective dates of establishment to 31 December 2014 where this is a shorter period, as appropriate, and were prepared in accordance with the relevant accounting principles and financial regulations in the PRC:

<u>Name of entities</u>	<u>Financial year</u>	<u>Name of statutory auditor</u>
The Company/Shanghai Flat/Zhejiang Jiafu/Zhejiang Flat	Year ended 31 December 2012	中磊會計師事務所有限責任公司浙江分所 Zhonglei Certified Public Accountants Co., Ltd Zhejiang Branch
	Years ended 31 December 2013 and 31 December 2014	利安達會計師事務所浙江江南分所 Reanda Certified Public Accountants LLP Zhejiang Jiangnan Branch
Jiaxing Flat	From 11 March 2014 to 31 December 2014	利安達會計師事務所浙江江南分所 Reanda Certified Public Accountants LLP Zhejiang Jiangnan Branch
Anhui Flat Materials/Anhui Flat	Year ended 31 December 2012	中磊會計師事務所有限責任公司浙江分所 Zhonglei Certified Public Accountants Co., Ltd Zhejiang Branch
	Years ended 31 December 2013 and 31 December 2014	N/A

The statutory financial statements of Flat (Hong Kong) Co., Ltd. from its date of incorporation to 31 December 2014 were prepared in accordance with the Hong Kong Financial Reporting Standards and were audited by So Yat Chun Giles, Certified Public Accountants (practising), a firm of certified public accountants registered in Hong Kong.

No audited statutory financial statements have been prepared for Anhui Flat Materials and Anhui Flat for the years ended 31 December 2013 and 31 December 2014 as there is no statutory audit requirement.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with accounting policies which confirm with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”).

We have undertaken an independent audit on the Underlying Financial Statements in accordance with International Standards on Auditing and examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountants” as recommended by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements. No adjustments are deemed necessary by us to the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Company and the Group as of 31 December 2012, 2013, 2014 and 31 May 2015 and of the financial performance of the Group for the Track Record Period.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the consolidated statement of changes in equity for the five months ended 31 May 2014 together with the notes thereon have been extracted from the Group’s unaudited consolidated financial statements for the same period (the “May 2014 Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the May 2014 Financial Information in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. Our review of the May 2014 Financial Information consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the May 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the May 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRS.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Five months ended 31 May	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Revenue	7	1,488,557	2,187,283	2,833,306	1,149,794	1,237,432
Cost of sales		(1,167,434)	(1,592,422)	(1,904,972)	(770,543)	(888,314)
Gross profit		321,123	594,861	928,334	379,251	349,118
Other income	8	20,339	15,256	20,479	6,495	14,282
Other gains and losses . .	8	(27,963)	(11,134)	(38,522)	(22,360)	(4,569)
Selling and marketing expenses		(57,921)	(102,246)	(108,845)	(45,312)	(46,588)
Administration expenses.		(75,320)	(93,769)	(105,458)	(43,472)	(43,849)
Research and development expenditure		(59,894)	(66,582)	(129,333)	(37,085)	(44,377)
Finance cost	9	(56,958)	(72,343)	(80,251)	(35,856)	(28,566)
Profit before tax		63,406	264,043	486,404	201,661	195,451
Income tax expense	10	(3,523)	(60,428)	(93,737)	(39,583)	(33,912)
Profit and total comprehensive income for the year/period . . .	11	<u>59,883</u>	<u>203,615</u>	<u>392,667</u>	<u>162,078</u>	<u>161,539</u>
EARNING PER SHARE						
-Basic and diluted (RMB cents)	14	<u>4.17</u>	<u>14.16</u>	<u>29.09</u>	<u>12.01</u>	<u>11.97</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December			As at 31 May
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets					
Property, plant and equipment	15	1,784,000	1,792,248	1,760,574	1,730,055
Prepaid lease payments	16	185,570	183,157	178,947	182,195
Prepayment and intangible assets . .	17	234,659	237,585	227,787	215,029
Available-for-sale investment, at cost		4,000	4,000	4,000	4,000
Deferred tax assets	18	33,684	29,007	39,512	39,715
Prepayment for acquisition of property, plant and equipment . .		30,443	19,447	37,400	30,274
Deposit for acquisition of land use right	20	24,000	24,000	24,000	24,000
		<u>2,296,356</u>	<u>2,289,444</u>	<u>2,272,220</u>	<u>2,225,268</u>
Current Assets					
Prepaid lease payments	16	4,188	4,239	4,209	4,312
Inventories	21	257,961	200,807	308,592	225,111
Trade and other receivables	22	952,809	1,201,612	1,342,470	1,322,124
Pledged bank deposits	23	7,664	42,276	35,489	29,261
Bank balances and cash	23	125,243	214,174	141,220	191,468
		<u>1,347,865</u>	<u>1,663,108</u>	<u>1,831,980</u>	<u>1,772,276</u>
Current Liabilities					
Trade and other payables	24	697,654	930,238	1,189,050	915,833
Dividends payable		—	—	54,388	—
Tax liabilities		19,762	53,729	67,385	30,513
Borrowings	25	750,101	653,698	764,103	839,379
Deferred revenue	26	12,156	12,936	14,536	14,201
Long-term payables for the acquisition of mining right due within one year (short-term portion)	25a	—	—	—	87,923
		<u>1,479,673</u>	<u>1,650,601</u>	<u>2,089,462</u>	<u>1,887,849</u>
Net Current (Liabilities) Assets . . .		<u>(131,808)</u>	<u>12,507</u>	<u>(257,482)</u>	<u>(115,573)</u>
Total Assets Less Current Liabilities		<u>2,164,548</u>	<u>2,301,951</u>	<u>2,014,738</u>	<u>2,109,695</u>

	NOTES	As at 31 December			As at 31 May
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Liabilities					
Borrowings	25	415,800	350,000	136,000	160,000
Deferred revenue	26	86,035	78,099	79,554	73,972
Long-term payables for the acquisition of mining rights	25a	<u>126,651</u>	<u>134,175</u>	<u>141,650</u>	<u>56,650</u>
		<u>628,486</u>	<u>562,274</u>	<u>357,204</u>	<u>290,622</u>
Net Assets		<u><u>1,536,062</u></u>	<u><u>1,739,677</u></u>	<u><u>1,657,534</u></u>	<u><u>1,819,073</u></u>
Capital and Reserves					
Share capital	27	359,400	359,400	337,500	337,500
Reserves	28	<u>1,176,662</u>	<u>1,380,277</u>	<u>1,320,034</u>	<u>1,481,573</u>
Total Equity		<u><u>1,536,062</u></u>	<u><u>1,739,677</u></u>	<u><u>1,657,534</u></u>	<u><u>1,819,073</u></u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	As at 31 December			As at 31 May
		2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets					
Property, plant and equipment	15	1,287,451	1,344,639	1,306,408	1,295,784
Prepaid lease payments	16	134,087	132,848	129,812	128,547
Prepayment and intangible assets . .	17	5,164	3,153	1,315	765
Available-for-sale investment		4,000	4,000	4,000	4,000
Deferred tax assets	18	17,992	13,735	17,111	16,288
Investment in subsidiaries	19	184,092	198,492	289,992	290,053
Amount due from a subsidiary	19a	113,300	88,823	78,823	70,797
Prepayment for acquisition of property, plant and equipment . . .		27,721	14,846	23,843	12,583
		<u>1,773,807</u>	<u>1,800,536</u>	<u>1,851,304</u>	<u>1,818,817</u>
Current Assets					
Prepaid lease payments	16	3,014	3,065	3,035	3,035
Inventories	21	152,278	121,229	174,312	143,243
Trade and other receivables	22	779,035	1,041,622	937,436	1,015,010
Pledged bank deposits	23	5,697	40,585	16,140	14,220
Bank balances and cash	23	77,506	134,148	23,489	92,115
		<u>1,017,530</u>	<u>1,340,649</u>	<u>1,154,412</u>	<u>1,267,623</u>
Current Liabilities					
Trade and other payables	24	493,301	677,981	838,473	737,943
Dividends payable		—	—	54,388	—
Tax liabilities		17,479	51,569	48,953	14,205
Borrowings	25	420,326	394,198	506,612	512,962
Deferred revenue	26	7,890	8,300	9,230	9,230
Amount due to subsidiaries	19a	2,388	2,388	26,549	222,185
		<u>941,384</u>	<u>1,134,436</u>	<u>1,484,205</u>	<u>1,496,525</u>
Net Current Assets (Liabilities) . . .		<u>76,146</u>	<u>206,213</u>	<u>(329,793)</u>	<u>(228,902)</u>
Total Assets Less Current Liabilities					
		<u>1,849,953</u>	<u>2,006,749</u>	<u>1,521,511</u>	<u>1,589,915</u>

	<i>NOTES</i>	<u>As at 31 December</u>			<u>As at 31 May</u>
		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-Current Liabilities					
Borrowings	25	415,800	350,000	136,000	140,000
Deferred revenue	26	<u>62,793</u>	<u>59,493</u>	<u>59,563</u>	<u>55,717</u>
		<u>478,593</u>	<u>409,493</u>	<u>195,563</u>	<u>195,717</u>
Net Assets		<u>1,371,360</u>	<u>1,597,256</u>	<u>1,325,948</u>	<u>1,394,198</u>
Capital and Reserves					
Share capital	27	359,400	359,400	337,500	337,500
Reserves	28	<u>1,011,960</u>	<u>1,237,856</u>	<u>988,448</u>	<u>1,056,698</u>
Total Equity		<u>1,371,360</u>	<u>1,597,256</u>	<u>1,325,948</u>	<u>1,394,198</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Production safety fees	Equity- settled employee benefits reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note 28)	RMB'000	RMB'000
Balance at 1 January 2012 . . .	359,400	126,132	—	3,277	205,852	781,518	1,476,179
Profit and total comprehensive income for the year	—	—	—	—	—	59,883	59,883
Transfer	—	—	—	—	37,837	(37,837)	—
Balance at 31 December 2012 .	<u>359,400</u>	<u>126,132</u>	<u>—</u>	<u>3,277</u>	<u>243,689</u>	<u>803,564</u>	<u>1,536,062</u>
Profit and total comprehensive income for the year	—	—	—	—	—	203,615	203,615
Transfer	—	—	—	—	21,443	(21,443)	—
Balance at 31 December 2013 .	<u>359,400</u>	<u>126,132</u>	<u>—</u>	<u>3,277</u>	<u>265,132</u>	<u>985,736</u>	<u>1,739,677</u>
Profit and total comprehensive income for the year	—	—	—	—	—	392,667	392,667
Reduction of capital (note ii) .	(21,900)	(126,132)	—	—	—	(272,390)	(420,422)
Transfer (note iii)	—	—	673	—	(31,230)	30,557	—
Dividends (note 14a)	—	—	—	—	—	(54,388)	(54,388)
Balance at 31 December 2014 .	<u>337,500</u>	<u>—</u>	<u>673</u>	<u>3,277</u>	<u>233,902</u>	<u>1,082,182</u>	<u>1,657,534</u>
Profit and total comprehensive income for the period	—	—	—	—	—	161,539	161,539
Balance at 31 May 2015	<u>337,500</u>	<u>—</u>	<u>673</u>	<u>3,277</u>	<u>233,902</u>	<u>1,243,721</u>	<u>1,819,073</u>

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) On 1 January 2014, certain shareholders of the Company entered into agreements with the Company to reduce share capital by 21,900,000 shares with consideration of RMB19.1973 each.
- (iii) For the year ended 31 December 2014, the Group transferred aggregately RMB27,413,000 from retained earnings to statutory surplus reserve. A subsidiary of the Company transferred certain statutory surplus reserve amounting to RMB58,643,000 to the retained earnings to offset its accumulated losses.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
OPERATING ACTIVITIES					
Profit before tax	63,406	264,043	486,404	201,661	195,451
Adjustments for:					
Finance costs	56,958	72,343	80,251	35,856	28,566
Interest income	(403)	(2,110)	(2,030)	(407)	(476)
Depreciation of property, plant and equipment	133,363	180,203	200,322	81,526	85,841
Amortisation of intangible assets . . .	2,302	2,527	10,708	1,284	12,758
Release of prepaid lease payments . .	4,188	4,188	4,240	1,774	1,780
Allowance for doubtful debts, net . .	27,841	3,680	18,352	15,284	9,573
Impairment of property, plant and equipment	—	—	11,600	11,053	—
Loss (gain) on disposal of property, plant and equipment	112	3,065	(900)	(802)	21
Gain on disposal of land use right . .	—	(13,611)	—	—	—
Deferred revenue	(10,683)	(12,156)	(12,936)	(5,236)	(5,917)
Operating cash flows before movements in working capital . . .	277,084	502,172	796,011	341,993	327,597
(Increase) decrease in inventories . .	(133,317)	57,154	(107,785)	(74,693)	83,481
(Increase) decrease in trade and other receivables	(310,044)	(244,716)	(166,977)	(125,147)	10,773
Increase (decrease) in trade and other payables	168,094	260,911	174,764	43,851	(180,122)
Cash generated from operations	1,817	575,521	696,013	186,004	241,729
Income taxes paid	(11,155)	(21,784)	(90,586)	(58,675)	(70,987)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(9,338)	553,737	605,427	127,329	170,742

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
INVESTING ACTIVITIES					
Interest received	403	2,110	2,030	407	476
Proceeds on disposal of property, plant and equipment.	3,414	350	14,269	7,438	256
Proceeds on disposal of land use right.	—	7,768	7,767	—	—
Purchases of property, plant and equipment	(212,246)	(207,383)	(243,806)	(52,016)	(85,277)
Payments for prepaid lease land . . .	—	(3,750)	—	—	(5,131)
Purchase of intangible assets.	(113,300)	(5,453)	(910)	(910)	—
Pledged bank deposits placed	(4,988)	(41,701)	(34,215)	(245)	(16,285)
Release of pledged bank deposits . .	13,604	7,089	41,002	16,284	22,513
Assets-related government grants received	24,000	5,000	15,991	—	—
NET CASH USED IN INVESTING ACTIVITIES	(289,113)	(235,970)	(197,872)	(29,042)	(83,448)
FINANCING ACTIVITIES					
Proceeds from bank and other borrowings.	1,130,794	1,262,663	1,202,578	580,478	790,680
Repayment of bank and other borrowings.	(816,363)	(1,424,866)	(1,306,173)	(536,366)	(691,404)
Interest paid	(72,849)	(66,633)	(67,093)	(27,239)	(23,700)
Payment for capital reduction	—	—	(309,821)	(207,985)	(58,234)
Dividend paid	—	—	—	—	(54,388)
NET CASH FROM (USED IN) FINANCING ACTIVITIES.	241,582	(228,836)	(480,509)	191,112	(37,046)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(56,869)	88,931	(72,954)	(92,825)	50,248
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	182,112	125,243	214,174	214,174	141,220
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD, Represented by bank balances and cash.	125,243	214,174	141,220	121,349	191,468

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 principal activities of the Group are engaged in the manufacturing and sale of glass products.

The respective addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information" of the Prospectus. 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 Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company and its principal subsidiaries.

2. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied International Accounting Standards ("IASs"), IFRSs, amendments and interpretations issued by the IASB which are effective for the accounting period beginning on 1 January 2015 throughout the Track Record Period.

At the date of this report, the IASB has issued the following new and amendments to IFRSs that are not yet effective. The Group has not early applied these new and amendments to IFRSs.

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers ¹
Amendments to IFRS 11 . . .	Accounting for Acquisitions of Interests in Joint operations ²
Amendments to IAS 1	Disclosure Initiative ²
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ²
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ²
Amendments to IAS 27	Equity Method in Separate Financial Statements ²

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2016

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Specifically, pursuant to IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Under IFRS 9, 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. Furthermore, IFRS 9 requires certain simple debt instruments to be measured at FVTOCI when certain requirements are met. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, IFRS 9 adopts 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.

The directors of the Company consider that the adoption of IFRS 9 in the future will affect the classification and measurement of the available-for-sale investments held by the Group and may affect the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from contracts with customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances.

- a. when the intangible asset is expected as a measure of revenue; or
- b. when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method of its property, plant and equipment and unit of production method for its mining right. The directors of the Company believe that the straight — line method and production unit cost method are the most appropriate method to reflect the consumption of economic benefits inherent in the assets and accordingly, the management of the Group does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Financial Information.

Except as described above, the directors of the Company consider that the application of the other new IFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 the Financial Information 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

The Financial Information 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

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 and other similar allowances.

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.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are included in the consolidated statements of financial position under current liabilities.

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 recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. 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.

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. Amortisation is recognised on a straight-line basis or on units of production basis over their estimated useful lives. The estimated useful life 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.

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, measured as the difference between the net disposal proceeds and the carrying amount of the asset, 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 reviews the carrying amounts of its tangible and intangible assets as well as investment 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or 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.

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 on monetary items are recognised in profit or loss in the period in which they arise.

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.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information 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/period

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.

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 non-current assets above), if any.

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 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 basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Available-for-sale financial asset

Available-for-sale financial asset (“AFS”) 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.

For available-for-sale 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, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

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.

Interest income is recognised by applying the effective interest rate, except 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; 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 receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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, as well as 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.

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 receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Financial liabilities

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.

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) a shorter period, to the net carrying amount on initial recognition.

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.

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets 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 2012, 2013, 2014 and 31 May 2015 were approximately RMB1,784,000,000, RMB1,792,248,000, RMB1,760,574,000 and RMB1,730,055,000 respectively. The carrying amount of property, plant and equipment of the Company as at 31 December 2012, 2013, 2014 and 31 May 2015 were RMB1,287,451,000, RMB1,344,639,000, RMB1,306,408,000 and RMB1,295,784,000, respectively.

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 and the Company tests for 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.

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.

Recognition of 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 2012, 2013, 2014 and 31 May 2015, the Group has recognised deferred tax asset of approximately RMB40,869,000, RMB35,016,000, RMB45,076,000 and RMB45,143,000 as set out in note 18, respectively. As at 31 December 2012, 2013, 2014 and 31 May 2015, the Company has recognised deferred tax asset of approximately RMB25,177,000, RMB19,744,000, RMB22,675,000 and RMB21,716,000, respectively. 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 and the Company takes 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. As at 31 December 2012, 2013, 2014 and 31 May 2015, the carrying amount of trade and bills receivables of the Group were RMB810,078,000, RMB1,107,605,000, RMB1,287,777,000 and RMB1,256,710,000, respectively, net of allowance for doubtful debts of RMB40,060,000, RMB24,744,000, RMB29,102,000 and RMB38,635,000, respectively. The carrying amount of trade and bills receivables of the Company were RMB656,089,000, RMB909,190,000, RMB862,843,000 and RMB940,633,000, respectively, net of allowance for doubtful debts of RMB27,336,000, RMB10,920,000, RMB14,872,000 and RMB21,355,000, respectively.

Useful lives and impairment of prepayments and intangible assets

The Group reviews the estimated useful lives of intangible assets at the end of each reporting period. Where there are any changes in estimated useful lives, the change will be accounted for prospectively and an impact to profit and loss may arise. The directors of the Company are satisfied that there is no change in the estimated useful lives of the intangible assets from prior years.

At the end of each reporting period, the Group reviews the carrying amounts of its prepayments and intangible assets 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. The directors of the Company are satisfied that no impairment loss is required to recognise during the year/period. As at 31 December 2012, 2013, 2014 and 31 May 2015, the carrying amount of prepayments and intangible assets of the Group are approximately RMB234,659,000, RMB237,585,000, RMB227,787,000 and RMB215,029,000, respectively. The carrying amount of prepayments and intangible assets of the Company as at 31 December 2012, 2013, 2014 and 31 May 2015 are RMB5,164,000, RMB3,153,000, RMB1,315,000 and RMB765,000, respectively.

Estimated impairment of deposits for acquisition of land use right

As at each year end of 31 December 2012, 2013 and 2014 and as at 31 May 2015, the carrying amount of deposits for acquisition of land use right of the Group were RMB24,000,000. As stated in note 20, the Group has not entered into a land acquisition agreement with the local government. The directors of the Company are of the opinion that the Group will be able to obtain such land use right and therefore no impairment is required at 31 December 2012, 2013, 2014 and 31 May 2015, respectively.

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 25 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

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Trade and other receivables (including cash and cash equivalents)	942,985	1,378,255	1,464,486	1,477,439
Available-for-sale investment	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>946,985</u>	<u>1,382,255</u>	<u>1,468,486</u>	<u>1,481,439</u>
Financial liabilities				
At amortised cost				
- Trade and other payables	658,387	888,988	1,122,256	833,587
- Borrowings	1,165,901	1,003,698	900,103	999,379
- Long-term payables for the acquisition of mining rights.	<u>126,651</u>	<u>134,175</u>	<u>141,650</u>	<u>144,573</u>
	<u>1,950,939</u>	<u>2,026,861</u>	<u>2,164,009</u>	<u>1,977,539</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Trade and other receivables (including cash and cash equivalents)	739,292	1,098,123	902,472	1,046,968
Available-for-sale investment	4,000	4,000	4,000	4,000
	<u>743,292</u>	<u>1,102,123</u>	<u>906,472</u>	<u>1,050,968</u>
Financial liabilities				
At amortised cost				
- Trade and other payables	474,519	650,580	766,432	650,133
- Borrowings	836,126	744,198	642,612	652,962
	<u>1,310,645</u>	<u>1,394,778</u>	<u>1,409,044</u>	<u>1,303,095</u>

Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, pledged bank deposits, cash and bank balances, available-for-sale investment, trade and other payables, bank borrowings and long-term payables for the acquisition of mining rights. 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 for the Track Record Period.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings (see note 25 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.

Sensitivity analysis

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 RMB5,449,000, RMB3,327,000, RMB4,662,000 and RMB6,301,000 for the years ended 31 December 2012, 2013, 2014 and five months ended 31 May 2015, respectively. The Company's post-tax profit would have decreased/increased by RMB5,014,000, RMB3,327,000, RMB3,710,000 and RMB3,904,000 for the years ended 31 December 2012, 2013, 2014 and five months ended 31 May 2015, respectively.

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

Foreign currency risk management

The primary economic environment in which the principal subsidiary of the Company operates is the PRC and its functional currency is RMB. However, certain sales and purchases of the Group are denominated in United States Dollars ("USD"), Euro Dollars ("EUR") and Japanese Yen ("JPY"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

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

The Group

	Liabilities				Assets			
	31/12/2012	31/12/2013	31/12/2014	31/05/2015	31/12/2012	31/12/2013	31/12/2014	31/05/2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	61,844	244,283	307,462	40,193	112,648	176,946	191,532	237,774
EUR	517	—	6,348	4,099	3,056	14,009	1,444	957
JPY	—	—	—	—	22,020	9,424	52,414	59,959
Total	<u>62,361</u>	<u>244,283</u>	<u>313,810</u>	<u>44,292</u>	<u>137,724</u>	<u>200,379</u>	<u>245,390</u>	<u>298,690</u>

The Company

	Liabilities				Assets			
	31/12/2012	31/12/2013	31/12/2014	31/05/2015	31/12/2012	31/12/2013	31/12/2014	31/05/2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	47,450	243,198	223,882	14,687	53,841	31,176	11,516	21,185
EUR	517	—	4,548	4,099	354	12,657	1,309	577
JPY	—	—	—	—	9,563	1,018	—	—
Total	<u>47,967</u>	<u>243,198</u>	<u>228,430</u>	<u>18,786</u>	<u>63,758</u>	<u>44,851</u>	<u>12,825</u>	<u>21,762</u>

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 currency. Foreign exchange forward contracts can be used to eliminate the currency exposures. During the Track Record Period, the Group has not entered into such forward contracts but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% change in RMB against USD, EUR and JPY 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/period where the relevant foreign currencies strengthen 5% against RMB. For a 5% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the net profit for the year/period.

The Group

	Year ended 31 December			Five months ended 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD impact	1,905	(2,525)	(4,348)	7,409
EUR impact	95	526	(184)	(118)
JPY impact	<u>826</u>	<u>354</u>	<u>1,966</u>	<u>2,248</u>

The Company

	Year ended 31 December			Five months ended 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD impact	240	(7,951)	(7,964)	244
EUR impact	(6)	475	(122)	(132)
JPY impact	<u>359</u>	<u>38</u>	<u>—</u>	<u>—</u>

Credit risk

As at 31 December 2012, 2013, 2014 and 31 May 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 counterparties 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 recoverability 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 2012, 2013, 2014 and 31 May 2015, included in the Group's bills receivables are commercial bills of RMB70,000,000, nil, RMB100,070,000 and RMB89,489,000. 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 counterparties 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%, 23%, 35% and 38% of the trade receivables of the Group at 31 December 2012, 2013, 2014 and 31 May 2015, respectively. 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.

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 management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group had net current liabilities of RMB131,808,000 at 31 December 2012, RMB257,482,000 at 31 December 2014 and RMB115,573,000 at 31 May 2015, respectively. The Group relies on borrowings, particularly bank loans, as a significant source of liquidity. As at 31 December 2012, 2014 and 31 May 2015, the Group's current portion of bank loans amounted to RMB750,101,000, RMB764,103,000 and RMB839,379,000, respectively. The directors of the Company closely monitors the use of cash, taking into consideration of future operation cash flows, capital expenditure and expansion plan and are of the opinion that the funds generated from operations are sufficient to pay liabilities when they fall due.

Further, based on the past experiences, the directors of the Company are of the opinion that there is no difficulty to roll over the Group's current bank loans when they fall due. Subsequent to 31 May 2015 and up to 30 September 2015, the Group has renewed RMB340.2 million of bank loans. In addition, as at 30 September 2015, the Group has unused banking facilities of RMB384.5 million and is in the process of obtaining further new available banking facilities. The directors of the Company consider that the liquidity risk of the Group is properly managed.

The following table details the Group's and the Company'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.

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
As at 31 December 2012								
Trade and other payables	N/A	658,387	—	—	—	—	658,387	658,387
Borrowings	6.78	124,761	672,007	281,402	173,635	—	1,251,805	1,165,901
Long-term payables for the acquisition of mining rights	6.55	—	—	—	100,243	68,350	168,593	126,651
Total		<u>783,148</u>	<u>672,007</u>	<u>281,402</u>	<u>273,878</u>	<u>68,350</u>	<u>2,078,785</u>	<u>1,950,939</u>
As at 31 December 2013								
Trade and other payables	N/A	888,988	—	—	—	—	888,988	888,988
Borrowings	6.38	127,121	579,825	288,191	83,345	—	1,078,482	1,003,698
Long-term payables for the acquisition of mining rights	6.55	—	—	—	103,775	64,818	168,593	134,175
Total		<u>1,016,109</u>	<u>579,825</u>	<u>288,191</u>	<u>187,120</u>	<u>64,818</u>	<u>2,136,063</u>	<u>2,026,861</u>

APPENDIX I
ACCOUNTANTS' REPORT

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2014								
Trade and other payables	N/A	1,122,256	—	—	—	—	1,122,256	1,122,256
Borrowings	5.96	177,207	609,073	141,938	—	—	928,218	900,103
Long-term payables for the acquisition of mining rights	6.15	—	—	94,272	—	74,321	168,593	141,650
Total		<u>1,299,463</u>	<u>609,073</u>	<u>236,210</u>	<u>—</u>	<u>74,321</u>	<u>2,219,067</u>	<u>2,164,009</u>
As at 31 May 2015								
Trade and other payables	N/A	833,587	—	—	—	—	833,587	833,587
Borrowings	5.70	141,955	732,057	143,739	14,493	9,352	1,041,596	999,379
Long-term payables for the acquisition of mining rights.	6.15	—	94,272	—	—	74,321	168,593	144,573
Total		<u>975,542</u>	<u>826,329</u>	<u>143,739</u>	<u>14,493</u>	<u>83,673</u>	<u>2,043,776</u>	<u>1,977,539</u>
The Company								
As at 31 December 2012								
Trade and other payables	N/A	474,519	—	—	—	—	474,519	474,519
Borrowings	6.39	24,659	431,160	281,402	173,635	—	910,856	836,126
Total		<u>499,178</u>	<u>431,160</u>	<u>281,402</u>	<u>173,635</u>	<u>—</u>	<u>1,385,375</u>	<u>1,310,645</u>
As at 31 December 2013								
Trade and other payables	N/A	650,580	—	—	—	—	650,580	650,580
Borrowings	5.94	41,033	394,358	288,191	83,345	—	806,927	744,198
Total		<u>691,613</u>	<u>394,358</u>	<u>288,191</u>	<u>83,345</u>	<u>—</u>	<u>1,457,507</u>	<u>1,394,778</u>
As at 31 December 2014								
Trade and other payables	N/A	766,432	—	—	—	—	766,432	766,432
Borrowings	6.14	89,022	465,876	141,938	—	—	696,836	642,612
Total		<u>855,454</u>	<u>465,876</u>	<u>141,938</u>	<u>—</u>	<u>—</u>	<u>1,463,268</u>	<u>1,409,044</u>

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 May 2015								
Trade and other payables	N/A	650,133	—	—	—	—	650,133	650,133
Borrowings	5.81	63,303	473,350	142,439	—	—	679,092	652,962
Total		<u>713,436</u>	<u>473,350</u>	<u>142,439</u>	<u>—</u>	<u>—</u>	<u>1,329,225</u>	<u>1,303,095</u>

Fair value

The fair value of financial assets and financial liabilities measured at amortised cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. REVENUE AND SEGMENT 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.

Such internal reports include five product types based on sales contract terms, namely photovoltaic glass, household glass, architectural glass, float glass and mining products. These products form the basis on which the Group reports its segment information.

The following is an analysis of the Group's revenue and results by operating and reportable segments for the Track Record Period:

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Segment revenue					
Sales of photovoltaic glass	1,120,450	1,438,413	2,078,373	845,016	937,227
Sales of household glass	182,218	222,578	250,875	105,499	96,579
Sales of architectural glass	15,273	100,770	139,197	39,868	57,147
Sales of float glass	170,616	425,298	353,846	159,089	126,978
Sales of mining products	—	224	11,015	322	19,501
Total Revenue	<u>1,488,557</u>	<u>2,187,283</u>	<u>2,833,306</u>	<u>1,149,794</u>	<u>1,237,432</u>
Segment results					
Sales of photovoltaic glass	288,977	396,803	768,601	307,694	309,811
Sales of household glass	31,212	54,411	62,531	25,227	20,200
Sales of architectural glass	3,470	33,345	33,762	10,067	7,313
Sales of float glass	(2,536)	110,371	69,475	36,123	4,607
Sales of mining products	—	(69)	(6,035)	140	7,187
Total segment results	<u>321,123</u>	<u>594,861</u>	<u>928,334</u>	<u>379,251</u>	<u>349,118</u>
Other income, expenses, gains and losses	(7,624)	4,122	(18,043)	(15,865)	9,713
Selling and marketing expenses	(57,921)	(102,246)	(108,845)	(45,312)	(46,588)
Administration expenses	(75,320)	(93,769)	(105,458)	(43,472)	(43,849)
Research and development expenditure	(59,894)	(66,582)	(129,333)	(37,085)	(44,377)
Finance cost	<u>(56,958)</u>	<u>(72,343)</u>	<u>(80,251)</u>	<u>(35,856)</u>	<u>(28,566)</u>
Profit before tax	63,406	264,043	486,404	201,661	195,451
Income tax expense	<u>(3,523)</u>	<u>(60,428)</u>	<u>(93,737)</u>	<u>(39,583)</u>	<u>(33,912)</u>
Profit and total comprehensive income for the year/period	<u>59,883</u>	<u>203,615</u>	<u>392,667</u>	<u>162,078</u>	<u>161,539</u>

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

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 during the Track Record Period is as follows:

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Place of domicile of group entities:					
PRC	800,002	1,255,370	1,533,670	635,393	679,189
Other foreign countries and regions:					
Japan	111,341	174,153	453,109	169,067	183,537
Other countries and regions in Asia (excluding PRC and Japan)	363,601	461,250	503,880	196,102	241,434
Europe	150,537	214,466	250,650	112,188	86,686
North America	49,806	63,646	60,555	25,831	35,234
Others	13,270	18,398	31,442	11,213	11,352
	<u>1,488,557</u>	<u>2,187,283</u>	<u>2,833,306</u>	<u>1,149,794</u>	<u>1,237,432</u>

Information about major customers

For each of the years ended 31 December 2012, 2013 and 2014 and five months ended 31 May 2014, respectively, no single customer accounted for 10% or more of the Group's revenue for the respective years/period.

For the five months ended 31 May 2015, the revenue from one customer accounted for approximately 14% of the Group's revenue, amounting to RMB179,322,000 and located in PRC.

8. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Other income:					
Government grants					
- assets related government grants (note 26)	10,683	12,156	12,936	5,236	5,917
- others (note)	9,253	990	5,513	852	7,889
	19,936	13,146	18,449	6,088	13,806
Interest income from bank deposits	403	2,110	2,030	407	476
	<u>20,339</u>	<u>15,256</u>	<u>20,479</u>	<u>6,495</u>	<u>14,282</u>
Other gains and losses:					
(Losses) gains on disposal of property, plant and equipment	(112)	(3,065)	900	802	(21)
Impairment of property, plant and equipment	—	—	(11,600)	(11,053)	—
Gain on disposal of land use right	—	13,611	—	—	—
Net foreign exchange (losses) gains	(2,630)	(16,711)	(12,620)	1,855	4,103
Allowance for doubtful debts, net	(27,841)	(3,680)	(18,352)	(15,284)	(9,573)
Gains on disposal of scrap materials	6,299	5,535	3,137	1,254	1,005
Others	(3,679)	(6,824)	13	66	(83)
	<u>(27,963)</u>	<u>(11,134)</u>	<u>(38,522)</u>	<u>(22,360)</u>	<u>(4,569)</u>

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

9. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Interest on:					
Bank loans wholly repayable					
within five years	79,633	66,309	72,775	32,933	25,643
Long-term payables for the					
acquisition of mining rights					
not wholly repayable within					
five years	<u>7,818</u>	<u>7,524</u>	<u>7,476</u>	<u>2,923</u>	<u>2,923</u>
Total interest expenses	<u>87,451</u>	<u>73,833</u>	<u>80,251</u>	<u>35,856</u>	<u>28,566</u>
Less: amounts capitalised in the					
cost of qualifying assets	<u>(30,493)</u>	<u>(1,490)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total finance costs	<u>56,958</u>	<u>72,343</u>	<u>80,251</u>	<u>35,856</u>	<u>28,566</u>

The weighted average capitalisation rates on funds borrowed are 6.94%, 5.65%, nil, nil (unaudited) and nil per annum, respectively for each of the years ended 31 December 2012, 2013, 2014, five months ended 31 May 2014 and 31 May 2015.

10. INCOME TAX EXPENSE

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Current PRC tax:					
- PRC enterprise income tax	14,924	55,315	104,249	46,213	36,564
- Under-provision in prior years/period	—	436	—	—	—
- Over-provision in prior years/period	(691)	—	(7)	(7)	(2,449)
	14,233	55,751	104,242	46,206	34,115
Deferred tax (credit) charge:	(10,710)	4,677	(10,505)	(6,623)	(203)
	<u>3,523</u>	<u>60,428</u>	<u>93,737</u>	<u>39,583</u>	<u>33,912</u>

No Hong Kong profit tax has been provided as the Group entities have no relevant assessable profits for the Track Record Period.

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

Zhejiang Jiafu

Effective from 2010, Zhejiang Jiafu was approved as a high-technology enterprise and is entitled to the PRC EIT at the rate of 15% and the above approval is valid for three years from 2010 to 2012. Subsequently, renewal was obtained and Zhejiang Jiafu was entitled as high-technology enterprise for another three years from 2013 to 2015.

Jiaxing Flat

According to Caishui (2012) No. 10 (《財政部國家稅務總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 and half rate reduction for the next subsequent three years. Jiaxing Flat first operating year commenced in 2014. Therefore, the EIT rate of Jiaxing Flat for the year ended 31 December 2014 and five months ended 31 May 2015 was nil.

The income tax expense for the Track Record Period can be reconciled to the profit before tax on the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>63,406</u>	<u>264,043</u>	<u>486,404</u>	<u>201,661</u>	<u>195,451</u>
Tax at the PRC enterprise income tax rate of 25%	15,852	66,011	121,601	50,415	48,863
Tax effect of expenses not deductible for tax purpose	1,477	163	597	320	128
(Over) under provision in prior years	(691)	436	(7)	(7)	(2,449)
Tax effect of tax losses not recognised as deferred tax assets	—	4,715	3,136	967	1,054
Effect of preferential tax rate	(5,702)	(4,191)	(20,138)	(9,229)	(9,310)
Tax effect attributable to the additional qualified tax deduction relating to research and development costs (note)	(6,548)	(6,706)	(11,452)	(2,883)	(4,374)
Others	<u>(865)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>3,523</u>	<u>60,428</u>	<u>93,737</u>	<u>39,583</u>	<u>33,912</u>

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/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Depreciation for property, plant and equipment	133,363	180,203	200,322	81,526	85,841
Amortisation of intangible assets	2,303	2,527	10,708	1,284	12,758
Release of prepaid lease payments	4,188	4,188	4,240	1,774	1,780
	<u>139,854</u>	<u>186,918</u>	<u>215,270</u>	<u>84,584</u>	<u>100,379</u>
Allowance for doubtful debts, net	27,841	3,680	18,352	15,284	9,573
Employee benefits expenses (including directors):					
- Salaries and other benefits . .	126,278	149,649	180,808	73,391	81,615
- Retirement benefit scheme contributions	4,461	8,494	10,742	4,884	5,721
	<u>130,739</u>	<u>158,143</u>	<u>191,550</u>	<u>78,275</u>	<u>87,336</u>
Auditors' remuneration	177	285	416	10	75
Operating lease payments in respect of a rented premise . . .	22	66	—	—	126

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid and payable to the directors, supervisors and the chief executive of the Company for the Track Record Period are as follows:

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Directors' emoluments:					
- Fee, salaries and other benefits	2,123	2,619	2,503	834	1,204
- Retirement benefits scheme contribution	79	87	78	32	32
- Discretionary bonus (note) . .	449	289	—	—	—
Total	<u>2,651</u>	<u>2,995</u>	<u>2,581</u>	<u>866</u>	<u>1,236</u>

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

For the year ended 31 December 2012

	Directors' fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Mr. Ruan Hongliang [#] . . .	—	392	121	11	524
Ms. Jiang Jinhua	—	282	121	—	403
Mr. Wei Yezhong	—	400	31	11	442
Mr. Shen Fuquan	—	173	46	11	230
Mr. Zheng Wenrong	—	197	26	11	234
Mr. Zhu Quanming	—	208	31	11	250
Independent non-executive directors:					
Ms. Pan Yushuang	40	—	—	—	40
Mr. Ding Bingxing	40	—	—	—	40
Mr. Xu Jingeng*	20	—	—	—	20
Mr. Li Shilong*	20	—	—	—	20
Supervisor:					
Mr. Shen Qifu	—	203	36	10	249
Mr. Sun Lizhong	—	94	31	9	134
Ms. Tao Wuping	—	54	6	5	65
Total	<u>120</u>	<u>2,003</u>	<u>449</u>	<u>79</u>	<u>2,651</u>

[#] Mr. Ruan Hongliang is also the chief executive of the Company for the Track Record Period.

* Mr. Xu Jingeng resigned on 28 June 2012 and Mr. Li Shilong was appointed as an independent non-executive director on the same date.

For the year ended 31 December 2013

	Directors' fee	Salaries and other benefits	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Mr. Ruan Hongliang . . .	—	598	41	12	651
Ms. Jiang Jinhua	—	440	41	—	481
Mr. Wei Yezhong	—	460	26	12	498
Mr. Shen Fuquan	—	205	31	12	248
Mr. Zheng Wenrong	—	206	26	12	244
Mr. Zhu Quanming	—	220	31	9	260
Independent non-executive directors:					
Ms. Pan Yushuang	40	—	—	—	40
Mr. Ding Bingxing	40	—	—	—	40
Mr. Li Shilong	40	—	—	—	40
Supervisor:					
Mr. Shen Qifu	—	214	51	12	277
Mr. Sun Lizhong	—	100	36	12	148
Ms. Tao Wuping	—	56	6	6	68
Total	<u>120</u>	<u>2,499</u>	<u>289</u>	<u>87</u>	<u>2,995</u>

For the year ended 31 December 2014

	Directors' fee	Salaries and other benefits	Retirement benefit scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ruan Hongliang	—	520	12	532
Ms. Jiang Jinhua	—	378	—	378
Mr. Wei Yezhong	—	388	12	400
Mr. Shen Fuquan	—	208	12	220
Mr. Zheng Wenrong	—	212	12	224
Mr. Zhu Quanming	—	214	—	214
Independent non-executive directors:				
Ms. Pan Yushuang	40	—	—	40
Mr. Ding Bingxing	40	—	—	40
Mr. Li Shilong	40	—	—	40
Supervisor:				
Mr. Shen Qifu	—	275	12	287
Mr. Sun Lizhong	—	124	12	136
Ms. Tao Wuping	—	64	6	70
Total	<u>120</u>	<u>2,383</u>	<u>78</u>	<u>2,581</u>

For the five-month period ended 31 May 2014

(unaudited)

	Directors' fee	Salaries and other benefits	Retirement benefit scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ruan Hongliang	—	158	5	163
Ms. Jiang Jinhua	—	111	—	111
Mr. Wei Yezhong	—	96	5	101
Mr. Shen Fuquan	—	82	5	87
Mr. Zheng Wenrong	—	80	5	85
Mr. Zhu Quanming	—	80	—	80
Independent non-executive directors:				
Ms. Pan Yushuang	17	—	—	17
Mr. Ding Bingxing	17	—	—	17
Mr. Li Shilong	17	—	—	17
Supervisor:				
Mr. Shen Qifu	—	98	5	103
Mr. Sun Lizhong	—	52	5	57
Ms. Tao Wuping	—	26	2	28
Total	<u>51</u>	<u>783</u>	<u>32</u>	<u>866</u>

For the five-month period ended 31 May 2015

	Directors' fee	Salaries and other benefits	Retirement benefit scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:				
Mr. Ruan Hongliang	—	235	5	240
Ms. Jiang Jinhua	—	192	—	192
Mr. Wei Yezhong	—	206	5	211
Mr. Shen Qifu [#]	—	137	5	142
Independent non-executive directors:				
Ms. Pan Yushuang	17	—	—	17
Mr. Li Shilong	17	—	—	17
Mr. Wu Qihong [^]	17	—	—	17
Mr. Ding Bingxing ^{&}	—	—	—	—
Supervisor:				
Mr. Zheng Wenrong*	—	92	5	97
Mr. Shen Fuquan*	—	92	5	97
Mr. Zhu Quanming*	—	95	—	95
Ms. Zhang Hongming [@]	—	35	4	39
Mr. Meng Lizhong [@]	—	69	3	72
Mr. Sun Lizhong [!]	—	—	—	—
Ms. Tao Wuping [!]	—	—	—	—
Total	<u>51</u>	<u>1,153</u>	<u>32</u>	<u>1,236</u>

* 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.

On 20 January 2015, Mr. Shen Qifu resigned as supervisor and was appointed as executive director on the same date.

^ On 20 January 2015, Mr. Wu Qihong was appointed as independent non-executive director.

@ On 20 January 2015, Ms. Zhang Hongming and Mr. Meng Lizhong were appointed as supervisors.

& On 20 January 2015, Mr. Ding Bingxing resigned as independent non-executive director.

! On 20 January 2015, Mr. Sun Lizhong and Ms. Tao Wuping resigned as supervisors.

During the Track Record Period, 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.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3, 2, 2, 2 (unaudited) and 2 were the directors of the Company for the year ended 31 December 2012, 2013 and 2014 and five months ended 31 May 2014 and 31 May 2015, respectively. The emoluments of the remaining 2, 3, 3, 3 (unaudited) and 3 individuals during the Track Record Period were as follows:

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Salaries and other benefits	1,045	1,711	1,437	530	637
Retirement benefits scheme contribution.	<u>21</u>	<u>85</u>	<u>87</u>	<u>35</u>	<u>38</u>
	<u>1,066</u>	<u>1,796</u>	<u>1,524</u>	<u>565</u>	<u>675</u>

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

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
				<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, 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.

14. EARNINGS PER SHARE

The basic earnings per share for the each of the years ended 31 December 2012, 2013 and 2014 and five months ended 31 May 2014 and 31 May 2015 is calculated based on the profit for the year/period attributable to the owners of the Company and the shares in issue immediately to the issue of the Company's shares to the public upon its Listing.

	Year ended 31 December			Five months ended 31 May	
	2012	2013	2014	2014	2015
	<i>(unaudited)</i>				
Profit for the year/period attributable to owners of the Company (RMB'000)	<u>59,883</u>	<u>203,615</u>	<u>392,667</u>	<u>162,078</u>	<u>161,539</u>
Number of ordinary shares in issue ('000).	<u>1,437,600</u>	<u>1,437,600</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,350,000</u>
Basic earnings per share (RMB cents)	<u>4.17</u>	<u>14.16</u>	<u>29.09</u>	<u>12.01</u>	<u>11.97</u>

There were no dilutive potential ordinary shares in issue during the Track Record Period, the amount of diluted earnings per share is the same as basic earnings per share for the Track Record Period.

Number of ordinary shares in issue has taken into account of share split with a nominal value of RMB1.00 each into 4 shares of RMB0.25 each to be completed immediately upon the Listing.

14a. DIVIDEND

During the year ended 31 December 2014, a dividend of RMB0.16 per share, equivalent to RMB54,388,000 in aggregate has been proposed by the directors of the Company and been approved by the shareholders.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2012	443,876	778,428	35,510	12,517	484,413	1,754,744
Additions	13,199	124,742	2,311	9,218	243,010	392,480
Transfer	184,052	391,264	—	5,725	(581,041)	—
Disposals	—	(7,434)	(794)	(665)	—	(8,893)
At 31 December 2012	641,127	1,287,000	37,027	26,795	146,382	2,138,331
Additions	32,261	99,890	3,808	4,350	51,557	191,866
Transfer	38,142	142,912	—	709	(181,763)	—
Disposals	(9,737)	(26,073)	(1,234)	(300)	—	(37,344)
At 31 December 2013	701,793	1,503,729	39,601	31,554	16,176	2,292,853
Additions	—	168,477	2,235	2,270	20,635	193,617
Transfer	11,263	14,650	—	—	(25,913)	—
Disposals	—	(20,948)	(8,304)	(721)	—	(29,973)
At 31 December 2014	713,056	1,665,908	33,532	33,103	10,898	2,456,497
Additions	110	18,636	2,081	664	34,108	55,599
Transfer	—	6,771	—	—	(6,771)	—
Disposals	(811)	(6,690)	(1,522)	—	—	(9,023)
At 31 May 2015	712,355	1,684,625	34,091	33,767	38,235	2,503,073
DEPRECIATION						
At 1 January 2012	50,107	144,447	16,629	4,352	—	215,535
Provided for the year	27,218	95,796	6,281	4,068	—	133,363
Eliminated on disposals	—	(4,433)	(791)	(143)	—	(5,367)
At 31 December 2012	77,325	235,810	22,119	8,277	—	343,531
Provided for the year	30,389	136,860	5,640	7,314	—	180,203
Eliminated on disposals	(4,818)	(18,625)	(1,185)	(298)	—	(24,926)
At 31 December 2013	102,896	354,045	26,574	15,293	—	498,808
Provided for the year	32,115	155,669	5,032	7,506	—	200,322
Eliminated on disposals	—	(7,348)	(7,661)	(428)	—	(15,437)

	Buildings	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2014	135,011	502,366	23,945	22,371	—	683,693
Provided for the period	14,008	67,364	1,729	2,740	—	85,841
Eliminated on disposals	(605)	(6,072)	(1,455)	—	—	(8,132)
At 31 May 2015	<u>148,414</u>	<u>563,658</u>	<u>24,219</u>	<u>25,111</u>	<u>—</u>	<u>761,402</u>
IMPAIRMENT						
At 1 January 2012 and 31 December 2012	<u>—</u>	<u>10,800</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,800</u>
Eliminated on disposals	<u>—</u>	<u>(9,003)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,003)</u>
At 31 December 2013	<u>—</u>	<u>1,797</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,797</u>
Provide for the year	<u>—</u>	<u>11,600</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,600</u>
Eliminated on disposals	<u>—</u>	<u>(1,167)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,167)</u>
At 31 December 2014	<u>—</u>	<u>12,230</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,230</u>
Eliminated on disposals	<u>—</u>	<u>(614)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(614)</u>
At 31 May 2015	<u>—</u>	<u>11,616</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,616</u>
CARRYING VALUES						
At 31 December 2012	<u>563,802</u>	<u>1,040,390</u>	<u>14,908</u>	<u>18,518</u>	<u>146,382</u>	<u>1,784,000</u>
At 31 December 2013	<u>598,897</u>	<u>1,147,887</u>	<u>13,027</u>	<u>16,261</u>	<u>16,176</u>	<u>1,792,248</u>
At 31 December 2014	<u>578,045</u>	<u>1,151,312</u>	<u>9,587</u>	<u>10,732</u>	<u>10,898</u>	<u>1,760,574</u>
At 31 May 2015	<u>563,941</u>	<u>1,109,351</u>	<u>9,872</u>	<u>8,656</u>	<u>38,235</u>	<u>1,730,055</u>

The Company

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Motor vehicles</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2012	264,746	341,680	16,549	8,566	460,735	1,092,276
Additions	13,199	113,032	2,293	7,769	221,144	357,437
Transfer	166,607	387,591	—	5,725	(559,923)	—
Disposals	<u>—</u>	<u>(10,617)</u>	<u>(351)</u>	<u>(637)</u>	<u>—</u>	<u>(11,605)</u>
At 31 December 2012	444,552	831,686	18,491	21,423	121,956	1,438,108
Additions	32,531	98,687	2,620	3,589	43,218	180,645
Transfer	36,783	111,517	—	709	(149,009)	—
Disposals	<u>(7,929)</u>	<u>(3,553)</u>	<u>(61)</u>	<u>(98)</u>	<u>—</u>	<u>(11,641)</u>
At 31 December 2013	505,937	1,038,337	21,050	25,623	16,165	1,607,112
Additions	356	90,720	1,469	1,713	11,413	105,671
Transfer	11,263	6,112	—	—	(17,375)	—
Disposals	<u>—</u>	<u>(9,980)</u>	<u>(6,938)</u>	<u>(689)</u>	<u>—</u>	<u>(17,607)</u>
At 31 December 2014	517,556	1,125,189	15,581	26,647	10,203	1,695,176
Additions	110	12,705	1,357	426	32,970	47,568
Transfer	—	6,272	—	—	(6,272)	—
Disposals	<u>—</u>	<u>(4,194)</u>	<u>(1,143)</u>	<u>—</u>	<u>—</u>	<u>(5,337)</u>
At 31 May 2015	<u>517,666</u>	<u>1,139,972</u>	<u>15,795</u>	<u>27,073</u>	<u>36,901</u>	<u>1,737,407</u>
DEPRECIATION						
At 1 January 2012	27,439	47,782	9,139	2,688	—	87,048
Provided for the year	17,982	43,889	2,403	3,008	—	67,282
Eliminated on disposals	<u>—</u>	<u>(3,469)</u>	<u>(114)</u>	<u>(90)</u>	<u>—</u>	<u>(3,673)</u>
At 31 December 2012	45,421	88,202	11,428	5,606	—	150,657
Provided for the year	20,431	87,648	2,488	6,212	—	116,779
Eliminated on disposals	<u>(4,290)</u>	<u>(580)</u>	<u>(60)</u>	<u>(33)</u>	<u>—</u>	<u>(4,963)</u>
At 31 December 2013	61,562	175,270	13,856	11,785	—	262,473
Provided for the year	22,545	101,953	2,881	6,640	—	134,019
Eliminated on disposals	<u>—</u>	<u>(1,223)</u>	<u>(6,546)</u>	<u>(410)</u>	<u>—</u>	<u>(8,179)</u>

	Buildings	Plant and machinery	Motor vehicles	Other equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2014	84,107	276,000	10,191	18,015	—	388,313
Provided for the period	10,058	44,315	1,256	2,385	—	58,014
Eliminated on disposals	—	(4,063)	(1,096)	—	—	(5,159)
At 31 May 2015	<u>94,165</u>	<u>316,252</u>	<u>10,351</u>	<u>20,400</u>	<u>—</u>	<u>441,168</u>
IMPAIRMENT						
At 1 January 2012, 31 December 2012 and 2013	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Provide for the year	<u>—</u>	<u>455</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>455</u>
At 31 December 2014 and 31 May 2015	<u>—</u>	<u>455</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>455</u>
CARRYING VALUES						
At 31 December 2012	<u>399,131</u>	<u>743,484</u>	<u>7,063</u>	<u>15,817</u>	<u>121,956</u>	<u>1,287,451</u>
At 31 December 2013	<u>444,375</u>	<u>863,067</u>	<u>7,194</u>	<u>13,838</u>	<u>16,165</u>	<u>1,344,639</u>
At 31 December 2014	<u>433,449</u>	<u>848,734</u>	<u>5,390</u>	<u>8,632</u>	<u>10,203</u>	<u>1,306,408</u>
At 31 May 2015	<u>423,501</u>	<u>823,265</u>	<u>5,444</u>	<u>6,673</u>	<u>36,901</u>	<u>1,295,784</u>

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 RMB188,875,000, RMB1,149,785,000, RMB1,304,849,000 and RMB1,274,193,000 as at 31 December 2012, 2013, 2014 and 31 May 2015, respectively to secure bank borrowings granted to the Group.

The Company pledged building, plant and machineries with aggregate net book values of approximately RMB23,372,000, RMB994,430,000, RMB926,565,000 and RMB892,497,000 as at 31 December 2012, 2013, 2014 and 31 May 2015, respectively to secure bank borrowings granted to the Company.

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 ended 31 December 2014, the Group reviewed the conditions of property, plant and equipment and identified that certain plant and machinery were impaired due to technical obsolescence. These assets are used in the Group's photovoltaic glass segment. As a result, the Group recognised an impairment loss of RMB11,600,000, which has been recognised in profit or loss for the year ended 31 December 2014.

16. PREPAID LEASE PAYMENTS

The Group

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purpose as:				
Current assets	4,188	4,239	4,209	4,312
Non-current assets	<u>185,570</u>	<u>183,157</u>	<u>178,947</u>	<u>182,195</u>
	<u>189,758</u>	<u>187,396</u>	<u>183,156</u>	<u>186,507</u>

The Company

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purpose as:				
Current assets	3,014	3,065	3,035	3,035
Non-current assets	<u>134,087</u>	<u>132,848</u>	<u>129,812</u>	<u>128,547</u>
	<u>137,101</u>	<u>135,913</u>	<u>132,847</u>	<u>131,582</u>

Certain land use right 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.

The prepaid lease payments are all land use rights located in the PRC held under medium-term leases of 50 years.

The Group pledged leasehold land with aggregate net book values of approximately RMB60,776,000, RMB122,814,000, RMB115,762,000 and RMB124,707,000 as at 31 December 2012, 2013, 2014 and 31 May 2015, respectively to secure bank borrowings granted to the Group.

The Company pledged leasehold land with aggregate net book values of approximately RMB8,119,000, RMB71,332,000, RMB65,452,000 and RMB69,782,000 as at 31 December 2012, 2013, 2014 and 31 May 2015, respectively to secure bank borrowings granted to the Company.

17. PREPAYMENT AND INTANGIBLE ASSETS

The Group

	Prepayment of emission rights	Mining rights	Total
	<i>RMB'000</i> <i>(note 1)</i>	<i>RMB'000</i> <i>(note 2)</i>	<i>RMB'000</i>
COST			
At 1 January 2012	13,640	—	13,640
Additions	<u>—</u>	<u>226,600</u>	<u>226,600</u>
At 31 December 2012	13,640	226,600	240,240
Additions	<u>—</u>	<u>5,453</u>	<u>5,453</u>
At 31 December 2013	13,640	232,053	245,693
Additions	<u>—</u>	<u>910</u>	<u>910</u>
At 31 December 2014 and 31 May 2015	<u>13,640</u>	<u>232,963</u>	<u>246,603</u>
AMORTISATION			
At 1 January 2012	3,278	—	3,278
Provided for the year	<u>2,303</u>	<u>—</u>	<u>2,303</u>
At 31 December 2012	5,581	—	5,581
Provided for the year	<u>2,302</u>	<u>225</u>	<u>2,527</u>
At 31 December 2013	7,883	225	8,108
Provided for the year	<u>2,130</u>	<u>8,578</u>	<u>10,708</u>
At 31 December 2014	10,013	8,803	18,816
Provided for the period	<u>627</u>	<u>12,131</u>	<u>12,758</u>
At 31 May 2015	<u>10,640</u>	<u>20,934</u>	<u>31,574</u>
CARRYING VALUES			
At 31 December 2012	<u>8,059</u>	<u>226,600</u>	<u>234,659</u>
At 31 December 2013	<u>5,757</u>	<u>231,828</u>	<u>237,585</u>
At 31 December 2014	<u>3,627</u>	<u>224,160</u>	<u>227,787</u>
At 31 May 2015	<u>3,000</u>	<u>212,029</u>	<u>215,029</u>

The Company

	Prepayments of emission rights
	<i>RMB'000</i> <i>(note 1)</i>
COST	
At 1 January 2012	10,053
Additions	<u>—</u>
At 31 December 2012	10,053
Additions	<u>—</u>
At 31 December 2013	10,053
Additions	<u>—</u>
At 31 December 2014 and 31 May 2015	<u>10,053</u>
AMORTISATION	
At 1 January 2012	2,878
Provided for the year	<u>2,011</u>
At 31 December 2012	4,889
Provided for the year	<u>2,011</u>
At 31 December 2013	6,900
Provided for the year	<u>1,838</u>
At 31 December 2014	8,738
Provided for the period	550
At 31 May 2015	<u>9,288</u>
CARRYING VALUES	
At 31 December 2012	<u>5,164</u>
At 31 December 2013	<u>3,153</u>
At 31 December 2014	<u>1,315</u>
At 31 May 2015	<u>765</u>

Notes:

- 1) The amount represents the payment to Jiaxing Emission Rights Reserve Trading Center (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 Anhui Flat Materials. The local government granted the mining permit to Anhui Flat Materials for a term of 10 years from 2012 to 2022.

18. DEFERRED TAX

The following are the major deferred tax assets recognised and movements thereon during the Track Record Period:

The Group

	Provision on impairments	Deferred income	Revaluation of properties arising from joint stock company conversion	Tax losses	Other deductible temporary differences	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2012	9,091	19,512	(7,712)	699	1,384	22,974
Credit (charge) to profit or loss	<u>3,494</u>	<u>4,497</u>	<u>527</u>	<u>(343)</u>	<u>2,535</u>	<u>10,710</u>
At 31 December 2012	12,585	24,009	(7,185)	356	3,919	33,684
(Charge) credit to profit or loss	<u>(6,010)</u>	<u>(2,104)</u>	<u>1,176</u>	<u>156</u>	<u>2,105</u>	<u>(4,677)</u>
At 31 December 2013	6,575	21,905	(6,009)	512	6,024	29,007
Credit to profit or loss	<u>3,234</u>	<u>475</u>	<u>445</u>	<u>2,456</u>	<u>3,895</u>	<u>10,505</u>
At 31 December 2014	9,809	22,380	(5,564)	2,968	9,919	39,512
Credit (charge) to profit or loss	<u>3,444</u>	<u>(1,055)</u>	<u>136</u>	<u>(1,025)</u>	<u>(1,297)</u>	<u>203</u>
At 31 May 2015	<u>13,253</u>	<u>21,325</u>	<u>(5,428)</u>	<u>1,943</u>	<u>8,622</u>	<u>39,715</u>

The Company

	Provision on impairments	Deferred income	Revaluation of properties arising from joint stock company conversion	Other deductible temporary differences	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2012 . . .	4,925	13,275	(7,712)	—	10,488
Credit to profit or loss	<u>2,581</u>	<u>4,396</u>	<u>527</u>	<u>—</u>	<u>7,504</u>
At 31 December 2012	7,506	17,671	(7,185)	—	17,992
(Charge) credit to profit or loss	<u>(4,710)</u>	<u>(723)</u>	<u>1,176</u>	<u>—</u>	<u>(4,257)</u>
At 31 December 2013	2,796	16,948	(6,009)	—	13,735
Credit to profit or loss	<u>1,063</u>	<u>250</u>	<u>445</u>	<u>1,618</u>	<u>3,376</u>
At 31 December 2014	<u>3,859</u>	<u>17,198</u>	<u>(5,564)</u>	<u>1,618</u>	<u>17,111</u>
Credit (charge) to profit or loss	<u>1,621</u>	<u>(962)</u>	<u>136</u>	<u>(1,618)</u>	<u>(823)</u>
At 31 May 2015	<u><u>5,480</u></u>	<u><u>16,236</u></u>	<u><u>(5,428)</u></u>	<u><u>—</u></u>	<u><u>16,288</u></u>

The Group has certain unutilised tax losses of nil, RMB18,860,000, RMB31,404,000 and RMB35,618,000 available for offset against future profits as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 May 2015, respectively. 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			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2018	—	18,860	18,860	18,860
2019	—	—	12,544	12,544
2020	—	—	—	4,214

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

19. INVESTMENT IN SUBSIDIARIES

At the end of each reporting period, the amounts represent the aggregate cost of investments by the Company into each of the subsidiaries.

19a. AMOUNT DUE FROM A SUBSIDIARY/AMOUNT DUE TO SUBSIDIARIES

The amount is unsecured, non-interest bearing and repayable on demand.

20. DEPOSIT FOR ACQUISITION OF LAND USE RIGHT

At 31 December 2012, 2013, 2014 and 31 May 2015, the amount represents the deposits made by the Group to local government for the acquisition of a land use right and details are disclosed in note 29 as the contract has been cancelled.

21. INVENTORIES

The Group

	As at 31 December			As at
				31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	127,105	102,745	128,321	100,589
Work in progress	41,848	31,872	25,285	22,906
Finished goods	89,008	66,190	154,986	101,616
	<u>257,961</u>	<u>200,807</u>	<u>308,592</u>	<u>225,111</u>

The Company

	As at 31 December			As at
				31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	84,577	62,908	64,566	59,361
Work in progress	27,320	18,435	14,699	12,071
Finished goods	40,381	39,886	95,047	71,811
	<u>152,278</u>	<u>121,229</u>	<u>174,312</u>	<u>143,243</u>

22. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	448,213	427,919	520,872	680,218
Less: allowance for doubtful debts	(40,060)	(24,744)	(29,102)	(38,635)
	408,153	403,175	491,770	641,583
Bills receivable	401,925	704,430	796,007	615,127
Trade and bills receivables, net	810,078	1,107,605	1,287,777	1,256,710
Advances to suppliers	36,793	36,284	25,553	45,206
Other taxes recoverable	97,654	26,695	16,786	8,930
Other receivables	8,284	31,028	12,354	11,278
Total trade and other receivables	<u>952,809</u>	<u>1,201,612</u>	<u>1,342,470</u>	<u>1,322,124</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	388,691	376,204	363,675	450,678
Less: allowance for doubtful debts	(27,336)	(10,920)	(14,872)	(21,355)
	361,355	365,284	348,803	429,323
Bills receivable	294,734	543,906	514,040	511,310
Trade and bills receivables, net	656,089	909,190	862,843	940,633
Advances to suppliers	29,684	22,853	65,757	64,830
Dividend receivable from subsidiaries	—	61,460	—	—
Other taxes recoverable	86,120	19,104	—	—
Other receivables	7,142	29,015	8,836	9,547
Total trade and other receivables	<u>779,035</u>	<u>1,041,622</u>	<u>937,436</u>	<u>1,015,010</u>

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

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD.....	97,356	137,555	166,963	168,375
EUR.....	2,053	13,749	738	380
JPY.....	21,572	8,406	41,672	40,857
	<u>120,981</u>	<u>159,710</u>	<u>209,373</u>	<u>209,612</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD.....	47,402	8,408	4,075	3,918
EUR.....	122	12,573	626	—
JPY.....	9,503	—	—	—
	<u>57,027</u>	<u>20,981</u>	<u>4,701</u>	<u>3,918</u>

Included in bills receivables of the Group are commercial bills from certain customers, amounted to RMB70,000,000, nil and RMB100,070,000 and RMB89,489,000 as at 31 December 2012, 2013, 2014 and 31 May 2015, respectively. Included in bills receivables of the Company are commercial bills amounting to RMB70,000,000, nil, nil and RMB50,000,000 as at 31 December 2012, 2013, 2014 and 31 May 2015, respectively. 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:

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	242,908	363,141	401,012	507,477
Over 3 months but within 1 year	155,951	33,221	83,481	122,960
Over 1 year but within 2 years	8,904	4,709	6,264	8,651
Over 2 years but within 3 years	390	2,104	1,013	2,495
	<u>408,153</u>	<u>403,175</u>	<u>491,770</u>	<u>641,583</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	258,318	341,626	285,211	333,858
Over 3 months but within 1 year	100,590	20,696	59,553	87,560
Over 1 year but within 2 years	2,376	1,708	3,664	7,264
Over 2 years but within 3 years	71	1,254	375	641
	<u>361,355</u>	<u>365,284</u>	<u>348,803</u>	<u>429,323</u>

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the trade receivable 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 the Track Record Period.

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.

Aging of bills and trade receivables which are past due but not impaired

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Over 3 months but within 1 year	155,951	33,221	83,481	122,960
Over 1 year but within 2 years	8,904	4,709	6,264	8,651
Over 2 years but within 3 years	390	2,104	1,013	2,495
	<u>165,245</u>	<u>40,034</u>	<u>90,758</u>	<u>134,106</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Over 3 months but within 1 year	100,590	20,696	59,553	87,560
Over 1 year but within 2 years	2,376	1,708	3,664	7,264
Over 2 years but within 3 years	71	1,254	375	641
	<u>103,037</u>	<u>23,658</u>	<u>63,592</u>	<u>95,465</u>

Movement of allowance for doubtful debts on trade receivable

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	12,646	40,060	24,744	29,102
Provided for the year/period	27,841	3,680	18,352	9,573
Write off for the year/period	(427)	(18,996)	(13,994)	(40)
	<u>40,060</u>	<u>24,744</u>	<u>29,102</u>	<u>38,635</u>

The Company

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening balance	5,125	27,336	10,920	14,872
Provided for the year/period	22,619	2,081	16,683	6,523
Written off for the year/period	(408)	(18,497)	(12,731)	(40)
Closing balance	<u>27,336</u>	<u>10,920</u>	<u>14,872</u>	<u>21,355</u>

Included in the allowance for doubtful debts are individually impaired trade 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.

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of each reporting periods, 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 2012, 2013, 2014 and 31 May 2015, respectively.

At the end of each reporting periods, 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 3.1% to 3.3%, 2.6% to 2.8%, 2.6% to 2.8% and 2.1% to 2.3% per annum as at 31 December 2012, 2013, 2014 and 31 May 2015, respectively.

The Group's and Company's cash and cash equivalents that were denominated in foreign currencies were translated in RMB and stated for reporting purposes as:

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD.....	15,292	39,391	24,569	69,399
EUR.....	1,003	260	706	577
JPY.....	448	1,018	10,742	19,102
	<u>16,743</u>	<u>40,669</u>	<u>36,017</u>	<u>89,078</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
USD.....	6,439	22,769	7,441	17,267
EUR.....	232	84	682	577
JPY.....	60	1,018	—	—
	<u>6,731</u>	<u>23,871</u>	<u>8,123</u>	<u>17,844</u>

24. TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	466,442	758,695	809,641	677,875
Bills payables	23,140	—	92,009	35,200
Interest payable	2,091	1,767	7,450	9,393
Salary and bonus payables	18,125	18,787	21,554	25,435
Advanced receipts from customers	13,282	13,700	21,674	12,716
Other taxes payable	7,860	8,763	23,566	44,095
Payables for acquisition of properties, plants and equipment	148,497	120,494	88,258	51,454
Payables to previous shareholders (note) .	—	—	110,601	52,367
Accruals and other payables	18,217	8,032	14,297	7,298
Total	<u>697,654</u>	<u>930,238</u>	<u>1,189,050</u>	<u>915,833</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	308,594	534,238	543,008	519,200
Bills payables	18,220	—	34,310	20,800
Interest payable	1,546	1,291	6,217	7,801
Salary and bonus payables	8,837	12,767	15,421	19,105
Advanced receipts from customers	7,027	11,922	47,103	42,600
Other taxes payable	2,918	2,712	9,517	26,105
Payables for acquisition of properties, plants and equipment	133,732	108,473	61,575	44,173
Payables to previous shareholders (note) .	—	—	110,601	52,367
Accruals and other payables	12,427	6,578	10,721	5,792
Total	<u>493,301</u>	<u>677,981</u>	<u>838,473</u>	<u>737,943</u>

Note: As at 31 December 2014 and 31 May 2015, payables to previous shareholders are unsecured, interest bearing and repayable within 1 year.

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:

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	456,626	752,269	804,618	656,197
Over 3 months but within 180 days	5,589	356	1,691	13,238
Over 180 days but within 1 year	1,650	1,176	1,513	6,160
Over 1 year but within 2 years	1,920	3,266	902	967
Over 2 years	657	1,628	917	1,313
	<u>466,442</u>	<u>758,695</u>	<u>809,641</u>	<u>677,875</u>

The Company

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	303,709	530,231	539,625	505,203
Over 3 months but within 180 days	2,196	51	1,273	12,093
Over 180 days but within 1 year	753	1,066	913	449
Over 1 year but within 2 years	1,643	2,482	657	838
Over 2 years	293	408	540	617
	<u>308,594</u>	<u>534,238</u>	<u>543,008</u>	<u>519,200</u>

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

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Group				
USD.....	1,413	1,085	2,359	1,089
EUR.....	517	—	6,348	4,099
	<u>1,930</u>	<u>1,085</u>	<u>8,707</u>	<u>5,188</u>
The Company				
USD.....	294	—	1,270	—
EUR.....	517	—	4,548	4,099
	<u>811</u>	<u>—</u>	<u>5,818</u>	<u>4,099</u>

25. BORROWINGS

The Group

	As at 31 December			As at
	2012	2013	2014	31 May
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Secured bank and other loans (Note)	1,136,901	931,558	852,413	999,379
Unsecured bank loans	29,000	72,140	47,690	—
	<u>1,165,901</u>	<u>1,003,698</u>	<u>900,103</u>	<u>999,379</u>
Fixed-rate borrowings	380,231	432,698	207,190	87,075
Variable-rate borrowings	785,670	571,000	692,913	912,304
	<u>1,165,901</u>	<u>1,003,698</u>	<u>900,103</u>	<u>999,379</u>

Note: At the end of each reporting period, the above Group's bank and other borrowings are secured by (i) the Group's land use right with aggregate carrying values of approximately RMB60,776,000, RMB122,814,000, RMB115,762,000 and RMB124,707,000, respectively, (ii) the Group's buildings, plant and machineries with aggregate carrying values of RMB188,875,000, RMB1,149,785,000, RMB1,304,849,000 and RMB1,274,193,000, respectively and (iii) note receivables with carrying values of approximately RMB16,000,000, nil, RMB20,000,000 and RMB44,485,000, respectively. As at 31 December 2012, 2013, 2014 and 31 May 2015, certain bank borrowings of approximately RMB975,438,000, RMB708,000,000, RMB644,737,000 and RMB687,700,000 were guaranteed by Mr. Ruan Hongliang and Ms. Jiang Jinhua, who are both directors of the Company.

The guarantees of RMB647,700,000 provided by Mr. Ruan Hongliang and Ms. Jiang Jinhua have been released as at 3 June 2015, and the rest has been released as at 3 August 2015.

During the five months ended 31 May 2015, Mr. Ruan Hongliang lent to the Group in the form of an entrusted loans an aggregate of RMB31,000,000, and RMB2,000,000 had been repaid by the Group during the period. At 31 May 2015, included in secured bank and other borrowings is RMB29,000,000 which is in the form of entrusted loan with source of funds provided by Mr. Ruan Hongliang. The entrusted loan bears interest at 5.88% per annum and has been fully repaid by end of October 2015. There was no such balance as at 31 December 2012, 31 December 2013, and 31 December 2014.

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount repayable:				
Within one year	750,101	653,698	764,103	839,379
More than one year, but not exceeding two years	255,800	270,000	136,000	140,000
Over two years but not more than 5 years	160,000	80,000	—	11,000
More than five years	—	—	—	9,000
Less: Amounts shown under current liabilities	750,101	653,698	764,103	839,379
Amounts shown under non-current liabilities	415,800	350,000	136,000	160,000

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

	As at 31 December			As at 31 May
	2012	2013	2014	2015
Effective interest rate:				
Fixed-rate borrowings . . .	5.04%-6.00%	5.00%-6.36%	5.88%-6.30%	5.00%-5.20%
Variable-rate borrowings .	<u>2.30%-6.98%</u>	<u>2.71%-6.60%</u>	<u>4.20%-6.46%</u>	<u>0.68%-6.50%</u>

The Company

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Secured bank and other loans (<i>Note</i>)	833,126	692,058	629,422	652,962
Unsecured bank loans	<u>3,000</u>	<u>52,140</u>	<u>13,190</u>	<u>—</u>
	<u>836,126</u>	<u>744,198</u>	<u>642,612</u>	<u>652,962</u>
Fixed-rate borrowings	125,956	213,198	128,190	79,275
Variable-rate borrowings	<u>710,170</u>	<u>531,000</u>	<u>514,422</u>	<u>573,687</u>
	<u>836,126</u>	<u>744,198</u>	<u>642,612</u>	<u>652,962</u>

	As at 31 December			As at
	2012	2013	2014	31 May
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Carrying amount repayable:				
Within one year	420,326	394,198	506,612	512,962
More than one year, but not exceeding two years	255,800	270,000	136,000	140,000
Over two years but not more than 5 years	160,000	80,000	—	—
Less: Amounts shown under current liabilities	420,326	394,198	506,612	512,962
Amount shown under non-current liabilities	415,800	350,000	136,000	140,000

Note:

At the end of each reporting period, the above Company's bank and other borrowings are secured by (i) the Company's prepaid land use right with aggregate carrying values of approximately RMB8,119,000, RMB71,332,000, RMB65,452,000 and RMB69,782,000, respectively, (ii) the Company's buildings, plant and machineries with aggregate carrying values of approximately RMB23,372,000, RMB994,430,000, RMB926,565,000 and RMB892,497,000, respectively, (iii) certain subsidiaries' prepaid lease payment of land use right and buildings, plant and machineries with aggregate carrying values of approximately RMB29,063,000, RMB26,091,000, RMB267,661,000 and RMB264,448,000, respectively and (iv) note receivables with carrying values of approximately RMB16,000,000, nil, RMB14,000,000 and RMB36,685,000, respectively.

As at 31 December 2012, 2013, 2014 and 31 May 2015, certain bank borrowings of the Company amounting to approximately RMB726,938,000, RMB541,000,000, RMB515,737,000 and RMB475,000,000 were guaranteed by Mr. Ruan Hongliang and Ms. Jiang Jinhua. The guarantees of RMB435,000,000 have been released as at 3 June 2015, and the rest has been released as at 3 August 2015.

During the five months ended 31 May 2015, Mr. Ruan Hongliang lent to the Group in the form of an entrusted loans an aggregate of RMB31,000,000, and RMB2,000,000 had been repaid by the Group during the period. At 31 May 2015, included in secured bank and other borrowings is RMB 29,000,000 which is in the form of entrusted loan with source of funds provided by Mr. Ruan Hongliang. The entrusted loan bears interest at 5.88% per annum and has been fully repaid by end of October 2015. There was no such balance as at 31 December 2012, 31 December 2013, and 31 December 2014.

25a. LONG-TERM PAYABLES FOR THE ACQUISITION OF MINING RIGHTS

At the end of each reporting period, 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 May 2015, RMB87,923,000 of the long-term payables will be repaid in April 2016 and has been reclassified as current liabilities and remaining portion will be repaid in 2021.

26. DEFERRED REVENUE

The Group

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Arising from asset-related government grants				
Within one year	12,156	12,936	14,536	14,201
Over one year	<u>86,035</u>	<u>78,099</u>	<u>79,554</u>	<u>73,972</u>
	<u>98,191</u>	<u>91,035</u>	<u>94,090</u>	<u>88,173</u>
				<i>RMB'000</i>
COST				
At 1 January 2012				84,874
Government grants received				24,000
Released to profit or loss (note 8)				<u>(10,683)</u>
At 31 December 2012				98,191
Government grants received				5,000
Released to profit or loss (note 8)				<u>(12,156)</u>
At 31 December 2013				91,035
Government grants received				15,991
Released to profit or loss (note 8)				<u>(12,936)</u>
At 31 December 2014				94,090
Released to profit or loss (note 8)				<u>(5,917)</u>
At 31 May 2015				<u>88,173</u>

The Group received government subsidies approximately RMB24,000,000, RMB5,000,000 and RMB15,991,000 for each of the years ended 31 December 2012, 2013 and 2014 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.

The Company

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Arising from asset-related government grants				
Within one year	7,890	8,300	9,230	9,230
Over one year	<u>62,793</u>	<u>59,493</u>	<u>59,563</u>	<u>55,717</u>
	<u>70,683</u>	<u>67,793</u>	<u>68,793</u>	<u>64,947</u>
				<i>RMB'000</i>
COST				
At 1 January 2012				53,100
Government grants received				24,000
Released to profit or loss				<u>(6,417)</u>
At 31 December 2012				70,683
Government grants received				5,000
Released to profit or loss				<u>(7,890)</u>
At 31 December 2013				67,793
Government grants received				9,300
Released to profit or loss				<u>(8,300)</u>
At 31 December 2014				68,793
Released to profit or loss				<u>(3,846)</u>
At 31 May 2015				<u>64,947</u>

27. SHARE CAPITAL

The Company

	As at 31 December			As at
				31 May
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Share capital				
At beginning of year/period	359,400	359,400	359,400	337,500
Reduction of capital on 1 January 2014	—	—	(21,900)	—
At end of year/period	<u>359,400</u>	<u>359,400</u>	<u>337,500</u>	<u>337,500</u>

The Company was established in the PRC on 24 June 1998 as a limited liability company and was converted into a joint stock limited liability company on 29 December 2005 (the "Joint Stock Conversion"). On the Joint Stock Conversion, the Company's share capital was RMB359,400,000 divided into 359,400,000 shares of RMB1.0 each.

On 1 January 2014, certain shareholders of the Company entered into agreement with the Company to reduce share capital by 21,900,000 shares of RMB1.0 each.

Pursuant to a shareholders' resolution dated 18 May 2015, immediately upon the 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.

28. RESERVES

The Company

	Share premium	Equity-settled employee benefits reserve	Statutory surplus reserve	Retained earnings	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2012	126,132	3,277	67,199	467,060	663,668
Total comprehensive income for the year	—	—	—	348,292	348,292
Transfer.	—	—	34,393	(34,393)	—
Balance at 31 December 2012. .	<u>126,132</u>	<u>3,277</u>	<u>101,592</u>	<u>780,959</u>	<u>1,011,960</u>
Total comprehensive income for the year	—	—	—	225,896	225,896
Transfer.	—	—	19,948	(19,948)	—
Balance at 31 December 2013. .	<u>126,132</u>	<u>3,277</u>	<u>121,540</u>	<u>986,907</u>	<u>1,237,856</u>
Total comprehensive income for the year	—	—	—	203,502	203,502
Capital reduction	(126,132)	—	—	(272,390)	(398,522)
Transfer.	—	—	24,836	(24,836)	—
Dividends	—	—	—	(54,388)	(54,388)
Balance at 31 December 2014. .	<u>—</u>	<u>3,277</u>	<u>146,376</u>	<u>838,795</u>	<u>988,448</u>
Total comprehensive income for the period.	—	—	—	68,250	68,250
Balance at 31 May 2015	<u>—</u>	<u>3,277</u>	<u>146,376</u>	<u>907,045</u>	<u>1,056,898</u>

Statutory surplus reserve

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.

Equity-settled employed benefits reserve

The amounts represent the reserve in respect of the equity-settled share based payments granted to certain employees.

29. CAPITAL COMMITMENTS

	<u>At 31/12/2012</u>	<u>At 31/12/2013</u>	<u>At 31/12/2014</u>	<u>At 31/05/2015</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment				
— Contracted but not provided for	<u>207,152</u>	<u>103,721</u>	<u>65,430</u>	<u>56,982</u>

In addition, the Group entered into a project investment agreement with a local government in Anhui Province in August 2010, pursuant to which the Group commits to purchase a land use right for establishing certain glass production lines. The Group has paid a deposit of RMB24 million in 2011 for acquiring the land use right of which the total cost is estimated to be not less than RMB67 million. Subsequently on 28 July 2015, the Group entered into a supplementary agreement with the local government to cancel the above mentioned project investment agreement signed in 2010. According to the supplementary agreement, the deposit of RMB24 million will be used for the acquisition of a land use right for another project. Up to the date of this report, the Group is still in the process of finalising the details with the local government, and no land use right acquisition agreement has been entered into yet.

30. 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 2012, 2013, 2014 and 31 May 2015, the contributions due in respect of the year/period that had not been paid over were nil, nil, RM683,000 and RMB734,000 respectively.

31. CONTINGENT LIABILITIES

At the end of each reporting period, the Company and the Group had no significant contingent liability.

32. OPERATING LEASES COMMITMENTS

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

	As at 31 December			As at
	2012	2013	2014	31 May
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Within one year	66	—	36	36

33. RELATED PARTY TRANSACTIONS

(1) Related party transactions

During the Track Record Period, in addition to those disclosed in Note 25 the Group had the following related party transactions:

	Year ended 31 December			Five months ended	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Purchase of raw materials from 嘉興市譽誠商貿有限公司 Jiaxing Yucheng Commerce and Trading Co., Ltd. (note)	—	—	76,006	41,811	—

The following balances were outstanding at the end of each reporting periods:

	As at 31 December			As at
				31 May
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade Payables				
嘉興市譽誠商貿有限公司 Jiaxing				
Yucheng Commerce and Trading Co.,				
Ltd. (note)	—	—	857	—

Note: 嘉興市譽誠商貿有限公司 Jiaxing Yucheng Commerce and Trading Co., Ltd. was wholly owned by Ms. Jiang Jin Hua, one of the executive directors of the Company and the spouse of Mr. Ruan Hongliang.

(2) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period were as follows:

	Year ended 31 December			Five months ended	
				31 May	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and allowances	3,672	4,092	3,394	1,168	1,741

(unaudited)

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

II. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration payable to the Directors and supervisors for the year ending 31 December 2015, excluding discretionary bonus is estimated to be approximately RMB3,231,000.

III. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a shareholders' resolution dated 30 September 2015, the Company declared dividends of RMB250 million. The Company withheld RMB50 million from the dividend for withholding tax and paid RMB200 million net of tax to the shareholders. The directors of the Company have represented to us that the withholding tax will be settled in December 2015.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 May 2015.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the financial information of the Group for the three years ended 31 December 2014 and the five months ended 31 May 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus. For the purpose of this Appendix II, Flat Glass Group Co., Ltd. is referred to as the "Company" and, together with its subsidiaries, the "Group".

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed Global Offering might have affected the consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Global Offering as if the Global Offering had taken place on 31 May 2015. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position following the Global Offering or at any future dates.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company have been prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2015 set out in the Accountants' Report, the text of which is included in Appendix I to this prospectus, and is adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owner of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owner of the Company per share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on offer price of HK\$2.10 for each Offer Share	1,607,044	718,675	2,325,719	1.29	1.58
Based on offer price of HK\$2.68 for each Offer Share	1,607,044	925,970	2,533,014	1.41	1.72

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2015 is based on consolidated net assets of the Group of RMB1,819,073,000 and adjusted for intangible assets of RMB212,029,000 of the Group as extracted from the Accountants' Report set out in Appendix I to the prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 450,000,000 H shares to be issued under the Global Offering and the offer price of HK\$2.10 per share or HK\$2.68 per share after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account any shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share is calculated after the adjustments referred to in note (2) above and on the basis of 1,800,000,000 shares issued and outstanding following the completion of the one to four share split as detailed in appendix VII and the Global Offering and assuming that the Over-allotment Option for the Global Offering is not exercised. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share does not take into account of proposed dividends of RMB250,000,000 declared on September 30, 2015 ("Proposed Dividends"). Had this Proposed Dividends been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share will be further adjusted to RMB1.15 (equivalent to HK\$1.41, based on the indicative Offer Prices of HK\$2.10), or RMB1.27 (equivalent to HK\$1.55, based on the indicative Offer Prices of HK\$2.68).
- (4) The translation between Renminbi and Hong Kong dollar has been made at the rate of RMB0.8188 to HK\$1.00, PBOC rate prevailing on 6 November 2015. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.
- (5) Except for the one to four Share Split as detailed in note (3) above, no adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company to reflect any trading results or other transactions which the Group entered into subsequent to 31 May 2015.

The following is the text of a report received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong in respect of the Group’s unaudited pro forma financial information for the purpose of incorporation in this prospectus.

**(B) INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

Deloitte.

德勤

TO THE DIRECTORS OF FLAT GLASS GROUP CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Flat Glass Group Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted net tangible assets as at 31 May 2015 and related notes as set out on pages 1 to 2 of Appendix II to the prospectus issued by the Company dated 16 November 2015 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 1 to 2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering on the Group’s financial position as at 31 May 2015 as if the proposed Global Offering had taken place at 31 May 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial information for the three years ended 31 December 2014 and five months ended 31 May 2015, on which an accountants’ report set out in Appendix I to the Prospectus has been published.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 May 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 16 November 2015

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

This appendix sets out the executive summary of the Independent Technical Report.



1 EXECUTIVE SUMMARY

This report is a technical review of the Mineral Resources of the Lingshan-Mujishan No 7 Quartz Mine owned by 安徽福莱特光伏材料有限公司 (Anhui Flat Solar Materials Co., Ltd.) (“The Company”).

At the request of Ms Michelle Ruan of Flat Glass Group Co., Ltd., Mining Associates Limited (“MA”) was commissioned on 26 February 2015 to prepare a Competent Person’s Report on the Lingshan- Mujishan No 7 Quartz Mine to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves standards (“JORC 2012”).

Four weeks were spent on data collection, analysis, site visits, technical work and preparation of this report. A full resource estimation process was undertaken by MA.



Regional Location Map Source: Google Maps

Project location in North-western corner of map (marked with blue flag)

The Company’s quartz mining licence is number 7 of 18 adjacent mineral licences in the Lingshan- Mujishan Glass Use Quartz Deposit in Fengyuan County, Anhui Province (“ML”). The area has been well explored since the 1950’s with extensive previous production from adjacent tenements. A detailed geology and resource estimation report was prepared in 2010. A preliminary mine design report was prepared by Sinosteel in 2012. These reports, associated maps and data form the basis for the Companies development plans and were the basis for MA’s review of the project, along with further data collected during the site visit.

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

The quartzite to be mined is a bulk industrial mineral. All material defined in an area that covers about 2/3 of the mining licence and down to the base of the mining licence (80m above sea level) is potentially economic. The quartzite is very pure, originally sedimentary in origin, but has undergone high grade metamorphism since deposition. The rock is Mid-Proterozoic in age belonging to the Upper member of the Baiyunshan Unit of the Fengyang Group. Impurities are minor amounts of iron and alumina.

Existing Resource Statements

The June 2010 report by the China Construction Materials Industry Geological Survey Corps of Anhui resource estimate report titled: “Anhui Province Fengyuan County, Lingshan-Mujishan mine district. Detailed Geological Report on the 7th Section of the Glass Use Quartzite Deposit” is fully compliant and registered with the Chinese Ministry of Land and Resources (“MLR”). The resources were estimated using 8 drill holes (1,352m of drill core) which include 2 drill holes inside the ML (293.62 m of core) and 7,845 cubic meters of trenching (991 m³ inside the ML). 930 outcrop samples (62 in the ML), 461 drill core samples (104 inside the ML) were used for the resource estimate. In addition 93 density measurements (11 in the ML) were used for bulk density measurements. The total tonnage of glass use quartzite inside the ML was: 18.167 Million tonnes “Mt”, and the average of major chemical composition was: 98.76% silicon dioxide (SiO₂), 0.312% aluminium oxide (Al₂O₃), 0.074% iron oxide (Fe₂O₃), 0.0109% titanium dioxide (TiO₂) and 0.0007% chromium (III) oxide (Cr₂O₃). No mine or process plant recovery factors have been applied to these resource estimates. Appropriate quality controls and quality assurance/quality control procedures were used. Check samples collected during the site visit by MA have been assayed and returned values of SiO₂, Al₂O₃ and Fe₂O₃ within the range of values in the 2010 resource estimation results and the 2012 preliminary mine design report.

The total tonnage of planned usable material inside the ML as determined by Sinosteel in their November 2012 study report was 13.572 Mt.

The total tonnage mined and sold up to 31 December 2014 inside the ML as reported by the Company in the 6 January 2015 update report was 664,300 tonnes “t”. The total tonnage mined and sold from 1 January 2015 to 31 May 2015 inside the ML as reported by the Company on a monthly basis is 947,000 t. This approximately matches the government Land and Resources Bureau survey of 918,100 tonnes mined in the first half of 2015. The small difference is due to the January 2015 material being sold from December 2014 stockpiles and to the small difference in the date of the start of the survey period: 22 December 2014 for the government survey verse 31 December 2014 for the company records. The government Land and Resources Bureau report covers the period 22 December 2014 to 9 June 2015 (and refers to this period in the report as “the first half of 2015”). The Company has stated that no blasting occurred (and therefore no mining) during the period 1 to 9 June 2015.

MA was supplied the topography, drill and trench assays and undertook a full 3D check resource estimate using Ordinary Kriging methods for SiO₂, Al₂O₃ and Fe₂O₃. These were in close agreement with and confirmed the Sinosteel 2012 resource estimate which allow for the JORC 2012 “reasonable prospects of eventual economic extraction” test to be applied. MA also tested confidence levels and confirmed the China 332 resource category as Indicated and 333 as Inferred was reasonable for this deposit under JORC 2012.

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

Mining Associates can confirm that the Total Mineral Resource Estimate compliant with JORC 2012 standard for material contained inside the mining licence as at 31 May 2015 is 12.0 Mt.

A breakdown of the Lingshan-Mujishan No 7 Quartz Mine Project resource estimate by resource category is:

JORC 2012 Resource Estimate as at 31 May 2015

Element	Tonnes	SiO ₂	Al ₂ O ₃		Fe ₂ O ₃	
Units	<i>Mt</i>	%	%	<i>ppm</i>	%	<i>ppm</i>
Measured	—					
Indicated	7.9	98.79	0.325	3250	0.069	690
Inferred	4.1	98.69	0.283	2830	0.083	830
Total	12.0	98.76	0.312	3120	0.074	740

These figures are in close agreement with the MA estimates of total remaining resource within the pit limits (after allowance for surface, premine and past production) of 12.2 Mt @ 98.76% SiO₂, 0.305% Al₂O₃ and 0.064% Fe₂O₃.

Note: According to Clause 27 of the JORC Code 2012 edition: “in a public report of a Mineral Resource for a significant project for the first time, or when those estimates have materially changed from when they were last reported, a brief summary of the information in relevant sections of Table 1 must be provided”. Table 1 is included in Appendix 1 of this memo and must accompany any reporting of Mineral Resources.

The following recommendations have been made after this review of the technical data on the Lingshan-Mujishan No 7 Quartz Mine:

- The surface trench samples show a significantly lower iron grade compared to the drill core samples. Although this maybe a surface weathering effect, it is possible that the drill core samples were contaminated by the drill steel and/or steel in the drill bits used during the drilling of the deposit. This should be investigated as the iron values are low and a key component of the industry standards.
- Iron values increase and silica values decrease with depth.
- Current processing arrangements have not been successful in lowering the iron grades sufficiently for Photovoltaic (PV) glass use. Silica values are compliant but alternative processing technologies are available and should be investigated.
- MA is aware of the use of Oxalic acid in a chemical leaching process at a quartz mine in Turkey to reduce iron levels by 97%, from 3150ppm to 94ppm. This is not an expensive process.

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

- MA would conclude that with suitable processing this material can be upgraded to photovoltaic glass use specification.
- High quality quartzite exists below and adjacent to the ML. Good potential therefore exists to expand the resources at depth (extension to the ML) and into the adjacent areas by application for new MLs or by purchase or leasing adjacent mining licences from current owners.

Andrew J. Vigar B App Sc (Geol), F.AusIMM, MAIG, M.SEG

and

Glenn C. Sheldon B Sc, M.AusIMM, M.SEG, FAIG

Hong Kong

Date 16 November 2015

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

1.1 JORC CODE, 2012 EDITION — TABLE 1

Notes on data relating to Lingshan-Mujishan No 7 Quartz Mine Project Resource Estimates. Data provided by Flat Glass Group Co., Ltd. and verified by MA.

Explanations of headings and what type of information is included can be found in the JORC Code 2012, which can be downloaded from: http://www.jorc.org/docs/jorc_code2012.pdf

○ SECTION 1 SAMPLING TECHNIQUES AND DATA

(Criteria in this section apply to all succeeding sections).

Criteria	Commentary
Sampling techniques	<ul style="list-style-type: none">• Continuous channel sampling method: The channel method was used for collection of samples with the specification of 5cm × 3cm. This ensures quality during collection and analysis of samples. Samples were packed up as they were from insitu ore layers and following the method of continuously sampling and packed in bags and delivered to laboratories.• Drill samples were collected from 55mm wire-line drilling core by splitting the core with a hammer. Drill core samples were 1 to 3 meters in length, with the average being 2.5 meters
Drilling techniques	<ul style="list-style-type: none">• Wire-line coring drilling by locally made drill rig• 55mm core diameter• Drill holes are recorded as core drilling. Included the drill collar locations, down hole surveys and drill hole sampling information;
Drill sample recovery	<ul style="list-style-type: none">• The channel method was used for sampling in trenches, while the half-core sampling method was used in drillcore sampling• Recovery was very good from channel sampling. Core recovery from wireline drilling was from 84 to 92%, with the average recovery being 87%. No relationship was seen between core recovery and silica grade.
Logging	<ul style="list-style-type: none">• Core samples have been logged to a level of support for Mineral Resource estimation• All drill core was photographed• Most drill core boxes were individually photographed

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> • The core was split by hammer and half taken as a sample. Full channel width and depth was sampled.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> • Assaying was conducted at the Geological Brigades laboratory in Hefei City • Assays conducted to China National Standards
Verification of sampling and assaying	<ul style="list-style-type: none"> • Glenn Sheldon independently collected four check assays from open pit walls and two from the processing plant. These were assayed and found to fall within the range of expected silica, iron and alumina content • No documentation of primary data, data entry procedures, or data storage protocol was seen. National Chinese standards were adopted.
Location of data points	<ul style="list-style-type: none"> • By Global positioning system • Gridding system is 1980 Xi'an plane coordinates, using the 1985 national height datum
Data spacing and distribution	<ul style="list-style-type: none"> • Measurement norms PRC national standard GB/T18314-2001
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> • Sample orientation is unlikely to bias the results. This silica deposit is relatively homogenous.
Sample security	<ul style="list-style-type: none"> • Not known
Audits or reviews	<ul style="list-style-type: none"> • Data was reviewed by the independent Anhui Province Geology Team.

○ **SECTION 2 REPORTING OF EXPLORATION RESULTS**

(Criteria listed in the preceding section also apply to this section.)

Criteria	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> • All the relevant licence was available to verify. See report section 3
Exploration done by other parties	<ul style="list-style-type: none"> • Exploration was conducted by the China construction materials industry Geological Survey Corps of Anhui.
Geology	<ul style="list-style-type: none"> • Metamorphic quartzite horizon of Middle Proterozoic • See report sections 5 and 6

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

Drill hole Information

- Done according to Mineral exploration measurement norms GB/T18314-2001 of PRC

Item	Unit	Work done in this mining right area	Neighboring mining rights works utilised	Total amount of work
Trenching	M ³	991.0	6854.0	7845.0
Drilling	m/hole	293.62(m)/ 2(holes)	1059.34(m)/ 6(holes)	1352.96 (m)/ 8(holes)
Surface sampling	pcs	62	868	930
Core sampling	pcs	104	357	461
Basic analysis	pcs	166	1225	1391
Combined analysis	pcs	60	399	459

Data aggregation methods

- According to DZ/T0207-2002 of PRC, Specifications for glass grade silicon material

Relationship between mineralisation widths and intercept lengths

- According to GPS and measurement specifications GB/T18314-2001 of PRC

Diagrams

- Most of diagrams were provided and are included in the associated report

Balanced reporting

- In according to Geological & Mineral Industry standard DZ/T0207-2002 of PRC, Specifications for glass grade silicon material

Other substantive exploration data

- Technical information from the surrounding mining licences was given and used in the Mineral Resource Estimate

Further work

- Not available

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

○ SECTION 3 ESTIMATION AND REPORTING OF MINERAL RESOURCES

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	Commentary
Database integrity	<ul style="list-style-type: none"> • According to GPS and measurement specifications GB/T18314-2001 of the PRC • Data was validated prior to resource estimation by the reporting of basic statistics for each of the grade fields, including examination of maximum values, and visual checks of drill traces and grades on sections and plans.
Site visits	<ul style="list-style-type: none"> • The Competent Person inspected the surface infrastructure, mine workings, access roads and completed general inspections of the surrounding countryside of the Project.
Geological interpretation	<ul style="list-style-type: none"> • There is confidence in the geological interpretation. In according to Geological & Mineral Industry standard DZ/T0206-2002 of PRC • Surface Maps, trench and drill data guided the sectional interpretations. • This quartzite deposit is a large and relatively homogenous deposit, largely unaffected by structural complexity
Dimensions	<ul style="list-style-type: none"> • By measurement specifications national PRC standard GB/T18314-2001 • The entire resource lies with the mining lease and consists of all material from the surface down to 80 m elevation above sea level. The lease dimensions are therefore about 600 x 300 m with an elevation from 80 to 185 m, or 100 m. • Block Model Dimensions (MA check model)

Type	Y	X	Z
Minimum Coordinates	3623200	541400	80
Maximum Coordinates	3623900	541800	200
User Block Size	5	5	3
Min. Block Size	5	5	3
Rotation	0	0	0

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

Estimation and modelling techniques	<ul style="list-style-type: none">• In according to Geological & Mineral Industry standard DZ/T0207-2002 of the PRC• Resources are estimated using weighted average polygonal techniques. the industrial index of the bentonite mine is determined in accordance with the Geological and Mineral Industry Standard [DZ/T0207-2002] of the People's Republic of China Specifications for glass grade silicon material• The defined cross sections and plans were interpreted with these criteria• MA conducted an Ordinary Kriging check estimate using the Resource Estimation and Mine Design package Surpac 6.6.2 to confirm volumes, tonnages and grades as quoted by the company. They also provided a guide to expected JORC resource categories. These estimates are discussed and reported as a validation exercise to confirm the Chinese quoted resources as being JORC compliant.
Moisture	<ul style="list-style-type: none">• Moisture content 0.15%
Cut-off parameters	<ul style="list-style-type: none">• Industrial grade: SiO_2: $\geq 96\%$; Al_2O_3: $\leq 2.0\%$; Fe_2O_3: $\leq 0.33\%$;• Marginal grade: SiO_2: $\geq 90\%$; Al_2O_3: $\leq 5.5\%$; Fe_2O_3: $\leq 0.33\%$• Minimum thickness of ore rock mined: $\geq 2\text{m}$;
Mining factors or assumptions	<ul style="list-style-type: none">• Open cut method• A Life of Mine production schedule was completed based on 55 degree pit walls, a base of 80 m elevation and the schedule as supplied by the company, after allowing for 88% mining tonnage recovery
Metallurgical factors or assumptions	<ul style="list-style-type: none">• The mined material is sold to a third party who blends the material with other producers raw material and conducts processing to reduce contaminants
Environmental factors or assumptions	<ul style="list-style-type: none">• Overburden or waste rock is insignificant• All material mined is processed• Sinosteel Preliminary design report includes a list of PRC environmental standards, an environmental assessment and confirmation that the project meets such environmental standards

APPENDIX III SUMMARY OF THE INDEPENDENT TECHNICAL REPORT

- | | |
|--|--|
| Bulk density | <ul style="list-style-type: none">• Appropriate for an industrial mineral deposit• 93 drill core samples were used to determine a bulk density of 2.62 t/m³. 11 of the 93 samples were from within the mining licence area |
| Classification | <ul style="list-style-type: none">• In according to Geological & Mineral Industry standard DZ/T0207-2002 of PRC |
| Audits or reviews | <ul style="list-style-type: none">• Previous resource estimates were done under UNECE 1997 of PRC• Mining Associates conducted a review of all technical data and reports and confirmed the Total Mineral Resource Estimate and breakdown by resource category compliant with JORC 2012 standard for material inside the mining lease as at 31 May 2015 |
| Discussion of relative accuracy/
confidence | <ul style="list-style-type: none">• An approach to the resource classification was used which combined both confidence in geological continuity (domain wireframes) and statistical analysis. The level of accuracy and risk is therefore reflected in the allocation of the Measured, Indicated and Inferred Resource categories.• Using the slope of regression as a guide to classification of mineral resource takes the quality and hence accuracy of the block estimates into consideration.• Resources estimates have been made on a local basis using a block model which reflect the informing sample density. The model is suitable for technical and economic evaluation.• The deposit is in production.• A Preliminary Design was completed confirmed. |

○ SECTION 4 ESTIMATION AND REPORTING OF ORE RESERVES

No reserves are reported

This appendix contains a summary of the laws and regulations in respect of taxation and foreign exchange in the PRC and Hong Kong.

TAXATION

A. TAXATION IN THE PRC

Taxes Applicable to Joint-Stock Limited Companies

Enterprise Income Tax Law

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) which was enacted on March 16, 2007 and became effective on January 1, 2008, and the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例), which was enacted on December 6, 2007 and became effective on January 1, 2008, a uniform income tax rate of 25% is applied towards PRC enterprises, foreign investment enterprises and foreign enterprises which have set up production and operation facilities in the PRC.

According to the Enterprise Income Tax Law of the People's Republic of China, the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China and the Administrative Measures for the Determination of High and New Technology Enterprises (高新技術企業認定管理辦法), which were jointly promulgated by the Ministry of Science and Technology, MOF and SAT on April 14, 2008 and became effective on January 1, 2008, high-tech enterprises recognized by the competent government authorities enjoy a preferential enterprise income tax rate of 15%.

Value-added Tax

According to the Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例) promulgated on December 13, 1993 and in effect since January 1, 1994 and later amended on November 10, 2008 and in effect since January 1, 2009 and the Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) in effect since December 25, 1993, amended on October 28, 2011 and in effect since November 1, 2011, institutions and individuals selling goods or providing processing, repairing or replacement services or importing goods within the PRC shall pay VAT. The tax rate of 13% shall be levied on general taxpayers selling or importing grain, edible vegetable oil, tap water, heating supply, air-conditioning, hot water, gas, liquefied petroleum gas, natural gas, marsh gas, coal products for civil use, books, newspapers, magazines, feedstuff, chemical fertilizer, pesticide, farming machines, films for agricultural use and other goods specified by the State Council. The rate applicable to goods exported by taxpayers shall be zero unless otherwise prescribed by the State Council. The rate of 17% shall be levied on taxpayers selling or importing goods other than the above-mentioned items, and on taxpayers providing processing, repair or replacement services. The rate applicable to goods sold or taxable services provided by small-scale taxpayers is 3%. A small-scale taxpayer is defined as a taxpayer engaged in the manufacturing of goods or the supply of taxable services, or primarily dealing in the manufacturing of goods or supply of taxable services while concurrently engaged in the wholesale or retail of goods as secondary

operations, and has annual taxable sales (hereinafter referred to as “taxable sales”) of less than RMB0.5 million; or a taxpayer engaged in the wholesale or retail of goods and having annual taxable sales of less than RMB0.8 million. Individuals whose annual taxable sales volumes exceeds the standards for small-scaled taxpayers shall be taxed as small-scaled taxpayers; non-enterprise organizations or enterprises without frequent occurrence of taxable acts may choose to be taxed as small-scaled taxpayers.

The new regulations and rules also provide the following:

- the input tax for reselling fixed assets could be deducted from the output tax;
- the withholding agent of the VAT should be: (1) the domestic agents of foreign entities or individuals, who provide taxable services within the territory of the PRC but have no business institutions in the PRC; or (2) the assignee of the assets or the purchaser or vendor of the services in case there is no domestic agent; and
- the preferential policies approved by the State Council before the effectiveness of the above-mentioned amendments on January 1, 2009 could still be applied.

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

Business Tax

According to the Provisional Regulations of the People’s Republic of China on Business Tax (中華人民共和國營業稅暫行條例), which became effective on January 1, 1994 and was later amended on November 10, 2008 and became effective on January 1, 2009, and the Detailed Rules for Implementation of the Provisional Regulations of the People’s Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則), which became effective on January 1, 2009 and was later amended on October 28, 2011 and became effective on November 1, 2011, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The latest amendments of the abovementioned regulations and rules supplemented the regulatory system in the following aspects:

- The withholding agent of the business tax should be: (1) the domestic agents of foreign entities or individuals, who provide taxable services, transferring intangible assets or selling real estate within the territory of the PRC but have no business institutions in the PRC; or (2) the assignee of the assets or the purchaser or vendor of the services in case there is no domestic agent.

- The column specifying the taxable services and business is deleted from the appendix of the regulations, which enable MOF and the SAFE to define the scope of taxable business and services.
- The preferential policies approved by the State Council before the effectiveness of the abovementioned amendments on January 1, 2009 could still be applied.

Urban Construction and Maintenance Tax

The PRC Provisional Regulations on Urban Construction and Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) and the Notice of the State Council on Extending the Urban Construction and Maintenance Tax and Educational Surcharges from Chinese to Foreign-Invested Enterprises and Citizens (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which became effective on January 1, 1985 and November 8, 2011, respectively, impose an urban construction and maintenance tax on entities and individuals based on the amount of consumption tax, value-added tax or business tax they are required to pay at rates of 1%, 5% or 7%, depending on the geographic location of the taxpayer.

Stamp Tax

According to the Provisional Regulations of the People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例) which was brought into effect on October 1, 1988 and amended on January 8, 2011 and the Detailed Rules for Implementation of the Provisional Regulations of The People's Republic of China on Stamp Duty (中華人民共和國印花稅暫行條例施行細則) in effect since October 1, 1988, institutions and individuals executing or receiving taxable documents within the PRC shall pay stamp tax. The list of taxable documents includes reselling contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble contracts in nature, title transfer deeds, business account books, certificates of rights, licenses and other taxable documents specified by MOF.

Pursuant to the Provisional Regulations of China Concerning Stamp Duty and the detailed rules for its implementation, the PRC stamp duty imposed on the transfer of shares of the listed companies of the PRC shall not apply to the acquisition and disposal by non-PRC investors of H Shares outside of the PRC. As stipulated in the regulations, PRC stamp duty shall only be imposed on documents which are executed or received within the PRC and legally binding in the PRC and protected under the PRC law.

Taxes Applicable to Shareholders of Companies

Dividend-related Tax

Individual investors

According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法), which became effective on 1 January 1994 and was amended on October 31, 1993,

August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, and its implementation rules for the receipt of dividends paid by the PRC companies, an individual is ordinarily subject to a PRC individual income tax levied at a flat rate of 20%. For a foreign individual shareholder who is not a PRC resident, pursuant to the Circular on the Individual Income Tax Matters after the Repeal of No. Guo Shui Fa [1993] 045 Circular (No. Guo Shui Han [2011]348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) issued by SAT on June 28, 2011), the receipt of dividends on our H Shares is subject to a withholding tax ranging from 5% to 20% (usually 10%) depending on the applicable tax treaty between the PRC and the jurisdiction in which the foreign national resides. For foreign residents of jurisdictions that have not entered a tax treaty with the PRC, the tax rate on dividends is 20%.

Enterprises

Under the Enterprise Income Tax Law of the People's Republic of China and the its implementation rules, non-resident enterprises having no office or premises inside the PRC or whose income has no actual connection to its office or premises inside the PRC are subject to enterprise income tax at the rate of 10% on their income derived from the PRC. Under the Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas Non-resident Enterprise Shareholders of H Shares from Chinese Resident Enterprises (No. Guo Shui Han [2008]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扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by SAT on November 6, 2008, enterprise income tax at a flat rate of 10% is levied on dividends on H shares received by any overseas enterprise shareholders that are non-PRC residents. The Response to Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (No. Guo Shui Han [2009]394) (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)) issued by SAT on July 24, 2009 further provides that any PRC resident enterprise that publicly issues A-shares, B-shares or overseas shares on stock exchanges in or outside the PRC, such as our H Shares, must withhold enterprise income tax at the rate of 10% from dividends distributed by them to non-resident enterprises.

Tax Treaties

Investors who do not reside in the PRC but reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to a reduction or exemption of the withholding tax imposed on dividends received from a PRC-resident enterprise. The PRC currently has treaties for the avoidance of double taxation with a number of jurisdictions, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. The PRC also has an arrangement for the avoidance of double taxation with Hong Kong.

Tax Relating to Share Transfer

Individual Investors

Under the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. The implementation

rules also provide that the MOF shall draft measures for collection of individual income tax from income on the transfer of shares, and such measures are subject to the approval of the State Council. However, as of the Latest Practicable Date, no such measures have been drafted and enacted. Under the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字 [1998]61號)) issued by MOF and SAT on March 30, 1998, since January 1, 1997, income of individuals from the transfer of shares in listed enterprises continues to be exempted from individual income tax. After the latest amendment to the Individual Income Tax Law of the People's Republic of China on September 1, 2011 and the latest amendments to its implementing rules on September 1, 2011, SAT has not stated whether it will continue to exempt from individual income tax income derived by individuals from the transfer of listed shares. However, on December 31, 2009, MOF, SAT and CSRC jointly issued the Circular on Related Issues on Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)), which states that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for the shares of certain specified companies under certain situations which are subject to sales limitations (as defined in such Circular and its supplementary notice issued on November 10, 2010). As of the Latest Practicable Date, no legislation has expressly provided that individual income tax shall be collected from non-Chinese resident individuals on the sale of shares in PRC resident enterprises listed on overseas stock exchanges, such as our H Shares, and in practice the taxation administrations do not collect individual income tax on such income.

Enterprises

Under the Enterprise Income Tax Law and its implementation rules, non-resident enterprises are generally subject to enterprise income tax at the rate of 10% with respect to their income derived from sale of shares of PRC companies. However, as of the Latest Practicable Date, no legislation has expressly provided that enterprise income tax shall be collected from non-Chinese resident enterprises on their income derived by them from sale of the shares in PRC companies listed on overseas stock exchanges, such as our H Shares, while the possibility cannot be entirely excluded that taxation administrations will collect enterprise income tax on such income in practice.

Taxation Policy of Shanghai-Hong Kong Stock Connect

On October 31, 2014, MOF, the State Administration of Taxation and CSRC jointly issued the "Circular on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong" (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通告) (hereinafter referred to as "Shanghai-Hong Kong Stock Connect Taxation Policy"), which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connect.

Pursuant to the "Shanghai-Hong Kong Stock Connect Taxation Policy", individual income tax will be temporarily exempted for the transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Business tax will be temporarily exempted in accordance with the current policy for the spread income derived from dealing in stocks

listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investment in H Shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by H-stock companies at the tax rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by China Securities Depository and Clearing Company Limited at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of China Securities Depository and Clearing Company Limited by producing a tax credit document.

Pursuant to the “Shanghai-Hong Kong Stock Connect Taxation Policy”, enterprise income tax will be levied according to law on the transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be levied or exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises that hold H stocks for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-Share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credits according to law in respect of dividend income tax which has been withheld and paid by non-H Share companies listed on the Hong Kong Stock Exchange.

Pursuant to the “Shanghai-Hong Kong Stock Connect Taxation Policy”, mainland investors who transfer stocks listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. China Securities Depository and Clearing Company Limited and Hong Kong Securities Clearing Company Limited may collect the abovementioned stamp duty on each other’s behalf.

Tax Treaties

Overseas investors that reside in jurisdictions that have entered into treaties for the avoidance of double taxation with the PRC may be entitled to exemption from any income tax imposed by the PRC tax authorities on their income derived from sale of the shares in PRC-resident companies depending on the specific provisions as set forth in the applicable tax treaties. The PRC currently has treaties for the avoidance of double taxation with a number of jurisdictions, which include Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States (the treaty with the United States does not contain an exemption from any PRC tax imposed on gains derived from the sale of shares in a PRC resident enterprise). The PRC also has an arrangement for the avoidance of double taxation with Hong Kong.

Additional PRC Tax Considerations***Estate Duty***

No liability for estate duty under PRC laws will arise for non-PRC nationals holding H Shares.

Urban Construction and Maintenance Tax

The PRC Provisional Regulations on Urban Construction and Maintenance Tax (中華人民共和國城市維護建設稅暫行條例), which were promulgated by the State Council and became effective on February 8, 1985, and the Notice of the State Council on Extending the Urban Construction and Maintenance Tax and Educational Surcharges from Chinese to Foreign-Invested Enterprises and Citizens (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), which was promulgated by the State Council on October 18, 2010 and became effective on December 1, 2010, impose an urban construction and maintenance tax on entities and individuals based on the amount of consumption tax, value-added tax or business tax they are required to pay at rates of 1%, 5% or 7%, depending on the geographic location of the taxpayer.

PRC Laws and Regulations Concerning Foreign Exchange Control

The lawful currency of the PRC is Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange. SAFE, under the authority of the PBOC, administers all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On December 28, 1993, PBOC issued the Notice to Further Reform the Foreign Exchange Control System (進一步改革外匯管理體制的通知), which became effective on January 1, 1994. The Notice abolished the system of foreign exchange quotas and announced the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers.

On January 29, 1996, the State Council promulgated Regulation of Foreign Exchange (中華人民共和國外匯管理條例) (the “Foreign Exchange Regulations”) which became effective on April 1, 1996. The Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to the approval from SAFE while capital account items still are. The Foreign Exchange Regulations were subsequently amended on January 14, 1997 and on August 1, 2008. This latest amendment affirmatively states that the State shall not restrict international current account payments and transfers.

On June 20, 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the “Settlement Regulations”) which took effect on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯暫行規定) and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On October 25, 1998, PBOC and the SAFE promulgated the Notice Concerning Closure of the Foreign Exchange Swap Business Activities (關於停辦外匯調劑業務的通知) pursuant to which with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall come under the banking system for the settlement and sale of foreign exchange.

On July 21, 2005, PBOC announced that the PRC would implement the managed floating exchange rate regime with effect from the same day, and exchange rates are determined based on market supply and demand with reference to a basket of currencies. The exchange rate of RMB is no longer pegged to the U.S. dollar. The PBOC will announce the closing prices of foreign currencies (such as the U.S. dollar) to RMB in the interbank foreign exchange markets after the closing of the markets on each working day, so as to determine the central parity for RMB trading on the next working day.

Since January 4, 2006, PBOC improved the method of generating the middle price for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the inter-bank spot foreign exchange market. In addition, PBOC provided liquidity in the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market. After the introduction of the enquiry system, the generation of the middle price for quoting the Renminbi was replaced by a new mechanism under which PBOC authorized the China Foreign Exchange Trading System to determine and announce the middle price for quoting the Renminbi against the U.S. dollar, based on the enquiry system, at 9:15 a.m. on each business day.

On August 5, 2008, the State Council promulgated the amended Regulations on Foreign Exchange Administration of the People's Republic of China (外匯管理條例) (the "Amended Regulations on Foreign Exchange") which made significant changes on the supervisory system for foreign exchange in the PRC. Firstly, the Amended Regulations on Foreign Exchange adopted balanced treatment on the inflow and outflow of foreign capital. Incomes in foreign currencies overseas can be remitted to the PRC or remained overseas, and foreign currencies of capital account items and funds for settlement in foreign currencies can only be used according to the purposes approved by relevant competent authorities and foreign exchange administration. Secondly, the Amended Regulations on Foreign Exchange improved the RMB exchange mechanism based on market supply and demand. Thirdly, the Amended Regulations on Foreign Exchange enhanced the monitoring of cross-border capital flow in foreign currencies, whereby the state could implement necessary protection or controlling measures when material imbalance of income and expenses related to cross-border trading arise or might arise, or serious crises in the domestic economy occur or might occur. Fourthly, the Amended Regulations on Foreign Exchange enhanced the regulation and administration on foreign currency trading, and granted extensive authorization to SAFE to enhance its supervisory and administrative capacity. Foreign exchange revenue in respect of current account items may be retained or sold to financial institutions operating a foreign exchange sale or settlement business.

Before retaining foreign exchange revenue under the capital account or selling it to any financial institution operating a foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authorities shall be obtained, unless otherwise provided by the State.

Enterprises that require foreign exchange for recurring activities such as trading and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents.

In addition, where an enterprise requires foreign exchange for the payment of dividends, such as the distribution of profits by a foreign-invested enterprise to its foreign investor, then, subject to the due payment of taxes on such dividends, the amount required for the payment of dividends may be withdrawn from funds in foreign exchange accounts maintained with designated banks and, where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks.

Convertibility of foreign exchange in respect of capital account items, including direct investments and capital contributions, is still subject to restrictions, and prior approval from SAFE must be obtained.

The Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (國家外匯管理局關於境外上市外匯管理有關問題的通知), which was promulgated by the SAFE on and with effect from December 26, 2014, stipulates that:

1. SAFE and its branches and foreign exchange authorities supervise, manage and inspect, among other things, the business registration, account opening and use, cross-border payments and capital exchange involved in the overseas listing of domestic companies.
2. A domestic company shall conduct overseas listing registration with Foreign Exchange Bureaus at the place of its incorporation with the overseas listing registration form, supporting documents for the CSRC's approval of overseas listing, announcement relating to completion of overseas offering and the relevant supplementary materials within 15 working days after the completion of the offering of its overseas listing shares.
3. A domestic company may repatriate the proceeds from offshore listing to its designated domestic account or retain such proceeds at its designated overseas account. The use of such proceeds shall be consistent with the content of the prospectus or other public disclosure documents such as documents for issuance of corporate bonds, circulars to shareholders and resolutions of shareholders' meetings. Proceeds raised from issuance of convertible bonds and intended to be remitted to its domestic account shall be remitted to its specific domestic account for foreign debts and the company shall complete relevant procedures in accordance with relevant regulations on foreign debts administration; and proceeds raised from issuance of other types of securities by a domestic company and intended to be remitted to its domestic account shall be remitted to its special domestic account for offshore listing (foreign exchange) or payment account (RMB).
4. A domestic company may use overseas funds as stipulated by relevant provisions or remit funds out of the PRC to repurchase overseas shares. Where the domestic company chooses to remit funds out of the PRC to repurchase overseas shares, it should, by presenting the certificate of overseas listing registration obtained following the registration of the repurchase related information (including change procedures) at the local Foreign

Exchange Bureaus (if fail to register the repurchase related information, it is required to conduct the registration within 20 working days before the proposed repurchase and obtain relevant registration certificate) and statements or supporting materials of the repurchase, complete the remittance with deposit bank through domestic account for offshore listing (foreign exchange) or payment account (RMB). Upon completion of the repurchase, any surplus in the funds remitted overseas for such repurchase shall be transferred back to its designated domestic account or domestic company's domestic account for offshore listing (foreign exchange) or payment account (RMB).

5. A domestic shareholder may, in accordance with applicable regulations, use overseas funds as stipulated by relevant provisions or remit funds out of the PRC to increase his/her overseas shares of a domestic company. Where the domestic shareholder chooses to remit funds out of the PRC to increase his/her shareholding, he/she should, by presenting his/her overseas shareholding registration certificate and statements or supporting materials of the shareholding increase, complete the transfer with deposit bank through domestic shareholder's domestic account for offshore holding. Upon completion of the shareholding increase, any surplus in the funds remitted overseas for such increase shall be transferred back to the said account.
6. A domestic shareholder's income raised from reduction or transaction of overseas shares of a domestic company or raised from the shares delisted from overseas stock exchange on the capital account may be deposited at the shareholder's overseas account or remitted to the domestic account for offshore shareholding. Where the domestic shareholder chooses to remit the income to its domestic account, the domestic shareholders may, by presenting the overseas shareholding registration certificate, complete the transfer or settlement procedures with the bank.

The Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies in Relation to Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), which was promulgated by the SAFE on February 13, 2015 and will become effective on June 1, 2015, cancels two matters that require administrative approval, i.e., foreign exchange registration approval under domestic and overseas direct investments, which shall be verified and handled directly by banks under the indirect supervision of the SAFE and its branch offices through banks instead. Banks and their branches shall carry out direct investment foreign exchange registration and the related services as guided by the local foreign exchange bureau and perform their auditing, statistical monitoring and reporting duties subject to their authorities. A market player involved may elect a bank at the place of its incorporation for direct investment foreign exchange registration. Upon registration, it may open an account, transfer funds and other businesses for subsequent direct investment, including inward or outward remittances of profits and bonus. It also simplifies confirmation registration and administration over a foreign investor's contribution under domestic direct investment, cancels confirmation registration for a foreign investor's non-monetary contribution and his acquisition of equity interest in a PRC entity under domestic direct investment, and cancels overseas re-investment foreign exchange filing and annual survey on direct investment to register stock rights instead.

B. Hong Kong Taxation**Tax on Dividends**

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix sets out summaries of certain aspects of the PRC judicial system and its arbitration system related to the operation and business of the Company as well as the legal regulations and securities regulations of the Company. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including the summaries of certain material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Decided court cases do not constitute binding precedents, although they may be used for the purposes of judicial reference and guidance.

The National Peoples' Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil and criminal matters and other matters.

The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities and take the same effect after submitting to the standing committee of the people's congresses of provinces or autonomous regions for approval. The standing committee of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the People's Government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the standing committee of the people's congresses of provinces or autonomous regions, a decision should be made to deal with the matter. "Larger cities" refer to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

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People's congresses of national autonomous areas have the power to enact autonomy regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The autonomy regulations and separate regulations of autonomous regions shall be submitted to the Standing Committee of the NPC for approval before taking effect. The autonomy regulations and separate regulations of the autonomous prefectures or counties shall be submitted to the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities. Based on the characteristics of the local nationality (nationalities), adaptations to the provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate regulations so long as they do not contravene the basic principles of the laws or administrative regulations, provided that no adaptations shall be made to specific provisions on national autonomous areas contained in the constitution, autonomy law of national areas and other relevant laws and administrative regulations.

The ministries, commissions, PBOC, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the PRC Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organization of the People's Courts of the PRC (中華人民共和國法院組織法), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the high people's courts. The primary people's courts may set up civil, criminal, economic and administrative divisions. The intermediate people's courts have divisions similar to those of the primary people's courts and other special divisions (such as the intellectual property division). These two levels of people's courts are subject to supervision of the

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high people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest trial organ of the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's court shall apply the system whereby the second instance is final, i.e., the judgment or ruling of the second instance at a people's court is final. A party to the case concerned may appeal to the people's court at the next higher level against the judgment or ruling of the first instance. The people's procuratorate may appeal to the people's court at the next higher level in accordance with procedures stipulated by the laws. In the absence of any appeal by any parties to the case and any appeal by the people's procuratorate within the stipulated period, the judgment or ruling of the people's court shall be the final judgment or rulings. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in any people's court at a lower level, or the president of a people's court finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the adjudication supervision procedures.

The Civil Procedure Law of the PRC (the "Civil Procedure Law") promulgated by the NPC on April 9, 1991, amended by the Standing Committee of the NPC on October 28, 2007 and August 31, 2012 and which became effective on January 1, 2013 prescribes the provisions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The competent court may also be selected by express agreement amongst the parties to a contract provided that the court selected is located at the plaintiff's or the defendant's place of domicile, the place of performing the contract or the place of executing the contract or the object of the action, provided that the provisions of the Civil Procedure Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a juridical system of a foreign country limit the litigation rights of PRC citizens and enterprises, subject to the principle of reciprocity, the PRC courts may apply the same limitations to the citizens and enterprises (in China) of that foreign country. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within a stipulated period. Should anyone be unable to execute the judgment of the people's court within a stipulated period, as a result of any party's application, the people's court shall enforce such a judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Similarly, if the PRC has entered into a treaty relating to judicial enforcement with the relevant foreign country or a relevant

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international treaty, a foreign judgment or ruling may also be recognized and enforced according to PRC enforcement procedures by a PRC court based on the equity principle unless the people's court considers that the recognition or enforcement of a judgment or ruling will violate the basic legal principles of the PRC or its sovereignty or national security, or social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Meeting on December 29, 1993 and came into effect on July 1, 1994. It was amended fourth on December 25, 1999, August 28, 2004, October 27, 2005 and revised on December 28, 2013. The latest revised PRC Company Law came into effect on March 1, 2014.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations are formulated in respect of the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions of the Companies Seeking Overseas Listing (the "Mandatory Provisions") promulgated by the former Securities Commission and the former State Commission for Restructuring the Economic System on August 27, 1994 and the "Circular Regarding Comments on the Amendments to Articles of Association of Companies Listed in Hong Kong" ("Circular Regarding Comments on the Amendments") jointly issued by the Overseas-Listing Department of the China Securities Regulatory Commission and the Production System Department of the former State Commission for Restructuring the Economic System prescribe provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A "company" is a corporate legal person incorporated within the PRC under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the full amount of its assets and the liability of its shareholders is limited to the extent of the capital contributions subscribed or the shares subscribed respectively by them. Companies can be divided into two different categories: limited liability companies and joint stock limited liability companies.

A company must conduct its business in accordance with law and business ethics. A company may invest in other limited liability companies and joint stock limited companies. The liabilities of the company to such invested companies are only limited to the capital contributions paid or shares subscribed. Unless otherwise provided by laws, a company shall not be the capital contributor bearing joint and several liabilities associated with the debts of the invested enterprises.

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Incorporation

A joint stock limited liability company may be incorporated by promotion or subscription. Incorporation by promotion refers to the incorporation in which the entire share capital to be issued by the company is subscribed by the promoters. If the company is established by the public subscription method, parts of the shares to be issued by the company must be subscribed by its promoters while the remaining shares must be offered for subscription by the public or by specified persons.

A joint stock limited liability company may be incorporated by a minimum of two but not more than two hundred promoters. At least half of the promoters must have residence within the PRC. Joint stock limited liability companies incorporated by promotion are companies the entire registered capital of which is subscribed for by the promoters. Before the registered capital subscribed by the promoters is paid, no stock can be offered to others for subscription.

When incorporating a company by promotion, the promoters shall subscribe, in writing, to the full amount of shares provided in the articles of association and make capital contributions as per the articles of association. In the case of making capital contributions in non-monetary properties, the promoters shall go through the procedures for the transfer of property rights according to laws. If any of the promoters fails to make capital contributions by following the aforesaid provisions, it shall bear the liabilities for breach of contract under the stipulations in the promoter's agreement. After the promoters fully subscribe to the capital contributions provided for in the articles of association, the promoters shall elect the board of directors and supervisory board. The board of directors shall file an application for registration with the company registration authority and submit therewith the articles of association and any other documents required by laws or administrative regulations.

When a limited liability company becomes a joint stock limited liability company, the conversion paid-up capital shall not exceed the company's net asset value.

A joint stock limited liability company is formally established and has the status of a legal person after the approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A joint stock limited liability company's promoter shall bear the following liabilities:

- (i) Where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;
- (ii) Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription monies paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and
- (iii) Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

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Share capital

The promoter of a joint stock limited liability company may make capital contribution in currencies, or in kind or by way of injection of assets, intellectual property rights or land use rights based on their appraised value, and may also convert lawfully transferred non-monetary assets into capital contribution with a monetary value, save for assets prohibited to be contributed as capital by the law or administrative regulations. If a capital contribution is made other than in cash, a valuation and verification of the asset contributed must be carried out without any overvaluation or under-valuation, subject to any provisions of the law or administrative regulations on valuation.

A joint stock limited liability company may issue registered or bearer share certificates. However, shares issued to promoters or legal persons shall be in the form of registered shares and shall be registered under the name of such promoter or legal person and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H Shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H Shares, to retain not more than 15% of the aggregate number of H Shares proposed to be issued besides the amount of underwritten shares. The share offering price may be equal to or greater than the par value, but may not be less than the par value.

Increase in share capital

According to the PRC Company Law, the issuance of shares shall be conducted in a fair and equitable manner. Shares in the same class shall rank *pari passu* with one another. Shares of the same class in the same offer shall be issued on the same conditions and at the same price. The same price per share shall be paid by any units or individuals subscribing for shares. When a joint stock limited liability company is issuing new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issue and the class and amount of new shares to be issued to existing shareholders; and a resolution made at a general meeting on increasing the capital shall be adopted by shareholders representing 2/3 or more of the voting rights of the shareholders in presence. When a joint stock limited company launches a public issue of new shares with the approval of the securities regulatory authorities under the State Council, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issuance of the company has been paid up, the change must be registered with the company registration authorities and an announcement must be made. Where a joint stock limited liability company is issuing new shares to increase its registered capital, the subscription of new shares by shareholders shall be conducted in accordance with provisions on the payment of subscription amounts in relation to the incorporation of the company.

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Besides the PRC Company Law's provision that the issue of new shares shall be approved by a shareholders' general meeting, the Securities Law also stipulates that any company that makes an initial public offer (IPO) of its stock shall: (i) have a sound organizational structure and be well-operated; (ii) have a profitable outlook and be of sound financial status; (iii) have no record of having filed any false financial statement in the previous three years or any other major legal irregularity; and (iv) meet any other State Council-approved requirement prescribed by the securities regulatory authority under the State Council.

Reduction of share capital

According to the PRC Company Law, if a joint stock limited liability company plans to reduce its registered capital, such a plan shall be subject to the consideration and approval of the general meeting of the joint stock limited liability company; and a resolution made at a general meeting of a joint stock limited liability company on reducing the capital shall be adopted by shareholders representing $2/3$ or more of the voting rights of the shareholders in presence.

A joint stock limited liability company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (i) the joint stock limited liability company shall prepare a balance sheet and a property list; (ii) the reduction of registered capital must be approved by shareholders in a shareholders' general meeting; (iii) the joint stock limited liability company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within thirty days after the resolution approving the reduction has been passed; (iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and (v) the company must apply to the relevant administration bureau for industry and commence the registration of the reduction in registered capital.

Repurchase of shares

A company may not purchase its own shares other than for one of the following purposes: (i) to reduce its registered share capital; (ii) to merge with another company that holds its shares; (iii) to grant shares to its employees as incentives; (iv) to purchase its own shares from its shareholders who are against the resolution regarding the merger or demerger with other company in a shareholders' general meeting; and (v) such other purposes permitted by law and administrative regulations.

Where a company needs to purchase its own shares for any of the reasons as mentioned in Items (i) through (iii) above, it shall be subject to a resolution of the general meeting. After the company purchases its own shares pursuant to the aforesaid provisions, it shall, under the circumstance as mentioned in Item (i), write them off within 10 days after the purchase; while under either circumstance as mentioned in Item (ii) or (iv), transfer them or write them off within six months.

The shares purchased by the company according to Item (iii) above shall not exceed 5% of the total shares already issued by the company. The fund used for the share acquisition shall be paid from the after-tax profits of the company. The shares purchased by the company shall be transferred to the company's employees within one year.

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The Mandatory Provisions specifies that the company may, according to procedures specified in the articles of association and upon approval of relevant competent authorities, buy back its issued shares for the aforesaid purposes by way of general offer to the shareholders or transaction in the stock exchange or through agreement outside the stock exchange.

No company may accept any subject matter taking the stocks of this company as a pledge.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations.

A shareholder may only effect a transfer of its shares on a stock exchange established in accordance with law or by other ways as required by the State Council. Registered shares may be transferred after the shareholders endorse their signatures on the back of the share certificates or in any other manner specified by the law or administrative regulations. Following the transfer, the company shall enter the name of the transferee and its address into the share register. The transfer of bearer's share certificate shall become effective upon the delivery of such share certificate to the transferee by the shareholder.

Subject to the PRC Company Law, no changes of registration in the share register provided in the foregoing shall be effected during a period of twenty days prior to the convening of the shareholders' general meeting or five days prior to the record day for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies.

According to the Special Provisions, no changes of share transfer registration may be made to the register of shareholders within 30 days prior to a general meeting of the company is held, or within five days prior to the benchmark date decided by the company for the distribution of dividends.

Shares held by a promoter may not be transferred within one year after the company's establishment. Shares of the company issued prior to the public issue of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes in such shareholdings. During their term of office, they shall transfer no more than 25% of the shares they hold in the company each year. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they have resigned from their positions with the company. The articles of association may lay down other restrictive provisions in respect of the transfer of shares in the company held by the directors, supervisors and the senior management of the company.

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Shareholders

A shareholder's rights and duties are all stipulated in the company's articles of association, which is binding on all shareholders. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

- (i) to attend shareholders' general meetings and exercise the voting rights on the basis of the number of the shares held by such shareholder personally or appoint an agent to attend such meetings and exercise the rights referred to hereinabove;
- (ii) to transfer the shares held by such shareholder subject to the applicable laws, regulations and the company's articles of association;
- (iii) to bring an action in the people's court to rescind the resolution when any law or administrative regulation or any legal right or interest of any shareholder is violated by a resolution passed by the shareholders' general meeting or the board of directors;
- (iv) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the supervisory board and financial and accounting reports and to make proposals or enquiries in respect of the company's operations;
- (v) to receive dividends in respect of the number of shares held;
- (vi) to receive residual properties of the company in proportion to their shareholdings upon the termination or liquidation of the company; and
- (vii) any other shareholders' rights provided for in the articles of association.

A shareholder's obligations and responsibilities include: Abide by the articles of association, pay subscription funds as per the shares it subscribed, bear liability for the company to the extent of the shares subscribed, not injure any of the interests of the company or of other shareholders of the company by abusing the shareholder's rights, or injure the interests of any creditor of the company by abusing the independent status of legal person or the shareholder's limited liabilities, and any other obligations of shareholders as specified in the articles of association.

Shareholders' general meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

- (i) to decide on the company's operational policies and investment plans;

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- (ii) to elect or remove the directors and supervisors (that are not staff representatives) and to decide on matters relating to the remuneration of directors and supervisors;
- (iii) to examine and approve reports of the board of directors;
- (iv) to examine and approve reports of the supervisory board or supervisor;
- (v) to examine and approve the company's annual financial budget and final accounts;
- (vi) to examine and approve the company's proposals for profit distribution plans and recovery of losses;
- (vii) to decide on any increase or reduction of the company's registered capital;
- (viii) to decide on the issue of bonds by the company;
- (ix) to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- (x) to amend the company's articles of association; and
- (xi) other powers as provided for in the articles of association.

Shareholders' general meetings are required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- (i) the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- (ii) the aggregate losses of the company which are not recovered reach one third of the company's total paid-in share capital;
- (iii) when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- (iv) whenever the board of directors deems necessary;
- (v) when the supervisory board so requests; or
- (vi) other circumstances as provided for in the articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by

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more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory board shall convene and preside over such meeting in a timely manner. In case the supervisory board fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for ninety days consecutively may unilaterally convene and preside over such meeting.

Subject to the PRC Company Law, notice of the shareholders' general meeting stating the time and venue of and matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. Notice of extraordinary general meetings shall be given to all shareholders fifteen days prior to the meeting. Notice of the issuance of bearer's share shall be announced thirty days before the meeting.

Subject to the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the shareholders forty five days in advance, and the matters to be considered at the meeting shall be specified. Subject to the Special Regulations and the Mandatory Provisions, the confirmation letter of the shareholders planning to attend the meeting shall be delivered to the company twenty days in advance of the meeting. Moreover, subject to the Special Regulations, shareholders holding more than 5% of the company's shares may put forward a new proposal in writing for discussion at the shareholder's annual meeting, and if the proposal falls within the purview of the meeting, it shall be placed on the agenda of that meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the shareholders' general meeting must be adopted by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to amendments to the articles of association, increases or decrease registered capital, merger, division, dissolution of a company or, which must be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company must be approved by way of resolution of the shareholders' general meeting, the directors shall convene a shareholders' general meeting promptly to vote on the above matters.

The accumulative voting system may be adopted pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

According to the Mandatory Provisions, the increase or reduction of share capital, the issue of shares of any class, warrants or other similar securities, and bonds or debentures, the liquidation of the company and any other matters in respect of which the shareholders by ordinary resolution so decide, must be approved through special resolutions by more than two-thirds of the voting rights held by shareholders present at the meeting.

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A shareholder may entrust a representative to attend a general meeting on his behalf. The representative shall present a power of attorney issued by the shareholder to the company and shall exercise his voting rights within the authorization scope. The *PRC Company Law* does not specify the number of shareholders attending the general meeting. However, the *Special Provisions* and *Mandatory Provisions* specify that a company may hold a general meeting if it receives replies from shareholders concerning the said general meeting 20 days prior to the date of the meeting, and the number of voting shares represented by such shareholders amounts to more than 50% of the company's total voting shares. Where the number of voting shares represented by such attending shareholders does not reach 50% of the company's total voting shares, the company shall, within five days from the deadline for reply, notify the shareholders again of the issues to be considered, the time and place of the meeting in the form of public announcements. The company may then convene a general meeting after such announcements have been made. The *Mandatory Provisions* specifies that a class general meeting shall be held if the rights of classified shareholders are changed or abolished. Holders of domestic shares and overseas listed foreign shares are deemed to be different classes of shareholders.

A general meeting shall make the minutes for the decisions about the matters discussed at the meeting. The presider of the meeting and the directors in presence shall affix their signatures to the minutes, which shall be preserved together with the book of signatures of the shareholders in presence as well as the power of attorney thereof.

Directors

A company shall have a board of directors, which shall consist of five to 19 members. Members of the board of directors may include staff representatives of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the *PRC Company Law*, the board of directors exercises the following powers:

- (i) to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- (ii) to implement the resolutions passed in general meetings;
- (iii) to decide on the company's business plans and investment proposals;
- (iv) to formulate the company's proposed annual financial budget and final accounts;
- (v) to formulate the company's profit distribution proposals and for recovery of losses;

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- (vi) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- (vii) to prepare plans for the merger, division, dissolution of the company or change of the company form;
- (viii) to decide on the company's internal management structure;
- (ix) to appoint or dismiss the company's general manager and based on the general manager's recommendation, to appoint or dismiss the deputy general managers and financial officers of the company and to decide on their remuneration;
- (x) to formulate the company's basic management system; and
- (xi) to exercise any other power under the articles of association.

The Mandatory Provisions specifies that the board of directors shall also be responsible for working out and amending the proposal of articles of association of the company.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be convened by shareholders representing more than 10% of voting rights, more than one third of the directors or the supervisory board. The chairman shall convene and preside over such meeting within ten days after receiving such proposal. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the law, administrative regulations or the company's articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved from that liability.

Under the PRC Company Law and the Mandatory Provisions, the following persons may not serve as a director of a company:

- (i) persons without civil capacity or with restricted civil capacity;
- (ii) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been

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sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

- (iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and has been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- (iv) persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;
- (v) persons who have a relatively large amount of debts due and outstanding; and
- (vi) Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

The election, appointment or engagement of directors elected or appointed by the company in violation of the aforesaid provisions shall be null and void. If one of these restrictions becomes applicable to a director during his term of office, such director shall be released of his duties by the company.

The board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist in the work of the chairman. In the event that the chairman is not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall perform his duties.

Supervisors

A company shall have a supervisory board composed of not less than three members. The supervisory board consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third and directors and members of the senior management may not act concurrently as supervisors. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of all the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions

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Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the supervisory board shall be elected with approval of more than two-thirds of all the supervisors. The chairman of the supervisory board shall convene and preside over supervisory board meetings. In the event that the chairman of the supervisory board is incapable of performing or not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. In the event that the vice chairman of the supervisory board is incapable of performing or not performing his/her duties, a supervisor nominated by more than half of supervisors shall convene and preside over supervisory board meetings.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisor being less than the quorum.

The supervisory board exercises the following powers:

- (i) to review the company's financial position;
- (ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolution;
- (iii) when the acts of directors and senior management are harmful to the company's interests, to require correction of these acts;
- (iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under the PRC Company Law;
- (v) to submit proposals to the shareholders' general meetings;
- (vi) to bring actions against directors and members of senior management; and
- (vii) to exercise any other authority stipulated in the articles of association.

The aforesaid circumstances causing people unqualified for serving as directors of a company shall also apply to the supervisors of a company.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory board or (where there is no supervisory board) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist in their work at the company's expense.

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Manager and Senior Management

A company shall have a manager who shall be appointed or removed by the board of directors. The manager shall reports to the board of directors and may exercise his/her powers:

- (i) to supervise the production, business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- (ii) to organize and implement the annual business plans and investment proposals of the company;
- (iii) to formulate proposals for the establishment of the company's internal management organs;
- (iv) to formulate the fundamental management system of the company;
- (v) to formulate the company's specific rules and regulations;
- (vi) to recommend the appointment or dismissal of any deputy manager and any financial officer;
- (vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors); and
- (viii) to exercise any other authority granted by the board or the articles of association.

Other provisions in the articles of association on the general manager's powers shall also be complied with. The general manager shall be present at meetings of the board.

According to the PRC Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

The aforesaid circumstances causing people unqualified for serving as directors of a company shall also apply to the managers and other senior management of a company.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors, managers and senior management of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties honestly and diligently. Directors, supervisors, managers and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

- (i) misappropriating company funds;

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- (ii) depositing company funds into accounts under their own names or the names of other individuals;
- (iii) lending company funds to others or providing guarantees in favor of others against company property in violation of the articles of association or without prior approval of the shareholders' meeting, the general meeting or the board of directors;
- (iv) entering into contracts or transactions with the company in violation of the articles of association or without prior approval of the shareholders' meeting, the general meeting or board of directors;
- (v) using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or operating on behalf of others' businesses similar to that of the company without prior approval of the shareholders' meeting or the general meeting;
- (vi) accepting for their own benefit commissions from a third party dealing with the company;
- (vii) unauthorized divulgence of confidential information of the company; and
- (viii) any other acts in violation of their fiduciary duty towards the company.

Income generated by directors or senior management in violation of the foregoing provisions shall be reverted to the company.

A director, supervisor or member of senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where the attendance of a director, supervisor or member of senior management is requested by the general meeting, such director, supervisor or member of senior management shall attend the meeting as requested and answer enquiries from shareholders.

Directors and senior management should furnish with all truthful facts and information to the supervisory board or the supervisors (for companies with limited liability that do not have a supervisory board) without impeding the discharge of duties by the supervisory board or the supervisors.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general managers and other members of senior management shall have fiduciary duties towards the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions contain detailed stipulations on these duties.

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Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the requirements of the financial departments of the State Council. At the end of each financial year, a company shall prepare a financial and accounting report which shall be audited by an accounting firm in accordance with the laws.

The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the requirements of the financial departments of the State Council. The financial and accounting report of a liability limited company shall be delivered to all the shareholders within the time limit stipulated in the company's articles. A joint stock limited liability company shall deposit its financial and accounting report at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited liability company issuing its shares in public must publish its financial and accounting report.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, with the approval of the shareholders' meeting or the general meeting by way of resolution, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association. Profit distributed to shareholders by the shareholders' meeting or general meeting or the board of directors before losses have been made good and appropriations have been made to the statutory common reserve fund in violation of the foregoing provisions must be returned to the company. Company shares held by the company shall not be entitled to any distribution of profit.

The premium over the nominal value of the shares of the company in issue and other income as required by the financial departments of the State Council to be treated as the capital reserve fund shall be accounted for as capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened under the name of an individual.

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Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' meeting, general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, general meeting or the board of directors conducts a vote on the dismissal of the accounting firm on their respective meetings. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the newly-engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The auditor's term of office shall commence from the end of the annual general meeting to the end of the next annual general meeting.

Where the company dismisses or discontinues the engagement of the accounting firm providing auditing services for it, according to the Special Provisions, the company shall give a notice to the said accounting firm in advance, and the accounting firm shall have the right to state its opinions at the general meeting. The company's appointment, dismissal or disengagement of the accounting firm shall be decided at the general meeting and shall be filed with CSRC.

Profit Distribution

According to the PRC Company Law, the company shall not distribute profits before making up losses and drawing statutory common reserve. The Special Provisions specifies that the dividends and other allocations paid by the company to holders of overseas listed foreign shares shall be declared and stated in Renminbi and paid in foreign currency.

According to the Mandatory Provisions, the company shall appoint receiving agents on behalf of holders of the overseas-listed foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas-listed foreign invested shares.

Amendment to the Articles of Association

Amendment to the articles of association shall follow procedures specified in laws, regulations and the articles of association. According to the Mandatory Provisions, if any amendment to provision set out in the articles of association involves any content of Mandatory Provisions, the said amendment shall be subject to approval by the CSRC and the company's approval department authorized by the State Council and filed with the State Administration of Industry and Commerce or any of its local bureaus for registration. If the amendment to the articles of association needs to be registered and filed and has been adopted, the company must process registration of changes in accordance with applicable laws and regulations.

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Dissolution and Liquidation

According to the PRC Company Law, a company may be dissolved under one of the following circumstances:

- (i) The term of business operation as prescribed by the articles of association expires or any of the situations for dissolution prescribed in the company's articles of association occurs;
- (ii) The general meeting decides to dissolve the company;
- (iii) It is necessary to be dissolved due to merger or split-up of the company;
- (iv) The business license is cancelled, or it is ordered to close down or to be dissolved according to laws; or
- (v) Where any company meets any serious difficulty in its operations or management that cannot be resolved through other means, so that the interests of the shareholders will face heavy loss if the company continues to exist and the difficulty cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of all the shareholders of the company may request the people's court to dissolve the company, in response to which the people's court dissolves the company.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out in the previous paragraph shall require approval of shareholders holding more than two-thirds of voting rights in the case of companies with limited liability and more than two-thirds of voting rights held by shareholders attending a general meeting in the case of a joint stock limited liability company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) or (v) above, a liquidation committee shall be established within 15 days for liquidation after the occurrence of an event of dissolution.

Members of the liquidation committee of a joint stock limited liability company shall be composed of its directors or the person appointed by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court, requesting the court to appoint relevant personnel to form a liquidation committee. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following powers during the liquidation period:

- (i) to dispose of the company's assets and to prepare a balance sheet and an inventory of the assets;
- (ii) to notify creditors or issue public notices;

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- (iii) to deal with the company's outstanding businesses related to liquidation;
- (iv) to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- (v) to claim credits and to pay off debts;
- (vi) to dispose of the remaining assets of the company after its debts have been paid off; and
- (vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue public notices in the newspapers within 60 days. A creditor shall lodge his/her claim with the liquidation committee within 30 days after receiving notification or within 45 days of the public notice if he does not receive any notification. A creditor shall state all matters relevant to his/her creditor rights in making his/her claim and furnish evidence. The liquidation committee shall register such creditor rights. The liquidation committee shall not make any debt settlement to creditors during the period of claim.

Upon disposal of the company's property and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit it to the shareholders' meeting, general meeting or people's court for endorsement.

The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to capital contributed by them (in the case of companies with limited liability) or in proportion to shares held by them (in the case of a joint stock limited liability company). The company shall continue to exist during the liquidation period, but can only engage in operating activities that are related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon disposal of the company's property and preparation of the balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy immediately.

Following such declaration of bankruptcy, the liquidation committee shall hand over all matters related to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' meeting, general meeting or a people's court for confirmation. Following such confirmation, the report shall be submitted to the companies' registration authority to apply for cancelling the company's registration, and an announcement of its termination shall be published.

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None of the members of the liquidation committee shall take advantage of his/her position to take any bribe or any other illegal proceeds, nor may he misappropriate any of the company's property. Where any member of the liquidation committee causes any loss to the company or any creditor by intention or due to gross negligence, he/she shall make respective compensations.

Overseas Listing

According to the Special Provisions, the overseas listing of the company's shares shall be subject to the approval of CSRC and follow procedures specified by the State Council.

Regulatory Guideline in relation to Offshore Issuance of Shares by Companies Limited by Shares and Documents and Approval Procedure for Application for Listing (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) which was promulgated by the CSRC on December 20, 2012 and became effective on January 1, 2013 requires that limited companies established in accordance with the PRC Company Law shall proactively submit an application to the CSRC for the issue and listing of shares outside China in compliance of the listing conditions of the overseas listing places. The CSRC will accept, review and make an administrative approval for application for administrative permission submitted by a company. The company may upon receipt of the acceptance notice submit to overseas securities regulatory authority or stock exchange a preliminary application for stock issuance and listing, and may upon receipt of the approval document for administrative licensing from CSRC submit to overseas securities regulatory authority or stock exchanges a formal application for stock issuance and listing. The approval from the CSRC is valid for 12 months from the issuance date.

Loss of H share certificates

The Special Regulations and the Mandatory Provisions provide that in the case of loss of share certificates by the shareholders of overseas listed foreign invested shares, an application for the issue of replacement certificates may be handled in accordance with the law or rules of the securities exchanges or other relevant regulations of the place where the original copy of the register of shareholders of overseas listed foreign invested shares is kept.

Suspension and termination of listing

The Securities Law provides that where a company is in one of the following circumstances, the stock exchange shall decide to suspend the listing and trading of its shares:

- (i) there is a change in the total share capital, equity distribution, etc., of the company and the listing conditions are no longer fulfilled;
- (ii) the company fails to disclose its financial status as required, or there are falsehoods in the financial and accounting reports that may mislead investors;
- (iii) the company has committed a major breach of the law;
- (iv) the company has suffered continuous losses for the most recent three years; or

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(v) other circumstances stipulated by the listing rules of the relevant stock exchange.

In the event that the conditions for listing are not satisfied within the period stipulated by the relevant stock exchange as described in (i) above, or the company has refused to rectify the situation in the case described in (ii) above, or the company fails to become profitable in the next subsequent year in the case described in (iv) above, or the company is dissolved or declared bankrupt, the relevant stock exchange shall have the right to terminate the listing of the shares of the company.

The Company Law provides that the securities administration department of the State Council may also terminate the listing of a company's shares in the event that the company resolves to cease operation or is so instructed by its government supervisory body, or the company is declared bankrupt. In such event, the Securities Law would regard this as "other circumstances as required by the listing rules of the relevant stock exchanges."

Merger and Split-up

The merger or split-up of the company shall be approved by votes representing more than two-thirds of voting rights held by the shareholders present at the meeting.

To carry out a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company. If an absorption merger is adopted, the company being absorbed shall be dissolved. If two companies merge to establish a new company, the two companies being merged shall be dissolved.

Laws, Regulations and Regulatory System on Securities

Since 1992, China has promulgated multiple regulations related to stock issuance, transaction and information disclosure. In October 1992, the State Council set up the Securities Commission of the State Council and CSRC. The Securities Committee is responsible for co-coordinating the drafting of relevant securities laws and regulations, formulating securities related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory body of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking research and analysis. In 1998, the State Council decided to cancel the Securities Commission of the State Council and have its functions borne by CSRC.

On December 25, 1995, the State Council promulgated Regulations of the State Council on Domestic Listing of Foreign-oriented Stocks by Share-holding Companies (《國務院關於股份制有限公司境內上市外資股的規定》), which mainly specifies distributions including issuance, subscription, trading, dividend declaration of domestically listed foreign-oriented stocks, and information disclosure of share-holding companies with domestically listed foreign-oriented stocks.

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On December 29, 1998, the Standing Committee of the National People's Congress promulgated Securities Law of the People's Republic of China, which became effective on July 1, 1999. It is the first national securities law of China, and a fundamental law comprehensively regulating the activities on China's stock market. The Securities Law of the People's Republic of China underwent four revisions on August 28, 2004, October 27, 2005, June 29, 2013 and August 31 2014 respectively. The Securities Law of the People's Republic of China shall apply to the issuance and trading of stocks, corporate bonds as well as any other securities as lawfully recognized by the State Council within China, and it shall regulate the issuance and trading of stocks, acquisition of listed companies, duties and responsibilities of stock exchanges, securities companies and securities regulatory authorities of the State Council.

Regulatory Guidelines in Relation to the Document Submission and Review Procedure for Stocks Issuance and Overseas Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC on December 20, 2012 specifies issues such as documents to be submitted and approval procedures for companies to apply for overseas listing.

Where there is no such provision in the present Law, the provisions of the PRC Company Law and other relevant laws and administrative regulations shall apply.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "Arbitration Law") was passed by the Standing Committee of the NPC on August 31, 1994, and became effective on September 1, 1995 and amended on August 27, 2009. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law (《中國民事訴訟法》). Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of a PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC

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passed on December 2, 1986. The New York Convention is effective for the PRC on April 22, 1987. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity; and (ii) the PRC will only apply the New York Convention to disputes considered under PRC laws to have arisen from contractual mercantile legal relations.

In June 1999, Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitration Awards between the Mainland and Hong Kong (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

Judicial judgment and its enforcement

Under the Arrangement of the Supreme People's Court between the Courts of the Mainland and the Hong Kong on Mutual Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdiction as Agreed to by the Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件的安排》) issued by the Supreme People's court on July 3, 2008 and became effective on August 1, 2008, in the case of final judgment, defined with payment amount and enforcement power, made between mainland court and Hong Kong SAR court in civil and commercial case with written jurisdiction agreement, the parties concerned shall apply to mainland people's court or Hong Kong SAR court for recognition and enforcement based on this arrangement. "Choice of court agreement in written" in this arrangement refers to a written agreement defining the exclusive jurisdiction of either the mainland people's court or Hong Kong SAR in order to revolve dispute with particular legal relation occurred or likely to occur by the parties concerned since effective date of this arrangement. Accordingly, the parties concerned may apply to the courts in mainland or Hong Kong to recognize and enforce the final judgment made by the courts in Hong Kong or the Mainland that meet certain conditions under this arrangement.

Overseas Investment

Pursuant to the Administrative Measures for Approval and Record-filing on Overseas Investment Projects (《境外投資項目核准和備案管理辦法》), which was promulgated by the NDRC on April 8, 2014 and became effective from May 8, 2014, the State adopts approval administration and record-filing administration for overseas investment projects respectively according to different circumstances. Any overseas investment project with the Chinese party's investment amount of not less than USD 1 billion is to be approved by the NDRC. An overseas investment project that involves any sensitive country or region or any sensitive industry, irrespective of the limit of investment

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amount, is to be approved by the NDRC. Under the circumstances, with regard to an overseas investment project that has the Chinese party's investment amount of not less than USD 2 billion and involves any sensitive country or region or any sensitive industry, the NDRC is to put forward the examination and verification opinion thereon and report the same to the State Council for approval. Overseas investment projects other than those that require approval referred above are subject to filing management. In particular, where the overseas investment projects are implemented by a central enterprise with US\$3 billion or above invested by the Chinese party of the local enterprise, such projects shall be filed by the NDRC. For overseas investment projects with less than US\$3 billion invested by the Chinese party of the local enterprise, such projects shall be filed by the provincial level competent investment authorities including the level of province, autonomous region, directly administrated municipality or municipality with independent planning and Xinjiang Production and Construction Corps. Any change with respect to the size, nature or an investor of or the equity holding in an approved overseas investment project, as well as any change to the amount invested by Chinese investors that exceeds 20% of the investment amount originally approved or filed must be approved by the NDRC or its provincial counterparts.

According to the Measures for Overseas Investment Management (《境外投資管理辦法》) promulgated on September 6, 2014 by the Ministry of Commerce of the PRC ("MOFCOM") and effective from October 6, 2014, the filing and approval management will be applied by MOFCOM and the provincial commerce administrative department according to different situations of enterprise overseas investments. The approval management will be applied where the enterprise overseas investments involving in sensitive countries and regions as well as sensitive sectors. The filing management will be applied in other cases of enterprise overseas investments.

According to Notice of the State Council on Release of the List of Government Approved Investment Projects (2014) (《政府核准的投資項目目錄(2014年本)》) promulgated by the State Council on October 31, 2014, investment projects involving sensitive countries and regions or sensitive industries shall be approved by competent department for investment under the State Council. Other outbound investments of US\$300 million or above by centrally governed enterprises and local enterprises are required to be filed with the competent department for investment under the State Council.

According to Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) which was promulgated by SAFE on July 13, 2009 and became effective as from August 1, 2009, Chinese enterprises approved to directly invest overseas shall register the foreign exchange for their direct overseas investment with the foreign exchange authority.

HONG KONG LAWS AND REGULATIONS

(a) Summary of Material Differences between Hong Kong and PRC Company Law

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and supplemented by common law and rules of equity that apply to Hong Kong. Our Company, which is a joint stock limited company established in the PRC, is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

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Set out below is a summary of the material differences between the Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

(i). *Corporate existence*

Under the Companies Ordinance, a company having share capital, is incorporated and will acquire an independent corporate existing after the Registrar of Companies of Hong Kong issuing a certificate of incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance the articles of association of a private company incorporated in Hong Kong shall contain provisions restricting the transfer of its shares, e.g. pre-emptive provisions. A public company's articles of association ought not to contain such restrictive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company. There is no minimum monetary contribution restriction on a Hong Kong company under Hong Kong law.

(ii). *Share capital*

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital which the company is authorized to issue and a company is not bound to issue the entire amount of its authorized share capital. The authorized share capital may be larger than its issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital other than registered capital. The registered capital of a joint stock limited company is the amount of the issued share capital. Any increase in registered capital must be approved by the shareholders in a general meeting and by the relevant PRC governmental and regulatory authorities when applicable.

Under the PRC Law, a company which is authorized by the relevant securities administration authority to list its shares on a stock exchange must have a registered capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets that may be valued in currency and lawfully transferable. For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

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(iii) *Restrictions on shareholding and transfer of shares*

Under PRC law, the domestic shares in the share capital of a joint stock limited liability company which are denominated and subscribed for in Renminbi may only be subscribed or traded by the State, PRC legal and natural persons. The overseas listed foreign shares issued by a joint stock limited liability company which are denominated in Renminbi and subscribed for in a currency other than Renminbi, except as otherwise permitted under the Trial Measures for the Administration of Overseas Securities Investment by Qualified Domestic Institutional Investors (合格境內機構投資者境外證券投資管理試行辦法), may only be subscribed and traded by investors from Hong Kong Special Administrative Region, the Macau Special Administrative Region, Taiwan or any country and territory outside the PRC.

Under the PRC Company Law, shares in a joint stock limited company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Hong Kong Stock Exchange. Shares in a joint stock limited company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law.

(iv) *Financial assistance for acquisition of shares*

Although the PRC Company Law does not contain any provision prohibiting or restricting a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries providing such financial assistance similar to those under the company law in Hong Kong.

(v) *Variation of class rights*

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed regarding variations of class rights. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VIII.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of a Hong Kong company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

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Our Company (as required by the Listing Rules and the Mandatory Provisions) has adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed foreign invested shares and domestic shares are defined in the Articles of Association as different classes of shareholders, provided however that the special procedures for approval by separate class shareholders shall not apply to the following circumstances: (i) the Company issues domestic shares and listed foreign invested shares, separately or simultaneously, once every 12-month period, pursuant to a Shareholders' special resolution, not more than 20% of each of the issued domestic shares and issued overseas listed foreign invested shares existing as of the date of the Shareholders' special resolution; (ii) the plan for the issue of domestic shares and overseas listed foreign invested shares upon its establishment is implemented within 15 months following the date of approval by the CSRC; and (iii) upon approval by CSRC, the shareholders of domestic shares of the Company transfer their shares to overseas investors and such shares are listed and traded in foreign markets.

(vi) *Directors*

The PRC Company Law, unlike the company law in Hong Kong, does not contain any requirements relating to the declaration made by directors of the interests in material contracts; restrictions on directors' authority in making major dispositions; restrictions on companies providing certain benefits, prohibitions against compensation for loss of office without shareholders' approval. The PRC Company Law provides restrictions on interested directors voting on the resolution at a meeting of the board of directors when such resolution relates to an enterprise which the director is interested or connected. The Mandatory Provisions, however, contain requirements and restrictions on major dispositions and specify the circumstances under which a director may receive compensation for loss of office, all of which provisions have been incorporated in the Articles of Association, a summary of which is set out in Appendix VIII.

(vii) *Supervisory Board*

Under the PRC Company Law, the board of directors and managers of a joint stock limited company are subject to the supervision and inspection of a supervisory board but there is no mandatory requirement for the establishment of a supervisory board for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise under comparable circumstances.

(viii) *Derivative action by minority shareholders*

Hong Kong law permits minority shareholders to start a derivative action on behalf of a company against directors who have committed a breach of their duties to the company, especially if such directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law gives shareholders of a joint stock limited company the right to initiate proceedings in the people's court to restrain the implementation of any resolution passed by the shareholders in a general meeting, or

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by the board of directors, that violates any law or infringes the lawful rights and interests of the shareholders. The PRC Company Law also provides that the shareholder can initiate proceedings if the director or senior management of the Company violates the law, administrative regulation or articles of association of the Company and thus infringe the shareholder's interest.

The Mandatory Provisions further provide remedies to the company against directors, supervisors and senior management in breach of their duties to the company. In addition, every director and supervisor of a joint stock limited company applying for a listing of its foreign shares on the Hong Kong Stock Exchange is required to give an undertaking in favor of the company to comply with the company's articles of association. This allows minority shareholders to act against the directors and supervisors in default.

(ix) *Protection of minorities*

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of the Hong Kong Government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that where any company encounters any serious difficulty in its operations or management so as that the interests of the shareholders will face serious loss if the company continues to exist and such difficulty cannot be resolved by any other means, the shareholders holding ten percent or more of the voting rights of all the issues shares of the company may plead the people's court to dissolve the company.

The Mandatory Provisions, however, contain provisions to the effect that a controlling shareholder may not exercise its voting rights to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders which is prejudicial to the interests of the shareholders generally or of some part of the shareholders of a company.

(x) *Notice of shareholders' meetings*

Under the PRC Company Law, notice of a shareholders' general meeting must be given not less than 20 days before the meeting and notice of an extraordinary general meeting must be given not less than 15 days before the meeting, or, in the case of a company having bearer shares, a public announcement of a shareholders' general meeting must be made at least 30 days prior to it being held. Under the Special Regulations and the Mandatory Provisions, 45 days' written notice must be given to all shareholders and shareholders who wish to attend the meeting must reply in writing 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum notice periods of a general meeting convened for passing an ordinary resolution and a special resolution are 14 days and 21 days, respectively. The notice period for an annual general meeting is 21 days.

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(xi) *Quorum for shareholders' meetings*

Under Hong Kong law, the quorum for a general meeting is two members unless the articles of association of the company otherwise provide. For one member companies, one member will be a quorum. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company's general meeting can be convened when replies to the notice of that meeting have been received from shareholders whose shares represent 50% of the voting rights in the company at least 20 days before the proposed date of the meeting. If that 50% level is not achieved, the company shall within five days notify its shareholders by public announcement and the shareholders' general meeting may be held thereafter.

(xii) *Voting*

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one half of the votes cast by shareholders present in person or by proxy at a shareholders' general meeting except in cases of proposed amendment to the articles of association, increase or reduction of share capital, and merger, demerger or dissolution of a joint stock limited company or changes to the company status, which require two-thirds or more of votes cast by shareholders present at a shareholders' general meeting.

(xiii) *Financial disclosure*

A company is required under the PRC Company Law to make available at its office for inspection by shareholders its annual balance sheet, profit and loss account, statements of changes in financial position and other relevant annexes 20 days before the annual general meeting of shareholders. In addition, a company established by way of public subscription under the PRC Company Law must publish its financial position. The annual balance sheet has to be verified by registered accountants. The Companies Ordinance requires a company to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be laid before the company in its annual general meeting, not less than 21 days before such meeting.

A company is required under the PRC law to prepare its financial statements in accordance with the PRC accounting standards. The Mandatory Provisions require that the company must, in addition to preparing accounts according to the PRC standards, have its accounts prepared and audited in accordance with International Accounting Standards or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC accounting standards.

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The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

(xiv) *Information on directors and shareholders*

The PRC Company Law gives the shareholders of a company the right to inspect the Articles of Association, minutes of the shareholders' general meetings and financial and accounting reports.

Under the Articles of Association, Shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to shareholders of Hong Kong companies under Hong Kong law.

(xv) *Receiving agent*

Under both the PRC Company Law and Hong Kong law, dividends once declared become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while that under the PRC law is two years.

The Mandatory Provisions require that the company should appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of foreign shares dividends declared and all other monies owed by a joint stock limited company in respect of such foreign shares.

(xvi) *Corporate reorganization*

Corporate reorganizations involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of being wound up voluntarily pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to section 166 of the Companies Ordinance which requires the sanction of the court. Under PRC Company Law, the merger, demerger, dissolution, liquidation or change to the forms of a company has to be approved by shareholders at general meeting.

(xvii) *Arbitration of disputes*

In Hong Kong, disputes between shareholders and a company incorporated in Hong Kong or its directors may be resolved through the courts.

The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC at the claimant's choice.

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(xviii) *Mandatory deductions*

Under the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it declare any dividends after taxation. The company may not required to deposit the statutory reserve fund if the aggregate amount of the statutory reserve fund has accounted for 50% of the company's registered capital. After the company has drawn statutory reserve fund from the after-tax profits, it may, upon a resolution made by the shareholders, draw a discretionary reserve fund from the after-tax profits. There are no such requirements under Hong Kong law.

(xix) *Remedies of a company*

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Articles of Association set out remedies of the company similar to those available under the Hong Kong law (including rescission of the relevant contract and recovery of profits made by a director, supervisor or officer) which are in compliance with the Mandatory Provisions.

(xx) *Dividends*

Pursuant to the relevant PRC laws and regulations, the company shall withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. A company shall not exercise its powers to forfeit any unclaimed dividend in respect of its listed foreign shares until after the expiry of the applicable limitation period.

(xxi) *Fiduciary duties*

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors, supervisors, senior management owe a fiduciary duty towards a company and are not permitted to engage in any activities which compete with or damage the interests of the company.

(xxii) *Closure of register of shareholders*

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas the Articles of Association provide, as required by the PRC Company Law and the Mandatory Provisions, that share transfers may not be registered within 30 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

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(b) **Hong Kong Listing Rules**

The Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeks a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

(i) *Compliance advisor*

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results, to provide the company with professional advice on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company.

It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

(ii) *Accountants' report*

An accountants' report for a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under International Standards on Auditing or China Auditing Standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises.

(iii) *Process agent*

The Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

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(iv) *Public shareholdings*

If at any time there are existing issued securities of a PRC issuer other than foreign shares (“foreign shares”) which are listed on the Hong Kong Stock Exchange, the Hong Kong Listing Rules require that the aggregate amount of such foreign shares held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which listing is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of listing of not less than HK\$50,000,000. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of listing of over HK\$10,000,000,000.

(v) *Independent non-executive directors and supervisors*

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

(vi) *Restrictions on purchase and subscription of its own securities*

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Hong Kong Stock Exchange in accordance with the provisions of the Hong Kong Listing Rules. Approval by way of special resolution of the holders of domestic shares and the holders of H shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide data on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The Directors must also state the consequences of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which the directors are aware, if any.

Any general mandate given to the directors to repurchase the foreign shares must not exceed 10% of the total amount of existing issued foreign shares of the Company.

(vii) *Mandatory provisions*

With a view to increasing the level of protection afforded to investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory board of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix VIII.

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(viii) *Redeemable shares*

The Company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of the foreign shares are adequately protected.

(ix) *Pre-emptive rights*

Except in the circumstances mentioned below, the directors of a company are required to obtain the approval by a special resolution of shareholders in general meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the Company's articles of association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) any major subsidiary of the Company making any such authorization, allotment, issue or grant so as materially to dilute the percentage equity interest of the company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing shareholders of the company have by special resolution in general meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC; or where upon approval by securities supervision or administration authorities of State Counsel, the shareholders of domestic invested shares of the Company transfer its shares to overseas investors and such shares are listed and traded in foreign markets.

(x) *Supervisors*

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

The Company is required to obtain the approval of its shareholders at a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year.

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The remuneration and assessment committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its Shareholders as a whole and advise Shareholders on how to vote.

(xi) *Amendment to the Articles of Association*

The Company is required not to permit or cause any amendment to be made to its Articles of Association which would cause the same to cease to comply with the mandatory provisions of the Hong Kong Listing Rules and the Mandatory Provisions or the PRC Company Law.

(xii) *Documents for inspection*

The Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by Shareholders at reasonable charges the following:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number and nominal value of securities repurchased by the Company since the end of the last certificates year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares);
- a copy of the latest annual return led with the administration for industry and commerce; and
- for Shareholders only, copies of minutes of meetings of shareholders.

(xiii) *Receiving agents*

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

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(xiv) *Statements in H share certificates*

The Company is required to ensure that all of its listing documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with the Company and each Shareholder of the Company, and the Company agrees with each shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association and other relevant laws and administrative regulations;
- agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the Company and each shareholder of the Company that the H Shares are freely transferable by the holder thereof; and
- authorizes the Company to enter into a contract on his behalf with each Director, Supervisors, Managers and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to shareholders as stipulated in the Articles of Association.

(xv) *Compliance with the PRC Company Law, the Special Regulations and the Articles of Association*

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

(xvi) *Contract between the Company and its Directors, officers and Supervisors*

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

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- an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto;
- the agreement to arbitrate is made by the Director or officer with the Company on its own behalf and on behalf of each shareholder; and
- any reference to arbitration shall be deemed to authorize the arbitral tribunal to conduct hearings in open session and to publish its award. The Company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

(xvii) *Subsequent listing*

The Company must not apply for the listing of any of its foreign shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

(xviii) *English translation*

All notices or other documents required under the Hong Kong Listing Rules to be sent by the Company to the Hong Kong Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

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(xix) *General*

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to impose additional requirements and make special conditions in respect of the Company's listing.

(c) **Other Legal and Regulatory Provisions**

Upon the Company's listing, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to the Company.

(d) **Securities Arbitration Rules**

The Articles of Association provide that certain claims arising from the Articles of Association or the PRC Company Law shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend.

Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and China Taiwan.

(e) **PRC Legal Matter**

Our PRC Legal Advisors have sent to us a legal opinion dated November 16, 2015 confirming that it has reviewed the summaries of relevant PRC laws and regulations as contained in this Appendix and that, in its opinion, such summaries are correct summaries relevant to PRC laws and regulations. This letter is available for inspection as referred to in "Appendix VIII — Documents Delivered to the Registrar of Companies and Available for Inspection." Any person wishing to have detailed advice on PRC law and the laws of any jurisdictions is recommended to seek independent legal advice.

Appendix

The appendix contains the principal provisions of the Articles of Association.

Directors and Senior Officers

The Board is accountable to the shareholders' general meeting. The Board shall carry out its duties in compliance with laws, regulations, other regulatory documents, the Articles of Association and resolutions passed by the shareholders' general meeting.

Power to allot and issue shares

There is no provision in the Articles of Association empowering the Board to allot or issue shares. In order to allot or issue shares, the Board shall prepare a proposal for approval by shareholders in general meeting by way of special resolution. Any such allotment or issue must be conducted in accordance with the procedures stipulated by relevant laws and administrative regulations.

Power to dispose of our Company's or its subsidiaries' assets

The Board shall only dispose of our Company's assets within the scope of the shareholders' mandate.

Upon the Board disposes the fixed assets, such as the value of the consideration for the proposed disposition, and where any fixed assets have been disposed of in the period of four months immediately preceding the proposed disposition, the amount or value of the consideration for any such disposition, exceeds 33% of the value of the fixed assets as shown in the last audited balance sheet placed before the shareholders at the general meeting. However, the validity of a transaction for the disposition by our Company of fixed assets shall not be affected by the breach of the aforesaid requirements.

Compensation or payments for loss of office

In the contract for emoluments entered into by our Company with a Director or Supervisor, when our Company is acquired, provisions shall be made for the right of the Director or Supervisor to receive, after obtaining the prior consent of shareholders at the general meeting, compensation or other payments for loss of office or for his retirement from office. A takeover of our Company means:

- (I) an offer made to all shareholders of our Company;
- (II) an offer is made such that the offeror will become the Controlling Shareholder. The definition of the "Controlling Shareholder" is the same as Article 53 of the Articles of Association.

If the relevant Director or Supervisor does not comply with this provisions, any sum received by the Director or Supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred by the Director or Supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

Loans to Directors, Supervisors or other officers

Our Company is prohibited from directly or indirectly making any loan or guarantee in connection with a loan to the Directors, Supervisors, general manager and other senior officers of our Company or our parent company. Our Company is also prohibited from providing any loan or guarantee in connection with a loan made by any connected person to above mentioned parties.

The following transactions are not subject to the foregoing prohibition:

- (I) the provision of a loan or a guarantee for a loan by our Company to a company which is a subsidiary of our Company;
- (II) the provision of a loan or a guarantee for a loan or any other funds by our Company to any of its Directors, Supervisors, general manager and other senior officer to meet expenditure incurred by him for the purposes of our Company or for the purpose of enabling him to perform properly, in accordance with an employment contract approved by the shareholders' general meeting his duties; and
- (III) if the normal business scope of our Company includes providing loans or guarantee, our Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its Directors, Supervisors, general manager and other senior officers and other connected persons on normal commercial terms.

A loan made by our Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by our Company in breach of the above prohibitions shall be unenforceable against our Company, unless:

- (I) at the time when the loan was provided to an associate of any of the Directors, Supervisors, general manager, and other senior management officers of our Company or our parent company, the lender did not know the relevant circumstances;
- (II) the collateral provided by our Company has been lawfully disposed of by the lender to a bona fide purchaser.

The aforesaid guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

Giving of financial assistance to purchase the shares of our Company or any of its subsidiaries

Pursuant to the Articles of Association:

- (I) Neither our Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to a person who acquires or is proposing to acquire shares in our Company. The said person includes any person who has directly or indirectly incurred a liability as a result of the acquisition of shares in our Company.
- (II) Neither our Company nor any of its subsidiaries shall at any time or in any manner provide financial assistance to the person mentioned in the foregoing paragraph for the purposes of reducing or discharging his liabilities.

The following transactions are not prohibited in the foresaid provisions:

- (I) the provision of financial assistance where our Company's principal purpose for giving that assistance is genuinely for our Company's interests and not for the purpose of acquiring our Company's shares or the provision of such assistance is incidental to some broader objective of our Company;
- (II) a distribution of our Company's assets by way of dividend lawfully declared;
- (III) a distribution of dividends by way of shares;
- (IV) a reduction of registered capital, repurchase of shares of our Company or a reorganization of the share capital effected in compliance with the Articles of Association;
- (V) the provision of loans by our Company in the ordinary course of our business within our business scope, provided that our Company's net assets are not thereby reduced or, to the extent that those assets are reduced, the financial assistance is provided out of distributable profits;
- (VI) our Company's contribution to employees' share schemes provided that our Company's net assets are not thereby reduced or to the extent that those assets are thereby reduced, the assistance is provided out of distributable profits.

For the purpose of the foresaid provisions:

"Financial assistance" includes, without limitation to:

- (I) assistance given by way of gift;
- (II) assistance given by way of guarantee (including the provision of any undertaking or property to secure the performance of obligations by the obligor) or indemnity, (other than an indemnity in respect of our Company's own default) or by way of release or waiver;

(III) assistance given by way of a loan; or entering into an agreement under which our Company needs to perform its obligations ahead of the other contracting parties; or entering into an agreement for the change of contracting parties or the assignment of rights arising under such loan or such agreement;

(IV) financial assistance given by our Company in any other manner when our Company is insolvent or has no net assets or where its net assets would thereby be reduced to a material extent.

“Incurring an obligation” includes incurring a liability by making an agreement or arrangement (whether enforceable or not, and whether made on its own account or with any other persons) or by changing one’s financial position by any other means.

Borrowing powers

Subject to compliance with the laws and administrative regulations of the State, our Company is entitled to raise capital and borrow money, including (without limitation) the issue of bonds, the mortgaging or pledging of part or whole of our Company’s properties and other rights permitted by the laws and administrative regulations of the State provided that such action does not damage or abrogate rights of any Shareholder. The Articles of Association do not contain any special provision in respect of the manner in which borrowing powers may be exercised by our Directors nor do they contain any special provision in respect of the manner in which such power may be raised, other than; (a) provisions which give our Directors the power to formulate proposals for the issuance of debentures by our Company; and (b) provisions which provide that the issuance of debentures must be approved by the Shareholders of our Company in a general meeting by way of a special resolution.

Disclosure of interests in and voting on contracts with our Company

Where a Director, Supervisor, general manager and other senior officer of our Company is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with our Company other than his contract of service, he shall disclose the nature and extent of his interest to the Board at the earliest opportunity, whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

A Director shall not vote on any board resolution approving the contract, transaction or arrangement or any other related proposal in which he/she or any of his/her associate (as defined in the Listing Rules) is materially interested. The relevant Director shall not be counted for the purpose of determining whether a quorum is reached for the meeting.

Unless the interested Director, Supervisor, general manager and other senior management of our Company discloses his/her interests to the Board in accordance with the Articles of Association and the contract, transaction or arrangement is approved by our Board at a meeting in which the interested Director, Supervisor, general manager and other senior management is not counted in the quorum and refrains from voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts or related Directors, Supervisors, general manager and senior management violating their obligations.

A Director, Supervisor, general manager or other senior management of our Company is deemed to be interested in such contract, transaction or arrangement in which his/her related person is interested.

If a Director, Supervisor, general manager or other senior management of our Company gives the Board a written notice stating that, by reason of the facts stated in the notice, he is interested in contracts, transactions or arrangements which may subsequently be entered into by our Company, then within the content stated in the notice he shall be deemed to have made a disclosure in accordance with the relevant provisions in the Articles of Association, if such notice shall have been given before our Company considered to enter into such contract, transaction or arrangement for the first time.

Such resolutions shall be passed by more than one-half of the votes of the Directors who have no affiliated relationship in the resolutions.

Where the number of Directors who have no affiliated relationship attending the board meeting is less than three, the Board shall promptly refer such resolution(s) to shareholders' general meeting. Upon such referral, the Board should explain the circumstances of review of the Board on such resolution(s) and record the views expressed by the Directors who have no affiliated relationship on such resolution(s).

Remuneration

Our Company shall, with the prior approval of shareholders in general meeting, enter into a contract in writing with each Director or Supervisor for emoluments in respect of their services. The said matters include:

- (I) emoluments in respect of their services as Director, Supervisor or senior management of our Company;
- (II) emoluments in respect of their services as Director, Supervisor or senior management of subsidiary of our Company;
- (III) emoluments otherwise in connection with services for the management of our Company or any subsidiary thereof;
- (IV) payments by way of compensation for loss of office, or in connection with their retirement from office.

Except under a contract entered into in relation to the above, no proceedings shall be brought by a Director or Supervisor against our Company for anything due to him in respect of the matters specified above.

Appointment , Dismissal and Resignation

None of the following persons shall serve as a Director, Supervisor, general manager or other senior management of our Company:

- (I) Anyone who has no civil capacity or has limited civil capacity;
- (II) Anyone who has been convicted of the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;
- (III) Anyone who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated as a result of improper management, was personally liable for the bankruptcy of our Company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of our Company or enterprise;
- (IV) Anyone who has served as the legal representative of a company or enterprise whose business license was revoked due to violation of the law, was personally liable, and is within three years of the date on which the business license of our Company or enterprise was revoked;
- (V) Anyone who has a large amount of debt, which was not paid at maturity;
- (VI) Anyone who is under criminal investigation by a judicial organization for violating the criminal law, and whose case is pending;
- (VII) Anyone who is not a natural person;
- (VIII) Anyone judged by the competent agencies to have violated the provisions of relevant securities laws, has been involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made;
- (IX) Other circumstances as provided by laws and administrative regulations, or regulations of the competent authorities.

The validity of an act of the Directors, Supervisors, general manager and other senior management on behalf of our Company to bona fide third parties shall not be affected by any irregularities in their office, election or qualifications.

Our Company establishes the Board of Directors which consists of seven directors, among which, three are independent directors and one is the chairman of the Board. A Director is not required to hold shares of the Company.

Directors shall be elected by Shareholders at the general Shareholders' meeting and their terms of office shall be three years. Directors are eligible for re-election upon expiry of their terms of office, while the successive terms of office of independent non-executive directors shall not exceed nine years. Independent non-executive directors shall be elected, by Shareholders at the general Shareholders' meetings, from members of the Board of Directors and the Board of Supervisors or candidates nominated by the Shareholder(s) holding more than 1% (1% included) of the issued Shares of our Company; and other Directors shall be elected, by Shareholders at the general Shareholders' meetings, from members of the Board of Directors or candidates nominated by the Shareholder(s) holding more than 5% (5% included) of the issued Shares of our Company.

Written notices concerning proposed nomination of director candidate and indication of the candidate's intention to accept the nomination shall be sent to our Company no later than seven days prior to the date of the general meeting. The seven-day notice period shall commence no earlier than the day immediately following the date of dispatch of the notice of general meeting concerning the election of Directors and shall end no later than the day falling seven days prior to the date of the general meeting.

There is no provision in the Articles of Association which imposes any age limit for Directors beyond which retirement as a Director is mandatory.

Duties

Each of our Directors, Supervisors, general manager and other senior management shall carry out his/her duties with the principle of good faith and shall not put himself/herself in a position where his/her own benefits may conflict with his/her obligations to our Company. This principle includes (but is not limited to) performing the following obligations:

- (I) To act honestly in the best interests of our Company;
- (II) To exercise one's rights within but not exceeding the scope of authority;
- (III) To exercise the discretion vested in him personally without being manipulated by others and not transferring discretionary powers to other persons, unless and to the extent permitted by laws or administrative regulations or with the informed consent of Shareholders given in a general Shareholders' meeting;
- (IV) To treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;
- (V) Not to enter into any contract, transaction or arrangement with our Company unless in line with the Articles of Association or otherwise approved by Shareholders at the general Shareholders' meeting on an informed basis;
- (VI) Not to use properties of our Company in any manner for his/her own benefit without consent of general meeting on an informed basis;

- (VII) Not to exploit his/her position to accept bribes or other illegal income or expropriate properties of our Company by any means, including (but not limited to) opportunities beneficial to our Company;
- (VIII) Not to accept commissions in connection with transactions of our Company unless agreed by the general Shareholders' meeting on an informed basis;
- (IX) To abide by the Articles of Association, faithfully execute official duties and protect interests of our Company, and not to exploit his/her position and authority in our Company for his/her own benefits;
- (X) Not to compete with our Company in any manner unless agreed by the general Shareholders' meeting on an informed basis;
- (XI) Not to misappropriate funds of our Company or lend such funds to others, not to open accounts in his/her own name or other names for deposit of the assets of our Company, and not to provide guarantee for debts of the Shareholders of our Company or other individual(s) with the assets of our Company;
- (XII) To keep such confidential information acquired by him/her during his/her tenure in respect of our Company, unless otherwise permitted by the Shareholders at the general Shareholders' meeting on an informed basis; not to use such information unless in the interests of our Company; however, disclosure of such information to courts or other governmental authorities is permitted:
 - 1. Disclosure is required by laws;
 - 2. Disclosure is required by public interests;
 - 3. Disclosure is required by the interests of the relevant Director, Supervisor, general manager or other senior management.

Each of the Directors, Supervisors, general manager and other senior management of our Company may not direct the following personnel or institutions ("related person") to do acts that the Directors, Supervisors and senior management are prohibited from doing:

- (I) Spouses or minor children of the Directors, Supervisors, general manager and other senior management of our Company;
- (II) Trustees of the Directors, Supervisors, general manager and other senior management of our Company or the persons referred to in item (I) above;
- (III) Partners of the Directors, Supervisors, general manager and other senior management of our Company or persons referred to in items (I) and (II) above;

- (IV) Our Company under de facto control by the Directors, Supervisors, general manager and other senior management individually or jointly with the persons or other Directors, Supervisors and senior management referred to in items (I), (II) or (III) above;
- (V) The directors, supervisors, general manager and other senior management of the controlled company referred to in item (IV) above.

The good faith obligation owed by the Directors, Supervisors, general manager and other senior management of our Company may not necessarily terminate upon the expiration of their terms of office; their obligations to keep the trade secrets of our Company in confidence shall survive upon the expiration of their terms of office. The duration of other obligations shall be determined in accordance with the principle of fairness, depending on the length of time from the occurrence of the events to the time of resignation, as well as the circumstances and conditions under which the relationship with our Company is terminated.

Liabilities of Directors, Supervisors, general manager and other senior management of our Company arising from violation of specific duties may be released by the Shareholders at the general Shareholders' meeting on an informed basis, provided that the circumstances required by Article 52 of the Articles of Association.

Apart from the obligations as required by the related laws, administrative regulations or the listing rules of the stock exchange where the Shares of our Company are listed, the Directors, Supervisors, general manager and other senior management of our Company shall assume the following obligations to each of the Shareholders when exercising their authorities endowed by our Company:

- (I) They may not cause our Company to operate beyond the scope of business indicated on our business license;
- (II) They shall act honestly in the best interests of our Company;
- (III) They may not deprive our Company of our properties in any manner, including, but not limited to, opportunities beneficial to our Company;
- (IV) They may not deprive the Shareholders of personal rights and interests, including, but not limited to, the distribution right and voting right, except for restructuring of our Company submitted to the general Shareholders' meeting for approval pursuant to the provisions of the Articles of Association.

MODIFICATION OF THE ARTICLES OF ASSOCIATION

We may amend the Articles of Association based on the provisions of the relevant laws, administrative regulations and the Articles of Association.

Any amendment to the Articles of Association that involves Mandatory Provisions shall be approved by company approval authorities authorized by the State Council before taking into effect. Where the amendment involves our registration, the lawfully prescribed procedures for registration change shall be carried out.

SPECIAL VOTING PROCEDURES OF CLASSIFIED SHAREHOLDERS

Any Shareholder who holds different classes of Shares is a classified Shareholder. Any plan of our Company to change or abolish the rights of a classified Shareholder is subject to the approval of the general Shareholders' meeting by a special resolution and the approval of a separate general meeting as convened by the affected classified Shareholder in accordance with the Articles of Association.

The rights of a classified Shareholder shall be viewed as changed or abolished under any of the following circumstances:

- (I) Increase or decrease the classified Shares, or increase or decrease the number of classified Shares with equal or more voting or distribution rights and other privileges than this type of classified Shares;
- (II) Convert all or part of the classified Shares into other types or convert all or part of another type of Shares into this type of classified Shares or grant such conversion right;
- (III) Remove or reduce rights to dividends generated or rights to cumulative dividends attached to classified Shares;
- (IV) Reduce or remove the right attached to classified Shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;
- (V) Increase, cancel or reduce share conversion rights, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of our Company attached to classified Shares;
- (VI) Remove or reduce rights to receive payment by our Company in specified currencies attached to classified Shares;
- (VII) Create new class of Shares having voting or distribution rights, or other privileges equal or superior to those of the classified Shares;

- (VIII) Impose restrictions on the transfer or ownership of the classified Shares or increase such restrictions;
- (IX) Issue subscription or conversion rights for this or other classified Shares;
- (X) Increase the rights and privileges of other types of Shares;
- (XI) The reorganization plan of our Company may constitute assumption of responsibilities by different classes of Shareholders disproportionately during the reorganization;
- (XII) Amend or abolish clauses stipulated in this Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meeting originally, shall nevertheless have the right to vote at class meetings in respect of matters concerning items (II) to (VIII), (XI) to (XII) above, but interested Shareholders shall not be entitled to vote at class meetings.

Resolution of a class meeting shall be passed by votes of more than two thirds of Shareholders attending the relevant meeting with voting rights at such meeting.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the classified Shareholders in the share register of the matters to be considered at the meeting and the date and place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver his/her written reply concerning attendance at the class meeting to our Company 20 days before the date of the class meeting.

If the number of Shares carrying voting rights at the class meeting represented by the Shareholders who intend to attend the class meeting reaches more than half of the aggregate Shares of such class carrying voting rights at the meeting, our Company may hold the class meeting; if not, our Company shall within five days notify the Shareholders of such class again by public notice, of the matters to be considered at the meeting and the date and place for the class meeting. Our Company may then convene the class meeting after publication of such notice.

Notice of class meetings needs only to be served on Shareholders who are entitled to vote at the meetings.

Class meetings shall be conducted in procedures as similar as possible to those of general Shareholders' meetings. The provisions of our Articles of Association relating to the procedure for conducting general Shareholders' meeting shall apply to any class meeting.

Except for holders of other classes of Shares, holders of domestic Shares and overseas listed foreign Shares are deemed to be Shareholders of different classes.

The special procedures for voting by classified Shareholders shall not apply under the following circumstances:

- (I) Upon the approval by a special resolution at the general Shareholders' meeting (subject to unconditional mandate or terms and conditions stipulated in the resolution), our Company either separately or concurrently recognizes, allocates or issues Domestic Shares and overseas-listed foreign Shares every 12 months, and the number of Shares of each class to be recognized, allocated or issued shall not account for more than 20% of the outstanding Shares of such class;
- (II) These shares are part of the plan to issue Domestic Shares and overseas-listed foreign Shares upon the establishment of our Company and the relevant plan is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council;
- (III) Upon the approval by the securities regulatory authorities of the State Council, the unlisted Shares held by our Shareholders become listed for trading on an overseas stock exchange.

ADOPTION OF SPECIAL RESOLUTIONS REQUIRES MAJORITY VOTE

Resolutions of the general Shareholders' meetings shall be divided into ordinary resolutions and special resolutions.

Adoption of an ordinary resolution at general meeting shall be subject to approval by a simple majority of votes represented by the Shareholders (including their proxies) attending the meeting.

Adoption of a special resolution at general meeting shall be subject to approval by more than two thirds of votes represented by the Shareholders (including their proxies) attending the meeting.

VOTING RIGHTS

A Shareholder (including a proxy) when voting at a general meeting may exercise voting rights in accordance with the number of Shares with voting power held with each share representing one vote.

On a poll taken at a meeting, a Shareholder (including a proxy) entitled to two or more votes needs not cast all his/her votes in the same way.

When shareholders' general meeting elects Directors, if there are two or more candidates for the place(s), each share held by shareholders (including their proxies) shall have the same number of voting rights as the number of elected place(s) and all such votes may be for one person or be split between several candidates. The distribution of voting right shall be explained.

In the event when the number of dissenting votes equals the number of supporting votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

GENERAL MEETINGS

General meetings are divided into annual general Shareholders' meetings and extraordinary general meetings. General meetings are called by the Board. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

ACCOUNTING AND AUDITS**Financial and accounting policies**

Our Company shall develop its financial accounting policies pursuant to PRC laws, administrative regulations, as well as the PRC accounting standards developed by the competent department in charge of finance under the State Council.

The Board of our Company shall submit the financial reports of our Company, as required by the applicable laws, administrative regulations or directives promulgated by local governments and competent authorities to be prepared by our Company, at every annual general Shareholders' meeting.

Our Company shall make its financial reports available for inspection by the Shareholders 20 days before the annual general meeting is convened. Each Shareholder is entitled to obtain one copy of the financial report referred to in this chapter.

Our Company shall send the aforesaid reports to each of the holders of overseas listed foreign shares by postage-prepaid mail at least 21 days before the annual general meeting is convened and the recipient's address shall be the address as shown in the share register.

The financial statements of our Company shall, in addition to complying with PRC accounting standards, rules and regulations, be prepared in accordance with either international accounting standards or that of the overseas area in which our Company's Shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in the notes to the financial statements. When our Company is to distribute its after-tax profits of the relevant financial year, the lower of the after-tax profits as shown in the two financial statements shall be adopted.

Any interim results or financial information published or disclosed by our Company shall be prepared in accordance with PRC accounting standards and regulations, and also in accordance with either international accounting standards or that of the overseas area in which our Company's Shares are listed.

Our Company shall publish its annual results announcement within 3 months of the end of each financial year and publish its interim results announcement within 2 months of the end of the first six month period of each financial year, and publish its annual report within 4 months of the end of each financial year and publish its interim report within 3 months of the end of the first six month period of each financial year in accordance with the Listing Rules.

Our Company shall not keep any accounting books other than those specified by law.

Appointment and Dismissal of Accountants

Our Company shall appoint an accounting firm with independent qualifications that meets appropriate requirements of the state to be responsible for auditing its annual report and reviewing its other financial reports. For the purpose of this Articles of Association, the accounting firm appointed by our Company at any time will be the auditor of our Company.

The first accounting firm of our Company may be appointed by the inaugural meeting of our Company before the first annual general Shareholders' meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

The Shareholders in general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its office, notwithstanding the stipulations in the contract between the firm and our Company, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

Our Company's appointment of, removal of and non-reappointment of an accounting firm shall be resolved by the general Shareholders' meeting, the resolution of which shall be filed with the securities regulatory agency of the State Council.

If our Company intends to remove or not to re-appoint an accounting firm, it shall notify the accounting firm in advance of 15 days and the accounting firm shall have the right to make a statement at the general Shareholders' meeting. An accounting firm resigning on its own initiative shall make a declaration at the general meeting as to whether our Company is affected by any improprieties.

The accounting firm shall resign by sending a written resignation notice to our Company's legal address. The notice shall take effect on the date of delivery to that address or any such later date as may be specified in the notice. Such notice shall contain the following statements:

1. A statement to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of Shareholders or creditors of our Company; or
2. A statement of any circumstances that should be disclosed.

Our Company shall, within 14 days after its receipt of the written notice referred to in the preceding paragraph, send a copy of the notice to the relevant competent authorities. If the notice contains a statement referred to in the two items of the preceding paragraph, a copy thereof shall be deposited at our Company for inspection by Shareholders, and such copy shall also be delivered to holders of overseas listed foreign shares by the manner as stipulated in the Articles of Association or by postage-prepaid mail with recipients' addresses as shown in the share register.

Where the notice of resignation of the accounting firm contains a statement referring to or stating any circumstances which it should account for, it may request the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances referred to in the said notice.

NOTIFICATION AND AGENDA OF GENERAL MEETINGS

The general meeting is the organ of power in our Company and its functions and powers shall be exercised in accordance with the law.

Our Company shall not, without the prior approval of the general meeting, enter into any contract with any person, who is not a Director, Supervisor, manager or other senior management officer of our Company, to give to such a person the responsibility for the management of the whole or a substantial part of the business of our Company.

The Board shall convene an extraordinary general meeting within two months of the occurrence of any one of the following events:

- (I) when the number of directors is less than that prescribed by our PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (II) when the unrecovered losses of our Company amount to one-third of its aggregate share capital;
- (III) when Shareholder(s) individually or collectively holding 10% or more of the outstanding Shares of our Company carrying voting rights request so in writing;
- (IV) when deemed necessary by the Board or when requested by the Supervisory Board;
- (V) when proposed by more than two independent non-executive Directors;
- (VI) any other circumstances stipulated in the laws, administrative regulations, regulations of the competent authorities, the Listing Rules or the Articles of Association.

When our Company convenes a general Shareholders' meeting, it shall give written notice, at least 45 days prior to the date of the meeting, to all Shareholders registered in its share register. Such notice shall contain details of the matters proposed to be considered at the meeting and the date and venue of the meeting. Shareholders who intend to attend the meeting shall deposit at our Company written replies confirming their intention to attend at least 20 days prior to the date of the said meeting.

When our Company convenes an annual general Shareholders' meeting, Shareholder(s) holding 3% or more of the total number of the Shares of our Company carrying voting rights shall have the right to propose a new motion to our Company and propose the same to the convener in writing. The convener shall, within two days after receiving the proposed motion, issue a supplemental notice of general meeting to notify other Shareholders and include those matters which are within the scope of duties of the general Shareholders' meeting into the agenda to be considered thereat.

Our Company shall, based on the written replies received 20 days before the date of the general meeting, calculate the number of Shares carrying rights to vote represented by Shareholders who intend to attend the meeting. If the number of Shares carrying rights to vote represented by Shareholders who intend to attend the meeting reaches more than one half of the total number of Shares in our Company which carry rights to vote, our Company may proceed to convene the general meeting; otherwise, our Company shall within five days notify the Shareholders again of the matters to be considered at, and the date and venue of the meeting by way of an announcement. Our Company may then proceed to convene the general meeting.

Notice of a general meeting shall:

- (I) be given in writing;
- (II) specify the venue, date and time of the meeting;
- (III) state the matters to be considered at the meeting;
- (IV) provide such information and explanation as necessary for the Shareholders to make an informed decision on the matters to be considered. This principle includes but not limited to that, in case of proposals made to amalgamate our Company with another, to repurchase Shares of our Company, to restructure its share capital, or otherwise, the details of the agreed terms of, and the contract (if any) for the proposed transaction must be provided, and the reason for and the consequences thereof must be properly explained;
- (V) contain a disclosure of the nature and extent, if any, of material interests of any Director, Supervisor, manager or other senior management officer in the proposed transaction and the effect of the proposed transaction on them in their capacity as Shareholders in so far as it is different from the effect on the interests of other Shareholders of the same class;
- (VI) contain the full text of any special resolution proposed to be proposed for adoption at the meeting;
- (VII) contain a clear statement that a Shareholder entitled to attend and vote at the meeting shall be entitled to appoint one or more proxies to attend such meeting and to vote on his or her behalf and that such proxy may not necessarily be a Shareholder;
- (VIII) specify the time and place for lodging proxy form(s) for the relevant meeting.

Notices of general meetings shall be delivered by any methods as permitted by the stock exchange of the place where our Company's shares are listed (including but not limited to post, email, fax, announcement, release on the websites of our Company or the stock exchange of the locality where our Company's shares are listed) to Shareholders (whether or not such Shareholders have a voting right at the general Shareholders' meeting). In case of delivery by post, the addresses of the recipients shall be those registered in the share register. In respect of holders of Domestic Shares, notices of the general Shareholders' meetings may also be given by way of an announcement.

The announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory agency of the State Council 45 to 50 days prior to the meeting. All holders of domestic shares shall be deemed to have received the notice of general meeting upon the publication of the announcement.

An accidental omission to give notice of a general meeting to any person entitled to receive notice or a failure by such person(s) to receive such notice shall not invalidate that general meeting and any resolution passed at that meeting.

Shareholders who request an extraordinary general meeting or a general meeting of a class of Shareholders shall comply with the following procedures:

- (I) Shareholders who individually or collectively hold 10% or more of the Shares of our Company carrying voting rights can request the Board to convene an extraordinary general meeting or a class meeting by signing one or several copies of written request(s) in the same form and content, and stating resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as soon as practicably upon receipt of the foresaid written requirement. The number of shareholdings referred to above shall be calculated as at the date of request made.
- (II) In the event that the Board cannot or fails to perform its duty to convene a meeting, the Supervisory Board shall convene and chair the meeting in time. If the Supervisory Board fails to do so, the Shareholders who individually or collectively hold more than 10% of the Shares of our Company within more than 90 consecutive days may convene and chair the meeting by themselves.

If the Shareholders call and convene a meeting by themselves since the Board cannot convene a meeting in accordance with the foresaid requirement, the expenses reasonably resulted therefrom shall be borne by our Company and be deducted from the amounts due to the Directors as a result of loss of office.

Shareholders who individually or collectively hold more than 3% of the Shares of our Company may submit a temporary proposal to the Board in writing prior to ten days since the convening of the general Shareholders' meeting; the Board shall notify other Shareholders within two days upon receiving the proposal and submit this temporary proposal to the general Shareholders' meeting for consideration. The contents of the temporary proposal shall fall into the category of the terms of reference of the general Shareholders' meeting and it shall have the explicit subject and specific resolutions.

Apart from aforesaid matters, the convener shall not amend the proposals stated in the notice of the general Shareholders' meeting or add new proposals upon issuance of the announcement on the notice of the general Shareholders' meeting.

The general Shareholders' meeting shall be convened by the Board and chaired by the chairman; if the chairman cannot or fails to perform his/her duties, the general Shareholders' meeting shall be chaired by a Director co-elected by more than half of the Directors. If the Board cannot or fails to perform its duty to convene the general Shareholders' meeting, the Supervisory Board shall convene and chair the meeting in time; if the Supervisory Board cannot or fails to perform its duty to convene the general Shareholders' meeting, the Shareholders who individually or collectively hold more than 10% of our Company's Shares within more than 90 consecutive days may convene and chair the meeting by themselves. If the Shareholders cannot elect the chairman due to any reason, the Shareholder (including his/her proxy) presented at the meeting who holds the Shares carrying the maximum voting rights shall act as the chairman of the meeting.

The following matters shall be adopted by the general Shareholders' meeting through ordinary resolutions:

- (I) Work reports of the Board and the Supervisory Board;
- (II) Plans formulated by the Board for the distribution of profits and for making up losses;
- (III) Appointment or removal of members of the Board and members of Supervisory Board (except for the employee representative Supervisor), and their remuneration and manner of payment thereof;
- (IV) Annual preliminary and final budgets, balance sheets, income and other financial statements of our Company;
- (V) Matters other than those required by the laws, administrative regulations, provisions of the stock exchange where the Shares of our Company are listed or the Articles of Association to be approved by special resolutions.

The following matters shall be resolved by a special resolution at the general Shareholders' meeting:

- (I) The increase or decrease in our Company's share capital, and issue of shares of any class, warrants and other similar securities;
- (II) The issue of debentures of our Company;
- (III) Division, merger, dissolution and liquidation of our Company and any change in the form of our Company;
- (IV) Amendments to the Articles of Association;

(V) Share incentive plans to be considered and implemented;

(VI) any other matters required by laws, administrative regulations, department regulations, the rules of the securities regulatory body or the stock exchange where the shares of our Company are listed, and decided by the general Shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on our Company.

TRANSFER OF SHARES

Unless otherwise provided by laws and administrative regulations, the Shares of our Company shall be freely transferable and free from any lien.

The alteration to, or rectification of, any part of the share register shall be carried out in accordance with the laws of the place where the share register is maintained.

Upon obtaining the approval from the State Council's securities regulatory authority, holders of our Domestic Shares may list and trade their Domestic Shares in an overseas stock exchange. No class Shareholder voting is required for the listing and trading of such Shares on an overseas stock exchange, but such listing and trading of Shares shall comply with the procedures, regulations and requirements prescribed by the relevant overseas stock market.

RIGHTS OF OUR COMPANY TO BUY BACK ITS OUTSTANDING SHARES

Under any of the following circumstances, our Company may buy back our outstanding Shares pursuant to the requirements of the laws, administrative rules, the Listing Rules, regulations and the Articles of Association and subject to approvals of the relevant government authority:

(I) Cancellation of Shares to reduce our Company's share capital;

(II) Merger with other companies which hold the Shares;

(III) Paying Shares to the employees of our Company as bonus;

(IV) Buying back the Shares from Shareholders who vote against any resolutions adopted at the general meeting concerning the merger and division of our Company;

(V) Other circumstances as permitted by the laws and administrative regulations.

In the event our Company buys back its Shares for reasons stated in (I) through (III) of the preceding paragraph, related resolutions must be adopted at the general Shareholders' meeting. If our Company buys back the Shares according to the provisions of the preceding paragraph under the circumstances set forth in (I), the Shares bought back must be cancelled within ten days of the date on which they are bought back. In the event of the circumstances set forth in (II) and (IV), the Shares bought back must be transferred or cancelled within six months.

In the event that our Company buys back the Shares pursuant to the provisions of (III) in the preceding paragraph, the Shares bought back may not exceed 5% of the total issued Shares of our Company. The fund used for such buyback must be allocated from the after-tax profit of our Company and the Shares bought back must be transferred to the employees within one year.

Our Company may, subject to the approval of the competent authorities of the PRC buy back Shares in any of the following ways:

- (I) Making a pro-rata offer of repurchase to all its shareholders;
- (II) Repurchasing Shares through public trading on a stock exchange;
- (III) Repurchasing Shares by an agreement outside a stock exchange;
- (IV) Other ways approved by the relevant competent authorities of the PRC.

Where our Company repurchases its Shares by an agreement outside a stock exchange the prior approval of the general meeting shall be obtained in accordance with the Articles of Association. Our Company may rescind, vary the contract or waive its rights under a contract so entered into by our Company with the prior approval at the general meeting in the same manner.

The aforementioned contract to repurchase Shares includes, but is not limited to, an agreement that consents to undertake the obligation to buy back the Shares and obtain rights to buy them back.

Our Company may not assign any contract for the repurchase of its Shares or any rights conferred under such contract.

Unless our Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

- (1) Where our Company repurchases its Shares at par value, payment shall be made out of book surplus distributable profits of our Company, or out of proceeds of a new issue of Shares made for that purpose;
- (2) Where our Company repurchases its Shares at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of our Company, or out of the proceeds of a new issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
 - 1. Where the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of our Company;
 - 2. Where the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of our Company, and out of the proceeds of a new issue of Shares made for that purpose, provided that

the amount paid out of proceeds of the new issue shall neither exceed the aggregate premiums received by our Company on the issue of the Shares being repurchased nor the amount in the premium account (or capital reserve account) when the repurchase take place (including the premiums on the new issue);

- (3) Payment by our Company for the following purposes shall be made out of our Company's distributable profits:
 1. Acquisition of rights to repurchase its Shares;
 2. Variation of contract to repurchase its Shares;
 3. Release of its obligation under any contract to repurchase Shares;
- (4) After the total par value of the cancelled Shares is deduced from our registered capital pursuant to the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the Shares repurchased shall be credited to our Company's premium account (or capital reserve account).

DIVIDENDS AND DISTRIBUTION METHODS

Our Company may distribute dividends by the following ways:

- (1) Cash;
- (2) Shares;
- (3) Other ways as permitted by laws, administrative regulations, departmental rules or the Listing Rules.

Cash dividends and other monies paid by our Company to holders of domestic Shares shall be paid in RMB. Cash dividends and other monies paid by our Company to holders of overseas-listed foreign Shares shall be calculated and announced in RMB and paid in a foreign currency. The foreign currency required by our Company to pay cash dividends and other monies to holders of overseas listed foreign Shares shall be obtained pursuant to state regulations on foreign exchange.

Our Company shall appoint receiving agents for holders of overseas-listed foreign Shares. The receiving agents appointed by our Company shall comply with the requirements of the laws in the jurisdiction where our Shares are listed or the requirements of the stock exchanges on which our Shares are listed. The receiving agents appointed on behalf of holders of overseas listed foreign Shares traded on the Hong Kong Stock Exchange shall be companies registered as a trust company under the Trustee Ordinance of Hong Kong.

PROXIES

Any Shareholder entitled to attend and vote at a general meeting shall be entitled to appoint one or more persons (who may not necessarily be Shareholders) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

- (1) Have the same right as the Shareholder to speak at the meeting;
- (2) Have authority to demand or join in demanding a poll;
- (3) Have the right to vote by hand or on a poll, but when there are more than one proxy, that proxy may only vote on a poll.

The instrument appointing a proxy shall be in writing and shall be signed by the appointer or a person duly authorized in writing. Where the appointor is a legal person, the stamp of the legal person shall be affixed, or signed by the director or a duly authorized agent.

The power of attorney must be kept at the residential address or other location designated in the notice convening the meeting no later than 24 hours before the meeting at which the power of attorney is put to vote is convened or 24 hours before the scheduled voting time. If the power of attorney is signed by another person authorized by the appointer by means of power of attorney or other instrument of authorization, the power of attorney or other instrument must be verified by a notary. The power of attorney or other instrument verified by the notary must be kept together with the power of attorney appointing the entrusted representative at our residential address or other location designated at the notice convening the meeting.

If the appointer is a legal person, its legal representative or such person as authorized by resolution of its Board of Directors or other governing bodies to act as its representative may attend at any general meetings of our Company.

Any form sent by the Directors to the Shareholder for appointing a shareholder proxy shall allow the Shareholder, according to his or her free will, to instruct the proxy to vote and provide instructions separately for matters to be put to vote on each item on the meeting agenda. The power of attorney shall specify that the shareholder proxy may vote at his or her own discretion if the Shareholder does not provide instructions.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that no notice in writing of such matters as aforesaid shall have been received by our Company at its residence before the relevant meeting is convened.

REGISTER OF MEMBERS AND OTHER RIGHTS OF SHAREHOLDERS

Pursuant to the understanding reached an agreement entered into between the securities regulator under the State Council and the overseas securities regulatory agency, our Company may keep overseas a register of members of the overseas-listed foreign Shares and entrust an overseas agency to manage it. The original register of members of the overseas listed foreign Shares listed in Hong Kong shall be kept in Hong Kong.

Our Company shall keep a copy of the register of members of the overseas-listed foreign Shares at our residential address. The overseas entrusted agency shall at all times guarantee consistency between the original and copy of the register of members of the overseas-listed foreign Shares.

In case of inconsistency between the original and copy of the register of members of the overseas-listed foreign Shares, the original shall prevail.

Our Company shall keep a complete register of members.

The register of members shall include the following:

- (1) Register of members kept at our residential address other than those specified in (2) and (3);
- (2) Register of members of our overseas-listed foreign Shares kept at the location of the overseas stock exchange where such Shares are listed;
- (3) Register of members kept in other locations according to the decision of the Board of Directors as required for the listing of the Shares.

Different parts of the register of members shall not overlap. The transfer of Shares registered in a certain part of the register of members shall not be registered elsewhere in the register of members as long as the Shares remain registered. This provision does not apply to the registration of change of register of Shareholders during the issuance of new share capital in accordance with Article 20.

Any alteration or rectification to any part of the register of members shall be made in accordance with the laws in the place where such part of the register of members is maintained.

No change of the register of members as a result of the transfer of Shares shall be made within 30 days before the general Shareholders' meeting is convened or within 5 days prior to the record date on which our Company decides to distribute dividends.

When our Company convenes the general meeting, distributes dividends, goes into liquidation or is involved in other actions that require the confirmation of equities, the Board of Directors shall fix a date as the equity registration date, upon expiration of which the Shareholders whose names appear on the register of members shall be the Shareholders.

Any person who objects to the register of members and requests to register his/her name (title) in the register of members or to remove his/her name (title) from the register of members may apply to the court with jurisdiction to amend the register of members.

Subject to production of the relevant written documents evidencing the class and quantity of Shares held and verification of their identities as Shareholders by our Company, Shareholders are entitled to obtain relevant information in accordance with laws, administrative regulations and the requirements of the Articles of Association, including:

1. A copy of the Articles of Association, subject to payment of costs;
2. The right to inspect and copy the following, subject to payment of a reasonable fee:
 - (1) All parts of the register of members;
 - (2) Personal particulars of each of our Company's Directors, Supervisors, managers and other senior management, including:
 - (a) Present and former names and aliases;
 - (b) Principal address (place of residence);
 - (c) Nationality;
 - (d) Primary and all other part-time occupations and duties;
 - (e) Identification documents and numbers;
 - (3) Status of our Company's issued share capital;
 - (4) Reports showing the aggregate nominal value, quantity, highest and lowest prices paid in respect of each class of Shares repurchased by our Company since the previous accounting year and the aggregate amount paid by our Company for this purpose;
 - (5) Counterfoil of our Company's debentures;
 - (6) The latest audited financial statements and the reports of the Board, auditors and the Supervisory Board;
 - (7) A copy of the latest annual review report, which shall be submitted to the State Administration for Industry and Commerce of the PRC or other authorities for inspection; and
 - (8) Minutes of general Shareholders' meetings (for the inspection of Shareholders only).

QUORUM OF GENERAL MEETINGS

If the number of Shares carrying voting rights represented by the Shareholders intending to attend a meeting exceeds one half of the total number of Shares carrying voting rights, our Company may convene the general Shareholders' meeting. If the number of a class of Shares carrying voting rights represented by the Shareholders intending to attend a meeting exceeds one half of the total number of such class of Shares, our Company may convene the classified meeting.

RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

In addition to the obligations imposed by laws, administrative regulations or the listing rules required by the stock exchange on which Shares of our Company are listed, Controlling Shareholders shall not exercise their voting rights in respect of the following matters in a manner prejudicial to the interests of all or part of the Shareholders of our Company:

- (1) To release the responsibility of a Director or Supervisor to act honestly in the best interests of our Company;
- (2) To approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any way, of our Company's assets, including (without limitation to) any opportunities beneficial to our Company;
- (3) To approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the personal rights of other Shareholders, including (without limitation to) rights to distributions and voting rights save pursuant to a restructuring proposal submitted to Shareholders for approval in accordance with the Articles of Association.

COMPANY LIQUIDATION

Our Company shall be dissolved and liquidated lawfully upon the occurrence of any of the following events:

- (1) The operation period expires;
- (2) A resolution for dissolution is passed by Shareholders at a general Shareholders' meeting;
- (3) Dissolution is necessary due to a merger or division of our Company;
- (4) Our Company is legally declared insolvent due to its failure to repay debts as they become due;
- (5) Our Company is ordered to close down because of its violation of laws and administrative regulations; or

- (6) Where our Company encounters significant difficulties in business and management, continuous survival will be significantly detrimental to the interests of Shareholders, and the difficulties may not be overcome through other means, Shareholders who hold more than 10% of the Shares carrying voting rights may request a People's court to dissolve our Company.

Where our Company is dissolved due to the provisions set forth in (1) and (2) above, the liquidation team shall be established within 15 days and the personnel of the liquidation team shall be determined by a general Shareholders' meeting with an ordinary resolution.

In the event that our Company is dissolved in accordance with the provisions set forth in (4) above, the People's court shall organize Shareholders, related agencies and professionals to form the liquidation team to conduct the liquidation pursuant to relevant provisions of the law.

In the event that our Company is dissolved in accordance with the provisions set forth in (5) above, the relevant competent authority shall organize Shareholders, related agencies and professionals to form the liquidation team to conduct the liquidation.

If the Board decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board shall state in the notice of the general Shareholders' meeting convened for this purpose that the Board has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the start of liquidation.

Upon the passing of the resolution by Shareholders in the general Shareholders' meeting for the liquidation of our Company, all duties and powers of the Board shall terminate immediately.

The liquidation committee shall act in accordance with the instructions of the general Shareholders' meeting to make a report at least once every year to the general Shareholders' meeting on the committee's income and expenses, the businesses of our Company and the progress of the liquidation and to present a final report to the general Shareholders' meeting on the completion of the liquidation.

During the liquidation period, the liquidation committee shall exercise the following functions and powers:

- (1) Categorize our Company's assets and prepare a balance sheet and an inventory of assets respectively;
- (2) Notify the creditors or to publish public announcements;
- (3) Dispose of and liquidate any pending businesses of our Company;
- (4) Pay outstanding taxes;
- (5) Settle claims and debts;

- (6) Deal with the surplus assets remaining after repayment by our Company of debts;
- (7) Represent our Company in any civil proceedings.

After it has categorized our Company's assets and after it has prepared the balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan and present it to a general Shareholders' meeting or to the relevant competent authority for confirmation.

Where our Company is liquidated by reason of dissolution, upon completion of the categorization of our Company's assets and preparation of a balance sheet and an inventory of assets, if the liquidation committee discovers that our Company's assets are insufficient to repay our Company's debts in full, the liquidation committee shall immediately apply to the People's court for a declaration of insolvency. After our Company is declared insolvent by a ruling of the People's court, the liquidation committee shall transfer all matters arising from the liquidation to the People's court.

Following the completion of the liquidation, the liquidation committee shall prepare a liquidation report, a statement of income and expenses received and made during the liquidation period and a financial report, which shall be verified by a Chinese certified public accountant and submitted to the general meeting or the relevant competent authority for confirmation.

The liquidation committee shall, within 30 days after the confirmation by the general Shareholders' meeting or the relevant competent authority, submit the documents referred to in the preceding paragraph to the registration authority and apply for cancellation of registration of our Company, and publish a public announcement relating to the termination of our Company.

OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

General Provisions

Our Company is a permanently existing joint stock limited company.

Our Company may invest in other companies, provided that, unless required by law, it may not become a jointly liable investor for the liability commitments of the invested company.

The Articles of Association is binding on our Company, the Shareholders, Directors, Supervisors, managers, and other senior management. The above personnel are entitled to make claims concerning the affairs of our Company in accordance with the Articles of Association.

Shareholders may sue our Company pursuant to the Articles of Association. Our Company may sue Shareholders pursuant to the Articles of Association. Shareholders may sue Shareholders pursuant to the Articles of Association. Shareholders may sue the Directors, Supervisors, managers and other senior management pursuant to the Articles of Association.

Our Company may increase stock capital by the following means:

- (1) Offer new Shares to unspecified investors;

- (2) Place new Shares with existing Shareholders;
- (3) Give new Shares to existing Shareholders;
- (4) Issue new Shares to particular investors;
- (5) Convert the reserve funds into share capital;
- (6) other means approved by the laws, administrative regulations and securities regulatory agency of the State Council.

Upon approval to issue our Company's new Shares according to the provisions of the Articles of Association, the matter is to be dealt with in accordance with the procedures of related laws and administrative regulations of the State.

Our Company may reduce our registered capital according to the provisions of the Articles of Association. Reduction in registered capital of our Company is to be made in compliance with the procedures under the PRC Company Law, other relevant provisions and the Articles of Association.

Where our Company reduces our registered capital, it must prepare a balance sheet and a list of properties.

After our Company's reduction in registered capital, our registered capital may not be less than the statutory minimum amount.

Shareholders

Domestic shares refer to the shares that are issued to and held by onshore investors and subscribed in RMB. Foreign shares refer to the shares that are issued to and held by offshore investors only and subscribed in foreign currencies, as well as the shares that are acquired from onshore investors by foreign investors.

The Shareholders of our Company are persons lawfully holding the Shares of our Company and whose names (titles) are listed in the register of Shareholders. Shareholders are entitled to rights and assume obligations according to types of their Shares and their shareholdings. Shareholders who hold the same type of Shares are entitled to the same rights and assume the same obligations.

The Shareholders of ordinary Shares of our Company enjoy the following rights:

- (1) To receive dividends and other distributions in proportion to the number of Shares held;
- (2) To participate in or appoint a proxy of Shareholder to participate in and exercise voting rights at the general Shareholders' meeting;
- (3) To supervise and manage our business and operational activities, provide suggestions or submit queries;

- (4) To transfer the Shares held according to the provisions of the laws, administrative regulations and the Articles of Association;
- (5) Subject to production of the relevant written documents evidencing the class and quantity of Shares held and verification of their identities as Shareholders by our Company, Shareholders are entitled to obtain relevant information in accordance with laws, administrative regulations and the requirements of the Articles of Association, including:
 1. A copy of the Articles of Association, subject to payment of costs;
 2. The right to inspect and copy the following, subject to payment of a reasonable fee:
 - (1) All parts of the register of shareholders;
 - (2) Personal particulars of each of the Company's directors, supervisors, manager and other senior management personnel including:
 - (a) Present and former names and aliases;
 - (b) Principal address (place of residence);
 - (c) Nationality;
 - (d) Primary and all other part-time occupations and duties;
 - (e) Identification documents and numbers;
 - (3) Status of our Company's issued share capital;
 - (4) Reports showing the aggregate nominal value, quantity, highest and lowest prices paid in respect of each class of Shares repurchased by our Company since the previous accounting year and the aggregate amount paid by our Company for this purpose;
 - (5) Counterfoil of our Company's debentures;
 - (6) The latest audited financial statements and the reports of the Board, auditors and the Supervisory Board;
 - (7) A copy of the latest annual review report, which shall be submitted to the State Administration for Industry and Commerce of the PRC or other authorities for inspection; and
 - (8) Minutes of general Shareholders' meetings (for the inspection of Shareholders only).

The Company shall make available the documents mentioned in sub-section (1) to (8) (except sub-section (2)) above and other applicable documents at its Hong Kong representative office for inspection, free of charge, by the public and the shareholders in accordance with requirements of the Listing Rules.

- (6) To participate in the distribution of the remaining assets of our Company in proportion to the number of Shares held upon our termination or liquidation;
- (7) To require our Company to acquire Shares of Shareholders who disagree with the resolutions on the merger or division of our Company which are passed by the general meeting;
- (8) To entitle Shareholders holding, individually or in aggregate, more than 3% of Shares of our Company to propose additional resolution in writing to the Board 10 days before the general meeting;
- (9) Other rights conferred by laws, administrative regulations and the Articles of Association.

Our Company may not exercise any power to freeze or otherwise impair any of the rights attaching to any Share by reason only that any person interested directly or indirectly in the Shares of our Company has failed to disclose his/her interests to our Company.

Our Company adopts the registered method for the Shares.

The Share certificates of our Company are signed by the chairman of the Board of Directors. Where the stock exchange on which the Shares are listed requires our other senior management of our Company to sign the Share certificates, they are also to be signed by other senior management. The Share certificates are to become effective after being affixed with the stamp of our Company or print-stamped. Affixing our Company stamp to the Share certificates is subject to the authorization of the Board of Directors. The signature of the chairman of the Board of Directors or other related senior management may also be printed on the Share certificates.

If any person whose name appears in the register of Shareholders or who requests to register his/her name (title) in the register of Shareholders loses his/her Share certificates (that is, “original Share certificates”), he/she may apply to our Company to re-issue new Share certificates for those Shares (the “Relevant Shares”). If our Company is granted a mandate to issue warrants to anonymous holders, it may not issue any new warrants to replace the original warrants lost unless it is convinced beyond reasonable doubt the original warrants have been destroyed.

In the event Shareholder of Domestic Shares applies to our Company for a re-issuance after losing the Share certificates, the matter is to be dealt with pursuant to related provisions of the PRC Company Law.

In the event a Shareholder of overseas listed foreign Shares applies to our Company for re-issuance after losing the Share certificates, the matter is to be dealt with pursuant to the laws, rules of the stock exchange or other related provisions where the original register of Shareholders of the overseas listed foreign Shares is kept.

In the event a Shareholder of overseas listed foreign Shares listed in Hong Kong applies to our Company for re-issuance after losing the Share certificates, the Share certificates are to be issued in compliance with the following requirements:

- (1) The applicant shall submit the application in the standard format designated by our Company and attach a notary certificate or legal declaration. The contents of the notary certificate or legal declaration shall include the reason for the applicant's request, circumstances and evidence of loss of Share certificates, as well as a statement that nobody else may request to be registered as a Shareholder with respect to the pertinent Shares.
- (2) Before deciding to issue new Share certificates, our Company does not receive any statement in which any person other than the applicant requests to be registered as the Shareholder with respect to the Shares.
- (3) If our Company decides to issue new Share certificates to the applicant, we shall publish an announcement in a newspaper designated by the Board of Directors indicating that we plan to re-issue new Share certificates. The announcement period shall be 90 days and the announcement shall be published at least once every 30 days.
- (4) Before publishing the announcement indicating that we plan to re-issue new Share certificates, our Company shall submit a copy of the announcement to be published to the securities exchange on which the Shares are listed and may publish the announcement after receiving a reply from the stock exchange confirming that the announcement has been displayed at the stock exchange. The period of displaying the announcement at the stock exchange is 90 days.

If the application for reissue of new Share certificates is not approved by the registered Shareholders of the related Shares, our Company shall mail the copy of the announcement to be published to the Shareholders.

- (5) In the event that nobody raises any objection to the reissue of new Share certificates to our Company, upon expiration of the 90-day display period of the announcement specified in (3) and (4) above, the new share certificates may be reissued according to the application.
- (6) When re-issuing new Share certificates according to the Articles of Association, our Company shall immediately cancel the original Share certificates and register the cancellation and reissue on the register of Shareholders.
- (7) All expenses incurred by our Company from the cancellation of the original Share certificates and reissue of the new Share certificates are to be borne by the applicant. Before the applicant has provided reasonable security, our Company has the right to refuse to take any action.

Shareholders Untraceable

When permitted by laws, our Company is entitled to sell the Shares of a Shareholder failing to be contacted under the following circumstances:

- (1) Our Company has paid dividends at least three times on these Shares within 12 years, but no one has claimed the dividends during that period; and
- (2) Upon expiration of the 12-year period, our Company publishes an announcement in a newspaper, indicating our intention to sell the Shares and notifies the stock exchange on which the Shares are listed of such intention.

Regulations on the Powers of the Board and Convening the Board Meetings

The Board of Directors is responsible to the general Shareholders' meeting and exercises the following powers:

- (1) Convene the general Shareholders' meeting and report on work to the general Shareholders' meeting;
- (2) Implement the resolutions of the general Shareholders' meeting;
- (3) Determine our business and investment plans;
- (4) Devise our annual financial budget and closing account plans;
- (5) Devise our profit distribution and loss offset plans;
- (6) Formulate the plans for increasing or decreasing our registered capital and the issue of corporate bonds;
- (7) Formulate plans for corporate merger, separation, and dissolution of our Company;
- (8) Decide on the setup of our Company's internal management organization;
- (9) Appoint or dismiss the general manager of our Company; based on the nomination of the general manager, to appoint or dismiss our deputy general manager and chief financial officer; to appoint or dismiss the secretary to the Board, and determine their remuneration;
- (10) Determine the salaries, benefits, rewards and punishment for the staff of our Company;
- (11) Approve our Company to appoint or change directors and shareholder representative supervisors of wholly-owned subsidiaries of our Company, appoint, change or recommend representatives of the shareholders, directors (candidate), and shareholder representative supervisors (candidate) of entities controlled or invested in by our Company;

- (12) Set our basic management systems;
- (13) Make the modification plan to this Articles of Association;
- (14) Determine the establishment of our Company's domestic or overseas sub-branches;
- (15) Decide on the matters such as merger, division or reorganization of entities wholly-owned or controlled by our Company;
- (16) Decide on the establishment of special committees under the Board and to appoint or remove its person-in-charge;
- (17) Propose at general Shareholders' meetings a resolution in respect of candidates for independent non-executive Directors and replacement of independent non-executive Directors;
- (18) Propose at general Shareholders' meetings for the appointment, renewal or remove of accountants' firm conducting audit for our Company;
- (19) Attend to the work report of our general manager and review the work of the general manager;
- (20) Manage information disclosure of our Company;
- (21) Formulate the equity incentives plan;
- (22) Exercise decision-making power on issues in respect of external investment (including increase in investment and equity transfer), financing, venture investment, entrusted wealth management, provision of external guarantees, save and except for those decisions to be decided by the general Shareholders' meeting pursuant to the law, regulations and the Articles of Association;
- (23) Decide on other major affairs of our Company, save for matters to be resolved at general Shareholders' meetings as required by the PRC Company Law and the Articles of Association;
- (24) Decide on and to monitor the implementation of our Company's risk management system, including risk assessments, financial control, internal audit and legal risk control;
- (25) other powers conferred by the Articles of Association or the general Shareholders' meetings;
- (26) other matters authorized by the laws, administrative regulations, department rules and the Listing Rules.

All of the above resolutions adopted by the Board of Directors, except for those in (6), (7) and (13), which must be approved by more than a two-thirds vote of the Directors, are to be approved by a simple majority of votes by the Directors.

Board meetings are to be convened at least twice a year and called by the chairman of the Board of Directors, and a notice of at least 10 days is to be sent to all Directors before the meeting is convened.

The chairman of the Board of Directors shall convene a special Board meeting within 10 days upon receiving the proposal in case of occurrence of any of the following events:

- (1) When the Shareholders representing over 10% of voting rights make a proposal;
- (2) When over one third of Directors make a proposal;
- (3) When the chairman of the Board of Directors deems necessary;
- (4) When two independent non-executive Directors make a proposal;
- (5) When the Supervisory Board makes a proposal;
- (6) When the general manager makes a proposal.

The Directors shall attend the Board meeting in person. In the event that Directors are unable to attend the meeting for some reason, he/she may appoint in writing another Director to attend the Board meeting. The proxy letter is to specify authority domain.

The Director who attends the meeting on behalf of another Director is to exercise the right of the Director within the scope of authorization. If any Director fails to attend the Board meeting or entrust a proxy to be present on his/her behalf, such Director is deemed to have waived his/her voting rights at that meeting.

Board meetings are to be attended by more than half of the Directors (including their proxies) before the Board meeting can be convened.

Each Director has one vote. Save as otherwise specified in these Articles of Association, resolutions made by the Board of Directors must be approved by more than half of the Directors' votes.

When the number of dissenting votes equals the number of affirmative votes, the chairman of the Board of Directors is entitled to one additional vote.

Apart from certain exceptions specified in laws, regulations and listing rules of the stock exchanges in the place where our Company's Shares are listed or permitted by the Stock Exchange, a Director may not vote on passing of any resolution pertaining any contract, arrangement or any other

recommendation in which he/she himself/herself or any of his/her associates is materially interested proposed at a Board meeting. Such Director may not be counted in the quorum of the relevant meeting. Where the number of the Directors who can vote on this matter is less than three, such issue is to be submitted to the general Shareholders' meeting for voting.

Independent Director

The Board of Directors includes three independent non-executive Directors. The independent non-executive Directors shall carry out responsibilities in an independent manner, without influence by our Company's major Shareholders, de facto controller, or other units or individuals which have interests in our Company, or its major Shareholders, or de facto controller. The independent Directors are to perform their duties diligently, so as to protect our Company's interests, in particular, to ensure that the legal rights of the public Shareholders are not infringed.

Secretary to the Board

The secretary to the Board must be a natural person with the requisite expertise and experience and be appointed by the Board of Directors.

Supervisory Board

Our Company shall set up a Supervisory Board. The Supervisory Board consists of five Supervisors, and one of them serves as the chairman of the Supervisory Board. The Supervisors serve three-year terms and may be re-elected. The chairman of the Supervisory Board shall be elected and dismissed by more than a two-thirds vote of the members of the Supervisory Board.

The Supervisory Board shall consist of three shareholder representative Supervisors and two employee representative Supervisors of our Company. The shareholder representative Supervisors shall be elected and dismissed by the general meeting. The employee representatives shall be elected and dismissed through democratic election.

The Directors, general manager, secretary to the Board, chief financial officer and other senior management may not also serve as Supervisors.

The Supervisory Board is to convene at least two regular meetings every year. The chairman is to convene extraordinary meetings of the Supervisory Board. The supervisors may propose to convene an extraordinary meeting of the Supervisory Board. If the chairman is unable or fails to perform his duties, a supervisor jointly selected by a majority of the supervisors shall convene and preside over the meetings.

The Supervisory Board is responsible to the general Shareholders' meeting and lawfully exercises the following powers:

- (1) Examine the financial standing of our Company;

- (2) Supervise the Directors, general manager and other senior management in performing their duties to our Company, to determine whether there is any action in contravention of any laws, administrative regulations or the Articles of Association, and to put forward suggestions for dismissing any Directors or senior management who are in breach of the laws, administrative regulations, the Articles of Association or resolutions of the general Shareholders' meetings;
- (3) Require the Directors, general manager and other senior management to take corrective measures when their actions are detrimental to our Company's interests;
- (4) Verify the financial information such as the financial reports, business reports and profit distribution plans to be submitted by the Board to the general Shareholders' meetings and, should any queries arise, to authorize, in the name of our Company, a re-examination by the certified public accountants and practicing auditors;
- (5) Propose to convene an extraordinary general Shareholders' meeting, where the Board of Directors fails to perform the duties in relation to convening or presiding over the general meeting as required by the PRC Company Law, to convene and preside over the general Shareholders' meeting;
- (6) Submit proposals at the general Shareholders' meetings;
- (7) Propose to convene extraordinary Board meetings;
- (8) Represent our Company in negotiating with or in bringing actions against the Directors and senior management;
- (9) Investigate into any abnormalities in operation of our Company; if necessary, to engage accounting firms, law firms and other professional institutions to assist its work, and the expenses are to be borne by our Company;
- (10) Other powers and duties stipulated in the Articles of Association.

The Supervisors are to attend the Board meeting and may make queries or provide suggestions on the resolutions of the Board meeting.

General Manager

Our Company includes one general manager, nominated, appointed or dismissed by the Board of Directors.

The general manager of our Company is responsible to the Board of Directors and exercises the following powers:

- (1) Be in charge of the producing and operational management of our Company, to organize the enforcement of resolutions of the Board of Directors;

- (2) Organize the implementation of the annual operation plans and investment schemes of our Company;
- (3) Formulate the structure scheme of the internal management agency of our Company;
- (4) Formulate the structure scheme of the branch of our Company;
- (5) Formulate the basic management system of our Company;
- (6) Formulate the basic rules of our Company;
- (7) Propose the appointment or dismissal of the deputy general manager, chief financial officer or other senior management of our Company;
- (8) Appoint or dismiss management other than those to be appointed or dismissed by the Board of Directors;
- (9) Determine the salaries, benefits, rewards and punishment for the staff of our Company, and to determine the appointment and dismissal of the staff of our Company;
- (10) Propose to convene extraordinary Board meetings;
- (11) Other powers and duties authorized by the Articles of Association and the Board of Directors.

Reserves

When the annual after-tax earnings of our Company are distributed, our Company must allocate 10% of the profits to our statutory reserve. When the aggregate amount of the statutory reserve reaches or exceeds 50% of our Company's registered capital, no more allocations need to be provided.

If our statutory reserve is insufficient to offset our losses incurred during the previous year, the profits generated during the current year must be used to make up the losses before allocating the statutory reserve in accordance with the requirements set forth in the preceding paragraph.

After allocation to the statutory reserve from the profits after tax of our Company, we may also allocate to the reserves at will from after-tax earnings in line with the resolution(s) adopted at the general Shareholders' meeting.

After offsetting the losses and allocating to the reserve, all remaining profits after tax may be distributed in proportion to Shares held by Shareholders.

If it is resolved at the general Shareholders' meeting to distribute profit to Shareholders before offsetting the losses and making allocation to statutory revenue reserve in violation to the provisions of the previous paragraph, the Shareholders shall return such distributed profits to our Company.

The Shares held by our Company may not participate in the profit distribution.

Settlement of Disputes

Our Company shall comply with the following rules governing the settlement of disputes:

- (1) Whenever there occur any disputes or claims between Shareholders of the overseas-listed foreign Shares and our Company, Shareholders of the overseas-listed foreign Shares and our Company's Directors, Supervisors, general manager or other senior management, or Shareholders of the overseas-listed foreign Shares and Shareholders of Domestic Shares regarding the rights or obligations relating to the affairs of our Company imposed by the Articles of Association, the PRC Company Law and other relevant laws and administrative regulations, such disputes or claims are to be referred by the relevant parties to arbitration.

Where the aforesaid dispute or claim of rights is referred to arbitration, the entire claim or dispute as a whole must be referred to arbitration, and any parties who have a cause of action based on the same facts or whose participation is necessary for the settlement of such dispute or claim, are bound by the award of the arbitration provided that such person is our Company or a Shareholder, a Director, a Supervisor, the general manager or other senior management of our Company.

Disputes in relation to the definition of Shareholders and the Shareholders' register need not be resolved by arbitration.

- (2) A claimant may elect for arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body so elected by the claimant.

If a claimant elects for arbitration at Hong Kong International Arbitration Centre, any party to the dispute may request the arbitration to be conducted in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- (3) The laws of the PRC are applicable to the arbitration for the disputes or claims of rights referred to in item (1), unless otherwise provided in the laws and administrative regulations.
- (4) The award of an arbitration body shall be final and binding on all parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY**A. Establishment**

Our Company, previously known as Zhejiang Flat Glass & Mirror Co., Ltd.* (浙江福萊特玻璃鏡業股份有限公司) and Flat Solar Glass Group Co., Ltd.* (福萊特光伏玻璃集團股份有限公司), was converted from our predecessor Zhejiang Flat Glass & Mirror Ltd. (浙江福萊特玻璃鏡業有限公司, originally named as Naibang Trading), a limited liability company, into a joint stock limited liability company pursuant to the PRC Company Law on December 29, 2005.

Our Company has obtained a certificate of registration of non-Hong Kong Company under Part 16 of the Companies Ordinance issued on June 29, 2015, with a principal place of business at 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Ms. Leung Wing Han Sharon, whose correspondence address is the same address of our principal place of business in Hong Kong, has been appointed as our Company's agent for the acceptance of service of process in Hong Kong. As our Company is established in the PRC, its corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. Summaries of the principal legal and regulatory provision of the PRC and the Articles of Association are set out in Appendices V and VI to this prospectus.

B. Changes in share capital and transfer of shares**(a) Changes in share capital***Establishment in 1998*

Our predecessor, Naibang Trading, a limited liability company, was established in the PRC on June 24, 1998 with a registered capital of RMB510,000, which has been fully paid up.

Conversion into a joint stock limited company in 2005

On December 29, 2005, Zhejiang Flat Glass & Mirror Ltd.* (浙江福萊特玻璃鏡業有限公司, with previous name of Naibang Trading) was converted to a joint stock limited company under the name of Zhejiang Flat Glass & Mirror Co., Ltd.* (浙江福萊特玻璃鏡業股份有限公司), with the registered capital of RMB70,000,000, divided into 70,000,000 Domestic Shares for a par value of RMB1.00 each, of which 68,400,000 Domestic Shares were subscribed for by our Promoters for an aggregate consideration of RMB68,400,000, at RMB1.00 per Share, which was contributed to our Company by the appraised net assets of our predecessor, and the remaining 1,600,000 Domestic Shares were subscribed by Ms. Ruan Zeyun, for a cash consideration of RMB1,600,000, at RMB1.00 per Share, which was paid by Ms. Ruan Zeyun, with her own capital, in full by cash as of November 10, 2005.

Changes in share capital within the two years preceding the date of this prospectus

The following sets out the changes of share capital of our Company have taken place within the two years preceding the date of this prospectus:

On May 30, 2014, the registered capital of our Company was reduced from RMB359,400,000 to RMB337,500,000, by reduction of RMB21,900,000, representing 21,900,000 Domestic Shares amounted for 6.09% of the then registered capital of our Company and all of the Shares owned by Primemont Capital, Boxin Preferred, Guoyuan Investment and Boxin Growth.

Pursuant to the resolutions of extraordinary Shareholders' meeting held on May 18, 2015, our Company's existing Shares with a nominal value of RMB1.00 each will split into four Shares with a nominal value of RMB0.25 each be carried out immediately upon Listing.

Upon completion of the Global Offering, but without taking into account any H Shares which may be issued by our Company pursuant to the Over-allotment Option, our registered share capital will increase to RMB450,000,000, made up of 1,350,000,000 Domestic Shares and 450,000,000 H Shares issued under the Global Offering, representing approximately 75% and 25% of the registered share capital, respectively, with a nominal value of RMB0.25 each.

(b) *Transfer of shares*

The following sets forth the transfer of shares between Shareholders of our Company since the date of its conversion into a joint stock limited company:

Date	Transferor	Transferee	Number of Domestic Shares (with a nominal value of RMB1.00 each) Transferred (%)	Consideration	Determination of Consideration	Completion Date
August 1, 2010 . .	Mr. Jing Zongfa (景總法先生)	Mr. Ruan Hongliang (阮洪良先生)	100,000 (0.09)	RMB350,000	The original subscription price of RMB2.50 per Domestic Share of our Company paid by Mr. Jing Zongfa in 2009	December 22, 2010
November 1, 2010	Mr. Wei Shutao (魏述濤先生)	Mr. Ruan Hongliang (阮洪良先生)	1,070,000 (0.95)	RMB6,955,000	The net asset value per share of our Company as at June 30, 2010	December 22, 2010
November 1, 2010	Mr. Xiao Jingmin (肖敬民先生)	Mr. Ruan Hongliang (阮洪良先生)	100,000 (0.09)	RMB650,000	The net asset value per share of our Company as at June 30, 2010	December 22, 2010

Date	Transferor	Transferee	Number of Domestic Shares (with a nominal value of RMB1.00 each) Transferred (%)	Consideration	Determination of Consideration	Completion Date
April 12, 2014. . .	Mr. Wang Benyu (王本語先生)	Mr. Ruan Hongliang (阮洪良先生)	900,000 (0.25)	RMB3,483,000	The net asset value per share of our Company as at December 31, 2013	May 30, 2014
April 10, 2015. . .	Mr. Wang Jiahua (王家華先生)	Mr. Zhao Xiaofei (趙曉非先生)	1,200,000 (0.36)	RMB5,400,000	Arm's length negotiation between Mr. Wang Jiahua and Mr. Zhao Xiaofei	April 23, 2015

C. Restrictions on share repurchase

For details of the restrictions on share repurchase by our Company, please refer to the paragraph headed “Rights of our Company to Buy Back its Outstanding Shares” in “Appendix VI — Summary of Articles of Association” in this prospectus.

D. Resolutions of the extraordinary Shareholders’ meeting in relation to the Global Offering

On May 18, 2015, the Shareholders approved, among other things, the following resolutions and matters:

- (a) the issue by our Company of H Shares of nominal value of RMB0.25 each up to 450,000,000 H Shares in total (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option) and such H Shares be listed on the Stock Exchange, and the issue price of the H Shares will be decided upon completion of the book building process for the Listing;
- (b) the stock split of the Domestic Shares with a nominal value of RMB1.00 each into four Shares with a nominal value of RMB0.25 each immediately upon Listing;
- (c) subject to the completion of the Global Offering, the Articles of Association be approved and adopted, which shall only become effective on the Listing Date, and authorizing the Board to amend the Articles of Association in accordance with the relevant laws and regulations and the requirements by the relevant government authorities; and
- (d) authorizing the Board and its authorized representatives to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

2. FURTHER INFORMATION ABOUT OUR SUBSIDIARIES**A. Further Information about Our PRC Subsidiaries****(a) *Shanghai Flat***

Nature of the company	Domestic enterprise
Term of business operation	From June 6, 2006 to June 5, 2016
Registered capital	RMB70,000,000
Attributable interest of our Company	100%
Scope of business	Manufacture, processing and sales of special, energy-saving, safe, coated and solar PV glass, import and export business of goods and technology (those requiring administrative examination and approval shall be examined and approved by the relevant administration)
Legal representative	Mr. Ruan Hongliang (阮洪良)

(b) *Zhejiang Jiafu*

Nature of the company	Domestic enterprise
Term of business operation	From August 15, 2007 to August 14, 2027
Registered capital	RMB150,000,000
Attributable interest of our Company	100%
Scope of business	Manufacture, processing and sales of special glass; sales of gold and silver products; wharf cargo handling service; import and export business (except business prohibited or restricted by the country, except dangerous goods) (those requiring administrative examination and approval shall be examined and approved by relevant administration)
Legal representative	Mr. Ruan Hongliang (阮洪良)

(c) Anhui Flat Glass

Nature of the company	Domestic enterprise
Term of business operation	From January 18, 2011 to January 17, 2061
Registered capital	RMB30,000,000
Attributable interest of our Company	100%
Scope of business	Manufacture, processing and sales of special glass
Legal representative	Mr. Ruan Hongliang (阮洪良)

(d) Anhui Flat Materials

Nature of the company	Domestic enterprise
Term of business operation	From January 19, 2011 to January 18, 2061
Registered capital	RMB30,000,000
Attributable interest of our Company	100%
Scope of business	Open pit mining of glass-use quartzite; sales of quartzite ore, building materials and silicon products (those requiring administrative examination and approval shall be examined and approved by the relevant administration)
Legal representative	Mr. Ruan Hongliang (阮洪良)

(e) Zhejiang Flat

Nature of the company	Domestic Enterprise
Term of business operation	From February 14, 2011 to February 13, 2031
Registered capital	RMB10,000,000
Attributable interest of our Company	100%

Scope of business	Manufacture of special glass, mirrors, and glassworks; sale of building materials; import and export business (those requiring administrative examination and approval shall be examined and approved by the relevant administration)
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Legal representative	Mr. Ruan Hongliang (阮洪良)
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(f) ***Flat New Energy***

Nature of the company	Domestic enterprise
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Term of business operation	From March 11, 2014 to long term
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Registered capital	RMB10,000,000
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Attributable interest of our Company	100%
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Scope of business	Development of new energy power generation technology, transfer, advisory and service of technology; investment and development of new energy power generation projects; design, construction, operation and maintenance of distributed new energy power stations; research and development, manufacture and processing of PV materials (those requiring administrative examination and approval shall be examined and approved by the relevant administration)
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Legal representative	Mr. Ruan Hongliang (阮洪良)
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B. Changes in the share capital of our subsidiaries

The following alterations in the registered capital of our principal subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) ***Flat HK***

On January 9, 2013, Flat HK was incorporated under the laws of HK as a limited company with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, the 10,000 shares of Flat HK were issued and allotted to our Company.

On September 30, 2013, the authorized share capital of Flat HK was increased by HK\$67,561 to HK\$77,561 divided into 77,561 shares of HK\$1.00 each. On the same day, the additional 67,561 shares of Flat HK were issued and allotted to our Company.

(b) *Flat New Energy*

On March 11, 2014, Flat New Energy was established under the PRC laws as a limited liability company with registered capital of RMB10,000,000 contributed solely by our Company.

3. FURTHER INFORMATION ABOUT THE BUSINESS

A. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus:


- (a) a capital reduction agreement dated January 1, 2014 entered into among our Company, Boxin Growth and Boxin Preferred (the “Boxin Capital Reduction Agreement”), pursuant to which Boxin Growth and Boxin Preferred agreed to reduce their equity interests held in our Company by the reduction of an aggregate of 9,000,000 shares in the capital of our Company held by Boxin Growth and Boxin Preferred for a total consideration of RMB172,776,000;
- (b) a supplemental agreement to the Boxin Capital Reduction Agreement dated January 1, 2014 entered into among our Company, Boxin Growth, Boxin Preferred and Mr. Ruan Hongliang as guarantor in relation to the amendments of the payment terms under the Boxin Capital Reduction Agreement;
- (c) a capital reduction agreement dated January 1, 2014 entered into between our Company and Primemont Capital (the “Primemont Capital Reduction Agreement”), pursuant to which Primemont Capital agreed to reduce its equity interest held in our Company by the reduction of 8,400,000 shares in the capital of our Company held by Primemont Capital for a total consideration of RMB161,257,600;
- (d) a supplemental agreement to the Primemont Capital Reduction Agreement dated January 2, 2014 entered into among our Company, Primemont Capital and Mr. Ruan Hongliang as guarantor in relation to the amendments of the payment terms and the representations and warranties under the Primemont Capital Reduction Agreement;
- (e) a capital reduction agreement dated January 1, 2014 entered into between our Company and Guoyuan Investment (the “Guoyuan Capital Reduction Agreement”), pursuant to which Guoyuan Investment agreed to reduce its equity interest held in our Company by the reduction of 4,500,000 shares in the capital of our Company held by Guoyuan Investment for a total consideration of RMB86,388,000;
- (f) a supplemental agreement to the Guoyuan Capital Reduction Agreement dated January 2, 2014 entered into among our Company, Guoyuan Investment and Mr. Ruan Hongliang, Ms. Jiang Jinhua and Ms. Ruan Zeyun as guarantors in relation to the amendments of the payment terms and the representations and warranties under the Guoyuan Capital Reduction Agreement;

- (g) an equity transfer agreement dated March 10, 2014 entered into between Shanghai Flat and our Company, pursuant to which Shanghai Flat agreed to transfer and our Company agreed to acquire 45% equity interest held by Shanghai Flat in Zhejiang Jiafu at a consideration of RMB67,500,000;
- (h) an equity transfer agreement dated March 10, 2014 entered into between Zhejiang Jiafu and our Company, pursuant to which Zhejiang Jiafu agreed to transfer and our Company agreed to acquire 40% equity interest held by Zhejiang Jiafu in Anhui Flat Glass at a consideration of RMB12,000,000;
- (i) an equity transfer agreement dated March 10, 2014 entered into between Zhejiang Jiafu and our Company, pursuant to which Zhejiang Jiafu agreed to transfer and our Company agreed to acquire 40% equity interest held by Zhejiang Jiafu in Anhui Flat Materials at a consideration of RMB12,000,000;
- (j) Deed of Indemnity;
- (k) Deed of Non-competition;
- (l) a cornerstone investment agreement dated November 10, 2015 entered into among our Company, the Joint Bookrunners and Huarong International Asset Management Great China Investment Fund L.P., the details of which are set out in the section headed “Cornerstone Investor” in this prospectus; and
- (m) Hong Kong Underwriting Agreement.

B. Our intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, we have registered 32 trademarks in the PRC and four trademarks in Hong Kong, and the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
1.		PRC	19	4998050	September 20, 2019


No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
2.		PRC	20	4998051	April 13, 2019
3.		PRC	21	4998052	February 13, 2019
4.		PRC	20	4998053	January 20, 2020
5.		PRC	20	6014581	December 20, 2019
6.		PRC	1	7413745	November 20, 2020
7.		PRC	1	7413869	October 13, 2020
8.		PRC	2	7413885	January 20, 2021
9.		PRC	11	7425626	January 27, 2021

No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
10.		PRC	17	7425639	August 20, 2020
11.		PRC	19	7442338	September 20, 2020
12.		PRC	20	7442451	October 6, 2020
13.		PRC	21	7482842	January 6, 2021
14.		PRC	21	7482843	October 20, 2020
15.		PRC	12	7545400	February 13, 2021
16.		PRC	2	7545429	January 20, 2021
17.		PRC	9	7545464	February 27, 2021




No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
18.		PRC	19	8466259	July 20, 2021
19.	福莱特	PRC	20	8466299	July 20, 2021
20.	福莱特	PRC	21	8469466	July 20, 2021
21.		PRC	21	8469467	July 20, 2021
22.	FLAT	PRC	9	7413916	August 27, 2022
23.	福莱特	PRC	19	8466244	May 20, 2023
24.		PRC	19	9500496	August 20, 2022
25.	FSG	PRC	19	9500480	July 13, 2022
26.		PRC	9	9500445	July 13, 2022
27.	FSG	PRC	9	9500433	July 13, 2022
28.	福莱特	PRC	9	9500418	September 13, 2022

No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
29.		PRC	21	9495210	June 13, 2022
30.		PRC	21	9495211	June 13, 2022
31.		PRC	21	1786326	June 13, 2022
32.		PRC	19	1770149	May 20, 2022
33.		HK	19, 20, 21	303262428	January 8, 2025
34.		HK	19, 20, 21	303262446	January 8, 2025
35.		HK	19, 20, 21	303262419	January 8, 2025
36.		HK	19, 20, 21	303262400	January 8, 2025

As of the Latest Practicable Date, we have registered one trademark in countries and regions outside the PRC and Hong Kong and the following trademark which, in the opinion of our Directors, is material to our business:

No.	Trademark	Place of Registration	Class	Registration Number	Expiry Date
1.		Australia, U.S. and European Union	19, 20, 21	1070642	November 9, 2020

As of the Latest Practicable Date, seven and six applications have been made for the registration of trademarks both in the PRC and in Hong Kong, respectively, and the following trademarks applications which, in the opinion of our Directors, are material to our business:

No.	Trademark	Place of Registration	Class	Application Number	Application Date
1.		PRC	19, 20, 21	16046464	December 29, 2014
2.		PRC	19, 20, 21	16046252	December 29, 2014
3.		HK	19, 20, 21	303262437	January 9, 2015

(b) *Domain name*

As of the Latest Practicable Date, we have registered the following domain name, which, in the opinion of our Directors, is material to our business:

No.	Domain name	Registration Date	Expiration Date
1.	www.flatgroup.com.cn	March 31, 2009	March 31, 2017

(c) *Patents*

As of the Latest Practicable Date, we are the registered owner of the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent	Patent Number	Place of Registration	Expiration Date
1.	Ultraviolet-blocking & ultra-clear patterned solar glass and its method of production (阻斷紫外線太陽能超白壓花玻璃及其製造方法)	ZL200710042037.0	PRC	June 14, 2027
2.	Melting furnace for ultra-clear patterned solar glass (一種太陽能超白壓花玻璃的熔窯)	ZL200920068937.7	PRC	March 16, 2019
3.	A kind of inspection system for ultra-clear patterned solar glass (一種太陽能超白壓花玻璃的檢測系統)	ZL200920068938.1	PRC	March 16, 2019
4.	A kind of afterheat recycling, desulfurization and dust removal device for glass melting furnace (一種玻璃熔窯的餘熱回收和脫硫除塵裝置)	ZL200920068939.6	PRC	March 16, 2019
5.	A kind of roller shaft cooling installation applied in the production of solar ultra-clear patterned glass (一種太陽能超白壓花玻璃製造過程中活動滾台軸冷卻機構)	ZL200920069515.1	PRC	March 26, 2019
6.	A combustion-supporting device by recycling hot air through after heat (採用餘熱回收熱空氣助燃的裝置)	ZL200920069516.6	PRC	March 26, 2019
7.	Installation structure of furnace lip brick and rolling device applied in the production of ultra-clear patterned solar glass (太陽能超白壓花玻璃生產中壓延機和熔窯唇磚的安裝結構)	ZL200920069517.0	PRC	March 26, 2019
8.	A cutting installation for solar ultra-clear patterned glass (一種太陽能超白壓花玻璃的切割裝置)	ZL200920069518.5	PRC	March 26, 2019
9.	A melting furnace improving the rolling quality of ultraviolet- blocking & ultra-clear patterned solar glass (提高阻斷紫外線太陽能超白壓花玻璃壓延質量的熔窯)	ZL201020032984.9	PRC	January 12, 2020

No.	Patent	Patent Number	Place of Registration	Expiration Date
10.	A flywheel transmission installation applied in the deep processing of ultra-clear patterned solar glass (太陽能超白壓花玻璃在深加工過程中的飛輪輸送機構)	ZL201020032985.3	PRC	January 12, 2020
11.	A petroleum coke powder supported combustion system applied in the melting furnace of solar ultra-clear patterned glass (在太陽能超白壓花玻璃熔窯中採用石油焦粉的燃燒系統)	ZL201020126052.0	PRC	March 8, 2020
12.	A dynamic spraying system of nanomaterials on the surface of ultra-clear patterned solar glass (在太陽能超白壓花玻璃表面進行動態噴塗納米材料的系統)	ZL201020537896.4	PRC	September 20, 2020
13.	Puller (拉馬)	ZL201020172290.5	PRC	April 26, 2020
14.	A dual function vehicle of storage and transportation (貯存搬運兩用車)	ZL201020172277.X	PRC	April 26, 2020
15.	A plate glass automatic shifting transmission installation (平板玻璃自動換向輸送裝置)	ZL201020172279.9	PRC	April 26, 2020
16.	A comprehensive utilization installation of the after heat in melting furnace on ultra-clear solar glass (利用太陽能超白玻璃熔窯的餘熱進行綜合利用的裝置)	ZL201020553863.9	PRC	October 8, 2020
17.	A transmission system applied in the immersion process of nanomaterial coatings on ultra-clear patterned solar glass (太陽能超白壓花玻璃表面納米材料浸敷工藝中的輸送系統)	ZL201020292610.0	PRC	August 15, 2020
18.	A roll coating system of nanomaterial coatings on ultra-clear patterned solar glass (對太陽能超白壓花玻璃表面進行納米材料滾塗的系統)	ZL201020298161.0	PRC	August 19, 2020

No.	Patent	Patent Number	Place of Registration	Expiration Date
19.	A fuel supply system for melting furnace of ultra-clear patterned solar glass (一種太陽能超白壓花玻璃熔窯的燃料配送系統)	ZL201020637445.8	PRC	December 1, 2020
20.	Cable discoid defense device (盤狀線纜放線裝置)	ZL201120153042.0	PRC	May 14, 2021
21.	Hollow glass aluminum spacer bending device (中空玻璃鋁間隔條彎曲裝置)	ZL201120153009.8	PRC	May 14, 2021
22.	An on-line coating system of ultra-clear patterned solar glass (一種太陽能超白壓花玻璃在線鍍膜系統)	ZL201120187786.4	PRC	June 6, 2021
23.	A system of inserting substrates into sub-atmospheric space applied in the vacuum coating process of Low-E glass (Low-E 玻璃的真空鍍膜操作中將基片輸入負壓室的系統)	ZL201120187779.4	PRC	June 6, 2021
24.	Wind-tight tempered glass quench devise (鋼化玻璃急冷導風防泄裝置)	ZL201120537144.2	PRC	December 20, 2021
25.	Coated glass color uniformity detecting device (鍍膜玻璃色差均勻度檢測裝置)	ZL201120537129.8	PRC	December 20, 2021
26.	Film cutting device (割膜器)	ZL201120537147.6	PRC	December 20, 2021
27.	Washer fan filter unit (清洗機風機過濾網裝置)	ZL201120537150.8	PRC	December 20, 2021
28.	Edger automatic loading inspection station (磨邊機自動上片檢測台)	ZL201120537149.5	PRC	December 20, 2021
29.	Steel strapping car (鋼帶打包車)	ZL201120537145.7	PRC	December 20, 2021
30.	Web hand cutting device (捲筒紙手搖裁切裝置)	ZL201120537148.0	PRC	December 20, 2021

No.	Patent	Patent Number	Place of Registration	Expiration Date
31.	Assisted detection devise of patterned solar glass (太陽能壓花玻璃輔助檢測裝置)	ZL201120537143.8	PRC	December 20, 2021
32.	A roll forming die for the solar concentrator glass (太陽能聚光玻璃滾壓成形模)	ZL201220360048.X	PRC	July 23, 2022
33.	A reflection-reducing and high transmission rate ultra-clear patterned PV Glass and its production method (一種減反射高透過率鍍膜太陽能超白壓花玻璃及其製造方法)	ZL201010201967.8	PRC	June 1, 2030
34.	Glass edger grinding device (玻璃磨邊機磨頭裝置)	ZL201520072522.2	PRC	February 1, 2025
35.	Glass coaters exhaust device (玻璃鍍膜機排氣裝置)	ZL201520072759.0	PRC	February 1, 2025
36.	A high transmission temperable double silvers Low-E Glass (高透型可鋼化雙銀Low-E玻璃)	ZL201520305843.2	PRC	May 11, 2025

4. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' service contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a service contract with us on October 16, 2015. Each service contract is for a term of three years commencing from the Listing Date.

Save as disclosed above, none of our Directors and Supervisors has or is proposed to have a service contract with our Company or any member of our Group (other than contracts expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

B. Directors' and Supervisors' remuneration**(a) Directors**

The aggregate remuneration paid and benefits in kind granted to the Directors for the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015 were approximately RMB2.20 million, RMB2.50 million, RMB2.09 million and RMB0.84 million, respectively. There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015 by us to the Directors.

Under the existing arrangements currently in force, the aggregate remuneration payable and benefits in kind granted to the Directors for the year ending December 31, 2015 is estimated to be approximately RMB2.14 million.

Each of the Directors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

(b) Supervisors

The aggregate remuneration paid and benefits in kind granted to the Supervisors for the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015 were approximately RMB0.45 million, RMB0.49 million, RMB0.49 million and RMB0.40 million, respectively. There has been no arrangement under which a Supervisor has waived or agreed to waive any emoluments for the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015 by us to the Supervisors.

Under the existing arrangements currently in force, the remuneration payable and benefits in kind granted to the Supervisors for the year ending December 31, 2015 is estimated to be approximately RMB1.09 million.

Each of the Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

5. DISCLOSURE OF INTERESTS

A. Interests or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering and taking no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in any circumstance at general meetings of our Company:

Shareholder	Number of Shares held after the Global Offering	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽²⁾
Mr. Ruan Hongliang (阮洪良) ⁽³⁾	763,440,000	Domestic Shares	Beneficial owner and parties acting in concert	56.55%	42.42%
Ms. Jiang Jinhua (姜瑾華) ⁽⁴⁾	763,440,000	Domestic Shares	Beneficial owner and parties acting in concert	56.55%	42.42%
Ms. Ruan Zeyun (阮澤雲) ⁽⁵⁾	355,332,000	Domestic Shares	Beneficial owner and interest of spouse	26.33%	19.74%
Mr. Zhao Xiaofei (趙曉非) ⁽⁶⁾	355,332,000	Domestic Shares	Beneficial owner and interest of spouse	26.33%	19.74%

Note:

- (1) The calculation is based on the total number of 1,350,000,000 Domestic Shares in issue immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).
- (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 immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).

- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. In addition, pursuant to a concert party agreement dated June 12, 2015 entered into between Mr. Ruan Hongliang and Ms. Jiang Jinhua, Mr. Ruan Hongliang is deemed to be interested in the 324,081,600 Domestic Shares owned by Ms. Jiang Jinhua under the SFO.
- (4) Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang. Ms. Jiang Jinhua owns 324,081,600 Domestic Shares. In addition, pursuant to a concert party agreement dated June 12, 2015 entered into between Mr. Ruan Hongliang and Ms. Jiang Jinhua, Ms. Jiang Jinhua is deemed to be interested in the 439,358,400 Domestic Shares owned by Mr. Ruan Hongliang under the SFO.
- (5) Ms. Ruan Zeyun is the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua and the spouse of Mr. Zhao Xiaofei. Ms. Ruan Zeyun owns 350,532,000 Domestic Shares and is deemed to be interested in the 4,800,000 Domestic Shares owned by Mr. Zhao Xiaofei under the SFO.
- (6) Mr. Zhao Xiaofei is the spouse of Ms. Ruan Zeyun. Mr. Zhao Xiaofei directly owns 4,800,000 Domestic Shares and is deemed to be interested in the 350,532,000 Domestic Shares owned by Ms. Ruan Zeyun under the SFO.

B. Interests and short positions of the Directors and chief executive in the shares, underlying shares or debentures of our Company or associated corporations

Immediately following completion of the Global Offering and taking no account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, each of the following persons will have an interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the H Shares are listed on the Stock Exchange:

Interests in our Company

<u>Shareholder</u>	<u>Number of Shares held after the Global Offering</u>	<u>Class</u>	<u>Nature of interest</u>	<u>Approximate percentage of shareholding in the relevant class of Shares after the Global Offering⁽¹⁾</u>	<u>Approximate percentage of shareholding in the total share capital of our Company after the Global Offering⁽²⁾</u>
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Directors

Mr. Ruan Hongliang (阮洪良) ⁽³⁾	763,440,000	Domestic Shares	Beneficial owner and parties acting in concert	56.55%	42.42%
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Shareholder	Number of Shares held after the Global Offering	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering ⁽¹⁾	Approximate percentage of shareholding in the total share capital of our Company after the Global Offering ⁽²⁾
Ms. Jiang Jinhua (姜瑾華) ⁽⁴⁾	763,440,000	Domestic Shares	Beneficial owner and parties acting in concert	56.55%	42.42%
Mr. Wei Yezhong (魏葉忠)	19,260,000	Domestic Shares	Beneficial owner	1.43%	1.07%
Mr. Shen Qifu (沈其甫)	12,840,000	Domestic Shares	Beneficial owner	0.95%	0.71%
Supervisors					
Mr. Zheng Wenrong (鄭文榮先生)	57,780,000	Domestic Shares	Beneficial owner	4.28%	3.21%
Mr. Shen Fuquan (沈福泉先生)	38,520,000	Domestic Shares	Beneficial owner	2.85%	2.14%
Mr. Zhu Quanming (祝全明先生)	38,520,000	Domestic Shares	Beneficial owner	2.85%	2.14%

Note:

- (1) The calculation is based on the total number of 1,350,000,000 Domestic Shares in issue immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).
- (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 immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. In addition, pursuant to a concert party agreement dated June 12, 2015 entered into between Mr. Ruan Hongliang and Ms. Jiang Jinhua, Mr. Ruan Hongliang is deemed to be interested in the 324,081,600 Domestic Shares owned by Ms. Jiang Jinhua under the SFO.
- (4) Ms. Jiang Jinhua is the spouse of Mr. Ruan Hongliang. Ms. Jiang Jinhua owns 324,081,600 Domestic Shares. In addition, pursuant to a concert party agreement dated June 12, 2015 entered into between Mr. Ruan Hongliang and Ms. Jiang Jinhua, Ms. Jiang Jinhua is deemed to be interested in the 439,358,400 Domestic Shares owned by Mr. Ruan Hongliang under the SFO.

C. Agency fees or commissions received

Within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company.

D. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or Supervisors or any of the parties listed in paragraph headed “6. Other Information — E. Qualifications of experts” of this appendix is interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of the Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business taken as a whole;
- (c) save in connection with the Underwriting Agreements, none of the parties listed in paragraph head “6. Other Information — E. Qualifications of experts” of this appendix:
 - (i) is interested legally or beneficially in the shares of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (d) none of the Directors, Supervisors or their respective close associates, or any of the Shareholders (who to the knowledge of the Directors owns more than 5% of our issued share capital) had any interest in any of our five largest suppliers and our five largest customers during the Track Record Period;
- (e) no amount, securities or benefit has been paid, allotted or given within the two years preceding the date of this prospectus to the Promoters nor is any such amount, securities or benefit intended to be paid, allotted or given;
- (f) none of the Directors or Supervisors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (g) none of the Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the three years ended December 31, 2012, 2013 and 2014 and five months ended May 31, 2015, and as an inducement to join or upon joining the Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company;

- (h) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest or short position in the Shares or underlying Shares falling to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange; and
- (i) none of the Directors, Supervisors or chief executives of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the H Shares are listed on the Stock Exchange.

6. OTHER INFORMATION

A. Estate duty, tax and other indemnity

Our Controlling Shareholders have entered into the Deed of Indemnity with our Company (for itself and as the trustee for each of our subsidiaries) on October 16, 2015 (the “Deed of Indemnity”) to provide joint and several indemnities in respect of, among other matters, certain liabilities for Hong Kong estate duty which might be incurred by any member of our Group by reason of certain transfers of property (by virtue of section 35 and/or section 43 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the Listing Date.

Pursuant to the Deed of Indemnity, our Controlling Shareholders have also given joint and several indemnities to our Company for ourselves and as trustee for our subsidiaries in connection with, among other things, any taxation which might be payable by any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned or accrued or received) on or before the Listing Date or any event occurring or deemed to occur on or before such date whether alone or in conjunction with any other event whenever occurring.

Our Controlling Shareholders will, however, not be liable under the Deed of Indemnity for the aforementioned taxation claim or liability:

- (a) to the extent that provision or allowance has been made for such taxation, taxation claim or liability in the consolidated audited accounts of our Company and its subsidiaries as set out in the accountants’ report set out in Appendix I to this prospectus or for the three years ended December 31, 2012, 2013 and 2014 and the five months ended May 31, 2015 (the “Accounts”);
- (b) to any liability or taxation claim falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after May 31, 2015 unless such liability or taxation claim would not have arisen but for any act or

omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act omission or transaction whenever occurring) without the prior written consent or agreement of the Controlling Shareholders other than any such act, omission or transaction:

- (1) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after May 31, 2015; or
 - (2) carried out, made or entered into pursuant to a legally binding commitment created on or before May 31, 2015; or
 - (3) consisting of any of the members of the Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation; or
- (c) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Controlling Shareholders' liability in respect of taxation claim or liability shall not be available in respect of any such liability arising thereafter.

The Controlling Shareholders have also undertaken to indemnify and at all times keep each member of our Group fully indemnified on demand and hold each of them harmless from and against any penalties or fines, damages, losses or liabilities arising from any anti-dumping and anti-subsidy investigations, any international sanctions on the Company's sales to Russia, Belarus and Tunisia, any non-compliance incidents and any defects on properties, on or before the Listing Date, as set out in the sub-sections headed "Business — Regulatory Compliance and Legal Proceedings" and "Business — Properties" in this prospectus.

B. Litigation

Save as disclosed in the paragraph headed "Regulatory Compliance and Legal Proceedings" in the section headed "Business" in this prospectus, as of the Latest Practicable Date, we have not been involved in any litigation, arbitration or administrative proceedings of material importance, and no such other litigation, arbitration or administrative proceedings was known to the Directors to be pending or threatened against any member of our Group.

C. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of RMB5 million to act as a sole sponsor to our Company in the Global Offering.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

D. Preliminary expenses

The estimated preliminary expenses in relation to the conversion of our Company from a limited liability company into a joint stock limited liability company were approximately RMB83,570 and were paid or payable by us.

E. Qualifications of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
BOCI Asia Limited	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
Jiangsu Yongheng Partners . . .	PRC legal advisors
LVN & Associates	Vietnam legal advisors
Deloitte Touche Tohmatsu . . .	Certified Public Accountants
Frost & Sullivan	Independent industry consultant
Mining Associates Limited . . .	Independent technical consultant

F. No material adverse change

Save as disclosed in this prospectus, the Directors have confirmed that there has been no material adverse change in our financial or trading position since May 31, 2015.

G. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance as far as is applicable.

H. Consents

Each of BOCI Asia Limited, Jiangsu Yongheng Partners, LVN & Associates, Deloitte Touche Tohmatsu, Frost & Sullivan and Mining Associates Limited has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of any of its reports, letters, certificates or opinions and the references to its name included herein in the form and context in which they are respectively included.

I. Promoters

The Promoters of our Company are Mr. Ruan Hongliang (阮洪良先生), Ms. Jiang Jinhua (姜瑾華女士), Ms. Ruan Zeyun (阮澤雲女士), Mr. Zheng Wenrong (鄭文榮先生), Mr. Shen Fuquan (沈福泉先生), Mr. Zhu Quanming (祝全明先生), Mr. Wei Yezhong (魏葉忠先生), Mr. Shen Qifu (沈其甫先生), Ms. Tao Hongzhu (陶宏珠女士) and Mr. Wei Shutao (魏述濤先生).

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, security or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the Promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

J. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus, no share or loan capital of any member of our Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no member of our Group has issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any of the shares or loan capital of us or any of our subsidiaries;
 - (v) none of our equity or debt securities is currently listed or dealt in on any other stock exchange nor is any listing or permission to deal in such securities being or proposed to be sought;
 - (vi) there is no arrangement under which future dividends are waived or agreed to be waived;

- (vii) no member of our Group has issued or agreed to issue any debentures; and
- (viii) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months preceding the date of this prospectus.
- (b) We have no outstanding convertible debt securities or debentures; and
- (c) We currently do not intend to apply for the status of a sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-foreign Joint Venture Law (《中華人民共和國中外合資經營企業法》).

L. Taxation of holders of H Shares

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale, purchase and transfer of the H Shares. The duty is charged on each of the seller and purchaser at the current rate of HK\$1.00 for every HK\$1,000.00 of the consideration or, if higher, the fair value if the H Shares being sold or transferred.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** and **GREEN** Application Forms, the written consents referred to under the paragraph headed “6. Other Information — H. Consents” in Appendix VII to this prospectus and certified copies of the material contracts referred to in the paragraph headed “3. Further Information about the Business — A. Summary of material contracts” in Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Orrick, Herrington & Sutcliffe at 43rd Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) our Articles of Association;
- (b) the Accountants’ Report from Deloitte Touche Tohmatsu in respect of the historical financial information of our Group, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of our Group for each of the three financial years ended December 31, 2012, 2013, 2014 and five months ended 31 May 2015;
- (d) the assurance report on the unaudited pro forma financial information of our Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) copies of the following PRC laws, together with unofficial English translations thereof:
 - (i) the PRC Company Law, the Mandatory Provisions and the Special Regulations;
 - (ii) the PRC Securities Law;
 - (iii) the PRC EIT Law; and
 - (iv) the PRC Mineral Resources Law;
- (f) the PRC legal opinions prepared by our PRC Legal Advisors in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;
- (g) the Vietnam legal opinions prepared by LVN & Associates in respect of the legal requirements relating to our expansion in Vietnam;

- (h) the Independent Technical Report;
- (i) the Frost & Sullivan Report;
- (j) the material contracts referred to in the paragraph headed “3. Further Information about the Business — A. Summary of material contracts” in Appendix VII to this prospectus;
- (k) the written consents referred to in the paragraph headed “6. Other Information — H. Consents” in Appendix VII to this prospectus; and
- (l) the service contracts referred to in the paragraph headed “4. Further Information about the Directors and Supervisors — A. Particulars of Directors’ and Supervisors’ service contracts” in Appendix VII to this prospectus.



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

