



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 2017



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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

Mr. Cui Xiaozhong
Mr. Li Shilong
Mr. Ng Ki Hung

SUPERVISORS

Mr. Zheng Wenrong
(Chairman of the Board of Supervisors)

Mr. Shen Fuquan
Mr. Zhu Quanming
Ms. Zhang Hongming
Mr. Meng Lizhong

AUDIT COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*
Mr. Li Shilong
Mr. Ng Ki Hung

REMUNERATION COMMITTEE

Mr. Cui Xiaozhong *(Chairman)*
Mr. Ruan Hongliang
Mr. Li Shilong

NOMINATION COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Mr. Cui Xiaozhong
Mr. Ng Ki Hung

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Mr. Wei Yezhong
Mr. Cui Xiaozhong

RISK MANAGEMENT COMMITTEE

Mr. Ruan Hongliang *(Chairman)*
Ms. Jiang Jinhua
Mr. Cui Xiaozhong

JOINT COMPANY SECRETARIES

Ms. Ruan Zeyun
Ms. Leung Wing Han Sharon

AUTHORISED REPRESENTATIVES

Mr. Ruan Hongliang
Ms. Ruan Zeyun

REGISTERED OFFICE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE WEBSITE

www.flatgroup.com.cn

LEGAL ADVISERS AS TO HONG KONG LAW

Luk & Partners In Association with Morgan, Lewis & Bockius

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., Hong Kong Branch

H SHARE REGISTRAR

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

Financial Summary

	Six month ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	1,445,687	1,522,478
Cost of sales	(1,040,723)	(962,409)
Gross profit	404,964	560,069
Profit before tax	251,974	429,953
Income tax expenses	(44,338)	(98,509)
Profit and total comprehensive income for the period	<u>207,636</u>	<u>331,444</u>
	As at	As at
	30 June	31 December
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets	2,386,222	2,229,959
Current assets	2,352,910	2,236,666
Current liabilities	1,581,130	1,390,010
Net current assets	771,780	846,656
Total assets less current liabilities	3,158,002	3,076,615
Net assets	3,082,832	2,957,649
Share capital	450,000	450,000
Reserves	2,632,832	2,507,649
Total equity attributable to owners of the Company	<u>3,082,832</u>	<u>2,957,649</u>

Management Discussion and Analysis

LATEST BUSINESS DEVELOPMENT

For the establishment of overseas photovoltaic (“PV”) glass production and processing facilities in Vietnam, Flat Glass Group Co., Ltd. (the “Company”) and its subsidiaries (collectively the “Group”) has (i) commenced the infrastructure constructions for the facilities; and (ii) reserved the key production machineries and equipment with the suppliers. It is expected that the Vietnamese facilities will commence operations and commercial production in 2018 as scheduled.

For the Group’s expansion in Anhui Province, PRC for the establishment of PV glass production and processing facilities with an annual processing capacity of 900,000 tons of PV glass, relevant works are progressing well. The two furnaces are expected put into operation in the fourth quarter of 2017 and the first half of 2018, respectively.

BUSINESS REVIEW

The Group principally engages in the manufacture and sale of various glass products, including PV glass, float glass, architectural glass and household glass. The production facilities of the Group are strategically located in Jiaxing, Zhejiang Province, the People’s Republic of China (the “PRC”, and for the purpose of this report, excludes Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan). The Group primarily sells glass products to customers in the PRC, Japan, Singapore, Korea, Taiwan, Germany and the United States.

BUSINESS REVIEW AND LOOKING TO THE FUTURE

Maintenance of strong global demand for PV

With a continuous decrease in PV module prices during the six months ended 30 June 2017, there was further narrowing of the gap between PV power generation cost and other power generation cost, and the global PV market experienced a robust development. According to the statistics published by German Solar Association (Bundesverband Solarwirtschaft e.V.), the global new PV installed capacity in 2016 was 70 gigawatts, representing an increase of approximately 30% as compared with 2015, and the cumulative installed capacity of global PV systems amounted to approximately 300 gigawatts.

In the first half of 2017, the demand for new PV installed capacity in the PRC, Japan and the United States, the three principal markets, remained stable and it is expected that the overall demand of global installed capacity will continue to increase in 2017. According to the forecast of Bloomberg New Energy Finance, India, Latin America and Southeast Asia may bring new driving force to the global demand for PV modules in 2017, and the overall demand is expected increase to 78,600 megawatts and exceed the demand in 2016.

According to the report of Mercom Indian Research Company, the capacity of new PV cell installations in India was 4.3 gigawatts in 2016, while the capacity of new PV cell installations in India was 4.8 gigawatts in the first half of 2017, and India is on track to achieve the target of an annual installed capacity of 10.5 gigawatts by the end of 2017. With a shortage of energy in India, it has been regarded that solar energy as the “definitive solution” for the energy supply in India. Based on India Prime Minister Modi’s renewable energy agenda, the target of PV installed capacity in India is to reach over 100 gigawatts by 2020. Currently, a solar energy project with a capacity of approximately 12.2 gigawatts is under construction and a capacity of 6.3 gigawatts is for auction in India, which is expected to drive up the demand on the PV modules.

Rapid development of Chinese PV industry

As stimulated by the PRC national policies, the Chinese PV installations maintained rapid development in the first half of 2017. According to the information published by National Energy Administration of the PRC (“NEA”), the PRC new installed PV capacity amounted to 34.54 gigawatts in 2016 while the newly installed PV capacity was 24.4 gigawatts in the first half of 2017, representing an increase of 9% as compared to the first half of 2016. In accordance with the “Guidance Opinion on Implementation of the 13th Five-year Plan on Renewable Energy Development for 2017-2020” (《關於可再生能源發展「十三五」規劃實施的指導意見2017-2020》) published by NEA, it has proposed the new installed PV capacity of 86.5 gigawatts, excluding the distributed PV power stations. In accordance with the “13th Five-year Plan on Energy Development” (《能源發展「十三五」規劃》) published by NEA, it has been proposed to increase distributed PV power stations by another 60 gigawatts during the 13th Five-year Plan. As at 30 June 2017, China has completed the distributed PV power stations with 11.4 gigawatts during the first half of 2017 for the 13th Five-year Plan.

Expansion of glass capacity

To further satisfy the order demands of PV glass customers of the Group in the PRC and overseas, the Group is establishing production facilities for PV glass in Anhui Province, PRC and in Haiphong, Vietnam, respectively.

For the Group’s expansion in Anhui Province, PRC for the establishment of PV glass production and processing facilities with an annual processing capacity of 900,000 tons of PV glass, during the six month ended 30 June 2017, the Group has (i) infrastructure constructions is progressing well; and (ii) the procurement of key machineries and equipment is basically completed and the installation has commenced gradually on site. The two furnaces are expected put into operation in the fourth quarter of 2017 and the first half of 2018, respectively.

In terms of the Group’s establishment of PV glass production and processing facilities in Haiphong, Vietnam, during the six month ended 30 June 2017, the Group has (i) commenced the infrastructure constructions for the facilities; and (ii) reserved the key production machineries and equipment with the suppliers. It is expected that the Vietnamese facilities will commence operations and commercial production in 2018.

Development of architectural glass

In the first half of 2017, the new Low-E glass production line of the Group with an annual processing capacity of 5.8 million square meters had been put into smooth operation, which contributed to the increase in the operating results of the Group's architectural glass, enhanced the market offerings of the Group in architectural glass industry and optimized the product structure of the Group.

In terms of the Group's transfer of the current 600 tons float glass furnace into online low-emissivity (Low-E) glass production line with an annual production capacity of 100,000 tons. For the six months ended 30 June 2017, the Group has (i) performed backend process improvement; (ii) reserved the key production machineries and equipment with the suppliers. The online Low-E glass production line is expected to be put into operation in 2018.

Research and development of new products

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

Business outlook and prospects

Going forward, the Group intends to continue to optimize its product portfolio and adjust its product portfolio by changing the existing 600-ton float glass furnace to an on-line Low-E glass production line with an annual capacity of 100,000 tons, so as to utilize the growing opportunities of energy-saving materials and meet the increasing demands of customers.

In the second half of 2017, due to the impact of the reduction of subsidies and the uncertainty of the U.S policies, the growth of the new installed PV capacity in the world in 2017 is expected to slowed down significantly. To further lower PV power generation costs, the upstream PV glass manufacturers are confronted with more price pressure. Some PV glass manufacturers may plan to enhance the production efficiency and lower the production costs by building new large furnaces or modifying existing large furnaces. The industry is expected to enter the integration phrase of shutting down the backward production capacity, which may lead to a more competitive market.

The Group's production bases for PV glass in Anhui Province, the PRC and in Haiphong, Vietnam will contribute to lower the production costs and increase the market competitiveness. At the same time, the new products developed by the Group will meet more personalized needs of the customers, and enhance the added-value of the PV glass products of the Company. With these measures, the Group is well positioned to go through this integration phase.

FINANCIAL REVIEW

For the six months ended 30 June 2017, affected by a decrease in the average selling price of PV glass and the increasing prices of some important materials, the Group's performance for the six months ended 30 June 2017 was somewhat lower than the same period of 2016. As at 30 June 2017, the amounts of the sales and the net profit of the Group were RMB1,445.7 million and RMB207.6 million, respectively, which have decreased by 5.0% and 37.4%, respectively, as compared to the same period of the year of 2016 of RMB1,522.5 million and RMB331.4 million, respectively.

Revenue

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Product type		
Photovoltaic glass	1,010,905	1,156,525
Household glass	161,714	141,867
Architectural glass	94,446	92,090
Float glass	162,962	128,735
Mining products	15,660	3,261
EPC services	—	—
	1,445,687	1,522,478

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Place of domicile of Group entities:		
PRC	870,002	806,995
Other overseas countries:		
Japan	111,785	235,425
Other countries in Asia (excluding PRC and Japan)	252,216	354,841
Europe	97,198	70,701
North America	99,100	38,926
Others	15,386	15,590
	1,445,687	1,522,478

For the six months ended 30 June 2017, revenue of the Group amounted to RMB1,445.7 million, represented a decrease of 5.0%, or RMB76.8 million, as compared to same period in 2016.

For the six months ended 30 June 2017, the revenue of PV glass was RMB1,010.9 million, decreased by RMB145.6 million, or 12.6%, as compared to RMB1,156.5 million for the six months ended 30 June 2016, which is mainly due to the decrease in the average selling price of PV glass of about 10.9% as compared to the six months ended 30 June 2016.

For the six months ended 30 June 2017, the revenue of household glass was RMB161.7 million, increased by RMB19.8 million, or 14.0%, as compared to RMB141.9 million for the six months ended 30 June 2016 primarily due to the increase in sales volume of household glass.

For the six months ended 30 June 2017, the revenue of float glass was RMB163.0 million, increased by RMB34.3 million or 26.7%, as compared to RMB128.7 million for the six months ended 30 June 2016 primarily due to the increase in the average selling price of float glass. As for architectural glass, the sales of architectural glass remained relatively stable for the six months ended 30 June 2017 as compared to 30 June 2016.

Cost of Sales

The cost of sales increased by RMB78.3 million, or 8.1%, from RMB962.4 million for the six months ended 30 June 2016 to RMB1,040.7 million for the six months ended 30 June 2017. The increase in cost of sales was primarily due to the increase in the average cost of procurement of certain major raw materials, including soda ash and fuel, whereby the average cost for soda ash increased by 26.9% and fuel increased by about 47.4% as compared to the same period in 2016. Furthermore, for the six months ended 30 June 2016, the Group recorded a significant decrease in the price of certain major raw materials, including electricity and natural gas as compared to the six months ended 30 June 2015, which the Group no longer benefited from for the six months ended 30 June 2017.

Gross profit

The gross profit of the Group for the six months ended 30 June 2017 compared to that for the six months ended 30 June 2016 decreased by RMB155.1 million from RMB560.1 million to RMB405.0 million. The overall gross profit margin has decreased from 36.8% for the six months ended 30 June 2016 to 28.0% for the six months ended 30 June 2017 mainly due to: (i) the increase in energy cost, which led to other related production costs to slightly increase; (ii) the increase of the production cost from the increase in average cost of soda ash; and (iii) the decrease of the average selling price of PV glass.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Product type		
Photovoltaic glass	311,009	484,320
Household glass	38,958	39,560
Architectural glass	18,278	22,728
Float glass	32,688	12,696
Mining products	4,031	765
EPC services	—	—
	<hr/>	<hr/>
	404,964	560,069
	<hr/> <hr/>	<hr/> <hr/>

For the six months ended 30 June 2017, the gross margin of PV glass of the Group has decreased by 11.1% from 41.9% for the six months ended 30 June 2016 to 30.8% for the six months ended 30 June 2017. The decrease was mainly due to the decrease in the selling price of PV glass and the increase in the average cost of procurement of certain major raw materials, including soda ash and fuel.

Other income

Other income of the Group has decreased by RMB11.8 million from RMB29.0 million for the six months ended 30 June 2016 to RMB17.2 million for the six months ended 30 June 2017. The decrease in other income was mainly due to the decrease of government subsidies as the number of projects eligible for receiving subsidies decreased, and bank interests received from the net proceeds from the global offering deposited in the bank accounts decreased.

Other gains and losses

For the six months ended 30 June 2017, other gains and losses change to a loss of RMB4.6 million for the six months ended 30 June 2017 from other gains of RMB20.1 million for the six months ended 30 June 2016. The decrease was mainly due to (i) an exchange loss of RMB5.4 million (2016: an exchange gain of RMB24.2 million) from the decrease in foreign exchange rates of US dollar and Japanese yen against RMB as the RMB became stronger; and (ii) provision for a bad debt of RMB3.0 million (2016: reversal of bad debts of RMB4.3 million).

Distribution and marketing expenses

For the six months ended 30 June 2017, distribution and marketing expenses amounted to RMB66.1 million, representing an increase of RMB17.3 million, or 35.5%, from RMB48.8 million for the six months ended 30 June 2016. The reasons for the increase were mainly due to (i) the PRC has implemented a new transport management policy since September 2016, and the cost of inland transportation has increased significantly; and (ii) more overseas customers require the Company to deliver goods to designated locations.

Administrative expenses

For the six months ended 30 June 2017, administrative expenses of the Group has decreased by RMB7.1 million, or 14.1%, from RMB50.5 million for the six months ended 30 June 2016 to RMB43.4 million. The administrative expenses for the six months ended 30 June 2016 accounted for 3.3% of the Group's revenue, and has decreased to 3.0% for the six months ended 30 June 2017. The main reasons is the reduction of taxes and fees of RMB4.0 million.

Research and development costs

For the six months ended 30 June 2017, research and development costs increased by RMB4.9 million or 9.6%, from RMB51.0 million for the six months ended 30 June 2016 to RMB55.9 million as the Group increased its research and development efforts and developed several special coating agents based on the diversified demands of its customers to meet their personalized needs.

Financial costs

For the six months ended 30 June 2017, financial costs of the Group has decreased by RMB28.8 million, or 99.7%, from RMB28.9 million for the six months ended 30 June 2016 to RMB0.1 million. This was mainly due to the overprovided interest expenses of Anhui Flat Solar Materials Co., Ltd.* (安徽福莱特光伏材料有限公司) was reversed.

Income tax expense

For the six months ended 30 June 2017, income tax expenses amounted to RMB44.3 million, and that for the same period in 2016 was RMB98.5 million. The consolidated effective tax rate was 17.6% for the six months ended 30 June 2017 and 22.9% for the six months ended 30 June 2016 respectively. The reason that the tax rate for the six months ended 30 June 2017 decreased was mainly because the Group's subsidiary, Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司) did not benefit from the preferential tax rate in the first half year of 2016, and benefit from the preferential tax rate in the first half year of 2017.

EBITDA and profit for the period

For the six months ended 30 June 2017, EBITDA of the Group (earnings before interests, taxes, depreciation and amortization) was decreased by RMB202.0 million from RMB568.9 million for the six months ended 30 June 2016 to RMB366.9 million. For the six months ended 30 June 2017, the interest rate of EBITDA of the Group was 25.4% and the profit rate was 37.4% for the same period in 2016.

As a result of the foregoing, the profit for the year decreased by RMB123.8 million, or 37.4%, from RMB331.4 million for the six months ended 30 June 2016 to RMB207.6 million for the six months ended 30 June 2017. Furthermore, for the six months ended 30 June 2016, the Group recorded a substantial increase of net profit of 70.9% as compared to the six months ended 30 June 2015, which was primarily caused by the particularly strong demand of the downstream of photovoltaic (PV) components prior to the reduction in subsidies granted by governments, which the Group no longer benefits from for the six months ended 30 June 2017.

Assets and equity

Total assets as at 30 June 2017 amounted to RMB4,739.1 million, which increased by RMB272.5 million, or 6.1%, from RMB4,466.6 million as at 31 December 2016. Total equity as at 30 June 2017 amounted to RMB3,082.8 million, which increased by RMB125.2 million, or 4.2%, from RMB2,957.6 million as at 31 December 2016.

Borrowings

At 30 June 2017, the total borrowings of the Company were RMB423.3 million, of which, 16.2% were fixed-rate borrowings and 83.8% were variable-rate borrowings. The total borrowings increased by RMB87.9 million, or 26.2%, as compared to RMB335.4 million at 30 June 2016, mainly due to the increase of long-term borrowings for the construction of PV glass production bases of the Group in Anhui Province, PRC.

Anhui Flat Solar Glass Co., Ltd* (安徽福莱特光伏玻璃有限公司), a subsidiary of the Company, has signed a borrowing agreement of RMB500 million with Bank of China in May 2017. Also, Flat (Hong Kong) Co., Ltd., a subsidiary of the Company is expected to sign a borrowing agreement of USD150 million with the lenders in the second half of 2017, and the Company is expected to provide guarantee for such loan. The shareholders of the Company have approved the provision of guarantee for the USD150 million loan on 2 May 2017.

With the construction of PV glass production bases in Anhui and Vietnam, the borrowings of the Company are expected to keep increasing, the scale of which will be determined by the construction progress of production bases.

For the six months ended on 30 June 2017, the Group was able to perform all borrowing contracts, and no default had ever occurred.

Financial resources and liquidity

For the six months ended 30 June 2017, the Group's liquid capital and financial position remained in good condition. As at 30 June 2017, the current ratio (current ratio equals the current assets divided by current liabilities as of the end of the year or period multiplied by 100%) was 1.49, and that as at 31 December 2016 was 1.45, which showed an increase.

For the six months ended 30 June 2017, the Group's main sources of funding were cash from operating activities and bank borrowings. Net cash inflow from operating activities was RMB60.2 million (2016: RMB491.2 million). The decrease in cash inflow is mainly due to (1) the increase in bills receivables; (2) the increase in payment due to the increase in the prices of soda ash and fuel.

Gearing Ratio

At 30 June 2017, the gearing ratio (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 of the Group) was 13.7%, increased by 2.4% as compared to 11.3% at 31 December 2016, mainly due to the increase of long-term borrowings for the construction of PV glass production bases of the Group in Anhui Province, PRC.

Capital commitment

For the six months ended 30 June 2017, capital commitment of the Group was RMB865.7 million, mainly from the newly-established PV glass production bases in Anhui Province, PRC and Haiphong, Vietnam.

Events after the end of the Period

There are no significant material events after the end of the Period.

Employees and remuneration policy

As at 30 June 2017, the Group employed a total of 2,252 full-time employees and most of them were based in the PRC. For the six months ended 30 June 2017, the Group's total employee remuneration was RMB105.7 million, representing 7.3% of the Group's total revenue, which slightly increased from 6.5% for the six months ended 30 June 2016.

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 principally settled in RMB, and are also settled in United States dollars, Euros, Hong Kong dollars, British pound sterling 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 2017 with annual interest rates between 3.7% and 4.9%. For the six months ended 30 June 2017, the Group did not encounter any major difficulties and liquidity issues due to the uncertain fluctuations in exchange rate, and the Group had not used financial instruments for hedging purposes.

Capital Structure

There was no change in the capital structure of the Company during the six months ended 30 June 2017.

As at 30 June 2017, the Company's total share capital was RMB450,000,000, divided into 1,800,000,000 shares of the Company (the "Shares") with a nominal value of RMB0.25 each, of which, 1,350,000,000 Shares were Domestic Shares and 450,000,000 Shares were H Shares.

Pledge of Assets

As at 30 June 2017, the Group with a total carrying value of approximately RMB895.4 million (31 December 2016: RMB1,047.8 million) of the fixed assets include the building and the equipment, RMB153.4 million (31 December 2016: RMB120.1 million) of the land use right and deposit with amount of RMB84.2 million (31 December 2016: RMB52.7 million) were pledged to secure credit granted to the Group.

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 2017 to 30 June 2017 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 18 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.

UPDATES OF BIOGRAPHIES OF DIRECTORS

Mr. Cui Xiaozhong (崔曉鐘), an independent non-executive director of the Company, has appointed as an independent non-executive director of Wutong Holding Group Co., Ltd.* (吳通控股集團股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 300292) in January 2017, and appointed as an independent non-executive director of Zhejiang Lante Optical Co., Ltd.* (浙江藍特光學股份有限公司) (listed on the National Equities Exchange and Quotations, stock code: 836383) in May 2017.

Other than these updates, the directors of the Company have confirmed that their respective biography has no other update as required under the Listing Rules since 31 December 2016.

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") as set out in Appendix 10 to the Listing Rules as the code of 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 2017 to 30 June 2017.

Interests and Short Positions of Directors, Supervisors and Chief Executives

As at 30 June 2017, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the 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⁾	1,118,772,000	Domestic shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Ms. Jiang Jinhua	1,118,772,000	Domestic shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Mr. Wei Yezhong	19,260,000	Domestic shares	Beneficial owner	1.43%	1.07%
Mr. Shen Qifu	12,840,000	Domestic shares	Beneficial owner	0.95%	0.71%
Supervisors					
Mr. Zheng Wenrong	57,780,000	Domestic shares	Beneficial owner	4.28%	3.21%
Mr. Shen Fuquan	38,520,000	Domestic shares	Beneficial owner	2.85%	2.14%
Mr. Zhu Quanming	38,520,000	Domestic shares	Beneficial owner	2.85%	2.14%

Notes:

- (1) The calculation is based on the total number of 1,350,000,000 Domestic Shares of the Company in issue as at 30 June 2017.
- (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 2017.
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. Ms. Jiang Jinhua owns 324,081,600 Domestic Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 Domestic Shares. Mr. Zhao Xiaofei owns 4,800,000 Domestic Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, each of Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei is considered to be interested in 1,118,772,000 Domestic Shares under the SFO.

Save as disclosed above, as at 30 June 2017, 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 2017, 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⁾	1,118,772,000	Domestic shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Mr. Zhao Xiaofei ⁽³⁾	1,118,772,000	Domestic shares	Beneficial owner and parties acting in concert	82.87%	62.15%
Moving Limited ⁽⁴⁾	77,683,000	H Shares	Beneficial interest	17.26%	4.32%
Well Prospering Limited ⁽⁴⁾	77,683,000	H Shares	Interest of controlled corporation	17.26%	4.32%
Zhejiang Longsheng Group Co., Ltd. ⁽⁴⁾	77,683,000	H Shares	Interest of controlled corporation	17.26%	4.32%
Paragon Resort Fund L.P. ⁽⁵⁾	89,609,000	H Shares	Beneficial interest	19.91%	4.98%
Spin Valley Fund Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Beyond Steady Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Linewear Assets Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%

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⁾
Huarong International Financial Holdings Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Camellia Pacific Investment Holding Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
China Huarong International Holdings Limited ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Huarong Real Estate Co., Ltd. ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
China Huarong Asset Management Co., Ltd. ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%
Ministry of finance of the PRC ⁽⁵⁾	89,609,000	H Shares	Interest of controlled corporation	19.91%	4.98%

Notes:

- (1) The calculation is based on the total number of 450,000,000 H Shares in issue as at 30 June 2017.
- (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 2017.
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. Mr. Ruan Hongliang owns 439,358,400 Domestic Shares. Ms. Jiang Jinhua owns 324,081,500 Domestic Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 Domestic Shares. Mr. Zhao Xiaofei owns 4,800,000 Domestic Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into between Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei jointly owned 1,118,772,000 Domestic Shares under the SFO.
- (4) Moving Limited is owned as to 100% by Well Prospering Limited, which is in turn owned as to 100% by Zhejiang Longsheng Group Co., Ltd.. Accordingly, each of Well Prospering Limited and Zhejiang Longsheng Group Co., Ltd. is deemed to be interested in the 77,683,000 H Shares held by Moving Limited.
- (5) Paragon Resort Fund L.P. is owned as to 64.53% by Beyond Steady Limited and is managed by Spin Valley Fund Limited. Spin Valley Fund Limited and Beyond Steady 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 51.00% 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.. China Huarong Asset Management Co., Ltd. is owned as to 67.75% by Ministry of Finance of the PRC. Accordingly, each of Spin Valley Fund Limited, Beyond Steady Limited, Linewear Assets Limited, Huarong International Financial Holdings Limited, Camellia Pacific Investment Holding Limited, China Huarong International Holdings Limited, Huarong Real Estate Co., Ltd., China Huarong Asset Management Co., Ltd. and Ministry of Finance of the PRC is deemed to be interested in the 89,609,000 H Shares held by Paragon Resort Fund L.P..

Save as disclosed above, as at 30 June 2017, 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 2017 to 30 June 2017.

On 21 November 2016, the shareholders of the Company have approved the proposed initial public offering of not more than 200,000,000 A shares of the Company, which are proposed to be listed on the Shanghai Stock Exchange. The proceeds estimated to be raised from the proposed A share offering, after deducting listing expenses, will not exceed RMB1,840.0 million. In June 2017, application for the proposed A share offering has been submitted to China Securities Regulatory Commission and being vetted. Please refer to the circular of the Company dated 5 October 2016 for details and the resolutions passed regarding the proposed A share offering.

Interim Dividend

For the six months ended 30 June 2017, the Board proposed an interim dividend of RMB2.4 cents per ordinary share (before tax) (equivalent to approximately HKD2.8 cents per ordinary share (before tax) (the "2017 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 declaration of dividend.

As the date of the extraordinary general meeting is being finalised, 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 2017 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 2017 Interim Dividend will be no later than 31 December 2017.

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 report for the six months ended 30 June 2017 have not been audited but have been reviewed by the Company's audit committee, comprising its three independent non-executive Directors.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Revenue	3	1,445,687	1,522,478
Cost of sales		(1,040,723)	(962,409)
Gross Profit		404,964	560,069
Other income and expenses	4	17,154	28,973
Other gains and losses	5	(4,623)	20,138
Distribution and selling expenses		(66,098)	(48,800)
Administrative and general expenses		(43,431)	(50,543)
Research and development costs		(55,881)	(51,013)
Finance costs	6	(111)	(28,871)
Profit before tax		251,974	429,953
Income tax expense	7	(44,338)	(98,509)
Profit for the period	8	207,636	331,444
Earnings per share			
– Basic and diluted (RMB cents)	10	11.54	18.41
Other comprehensive income for the period: <i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		(12,253)	–
Total comprehensive income for the period		195,383	331,444

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	1,680,055	1,633,911
Prepaid lease payments		313,462	320,548
Prepayment and intangible assets		186,008	196,053
Available-for-sale investment		4,000	4,000
Deferred tax assets	12	23,172	31,145
Prepayment for acquisition of property, plant and equipment		179,525	44,302
		<u>2,386,222</u>	<u>2,229,959</u>
Current assets			
Inventories		260,801	257,678
Trade and other receivables	13	1,437,627	1,173,965
Financial asset designated as at fair value through profit or loss (“FVTPL”)	14	–	20,000
Derivative financial instruments	15	199	749
Prepaid lease payments		7,165	7,744
Pledged bank deposits		90,824	55,918
Bank balances and cash		556,294	720,612
		<u>2,352,910</u>	<u>2,236,666</u>
Current liabilities			
Trade and other payables	16	1,011,632	927,175
Dividends payable		70,200	–
Borrowings	17	404,520	335,370
Deferred revenue		14,421	14,229
Financial liabilities designated as at FVTPL	18	–	26,279
Tax liabilities		76,635	61,670
Derivative financial instruments	15	3,722	1,372
Long-term payables for the acquisition of mining right due within one year		–	23,915
		<u>1,581,130</u>	<u>1,390,010</u>
Net current assets		<u>771,780</u>	<u>846,656</u>
Total assets less current liabilities		<u>3,158,002</u>	<u>3,076,615</u>

	<i>NOTES</i>	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Non-current liabilities			
Borrowings	<i>17</i>	18,816	100
Deferred revenue		56,354	62,216
Long-term payables for the acquisition of mining rights		–	56,650
		75,170	118,966
Net assets		3,082,832	2,957,649
Capital and reserves			
Share capital	<i>19</i>	450,000	450,000
Reserves		2,632,832	2,507,649
Total equity attributable to owners of the Company		3,082,832	2,957,649

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2017

	Equity attributable to owners of the Company							
	Share capital	Share premium	Production safety fees	Foreign currency translation reserve	Equity-settled employee benefits reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Note i)	(Note ii)		
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)	-
Dividends	-	-	-	-	-	-	(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
At 1 January 2017 (audited)	450,000	618,951	6,748	7,430	3,277	310,705	1,560,538	2,957,649
Profit for the period	-	-	-	-	-	-	207,636	207,636
Other comprehensive expense for the period	-	-	-	(12,253)	-	-	-	(12,253)
Total comprehensive income (expense) for the period	-	-	-	(12,253)	-	-	207,636	195,383
Transfer	-	-	1,380	-	-	-	(1,380)	-
Dividends (note 9)	-	-	-	-	-	-	(70,200)	(70,200)
At 30 June 2017 (unaudited)	450,000	618,951	8,128	(4,823)	3,277	310,705	1,696,594	3,082,832

Notes:

- 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 and the consideration received by the Company.
- According to the Articles of Association of the Company and its subsidiaries established in the PRC, the 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 the reserve must be made before distribution of a dividend to the shareholders. The 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

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	60,233	491,152
INVESTING ACTIVITIES		
Interest received	4,438	9,768
Purchases of property, plant and equipment	(172,391)	(106,137)
Payments for acquisition of intangible assets	(56,760)	(56,650)
Payments for acquisition of land use rights	–	(10,419)
Pledged bank deposits placed	(119,663)	(113,374)
Purchase of financial asset designated as at FVTPL	(30,000)	–
Proceeds from disposal of financial asset designated as at FVTPL	50,000	–
Proceeds from disposal of derivative financial instruments	3,499	–
Payments of derivative financial instruments	(557)	–
Assets-related government grants received	1,500	–
Release of pledged bank deposits	84,757	136,606
NET CASH USED IN INVESTING ACTIVITIES	(235,177)	(140,206)
FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	316,336	521,742
Repayment of bank and other borrowings	(228,470)	(946,989)
Payment of financial liabilities designated as at FVTPL	(26,279)	–
Proceeds from financial liabilities designated as at FVTPL	–	61,000
Interest paid	(25,104)	(39,390)
Payment of dividends	(17,325)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	19,158	(403,637)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(155,786)	(52,691)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	720,612	921,975
Effect of foreign exchange rate changes	(8,532)	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	556,294	869,284
Represented by bank balances and cash		

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 Main Board of 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. The Company 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 Company and 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, except for certain financial instruments that are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards (“IFRSs”) that are mandatorily effective for the current interim period.

The application of those amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

During the second half year of 2016, the Group started to provide its customers with Engineering Procurement Construction (“EPC”) services for commercial distributed electricity generation products.

Therefore, the internal reports include six product types based on sales contract terms, namely photovoltaic glass, household glass, architectural glass, float glass, mining products and EPC services. However there is no revenue derived from nor result contributed by EPC services during the six months ended 30 June 2017 and 30 June 2016, respectively. These products form the basis on which the Group reports its segment information.

	Six months ended 30 June	
	2017	2016
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Segment revenue		
Sales of photovoltaic glass	1,010,905	1,156,525
Sales of household glass	161,714	141,867
Sales of architectural glass	94,446	92,090
Sales of float glass	162,962	128,735
Sales of mining products	15,660	3,261
Sales of EPC services	–	–
Total revenue	1,445,687	1,522,478

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment results		
Sales of photovoltaic glass	311,009	484,320
Sales of household glass	38,958	39,560
Sales of architectural glass	18,278	22,728
Sales of float glass	32,688	12,696
Sales of mining products	4,031	765
Sales of EPC services	–	–
	<hr/>	<hr/>
Total segment results	404,964	560,069
	<hr/>	<hr/>
Other income, expenses, gains and losses	12,531	49,111
Selling and marketing expenses	(66,098)	(48,800)
Administration expenses	(43,431)	(50,543)
Research and development expenditure	(55,881)	(51,013)
Finance cost	(111)	(28,871)
	<hr/>	<hr/>
Profit before tax	251,974	429,953
Income tax expense	(44,338)	(98,509)
	<hr/>	<hr/>
Profit for the period	207,636	331,444
	<hr/> <hr/>	<hr/> <hr/>

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 following table sets out information about the geographical location of the Group's revenue from external customers determined based on the location of its immediate customers during the period:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Place of domicile of group entities:		
PRC	870,002	806,995
Other overseas countries:		
Japan	111,785	235,425
Other countries in Asia (excluding PRC and Japan)	252,216	354,841
Europe	97,198	70,701
North America	99,100	38,926
Others	15,386	15,590
	<u>1,445,687</u>	<u>1,522,478</u>

4. OTHER INCOME AND EXPENSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants		
– release of assets related government grants	7,171	7,567
– others (<i>Note</i>)	5,845	11,638
	<u>13,016</u>	<u>19,205</u>
Donation	(300)	–
Interest income from bank deposits	4,438	9,768
	<u>17,154</u>	<u>28,973</u>

Note: The amounts represent the incentive subsidies granted by PRC local government authorities to the group. The government grants have been approved by and received from the PRC local government authorities, which had no conditions attached.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gains on disposal of property, plant and equipment	–	80
Net foreign exchange (losses) gains	(5,449)	24,226
(Provision) reversal of allowance for doubtful debts, net	(3,044)	4,349
Gains on disposal of scrap materials	3,066	2,764
Changes in fair value of financial liabilities designated as at FVTPL	–	(10,692)
Changes in fair value of derivative financial instruments	42	–
Others	762	(589)
	<u>(4,623)</u>	<u>20,138</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interests on:		
Bank loans wholly repayable within five years	7,657	24,954
Long-term payables for the acquisition of mining rights not wholly repayable within five years		
– current period	329	3,917
– provision (<i>Note</i>)	(7,875)	–
	<u>111</u>	<u>28,871</u>
Total finance costs	<u>111</u>	<u>28,871</u>

Note: During the six-month period ended 30 June 2017, the Group early settled all the outstanding consideration payables regarding the acquisitions of mining rights from the local authority, pursuant to the purchase agreement, the Group shall bear the interest on the consideration payable at the lending rates stipulated by the People's Bank of China. With a supplementary agreement entered with the local authority upon the repayment, the local authority agreed to revise the interest rate, which result in a reversal of interest expense by RMB7,875,000. The principal with the revised interest were settled on 1 April 2017.

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC enterprise income tax	32,967	97,823
Under (over) provision in prior years	3,398	(2,898)
Deferred tax charge:	7,973	3,584
	<u>44,338</u>	<u>98,509</u>

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

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

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

The Company

The Company was recognised as a high-technology enterprise and enjoys the relief tax rate of 15% from 2016 to 2018.

Zhejiang Jiafu Glass Co., Ltd. (“Zhejiang Jiafu”)

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

Jiaxing Flat New Energy Technology Co., Ltd. (“Jiaxing Flat”)

According to Caishui (2012) No. 10 (《財政部國家稅務局關於公共基礎設施和環境保護節能節水項目企業所得稅優惠政策問題的通知》), Jiaxing Flat enjoys income tax exemption for the first three operating years commenced in 2014 and tax half deduction for the consecutive three years. Therefore, the applicable tax rate of Jiaxing Flat for the year of 2016 and for the period ended 30 June 2017 was nil and 12.5% respectively.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	100,840	106,064
Amortization of other intangible assets	10,155	1,801
Release of prepaid lease payments	3,826	2,207
Total depreciation and amortization	<u>114,821</u>	<u>110,072</u>
Employee benefits expenses (including directors' emoluments):		
– Salaries and other benefits	95,586	91,810
– Retirement benefit scheme contributions	7,399	7,008
	<u>102,985</u>	<u>98,818</u>
Cost of inventories recognised	1,041,625	961,393
Operating lease payments in respect of rented premises	130	87
(Reversals) write-down of inventories	(902)	1,016

9. DIVIDENDS

During the six months ended 30 June 2017, a final dividend of RMB3.9 cents per ordinary share for the financial year of 2015 with aggregate amount of RMB70,200,000 was recognised as distribution, which was approved at the annual general meeting dated 13 June 2017.

During the six months ended 30 June 2016, a final dividend of RMB7.2 cents per ordinary share for the financial year of 2015 with aggregate amount of RMB129,600,000 was recognised as distribution, which was approved at the annual general meeting dated 28 June 2016.

Subsequent to the end of the current interim period, an interim dividend for the six months ended 30 June 2017 of RMB2.4 cents (equivalent to approximately HKD2.8 cents) per ordinary share (six months ended 30 June 2016: RMB5.5 cents) 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:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the year attributable to owners of the Company (RMB'000)	207,636	331,444
Weighted average number of ordinary shares for the purpose of the basic earnings per share ('000)	1,800,000	1,800,000

The Group had no potential outstanding ordinary shares throughout the six-month period ended 30 June 2017 and 30 June 2016.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group spent approximately RMB37,424,000 and RMB109,560,000 (six months ended 30 June 2016: RMB29,096,000 and RMB27,781,000) on additions of plant and machinery and construction in progress respectively.

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 RMB'000	Deferred Revenue RMB'000	Revaluation of properties arising from joint stock company conversion RMB'000	Tax losses RMB'000	Fair value on derivative financial instruments RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Accelerated tax depreciation RMB'000	Other deductible temporary differences RMB'000	Total RMB'000
At 1 January 2016 (audited)	15,016	21,659	(5,155)	2,405	-	-	-	9,413	43,338
Charge (credit) to profit or loss	(851)	(1,838)	205	3,542	-	2,673	(4,885)	(2,430)	(3,584)
At 30 June 2016 (unaudited)	14,165	19,821	(4,950)	5,947	-	2,673	(4,885)	6,983	39,754
At 1 January 2017 (audited)	19,371	15,720	(4,454)	-	129	19	(5,620)	5,980	31,145
Charge (credit) to profit or loss	(242)	(699)	131	-	442	(19)	(1,606)	(5,980)	(7,973)
At 30 June 2017 (unaudited)	19,129	15,021	(4,323)	-	571	-	(7,226)	-	23,172

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:

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Deferred tax assets	34,721	41,219
Deferred tax liabilities	(11,549)	(10,074)
	<u>23,172</u>	<u>31,145</u>

The Group has certain unutilised tax losses of RMB83,193,000 available for offset against future profits as at 30 June 2017 (31 December 2016: RMB71,777,000). 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.

	30.6.2017	31.12.2016
	RMB'000	RMB'000
2018	11,964	18,860
2019	22,165	22,166
2020	10,709	10,709
2021	20,042	20,042
2022	18,313	–
	<u>18,313</u>	<u>–</u>

The Group also has certain deductible temporary differences of RMB13,437,000 available for offset against future profits as at 30 June 2017 (31 December 2016: RMB9,908,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

13. TRADE AND OTHER RECEIVABLES

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	707,731	646,731
Less: allowance for doubtful debts of trade receivables	(60,131)	(57,117)
	647,600	589,614
Bills receivable	719,052	533,818
Trade and bills receivables, net	1,366,652	1,123,432
Advances to suppliers	47,380	33,317
Other taxes recoverable	21,574	14,937
Other receivables	5,021	5,279
Less: allowance for doubtful debts of other receivables	(3,000)	(3,000)
Total trade and other receivables	1,437,627	1,173,965

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 debts presented based on the date of delivery of goods to customers which approximated the respective dates on which revenue was recognised:

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 3 months	527,607	505,645
Over 3 months but within 1 year	114,648	77,975
Over 1 year but within 2 years	4,531	4,537
Over 2 years but within 3 years	814	1,457
	647,600	589,614

14. FINANCIAL ASSET DESIGNATED AT FVTPL

During the year ended 31 December 2016, the Group entered into a contract of RMB linked USD structured investment with a bank for a period of 12 days with principle amount of RMB 20,000,000. The structured investment contains embedded derivatives which are not closely related to the host contract. The entire combined contract has been designated as financial liabilities at FVTPL on initial recognition. The contract was completed during the period.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	30.6.2017 RMB'000	31.12.2016 RMB'000	30.6.2017 RMB'000	31.12.2016 RMB'000
Derivatives not under hedge accounting				
Foreign currency forward contracts (<i>note 1</i>)	140	–	(556)	(354)
Call/put options in foreign currencies (<i>note 2</i>)	–	268	(3,166)	(296)
Foreign currency swap contracts (<i>note 3</i>)	59	481	–	(722)
	199	749	(3,722)	(1,372)

Notes:

1. Foreign currency forward contracts

The foreign currency forward contracts were entered into by the Group for the purpose of reducing its exposure to foreign currency arising from sale of glass products. These foreign currency forward contracts were not accounted for under hedge accounting and recognised in accordance with the fair value of the above currency forward contracts.

2. Call/put options in foreign currencies

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

3. Foreign currency swap contracts

The Group had entered into foreign currency swap contracts to reduce its exposure to the current exchange rate fluctuation arising from sale of glass products. These foreign exchange swap contracts were not accounted for under hedge accounting and recognised in accordance with the fair value of the above foreign currency swap contracts.

16. TRADE AND OTHER PAYABLES

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade payables	585,188	590,444
Bills payables	260,191	166,486
Interest payable	1,763	2,841
Salary and bonus payables	24,675	27,346
Advanced receipts from customers	5,951	7,000
Other taxes payable	22,886	53,700
Payables for acquisition of properties, plants and equipment	79,021	62,405
Accruals and other payables	31,957	16,953
	<hr/>	<hr/>
Total	1,011,632	927,175
	<hr/> <hr/>	<hr/> <hr/>

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

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 3 months	575,087	576,661
Over 3 months but within 180 days	4,478	10,149
Over 180 days but within 1 year	2,645	1,349
Over 1 year but within 2 years	1,053	808
Over 2 year	1,925	1,477
	<hr/>	<hr/>
	585,188	590,444
	<hr/> <hr/>	<hr/> <hr/>

17. BORROWINGS

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Secured bank loans and other loans	411,336	323,470
Unsecured bank loans	12,000	12,000
	<u>423,336</u>	<u>335,470</u>
Fixed-rate borrowings	68,520	–
Variable-rate borrowings	354,816	335,470
	<u>423,336</u>	<u>335,470</u>
Less: Amounts shown under current liabilities	404,520	335,370
Amounts shown under non-current liabilities	18,816	100

18. FINANCIAL LIABILITIES DESIGNATED AS AT FVTPL

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Financial liabilities designated as at FVTPL	–	26,279

During the year ended 31 December 2016, the Group entered into gold commodity lease agreements with the bank for financing purpose, pursuant to which, the Group leased gold from the bank and was obliged to return gold with same quality and weight to the bank when the lease expired. The Group designated the obligation under gold commodity lease agreement as financial liabilities at FVTPL as a whole. The contracts were completed during the period.

19. SHARE CAPITAL

Shown on the condensed consolidated statement of financial position

RMB'000

At 1 January 2016, 30 June 2016, 31 December 2016
and 30 June 2017, comprising 1,800,000,000 issued
shares of RMB 0.25 each

450,000

There was no movement in the Company's share capital for the six months ended 30 June 2017 and 30 June 2016.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique and key input
	30 June 2017	31 December 2016		
1) Gold lease contract classified as financial liabilities designated as at FVTPL	N/A	Liability – RMB26,279,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Basis of fair value measurement/ valuation technique and key input
	30 June 2017	31 December 2016		
2) Structured investments contract classified as financial asset designated as at FVTPL	N/A	Asset – RMB20,000,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Foreign currency forward contracts classified as derivative financial instruments	Assets – RMB140,000 Liabilities – RMB556,000	Liabilities – RMB354,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Call/put options in foreign currencies classified as derivative financial instruments	Liabilities – RMB3,166,000	Assets – RMB268,000 Liabilities – RMB296,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
5) Currency swap classified as derivative financial instruments	Assets – RMB59,000	Assets – RMB481,000 Liabilities – RMB722,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair value.

21. CAPITAL COMMITMENTS

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditure in respect of acquisition of property, plant and equipment – contracted but not provided for	865,735	285,412

22. RELATED PARTY TRANSACTIONS

(1) Related party transactions

During the period, other than as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following related party transactions:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Rental expense:		
Jiaxing Yihe Machine Co., Limited (<i>Note</i>)	1,201	–

The following balances were outstanding at the end of the reporting period:

	30.6.2017	31.12.2016
	RMB'000	RMB'000
	(unaudited)	(audited)
Other Payables:		
Jiaxing Yihe Machine Co., Limited (<i>Note</i>)	1,201	–

Note: The entity was wholly owned by Ms. Ruan Zeyun, one of the shareholders of the Company and daughter of Mr. Ruan Hongliang, the chairman of the Company.

(2) 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	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries and allowances	2,457	1,714
Retirement benefits scheme contributions	115	103
	2,572	1,817