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

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

Stock Code: 6865

Interim Report 2016

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Corporate Information

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Ms. Pan Yushuang
Mr. Li Shilong
Mr. Ng Ki Hung

SUPERVISORS

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

AUDIT COMMITTEE

Ms. Pan Yushuang *(Chairman)*
Mr. Li Shilong
Mr. Ng Ki Hung

REMUNERATION COMMITTEE

Ms. Pan Yushuang *(Chairman)*
Mr. Ruan Hongliang
Mr. Li Shilong

NOMINATION COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Ms. Pan Yushuang
Mr. Ng Ki Hung

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Mr. Wei Yezhong
Ms. Pan Yushuang

RISK MANAGEMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Ms. Jiang Jinhua
Ms. Pan Yushuang

JOINT COMPANY SECRERARIES

Ms. Ruan Zeyun
Ms. Leung Wing Han Sharon

AUTHORISED REPRESENTATIVES

Mr. Ruan Hongliang
Ms. Ruan Zeyun

REGISTERED OFFICE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE WEBSITE

www.flatgroup.com.cn

LEGAL ADVISERS AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountant

PRINCIPAL BANKERS

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

H SHARE REGISTRAR

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

Financial Summary

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	**1,522,478**	1,498,605
Cost of sales	**(962,409)**	(1,077,554)
Gross profit	**560,069**	421,051
Profit before tax	**429,953**	234,714
Income tax expenses	**(98,509)**	(40,806)
Profit and total comprehensive income for the period	**331,444**	193,908

	As at 30 June 2016	As at 31 December 2015
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets	**2,207,077**	2,208,527
Current assets	**2,399,823**	2,479,008
Current liabilities	**1,653,827**	1,800,454
Net current assets	**745,996**	678,554
Total assets less current liabilities	**2,953,073**	2,887,081
Net assets	**2,774,619**	2,572,775
Share capital	**450,000**	450,000
Reserves	**2,324,619**	2,122,775
Total equity attributable to owners of the Company	**2,774,619**	2,572,775

Chairman's Statement

Dear all shareholders,

On behalf of the board (the "Board") of directors ("Directors") of Flat Glass Group Co., Ltd. (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2016.

The Group's revenue for the six months ended 30 June 2016 increased by 1.6% as compared to that for the six months ended 30 June 2015 to RMB1,522.5 million. Profit and total comprehensive income of the Group recorded an increase of 70.9% from RMB193.9 million for the six months ended 30 June 2015 to RMB331.4 million for the six month ended 30 June 2016.

In order to share the achievement of the Group in the first half year of 2016 with all the shareholders of the Company (the "Shareholders"), the Board has recommended an interim dividend of RMB 5.5 cent per share (the "2016 Interim Dividend"). It is currently expected that the payment date of the 2016 Interim Dividend will be no later than 31 December 2016, subject to the 2016 Interim Dividend being approved by the Shareholders at an extraordinary general meeting of the Company to be convened and held.

BUSINESS REVIEW AND LOOKING TO THE FUTURE

Continuous growth of PV glass market

According to Mercom, the global PV glass industry in 2016 will grow steadily and the estimated global PV installation is expected to increase by 66.7 gigawatts in 2016. Being affected by the feed-in tariff for electricity, China will reduce the effects from the policies after 30 June 2016 as the PV market is showing strong growth. According to the information provided by the Chinese Photovoltaic Industry Association, during the first six months of 2016, the newly installed capacity of Chinese PV modules power generation was over 20 gigawatts, the new installations were nearly three times to the scale of the previous year of only 7.73 gigawatts new installations, and the 2016 annual capacity of new installations is estimated to be about 30 gigawatts.

In 2016, the markets of China, the United States, and India will continue to develop rapidly. Japan and the European markets will remain stable.

Expanding production capacity

As one of the world's leading manufacturers in PV glass industry, the Group will further expand the production capacity of PV glass and to further anchor the Group's market leading position in the PV glass industry. The Group is planning to establish PV glass production facilities in Anhui Province, China and Northern Vietnam respectively.

In terms of the Group's establishment of PV glass production and processing facilities in Vietnam, as at 30 June 2016, the Group has entered into an investment agreement with the local government authority in Vietnam for the project but is still in negotiation with the potential landlord to finalise the lease agreement of the land to construct the facilities. Based on the preliminary timetable as disclosed in the prospectus of the Company dated 16 November 2016 (the "Prospectus"), the acquisition agreement for the land is expected to be entered into during the first quarter of 2016. Based on the Group's discussion with the land owner in Vietnam, the agreement for the land will be a lease agreement rather than an acquisition agreement as disclosed in the Prospectus. As the lease agreement is yet to be entered into, it is expected that the entire progress of the expansion in Vietnam will be delayed. Based on the current progress, it is expected that the PV glass production and processing facilities in Vietnam will commence commercial production in 2018 rather than the third quarter of 2017.

In terms of the Group's establishment of the PV glass processing facilities with an annual processing capacity of 9.6 million square meters in Anhui Province, Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司) ("Anhui Flat Glass"), a wholly-owned subsidiary of the Company, has entered into an investment agreement with the local government in Fengyang County, Anhui Province for the project. In addition, the Group intends to establish twelve photovoltaic raw glass production lines with three 1,000-ton photovoltaic glass furnaces, and sixteen photovoltaic glass processing lines at the same site the annual total PV glass processing capacity will increase from the initial plan of 9.6 million square meters to 112.5 million square meters of photovoltaic glass at the same site. It is expected phase 1 of the facilities will commence operations in 2018. As at 30 June 2016, Anhui Flat Glass has not acquired any land nor commenced the construction of the facilities.

The expansion of the Group's production capacity will be conducive to enhancing the industry concentration of the PV glass industry; meanwhile the Group will also further enhance the productivity and technical level, reduce operating costs, improve the profitability of the Group, and deliver higher return to the shareholders.

Reducing operating costs to improve profitability

According to the information from China Building and Industrial Glass Association Photovoltaic Committee, more than 95% of the global PV glass required for making crystalline silicon PV cells are from China. The Group entered the PV glass industry in 2006, and is the largest PV glass manufacturer globally and in China. It is the first enterprise in China that obtains the SPF (Solartechnik Prüfung Forschung) certificate, therefore, the Group has significant first-mover advantage, and profitability is also significantly higher than the average industry level. During the first half year of 2016, the Group comprehensively and meticulously manages its business to further reduce the operating costs.

Steady development of PV power station

As disclosed in the Prospectus, the Group is exploring into opportunities to expand its distributed PV systems by leveraging on its existing operating experience in order to optimise its cost structure and enhance its profitability. As at 30 June 2016, the Group's total installed capacity of distributed PV systems amounted to 18.4 megawatts and were installed on the roof of its factory. The Group continued to accumulate experience in the installation and operation of distributed PV systems. In June 2016, the Group obtained the government approval from the Development and Reform Bureau of Jiaxing, Xiuzhou District* (嘉興市秀州區發展和改革局) to construct a total of 85 megawatts of distributed PV systems. Together with such approval, the Group has the right to further install 91.9 megawatts of distributed PV systems.

Furthermore, Jiaxing Yihe Energy Co., Ltd.* (嘉興義和能源有限公司), a company wholly-owned by Ms. Ruan Zeyuan, the Company's chief financial officer and one of the substantial shareholders (as defined in the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company, has changed its scope of business and is no longer engaged 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 as previously disclosed in the Prospectus.

Outlook

During the second half of 2016, the Group will speed up the establishment of the PV glass production facilities in both Anhui Province, the PRC and Vietnam, strengthen its market position and expand its market share. The Group will also strengthen its cost control and risk management, as well as production and operation efficiency, with an aim to bring greater returns for the Shareholders.

On behalf of the Board, I would like to express my sincere gratitude to the Shareholders, business partners for their continuous supports and contributions to the Group.

Chairman
Ruan Hongliang
24 August 2016

* *For identification purposes only*

Management Discussion and Analysis

INTRODUCTION

The Group principally engages in the manufacture and sale of various glass products, namely, photovoltaic ("PV") glass products, float glass products, architectural glass products, household glass products. The production facilities of the Group are strategically located in Jiaxing, Zhejiang Province, the People's Republic of China (the "PRC"). The Group primarily sells glass products to customers in the PRC, Japan, Singapore, Korea, Taiwan, Germany, the United States and other countries. During the six months ended 30 June 2016, the Group continued to maintain its leading position in the global PV glass industry principally due to the steady demand from China and the global PV module installation.

Benefiting from the strongly increasing demand of the downstream of the PV components in the first half year of 2016, the increasing efficiency of the company production and the decreasing prices of some important materials, electricity, and gas and so on, the Group has achieved satisfactory performance during the six months ended 30 June 2016. For the six months ended 30 June 2016, the amounts of the sales and the net profit of the Group were RMB1,522.5 million and RMB331.4 million, respectively, which have increased by 1.6% and 70.9%, respectively, as compared to the same period of the year of 2015 of RMB1,498.6 million and RMB193.9 million, respectively.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2016, as compared to the same period of 2015, the revenue of the Group have stably increased by 1.6%.

The following tables set out the breakdown of revenue of the Group by product type and geographical location:

	Six months ended 30 June			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Product type				
PV glass	**1,156,525**	**76.0**	1,142,754	76.2
Household glass	**141,867**	**9.3**	114,919	7.7
Architectural glass	**92,090**	**6.0**	73,264	4.9
Float glass	**128,735**	**8.5**	146,791	9.8
Mineral products *(Note)*	**3,261**	**0.2**	20,877	1.4
	1,522,478	**100.0**	1,498,605	100.0

Note: Mineral products represented quartzite ore extracted from the mine of the Group located in the seventh segment of a quartzite mine in the Lingshan-Mujishan mining zone, Fengyang County, Chuzhou City, Anhui Province, the PRC.

	Six months ended 30 June			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Place of domicile of group entities:				
PRC	**806,995**	**53.0**	834,532	55.7
Other foreign countries:				
Japan	**235,425**	**15.5**	208,404	13.9
Other countries in Asia (excluding PRC and Japan)	**354,841**	**23.3**	297,779	19.9
Europe	**70,701**	**4.6**	101,407	6.7
North America	**38,926**	**2.6**	42,800	2.9
Others	**15,590**	**1.0**	13,683	0.9
	1,522,478	**100.0**	1,498,605	100.0

For the six months ended 30 June 2016, revenue of the Group amounted to RMB1,522.5 million, represented an increase of 1.6%, as compared to same period in 2015. The increase was mainly due to the increase in the average selling price of PV glass and the increase in sales volume of Low-E (low-emissivity) glass.

Cost of Sales

The cost of sales decreased by RMB115.2 million, or 10.7%, from RMB1,077.6 million for the six months ended 30 June 2015 to RMB962.4 million for the six months ended 30 June 2016. The decrease in cost of sales was primarily due to the successful optimisation of the Group's production efficiency, strengthening supplier management and reducing the average cost of procurement.

Gross profit

The gross profit of the Group for the six months ended 30 June 2016 compared to that for the six months ended in 30 June 2015 increased by RMB139.0 million from RMB421.1 million to RMB560.1 million. The overall gross profit margin has increased from 28.1% for the six months ended 30 June 2015 to 36.8% for the six months ended 30 June 2016 mainly due to: (i) the decrease in energy cost, which led to other related production costs to slightly decrease; (ii) the decrease of the production cost from the decrease in average cost of electricity and fuel of PV glass due to the lower procurement costs of silica sand and soda ash; and (iii) the increase in prices of PV modules, which caused the selling price of PV glass to also significantly increase.

	Six months ended 30 June			
	2016		2015	
	Gross profit	**Margin**	Gross profit	Margin
	RMB'000	**(%)**	RMB'000	(%)
Product type				
PV glass	**484,320**	**41.9**	377,219	33.0
Household glass	**39,560**	**27.9**	25,387	22.1
Architectural glass	**22,728**	**24.6**	9,194	12.6
Float glass	**12,696**	**9.9**	1,815	1.2
Mineral products *(Note)*	**765**	**24.2**	7,437	35.9
	560,069	**36.8**	421,051	28.1

Note: Mineral products represented quartzite ore extracted from the mine of the Group located in the seventh segment of a quartzite mine in the Lingshan-Mujishan mining zone, Fengyang County, Chuzhou City, Anhui Province, the PRC.

For the six months ended 30 June 2016, the gross margin of PV glass of the Group has increased by 8.9% from 33.0% for the six months ended 30 June 2015 to 41.9% for the six months ended 30 June 2016. The increase was mainly due to the significant increase in the selling price of PV glass and other factors which led to a reduction of the production cost, including (i) the decrease in the prices of natural gas, electricity and others; and (ii) the successful optimisation of the Group's production efficiency.

Other income

Other income of the Group has increased by RMB17.6 million from RMB11.4 million for the six months ended 30 June 2015 to RMB29.0 million for the six months ended 30 June 2016. The increase in other income was mainly due to the increase of government subsidies and bank interests proceeds' deposited in the bank accounts.

Other gains and losses

For the six months ended 30 June 2016, other gains and losses changed to a gain of RMB20.1 million for the six months ended 30 June 2016 from a other losses of RMB6.0 million for the six months ended 30 June 2015. The improvement was mainly due to (i) an exchange gain of RMB24.2 million (2015: RMB6.1 million) from the increase in sales to overseas customers and the increase in foreign exchange rates of US dollar and Japanese yen; and (ii) reversal of a bad debt loss of RMB4.3 million (2015: provision for bad debts of RMB12.6 million).

Selling and marketing expenses

For the six months ended 30 June 2016, selling and marketing expenses amounted to RMB48.8 million, representing a decrease of 8.8%, or RMB4.7 million, from RMB53.5 million for the six months ended 30 June 2015. The reasons for the decrease mainly include (i) more stringent control on transport costs for both domestic and foreign orders; and (ii) improvement of the standard of sales performance of the Group's sales staff, thus strengthening the budget of the sales activities.

Administrative expenses

For the six months ended 30 June 2016, administrative expenses of the Group has decreased by RMB2.6 million, or 4.9%, from RMB53.1 million for the six months ended 30 June 2015 to RMB50.5 million. The administrative expenses for the six months ended 30 June 2015 accounted for 3.5% of the Group's revenue, and has decreased to 3.3% for the six months ended 30 June 2016. The main reasons include: (i) reduction of taxes and fees of RMB1.0 million and (ii) reduction of environmental protection expense of RMB1.5 million, which was mainly due to the Group's emission charges having reduced greatly due to the installation of the flue gas denitration equipment in 2015.

Research and development expenditure

For the six months ended 30 June 2016, research and development expenditure amounted to RMB51.0 million which remained relatively stable as compared to the same period in 2015 of RMB52.0 million.

Finance costs

For the six months ended 30 June 2016, finance costs of the Group has decreased by RMB4.3 million, or 13.0%, from RMB33.2 million for the six months ended 30 June 2015 to RMB28.9 million. This was mainly due to the recent recovery of the PV glass industry, and thus the Group was paid by customers in a timely manner and as such, the Group was able to accumulate abundant capital to repay some bank debts, to reduce the amount of borrowing of the Company.

Income tax expense

For the six months ended 30 June 2016, income tax expense amounted to RMB98.5 million, and that for the same period in 2015 was RMB40.8 million. The consolidated effective tax rate was 22.9% for the six months ended 30 June 2016 and 17.4% for the six months ended 30 June 2015 respectively. The reason that the tax rate for the six months ended 30 June 2016 increased was mainly because the Group's subsidiary, Zhejiang Jiafu Glass Co., Ltd., has benefited from the High-tech company preferential tax rate for a period of 3 years, which expired in 2015, and thus, did not benefit from the preferential tax rate in the first half year of 2016. Zhejiang Jiafu Glass Co., Ltd. is currently re-applying the status of High-tech company.

EBITDA and profit for the period

For the six months ended 30 June 2016, EBITDA of the Group (except interests, taxes, depreciation and amortization earnings) is RMB568.9 million, compared to the data of 2015 (RMB387.2 million), which has increased by RMB181.7 million as compared to RMB387.2 million for the six months ended 30 June 2015. For the six months ended 30 June 2016, the interest rate of EBITDA of the Group is 37.4% and the interest rate is 25.8% for the same period in 2015.

As a result of the foregoing, the profit for the period increased by RMB137.5 million, or 70.9%, from RMB193.9 million for the six months ended 30 June 2015 to RMB331.4 for the six months ended 30 June 2016.

Assets and equity

Total assets as at 30 June 2016 amounted to RMB4,606.9 million, which slightly decreased by RMB80.6 million, or 1.7%, from RMB4,687.5 million as at 31 December 2015. Total equity as at 30 June 2016 amounted to RMB2,774.6 million, which increased by RMB201.8 million, or 7.8%, from RMB2,572.8 million as at 31 December 2015.

Financial resources and liquidity

For the six months ended 30 June 2016, the Group's liquid capital and financial position remained in good condition. The Company's H shares were listed on the Hong Kong Stock Exchange in November 2015, which has further decreased the asset liability ratio of the Group. As at 30 June 2016, the liquidity ratio was 1.45, and that as at 31 December 2015 was 1.38, which shows an increase.

For the six months ended 30 June 2016, the Group's main sources of funding were cash from operating activities and bank borrowings. Net cash inflow from operating activities was RMB500.9 million (2015: RMB172.6 million). The increase in cash inflow is mainly due to the increase in the production efficiency of PV glass products and other products as well as the decrease in trade receivables.

Capital commitment

For the six months ended 30 June 2016, capital commitment of the Group was RMB162.9 million, mainly including: (i) Low-E glass coating production line; and (ii) the purchase of the raw materials for the furnace modification work of Zhejiang Jiafu Glass Co., Ltd.

Employees and remuneration policy

As at 30 June 2016, the Group employed a total of 2,508 full-time employees and most of them were based in the PRC. For the six months ended 30 June 2016, the Group's total employee remuneration was RMB98.8 million, representing 6.5% of the Group's total revenue.

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

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

Credit risk and foreign exchange risk

Transactions of the Group are settled in RMB, United States dollars, Euros, Hong Kong dollars and Japanese yen whereas the Group's operating activities are located in the PRC. Bank financing of the Group was settled in RMB and United States dollars for the six months ended 30 June 2016 with annual interest rates between 3.00% and 6.50%. For the six months ended 30 June 2016, the Group did not encounter any major difficulties and liquidity problems due to the uncertain fluctuations in exchange, and the Group may use financial instruments to hedge when necessary.

Corporate Governance and Other Information

Compliance with Corporate Governance Code

In the opinion of the Directors, the Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules throughout the period from 1 January 2016 to 30 June 2016 except for code provision A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both positions. Throughout the Group's business history of over 15 years, Mr. Ruan has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board considers that Mr. Ruan is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Company and the shareholders as a whole.

Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") asset out in Appendix 10 to the Listing Rules as the code o conduct regarding securities transactions by the Directors and supervisors of the Company. Directors and supervisors of the Company are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors and supervisors of the Company have confirmed that they had complied with the required standard set out in the Model Code throughout the period from 1 January 2016 to 30 June 2016.

Interests and Short Positions of Directors, Supervisors and Chief Executives

As at 30 June 2016, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares ("Shares"), underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code contained in the Listing Rules, were as follows:

Shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares (1)	Approximate percentage of shareholding in the share capital of the company (2)
Directors					
Mr. Ruan Hongliang (3)	763,440,000.00	Domestic Shares	Beneficial owner and parties acting in concert	56.55%	42.42%
Ms. Jiang Jinhua (4)	763,440,000.00	Domestic Shares	Beneficial owner and parties acting in concert	56.55%	42.42%
Mr. Wei Yezhong	19,260,000.00	Domestic Shares	Beneficial owner	1.43%	1.07%
Mr. Shen Qifu	12,840,000.00	Domestic Shares	Beneficial owner	0.95%	0.71%
Supervisors					
Mr. Zheng Wenrong	57,780,000.00	Domestic Shares	Beneficial owner	4.28%	3.21%
Mr. Shen Fuquan	38,520,000.00	Domestic Shares	Beneficial owner	2.85%	2.14%
Mr. Zhu Quanming	38,520,000.00	Domestic Shares	Beneficial owner	2.85%	2.14%

Notes:

(1) The calculation is based on the total number of 1,350,000,000 Domestic Shares of the company in issue as at 30 June 2016.

(2) The calculation is based on the total number of 1,350,000,000 Domestic Shares and the total number of 450,000,000 H Shares (i.e. a total of 1,800,000,000 Shares) in issue as at 30 June 2016.

(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 12 June 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 12 June 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.

Save as disclosed above, as at 30 June 2016, to the knowledge of the Company, none of the Directors or supervisors and the chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the shares or the underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

As at 30 June 2016, the persons or corporations who had an interest or short position in the Shares, underlying shares or debentures of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Shareholder	Number of shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of shares [1]	Approximate percentage of shareholding in the share capital of the company [2]
Ms. Ruan Zeyun [3]	355,332,000.00	Domestic Shares	Beneficial owner and interest of spouse	26.33%	19.74%
Mr. Zhao Xiaofei [4]	355,332,000.00	Domestic Shares	Beneficial owner and interest of spouse	26.33%	19.74%
Moving Limited [5]	77,683,000.00	H Shares	Beneficial interest	17.26%	4.32%
Well Prospering Limited [5]	77,683,000.00	H Shares	Interest of controlled corporation	17.26%	4.32%
Zhejiang Longsheng Group Co., Ltd. [5]	77,683,000.00	H Shares	Interest of controlled corporation	17.26%	4.32%
Huarong International Asset Management Great China Investment Fund L.P. [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
Beyond Steady Limited [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
Huarong International Asset Management Great China Investment Fund Limited [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
Linewear Assets Limited [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
Huarong International Financial Holdings Limited [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
Camellia Pacific Investment Holding Limited [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
China Huarong International Holdings Limited [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
Huarong Real Estate Co., Ltd. [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%
China Huarong Asset Management Co., Ltd. [6]	109,609,000.00	H Shares	Interest of controlled corporation	24.36%	6.09%

Notes:

(1) The calculation is based on the total number of 450,000,000 H Shares in issue as at 30 June 2016.

(2) The calculation is based on the total number of 1,350,000,000 Domestic Shares and the total number of 450,000,000 H Shares (i.e. a total of 1,800,000,000 Shares) in issue as at 30 June 2016.

(3) 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.

(4) 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.

(5) Moving Limited is owned as to 100% by Well Prospering Limited, which is in turn owned as to 100% by Zhejiang Longsheng Group Co., Ltd.. Accordingly, each of Well Prospering Limited and Zhejiang Longsheng Group Co., Ltd. is deemed to be interested in the 77,683,000 H Shares held by Moving Limited.

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

Save as disclosed above, as at 30 June 2016, so far as is known to the Directors, there is no other person (other than the Directors or supervisors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from 1 January 2016 to 30 June 2016.

Interim Dividend

For the six months ended 30 June 2016, the Board proposed an interim dividend of RMB 5.5 cents per ordinary share (before tax) (equivalent to approximately HKD 6.4 cents per ordinary share (before tax) (the "2016 Interim Dividend"), subject to approval by the shareholders of the Company at an extraordinary general meeting of the Company to be convened and held.

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

As the date of the extraordinary general meeting is being finalised as at the date of this report, the Company will announce the date of the extraordinary general meeting, the record date for entitlement to participate and note at the said extraordinary general meeting and entitlement to the 2016 Interim Dividend (if approved by shareholders) and the dates of closure of the H share register of members of the Company in due course. It is currently expected that the payment date of the 2016 Interim Dividend will be no later than 31 December 2016.

Taxation

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

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

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

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

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

Review of the Interim Results by the Audit Committee of the Company

The Company's interim results for the six months ended 30 June 2016 have not been audited but have been reviewed by the Company's audit committee, comprising its three independent non-executive Directors.

* *For identification purposes only*

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Six months ended 30 June	
		2016	2015
	NOTES	**RMB'000**	RMB'000
		(unaudited)	(unaudited)
Revenue	*3*	**1,522,478**	1,498,605
Cost of sales		**(962,409)**	(1,077,554)
Gross Profit		**560,069**	421,051
Other income and expenses	*4*	**28,973**	11,369
Other gains and losses	*5*	**20,138**	(5,958)
Distribution and selling expenses		**(48,800)**	(53,509)
Administrative and general expenses		**(50,543)**	(53,065)
Research and development costs		**(51,013)**	(52,019)
Finance costs	*6*	**(28,871)**	(33,155)
Profit before tax	*7*	**429,953**	234,714
Income tax expense	*8*	**(98,509)**	(40,806)
Profit and total comprehensive income for the period		**331,444**	193,908
		RMB cents	RMB cents
Earnings per share			
– Basic	*10*	**18.41**	14.36

Condensed Consolidated Statement of Financial Position

	NOTES	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**1,685,713**	1,740,453
Prepaid lease payments	*11*	**182,403**	184,628
Prepayment and intangible assets		**201,794**	203,595
Available-for-sale investment, at cost		**4,000**	4,000
Deferred tax assets	*12*	**39,754**	43,338
Prepayment for acquisition of property, plant and equipment		**58,994**	8,513
Deposit paid for acquisition of land use rights	*13*	**34,419**	24,000
		2,207,077	2,208,527
Current assets			
Inventories		**197,012**	209,660
Trade and other receivables	*14*	**1,300,353**	1,290,985
Prepaid lease payments		**4,414**	4,396
Pledged bank deposits		**28,760**	51,992
Bank balances and cash		**869,284**	921,975
		2,399,823	2,479,008
Current liabilities			
Trade and other payables	*15*	**875,541**	875,835
Dividends payable		**129,600**	–
Borrowings	*16*	**476,592**	748,839
Financial liabilities at fair value through profit or loss	*17*	**71,692**	–
Deferred revenue		**14,991**	14,991
Tax liabilities		**85,411**	69,706
Long-term payables for the acquisition of mining right due within one year		**–**	91,083
		1,653,827	1,800,454
Net current assets		**745,996**	678,554
Total assets less current liabilities		**2,953,073**	2,887,081

	NOTES	As at 30 June 2016 RMB'000 (unaudited)	As at 31 December 2015 RMB'000 (audited)
Non-current liability			
Borrowings	*16*	**30,000**	183,000
Deferred revenue		**67,090**	74,656
Long-term payables for the acquisition of mining rights		**81,364**	56,650
		178,454	314,306
Net Assets		**2,774,619**	2,572,775
Capital and reserves			
Share capital	*18*	**450,000**	450,000
Reserves		**2,324,619**	2,122,775
Total equity attributable to owners of the Company		**2,774,619**	2,572,775

Condensed Consolidated Statement of Changes In Equity

	Equity attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Production safety fees RMB'000	Equity-settled employee benefits reserve RMB'000 *(Note i)*	Statutory surplus reserve RMB'000 *(Note ii)*	Retained earnings RMB'000	Total RMB'000
At 1 January 2015 (audited)	337,500	–	673	3,277	233,902	1,082,182	1,657,534
Profit and total comprehensive income for the period	–	–	–	–	–	193,908	193,908
Transfer	–	–	1,894	–	–	(1,894)	–
At 30 June 2015 (unaudited)	337,500	–	2,567	3,277	233,902	1,274,196	1,851,442
At 1 January 2016 (audited)	**450,000**	**618,951**	**3,982**	**3,277**	**257,385**	**1,239,180**	**2,572,775**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**331,444**	**331,444**
Transfer	**–**	**–**	**466**	**–**	**–**	**(466)**	**–**
Dividend distribution *(note 9)*	**–**	**–**	**–**	**–**	**–**	**(129,600)**	**(129,600)**
At 30 June 2016 (unaudited)	**450,000**	**618,951**	**4,448**	**3,277**	**257,385**	**1,440,558**	**2,774,619**

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 recognized the share-based payment expenses of approximately RMB3,277,000 in 2009 which represented the difference between the fair value of those shares of approximately RMB15,690,000 and the consideration received by the Company of approximately RMB12,413,000.

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

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**500,920**	172,584
INVESTING ACTIVITIES		
Interest received	**–**	589
Proceeds on disposal of property, plant and equipment	**–**	5,001
Purchases of property, plant and equipment	**(106,137)**	(94,751)
Payments for acquisition of intangible assets	**(56,650)**	–
Deposit paid for acquisition of land use rights	**(10,419)**	–
Prepaid lease payment for land use rights	**–**	(5,131)
Pledged bank deposits placed	**(113,374)**	(18,976)
Release of pledged bank deposits	**136,606**	16,819
NET CASH USED IN INVESTING ACTIVITIES	**(149,974)**	(96,449)
FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	**521,742**	859,863
Repayment of bank and other borrowings	**(946,989)**	(759,396)
Interest paid	**(39,390)**	(31,767)
Proceeds from gold lease financing arrangement	**61,000**	–
Payment for capital reduction	**–**	(83,234)
Dividend paid to the owner of the Company	**–**	(54,388)
NET CASH USED IN FINANCING ACTIVITIES	**(403,637)**	(68,922)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(52,691)**	(7,483)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**921,975**	141,220
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
Represented by bank balances and cash	**869,284**	148,703

Notes to Condensed Consolidated Financial Statement

1. GENERAL AND BASIS OF PREPARATION

Flat Glass Group Co., Ltd. (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. The Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 26 November 2015 (the "Listing").

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, with certain financial instruments that are measured at fair values.

Except for the accounting on financial liabilities at fair value through profit or loss ("FVTPL" which is newly applied during the current interim period, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 17.

The Group has not early applied the following new and revised International Financial Reporting Standards ("IFRS") that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses[6]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after a date to be determined.
6 Effective for annual periods beginning on or after 1 January 2017.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is organised into different business units by products, based on which information is prepared and reported to the Group's chief operating decision maker (the "CODM") (i.e., the board of directors of the Company) for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into five core product lines, 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 segments for the period under review:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment revenue		
Sales of photovoltaic glass	**1,156,525**	1,142,754
Sales of household glass	**141,867**	114,919
Sales of architectural glass	**92,090**	73,264
Sales of float glass	**128,735**	146,791
Sales of mining products	**3,261**	20,877
Total revenue	**1,522,478**	1,498,605

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment results		
Sales of photovoltaic glass	**484,320**	377,218
Sales of household glass	**39,560**	25,387
Sales of architectural glass	**22,728**	9,194
Sales of float glass	**12,696**	1,815
Sales of mining products	**765**	7,437
Total segment results	**560,069**	421,051
Other income, expenses, gains and losses	**49,111**	5,411
Selling and marketing expenses	**(48,800)**	(53,509)
Administration expenses	**(50,543)**	(53,065)
Research and development expenditure	**(51,013)**	(52,019)
Finance cost	**(28,871)**	(33,155)
Profit before tax	**429,953**	234,714
Income tax expense	**(98,509)**	(40,806)
Profit and total comprehensive income for the period	**331,444**	193,908

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

Segment result represents the sum of revenue less cost of sales of the relevant products. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

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

Geographical information

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

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Place of domicile of group entities:		
PRC	**806,995**	834,532
Other foreign countries:		
Japan	**235,425**	208,404
Other countries in Asia (excluding PRC and Japan)	**354,841**	297,779
Europe	**70,701**	101,407
North America	**38,926**	42,800
Others	**15,590**	13,683
	1,522,478	1,498,605

4. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants		
– assets related government grants	**7,566**	7,100
– others *(Note)*	**11,639**	8,530
	19,205	15,630
Donation	**–**	(4,850)
Interest income from bank deposits	**9,768**	589
	28,973	11,369

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

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gains (losses) on disposal of property, plant and equipment	**80**	(21)
Net foreign exchange gains	**24,226**	6,070
Reversal of (allowance) for doubtful debts, net	**4,349**	(12,581)
Gains on disposal of scrap materials	**2,764**	739
Changes in fair value of financial liabilities at fair value through profit or loss	**(10,692)**	–
Others	**(589)**	(165)
	20,138	(5,958)

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank loans wholly repayable within five years	**24,954**	29,653
Long-term payables for the acquisition of mining rights not wholly repayable within five years	**3,917**	1,751
Long-term payables for the acquisition of mining rights not wholly repayable within five years	**–**	1,751
Total finance costs	**28,871**	33,155

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax	**97,823**	44,722
Over provision in prior years	**(2,898)**	(2,628)
Deferred tax charge (credit):	**3,584**	(1,288)
	98,509	40,806

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

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

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

Effective from 2010, Zhejiang Jiafu was approved as a high-technology company ("High-Tech company") and is entitled to the 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 company for another three years from 2013 to 2015. The EIT rate of 15% adopted for the period since the qualification of Zhejiang Jiafu as High-Tech company has not been renewed.

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

According to Caishui (2012) No. 10 (《財政部國家稅務局關於公共基礎設施和環境保護節能節水項目企業所得稅優惠政策問題的通知》), Jiaxing Flat enjoys income tax exemption for the first three operating years commenced in 2014. Therefore, the EIT rate of Jiaxing Flat for three years from 2014 to 2016 is 0%.

8. PROFIT FOR THE PERIOD

Profit before tax has been arrived at after charging the following items:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**106,064**	103,230
Amortization of other intangible assets	**1,801**	14,010
Release of prepaid lease payments	**2,207**	2,139
Total depreciation and amortization	**110,072**	119,379
Reversal of (allowance) for doubtful debts	**4,349**	(12,582)
Employee benefits expenses (including directors' emoluments):		
– Salaries and other benefits	**91,810**	100,985
– Retirement benefit scheme contributions	**7,008**	6,941
	98,818	107,926

9. DIVIDENDS

During the current interim period, a 2015 final dividend of RMB7.2 cents (equivalent to Hong Kong Dollars ("HKD") 8.4 cents) per ordinary share with aggregate amount of RMB129,600,000 was approved at the annual general meeting dated 28 June 2016. Dividends on domestic shares will be paid in RMB and dividends on H shares will be paid in HKD.

During the six months ended 30 June 2015, no dividend has been proposed and paid.

Subsequent to the end of the current interim period, an interim dividend for the six months ended 30 June 2016 of RMB5.5 cents (equivalent to approximately HKD 6.4 cents) per ordinary share (2015: Nil) has been proposed by the Directors and is subject to approval by the shareholders in the extraordinary general meeting.

10. EARNINGS PER SHARE

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

	30.6.2016 RMB'000 (unaudited)	30.06.2015 RMB'000 (unaudited)
Profit for the year attributable to owners of the Company (RMB'000)	**331,444**	193,908
Weighted average number of ordinary shares for the purpose of the basic earnings per share ('000)	**1,800,000**	1,350,000
Basic earnings per share (RMB cents)	**18.41**	14.36

The calculation of weighted average number of ordinary shares in issue has taken into account the share split with a nominal value of RMB1.0 each into 4 shares of RMB0.25 each on 18 May 2015 retrospectively.

The Group had no potential outstanding ordinary shares throughout the six-month period ended 30 June 2016 and 30 June 2015.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

The Group spent approximately RMB35,022,000 and RMB20,960,000 (six months ended 30 June 2015: RMB32,000,000 and RMB32,800,000) on additions of machinery and manufacturing plant and construction in progress in the PRC respectively.

During the period, the Group did not acquire prepaid lease payments for land use right in the PRC (six months ended 30 June 2015: RMB5,131,000).

12. DEFERRED TAXATION

The following are the deferred tax assets and liabilities recognized by the Group and movements thereon during the current and prior periods:

	Provision on impairments	Deferred income	Revaluation of properties arising from joint stock company conversion	Tax losses	Financial liabilities at fair value through profit or loss	Other deductible temporary differences	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015 (audited)	9,809	22,380	(5,564)	2,968	–	9,919	39,512
Credit (charge) to profit or loss	4,194	(1,344)	205	(616)	–	(1,151)	1,288
At 30 June 2015 (unaudited)	14,003	21,036	(5,359)	2,352	–	8,768	40,800
At 1 January 2016 (audited)	15,016	21,659	(5,155)	2,405	–	9,413	43,338
Credit (charge) to profit or loss	(851)	(1,838)	205	3,542	2,673	(7,315)	(3,584)
At 30 June 2016 (unaudited)	14,165	19,821	(4,950)	5,947	2,673	2,098	39,754

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	30.6.2016	31.12.2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Deferred tax assets	**49,590**	48,493
Deferred tax liabilities	**(9,836)**	(5,155)
	39,754	43,338

The Group has certain unutilised tax losses of RMB44,827,000 available for offset against future profits as at 30 June 2016 (31 December 2015: RMB42,113,000). No deferred tax asset has been recognised in respect of those unutilised tax losses due to the unpredictability of future profit streams. The unutilised tax losses will expire in five years for offsetting against future taxable profits.

	30.6.2016	31.12.2015
	RMB'000	RMB'000
2018	**18,860**	18,860
2019	**12,544**	12,544
2020	**10,709**	10,709
2021	**2,714**	–

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

13. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS

During the interim period, the Group entered into an agreement with DINH VU industrial zone a joint stock company incorporated in Vietnam ("DINH VU") to reserve certain land for project development. The Group paid United States Dollars ("USD") 1,571,000 (approximately RMB10,419,000) to DINH VU as the deposit. The deposit will be refund when the lease agreement of land use right has been entered.

14. TRADE AND OTHER RECEIVABLES

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 trade receivables net of allowance for doubtful doubts presented based on the date of delivery of goods to customers which approximated the respective dates on which revenue was recognised:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Within 3 months	**501,876**	479,918
Over 3 months but within 1 year	**22,430**	53,029
Over 1 year but within 2 years	**7,971**	7,177
Over 2 years but within 3 years	**1,281**	2,577
	533,558	542,701

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Within 3 months	**687,113**	521,344
Over 3 months but within 180 days	**9,796**	5,391
Over 180 days but within 1 year	**15,291**	20,647
Over 1 year but within 2 years	**12,611**	878
Over 2 years	**858**	703
	725,669	548,963

16. BORROWINGS

	30.6.2016 RMB'000 (unaudited)	31.12.2015 RMB'000 (audited)
Secured bank and other loans	**424,592**	931,839
Unsecured bank loans	**82,000**	–
	506,592	931,839
Fixed-rate borrowings	**244,592**	378,761
Variable-rate borrowings	**262,000**	553,078
	506,592	931,839

17. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30.6.2016	31.12.2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Financial liabilities at fair value through profit or loss	**71,692**	–

During the period, the Company and one of its subsidiaries, Zhejiang Jiafu Glass Co., Ltd. ("Zhejiang Jiafu") entered into several gold commodity agreements with two banks for financing purpose. According to terms of the such agreements, the Company and Zhejiang Jiafu borrowed commodity gold from the bank, which permits such gold commodity to be sold to third parties, and they are obliged to return gold or equivalent cash within one year with same quality and weight to the bank when the agreement expires. The obligation to return the gold is recognised as financial liabilities at fair value through profit or loss. At 30 June 2016, the financial liabilities at fair value through profit or loss are stated at fair value of gold as quoted in the open market.

18. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

	Number of shares	**Share capital**
	'000	**RMB'000**
Issued and fully paid		
At 1 January 2015 and 30 June 2015		
– Ordinary shares of RMB1.00 each	337,500	337,500
Share split (Note)	1,012,500	–
New shares issued upon the Listing	450,000	112,500
At 31 December 2015 and 30 June 2016	1,800,000	450,000

Note: 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 was spilt into 4 shares of RMB0.25 each.

There was no movement in the Company's share capital for the six months ended 30 June 2016. At 30 June 2016, the 1,350,000,000 domestic shares and 450,000,000 H shares have a par value of RMB0.25 each and rank pari passu in all respects except that domestic shares are not listed on or tradable in any stock exchange, while H shares are listed and tradable on the Hong Kong Stock Exchange.

19. CAPITAL COMMITMENTS

	30.6.2016	31.12.2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditure in respect of acquisition of property, plant and equipment – contracted for but not provided for	**162,922**	105,166

20. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

a) Compensation of key management personnel

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and allowances	**1,714**	2,030
Retirement benefits scheme contributions	**103**	90
	1,817	2,120

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis.

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted priced (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted price included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived form prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Fair value as at		Fair value	Basis of fair value measurement/
Financial liabilities	**30.06.2016**	**31.12.2015**	**hierarchy**	**valuation technique and key input**
Financial liabilities at fair value through profit or loss	Liabilities – RMB71,692,000	–	Level 2	Based on the quoted prices of the underlying commodity

There were no transfers between Level 1 and 2 in the period.

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