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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(stock code: 6865)

- (1) PROPOSED ALIGNMENT IN THE PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH CASBE
  - (2) CESSATION OF APPOINTMENT OF THE INTERNATIONAL AUDITOR AND PROPOSED APPOINTMENT OF THE AUDITOR
  - (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
  - (4) PROPOSED DECLARATION OF 2018 FINAL DIVIDEND
  - (5) PROPOSED PROVISION OF GUARANTEES BY THE GROUP FOR ITS POTENTIAL CREDIT FACILITIES
  - (6) PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS
  - (7) CONNECTED TRANSACTION IN RELATION TO THE POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS BY THE CONNECTED SUBSCRIBERS
- AND
- (8) NOTICE OF AGM AND 2019 FIRST H SHAREHOLDERS' CLASS MEETING

Independent Financial Advisor to the Independent Board Committee  
and the Independent Shareholders



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Notice convening the AGM and 2019 First H Shareholders' Class Meeting to be held at the Conference Room, 5th Floor, Flat Glass Group Co., Ltd., 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the People's Republic of China, at 14:00 p.m. on Monday, 24 June 2019 is set out on pages AGM-1 to AGM-6 and pages HCM-1 to HCM-3 of this circular.

Proxy forms for use at the AGM and the 2019 First H Shareholders' Class Meeting are also enclosed with this circular. If you intend to attend the meeting by proxy, you are required to complete and return the enclosed proxy form(s) in accordance with the instructions printed thereon to the Company's H shares registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for H Shareholders), or to the Company's registered office in the PRC at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the People's Republic of China (for A Shareholders) as soon as possible but in any event by not later than 24 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the relevant meeting or any adjourned meeting should you so wish.

Shareholders who intend to attend the AGM and/or the 2019 First H Shareholders' Class Meeting in person or by proxy should complete and return the relevant reply slip in accordance with the instructions printed thereon as soon as possible and in any event no later than 20 days before the date appointed for holding such meeting or any adjournment thereof.

9 May 2019

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context requires otherwise.*

“2018 Annual Report”	the annual report of the Company for the year ended 31 December 2018
“2018 Final Dividend”	the proposed payment of a final dividend of RMB4.5 cents per share (before tax) for the year ended 31 December 2018, subject to Shareholders’ approval at the AGM
“2019 First A Shareholders’ Class Meeting”	the class meeting of A Shareholders to be held at the Conference Room, 5th Floor, Flat Glass Group Co., Ltd., 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, PRC on Monday, 24 June 2019 (or adjournment thereof), or immediately after the conclusion of the AGM, whichever is later
“2019 Class Meetings”	2019 First A Shareholders’ Class Meeting and the 2019 First H Shareholders’ Class Meeting
“2019 First H Shareholders’ Class Meeting”	the class meeting of the H Shareholders to be held at the Conference Room, 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC on Monday, 24 June 2019 (or any adjournment thereof), or immediately after the conclusion of the 2019 First A Shareholders’ Meeting, whichever is later
“A Share(s)”	A share(s) of the Company with a nominal value of RMB0.25 each which are listed on the Shanghai Stock Exchange and traded in RMB (stock code: 601865)
“A Share Convertible Bonds” or “Convertible Bonds”	A Share convertible bonds proposed to be issued by the Company in the PRC in the total amount of not more than RMB1.45 billion (inclusive of RMB1.45 billion) which are convertible into new A Shares
“A Share Convertible Bonds Issuance Plan”	the A Share Convertible Bonds issuance plan of the Company to be considered and, if thought fit, approve at the AGM and the 2019 First Class Meetings, details of which are set out in this circular, and the text of which to set out in Appendix III to this circular
“A Shareholders”	holder(s) of A Shares
“A Share Offering”	the Company’s initial public offering of 150,000,000 A Shares listed on the Shanghai Stock Exchange, which has completed on 15 February 2019

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## DEFINITIONS

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“Administrative Measures for the Issuance of Securities by Listed Companies”	the Administrative Measures for the Issuance of Securities by Listed Companies (Order Numbered 30) (【第30號令】《上市公司證券發行管理辦法》) issued by the CSRC on 6 May 2000
“AGM”	the annual general meeting of the Company to be held at the Conference Room, 5th Floor, Flat Glass Group Co., Ltd., 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, PRC, at 14:00 p.m. on Monday, 24 June 2019, or any adjournment thereof
“Anhui Flat Glass”	Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司)
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors of the Company
“Bondholder(s)”	holder(s) of the A Shares Convertible Bonds proposed to be issued by the Company
“CASBE”	the China Accounting Standards for Business Enterprises (中國企業會計準則)
“Company”	福萊特玻璃集團股份有限公司 (Flat Glass Group Co., Ltd.*), a joint stock company established in the PRC with limited liability, the H Shares and A Shares of which are listed on the main board of the Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively
“Company Law”	the Company Law of the PRC
“Connected Subscribers”	parties to the Possible Subscription, namely, Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, who are controlling Shareholders and parties acting in concert pursuant to a concert party agreement dated 19 September 2016; Mr. Wei Yezhong and Mr. Shen Qifu, who are executive Directors and A Shareholders; and Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming, who are Supervisors and A Shareholders. These parties are entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds under the A Share Convertible Bonds Issuance Plan

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## DEFINITIONS

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“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules, and namely, Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei
“Conversion Price”	the price at which the new A Shares will be issued upon conversion of the A Share Convertible Bonds, as may be adjusted from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Directors”	the directors of the Company
“Feasibility Report”	the Feasibility Report on the Use of Proceeds from the Public Issuance of A Share Convertible Bonds (《關於公開發行A股可轉債券募集資金使用的可能性分析報告》), the texts of which are set out in Appendix V to this circular
“H Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of RMB0.25 each, which are subscribed for and traded in Hong Kong dollars, and listed on the Stock Exchange (stock code: 6865)
“H Shareholders”	holder(s) of H Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“IFRS”	the International Financial Reporting Standard(s)
“Independent Board Committee”	the committee of Directors consisting of Mr. Cui Xiaozhong, Ms. Hua Fulan and Mr. Ng Ki Hung, who are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Possible Subscription for A Share Convertible Bonds

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## DEFINITIONS

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“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Possible Subscription and transactions contemplated thereunder, details of which are set out in the letter from the Board on pages 7 to 25 of this circular
“Independent Shareholders”	the Shareholders, other than Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun, Mr. Zhao Xiaofei, Mr. Wei Yezhong, Mr. Shen Qifu, Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming, and their associates who will abstain from voting on the relevant resolution in relation to the Possible Subscription for A Share Convertible Bonds at the AGM
“Issuance Date”	date of issuance of the A Share Convertible Bonds
“Latest Practicable Date”	6 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“Model Code”	Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix IX to the Listing Rules
“MOF”	the Ministry of Finance of the PRC
“New Anhui Project”	the annual production of 750,000 tons of PV module cover glass project of Anhui Flat Glass
“Offering Document”	the offer memorandum in relation to the Proposed Issuance
“PV”	photovoltaic
“Possible Subscription”	Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, controlling Shareholders, Mr. Wei Yezhong and Mr. Shen Qifu, executive Directors, and Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming, Supervisors, may exercise the pre-emptive rights to subscribe for the A Share Convertible Bonds, the specific subscription amount and conversion price on the exercise of the pre-emptive rights shall be subject to the decision of the Board as authorised by the AGM, based on the market conditions before the issuance of the A Share Convertible Bonds

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## DEFINITIONS

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“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Articles Amendments”	the proposed amendments to the Articles of Association passed by the Board on 21 March 2019, subject to Shareholders’ approval at the AGM, the details of which are set out in “Appendix I – Proposed Amendment to the Articles of Association” of this circular
“Proposed Change of Accounting Standard”	the proposed change of accounting standard as approved by a resolution of the Board from preparing financial statements under the IFRS and CASBE to preparing only one set of financial statements under CASBE
“Proposed Issuance”	the issuance of the A Share Convertible Bonds proposed by the Company according to the A Share Convertible Bonds Issuance Plan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration for Foreign Exchange of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China (《中華人民共和國證券法》)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	the A Share(s) and the H Share(s)
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Specific Mandate”	the specific mandate in relation to the issuance of the A Share Convertible Bonds to be considered and approved at the AGM and the 2019 First Class Meetings
“SSE Listing Rules”	the Rules Governing the Listing of Securities on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company



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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	percent

*Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as total in certain tables and the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

*Reference to the singular number includes references to the plural and vice versa and references to one gender include every gender.*

*English names of Chinese entities marked with “\*” are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese names prevails.*

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## LETTER FROM THE BOARD

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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(stock code: 6865)

*Executive Directors:*  
Mr. Ruan Hongliang (*Chairman*)  
Ms. Jiang Jinhua  
Mr. Wei Yezhong  
Mr. Shen Qifu

*Registered office, headquarters and  
principal place of business in the PRC:*  
1999 Yunhe Road  
Xiuzhou District, Jiaxing  
Zhejiang Province PRC

*Independent non-executive Directors:*  
Mr. Cui Xiaozhong  
Ms. Hua Fulan  
Mr. Ng Ki Hung

*Principal place of business in Hong Kong:*  
40th Floor, Sunlight Tower  
No. 248 Queen's Road East  
Wanchai, Hong Kong

9 May 2019

*To the Shareholders*

Dear Sir or Madam,

- (1) **PROPOSED ALIGNMENT IN THE PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH CASBE**
  - (2) **CESSATION OF APPOINTMENT OF THE INTERNATIONAL AUDITOR AND PROPOSED APPOINTMENT OF THE AUDITOR**
  - (3) **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
  - (4) **PROPOSED DECLARATION OF 2018 FINAL DIVIDEND**
  - (5) **PROPOSED PROVISION OF GUARANTEES BY THE GROUP FOR ITS POTENTIAL CREDIT FACILITIES**
  - (6) **PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS**
  - (7) **CONNECTED TRANSACTION IN RELATION TO THE POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS BY THE CONNECTED SUBSCRIBERS**
- AND**
- (8) **NOTICE OF AGM AND 2019 FIRST H SHAREHOLDERS' CLASS MEETING**

### **I. INTRODUCTION**

The purpose of this circular is to provide you with information in connection with, among other things, considering and approving (i) the proposed alignment in the preparation of financial statements in accordance with CASBE; (ii) the proposed cessation of appointment of international auditors and appointment of PRC auditors; (iii) the proposed

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## LETTER FROM THE BOARD

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amendments to the Articles of Association; (iv) the proposed declaration of final dividend for the year ended 31 December 2018; (v) the proposed provision of guarantees by the Group for its potential credit facilities; (vi) the Proposed Issuance of the A Share Convertible Bonds; (vii) the Possible Subscription for A Share Convertible Bonds by Connected Persons; and (viii) to give you notice of the AGM and the 2019 First H Shareholders' Class Meeting.

### **II. PROPOSED ALIGNMENT IN THE PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH CASBE**

The H Shares were listed on the Stock Exchange since 26 November 2015. Since then, the Company has been preparing its financial statements under the IFRS and CASBE. Messrs. Deloitte Touche Tohmatsu in Hong Kong was the international auditors and reporting accountant of the Company since the listing of the H Shares, who has been auditing the Company's financial statements prepared under the IFRS. As for the financial statements which have been prepared in CASBE, Delotte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) in the PRC, has been the Company's domestic auditors and the reporting accountant of the Company for the A Share Offering. The A Share Offering was completed on 15 February 2019, and the A Shares have since been listed on the Shanghai Stock Exchange. For the year ended 31 December 2018, the Company has prepared its financial statements for annual reporting for its H Shareholders using IFRS and for its A Shareholders using CASBE.

According to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong published by the Stock Exchange in December 2010, PRC incorporated issuers listed in Hong Kong are allowed to prepare their financial statements in accordance with the CASBE and PRC audit firms approved by the MOF and the CSRC are allowed to audit these financial statements in accordance with the CASBE.

In view of such arrangement and the completion of A Share Offering, and in order to improve the efficiency and reduce the cost of disclosure and audit expenses, the Board has proposed to prepare only one set of financial statement for the Company under the CASBE. The Proposed Change of Accounting Standard will be subject to the Shareholders' approval by way of an ordinary resolution at the AGM.

Subject to the Shareholders' approval, it is expected that the interim results of the Company for the six months ended 30 June 2019 and subsequent financial reporting complying with the requirements of the Listing Rules will be prepared in accordance with the CASBE. The Company believes that the Proposed Change of Accounting Standard will not have any material adverse effect on the publication of the Company's interim results for the six months ending 30 June 2019.

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## LETTER FROM THE BOARD

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### III. THE CESSATION OF APPOINTMENT OF THE INTERNATIONAL AUDITOR AND PROPOSED APPOINTMENT OF THE AUDITOR

Under the current term of appointment, the appointment of Messrs. Deloitte Touche Tohmatsu as the international auditors of the Company will cease upon the conclusion of the AGM. In light of the Proposed Change of Accounting Standard, Messrs. Deloitte Touche Tohmatsu has not offered itself for re-appointment as the international auditors of the Company at the AGM. Messrs. Deloitte Touche Tohmatsu has confirmed that there are no matters regarding its cessation as the international auditor of the Company that needs to be brought to the attention of the Shareholders. The Board and the audit committee of the Company confirmed that there are no disagreement between the Company and Messrs. Deloitte Touche Tohmatsu, and there are no other matters regarding such Proposed Cessation of Appointment that need to be brought to the attention of Shareholders.

In light of the Proposed Change of Accounting Standard, the Board has proposed the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) in the PRC as the Company's auditors. Deloitte Touche Tohmatsu Certified Public Accountants LLP will be the only auditor auditing the Company's financial statements in accordance with the CASBE and undertaking the role of international auditors in compliance with the Listing Rules. Deloitte Touche Tohmatsu Certified Public Accountants LLP is a PRC audit firm approved by the MOF and the CSRC to provide auditing services in accordance with the CASBE to PRC incorporated issuers, and on the List of Approved Mainland Accounting Firm published by the Stock Exchange.

In this regard, ordinary resolutions will be proposed at the AGM to approve the cessation of appointment of Messrs. Deloitte Touche Tohmatsu as the international auditor and the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's auditor until the conclusion of the next annual general meeting of the Company and the authorisation of the Board to fix the auditor's remuneration.

### IV. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated 22 March 2019 in relation to the Proposed Articles Amendments.

The Proposed Article Amendments were prompted by the amendment of requirements in the PRC, including (i) Opinion in Supporting Listed Companies in Repurchasing Their Shares (《關於支持上市公司回購股份的意見》) (Announcement of the China Securities Regulatory Commission [2018] No. 35) jointly promulgated by the CSRC, MOF and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC on 9 November 2018; and (ii) the Decision of the Standing Committee of the National People's Congress on the amendments to the Company Law of the PRC (《全國人民代表大會常務委員會關於修改《中國公司法》的決定》) approved in the thirteenth session of the Standing Committee of the National People's Congress in their sixth meeting on 26 October 2018; and the Company Law of the PRC.

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## LETTER FROM THE BOARD

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In light of such changes and the practical circumstances of the Company after completion of the A Share Offering, the Board has passed a resolution on the Proposed Articles Amendments. Please refer to Appendix I to this circular for the full text of the Proposed Articles Amendments. The Board would like to remind the Shareholders that the Chinese version shall always prevail in case of any discrepancy or inconsistency between Chinese version and its English translation.

The Board would also like to bring the attention of the Shareholders to the revised Articles 26 and 29 of the Proposed Articles Amendments on share repurchase and treasury shares. The Company confirms that the Proposed Articles Amendments regarding share repurchase and treasury shares are made in accordance with the relevant requirements under the laws and regulations of the PRC, and shall apply only to the repurchase of the Company's A Shares but not to the H Shares. Furthermore, in accordance with Article 209 of the Articles of Association, the listing rules of the stock exchange prevail over the regulations under the Articles of Association. As such, if the Company is to repurchase any Shares, in particular to the H Shares, it will comply with the requirements under the Listing Rules, including the requirements under Rules 10.06(1) to (4) of the Listing Rules (as modified by Rules 19A.25 of the Listing Rules). As to the requirements under Rule 10.06(5) of the Listing Rules, as the Company would need to reduce the registered capital of the Company and make the necessary filings with the relevant industry and commerce administration authority in respect of the change of registered capital according to the actual circumstances of share repurchase, H Shares of the Company upon repurchase cannot "automatically" be cancelled, but the Company will ensure such shares to be cancelled as soon as practicable.

In addition, the repurchase of Shares would be subject to the requirements of the Listing Rules, including but not limited to the requirement under Rule 19A.25 of the Listing Rules for special resolutions of the Shareholders in general meetings, and of A Shareholders and H Shareholders at separate meetings. If the Company will repurchase any H Shares, the Company will seek the Shareholders' approval in accordance with the requirements under the Listing Rules.

The Proposed Articles Amendments are subject to the approval of the Shareholders by way of a special resolution at the AGM. The Board will also propose a resolution at the AGM to authorise the Board to make relevant adjustments and revisions to the Articles of Association in accordance with the requirements and opinions of the relevant government departments and regulatory authorities in the PRC, including but not limited to adjustments and revisions to characters, chapters and articles.

Save for the amendments as set out in the Proposed Articles Amendments, the other provisions of the Articles of Association will remain unchanged. The Proposed Articles Amendments will become effective upon the approval by the Shareholders at the AGM.

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## LETTER FROM THE BOARD

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### V. PROPOSED DECLARATION OF 2018 FINAL DIVIDEND

As disclosed in the announcement of the Company dated 21 March 2019 relating to the final results of the Group for the year ended 31 December 2018, the Board recommended the payment of a final dividend of RMB4.5 cents per share (before tax) for the year ended 31 December 2018 to Shareholders. The 2018 Final Dividend is subject to the Shareholders' approval at the AGM.

Subject to Shareholders' approval, the 2018 Final dividend for the year ended 31 December 2018 will be distributed on or before Friday, 30 August 2019 to the Shareholders whose names appear on the register of members of the Company on Tuesday, 2 July 2019.

For determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 28 June 2019 to Tuesday, 2 July 2019, both days inclusive, during which period no transfer of shares will be registered. The record date for entitlement to the proposed 2018 Final Dividend is Tuesday, 2 July 2019. In order to qualify for the proposed 2018 Final Dividend, all transfer documents, accompanied by the relevant share certificates must be lodged for registration with the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for H Shareholders), or to Company's registered office in the PRC at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC (for A shareholders) no later than 4:30 p.m. on Thursday, 27 June 2019.

### VI. PROPOSED PROVISION OF GUARANTEES BY THE GROUP FOR ITS POTENTIAL CREDIT FACILITIES

In order to meet the financial needs of the ordinary business activities and investment plans of the Company, it is proposed that the Company and its wholly-owned subsidiaries apply to financial institutions such as banks for composite credit facilities of not exceeding RMB 1.5 billion (subject to the limit actually approved by such financial institution) in 2019. During the validity period of the authorization, the credit facilities may be applied on a revolving basis. The Company and its wholly-owned subsidiaries will provide corresponding guarantees for the composite credit facilities within the above-mentioned limit in accordance with the credit requirements of each financial institution.

As the total amount of external guarantees by the Company and its controlled subsidiaries has exceeded fifty percent of the latest audited net assets, in accordance with Article 60 (1) of the Articles of Association, the provision of guarantees to be provided shall be proposed at the AGM for the Shareholders to consider and, if thought fit, to be approved by way of a special resolution.

In order to improve the efficiency and timely handle the financing business, a resolution will be proposed at the AGM for the Shareholders to consider and, if thought fit, to authorize the chairman and its authorized persons to sign all legal documents including contracts, agreements, and vouchers related to all credit facilities within the above-mentioned credit limit, the law and economic responsibility arising therefrom shall be

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## LETTER FROM THE BOARD

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borne by the Company. The validity period of the resolution if so approved by the Shareholders at the AGM, shall be from the date of resolution passed at the AGM to the date of the next annual general meeting of the Company.

### **VII. PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS AND THE POSSIBLE SUBSCRIPTIONS BY CONNECTED PERSONS**

#### **1. Information on the Resolutions to be Proposed at the AGM and Class Meetings relating to the Proposed Issuance**

##### ***(i) Report on the Company's Compliance of the Conditions for the Proposed Issuance of A Share Convertible Bonds***

Pursuant to the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies and other laws, regulations and normative documents, and with reference to the requirements for the qualifications and conditions of the public issuance of A share convertible bonds by listed companies, the Company has satisfied the relevant requirements for the public issuance of A share convertible bonds under the existing laws, regulations and normative documents, and possessed the qualifications and conditions for the public issuance of A share convertible bonds. Please refer to the full text of the Report on the Company's Compliance of the Conditions for the Proposed Issuance of A Share Convertible Bonds in Appendix II to this circular for details.

The said report will be proposed at the AGM for Shareholders' consideration and, if thought fit, to be approved by way of a special resolution.

##### ***(ii) Proposed Issuance of A Share Convertible Bonds under the Specific Mandate***

Reference is made to the announcement of the Company dated 19 April 2019 in respect of the Proposed Issuance and to the 2018 Annual Report.

As disclosed in the 2018 Annual Report, despite the continuous expansion of the Company, the production capacity of the production facilities of the Company cannot satisfy the demand of the Company's products. The Company would need to continue to grow to capture the growth in the demand of its products and in the market in order to remain competitive and its leading position as the leading PV glass manufacturer in the world and in the PRC.

As such, with the enhanced share capital structure after completion of the A Share Offering, the Board proposes to issue the A Share Convertible Bonds of not more than RMB1.45 billion. The net proceeds from the Proposed Issuance will be for funding the "Annual production of 750,000 tons of photovoltaic module cover glass project". Please refer to Appendix III for details of the A Share Convertible Bonds Issuance Plan and its sub-resolutions.



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## LETTER FROM THE BOARD

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The Specific Mandate for the Proposed Issuance will be proposed at the AGM and at the 2019 First Class Meetings for the Shareholders' consideration and, if thought fit, to be approved by way of a special resolution.

***(iii) Preliminary Plan of the Proposed Issuance of A Share Convertible Bonds***

The Company has prepared the preliminary plan of the Proposed Issuance of A Share Convertible Bonds in accordance with the Company Law, the Administrative Measures for Issuance of Securities by Listed Companies, and other laws, regulations and normative documents, details of which are set out in Appendix IV to this circular.

The said preliminary plan will be proposed at the AGM for the Shareholders' consideration and, if thought fit, to be approved by way of a special resolution.

***(iv) Feasibility Report on the Proposed Issuance of A Share Convertible Bonds***

The total amount to be raised from the Proposed Issuance will not exceed RMB1,450 million (inclusive), which will be used for the New Anhui Project after deducting issuance expenses:

No.	Project name	Location	Total investment amount RMB10,000	Amount of proceeds to be used RMB10,000
1	Annual production of 750,000 tons of PV module cover glass project of Anhui Flat Glass	Anhui Province, PRC	175,168.36	145,000
	<b>Total</b>		<b>175,168.36</b>	<b>145,000</b>

Please refer to Feasibility Report on the Proposed Issuance of A Share Convertible Bonds in Appendix V to this circular for the full text of the Feasibility Report.

The Feasibility Report will be proposed at the AGM for the Shareholders' consideration and, if thought fit, to be approved by way of a special resolution.

***(v) Report on Use of Previous Proceeds***

Pursuant to the requirements of Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies\* (《上市公司監管指引第2號 – 上市公司募集資金管理和使用的監管要求》) issued by the CSRC and the Administrative Measures for the Funds



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## LETTER FROM THE BOARD

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Raised by Listed Companies of Shanghai Stock Exchange\* (《上海證券交易所上市公司募集資金管理辦法》), the Board has prepared the Report on Use of Previous Proceeds for the Proposed Issuance as set out in Appendix VI to this Circular.

The report will be proposed at the AGM for the Shareholders' consideration and, if thought fit, to be approved by way of an ordinary resolution.

***(vi) Rules for A Share Convertible Bondholders' Meetings***

Pursuant to the Company Law, the Securities Law, the Administrative Measures for Issuance of Securities by Listed Companies, the SSE Listing Rules and other regulatory requirements in the PRC, the Company has prepared the Rules for A Share Convertible Bondholders' Meeting, details of which are set out in Appendix VII to this circular.

The rules will be proposed at the AGM for the Shareholders' consideration and, if thought fit, to be approved by way of an ordinary resolution.

***(vii) The Impact of the Dilution of Immediate Return as a Result of the Initial Public Offering of A Shares Convertible Bonds on Major Financial Indicators of the Company and the Remedial Measures Adopted by the Company and related Undertakings***

Pursuant to the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium-sized Investors in the Capital Market (Guo Ban Fa [2013] No. 110)\* (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17)\* (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), the Guiding Opinions on Matters Concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31)\* (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) and other laws, regulations and normative documents, the Company has analysed the impact of the Proposed Issuance on the dilution of immediate returns. The Board proposes to adopt specific measures to bridge the gap. Please refer to Appendix VIII to this circular for details.

The measures will be proposed at the AGM for the Shareholders' consideration and, if thought fit, to be approved by way of an ordinary resolution.

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## LETTER FROM THE BOARD

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***(viii) Undertakings by the Directors, Senior Management of the Company, Controlling Shareholders and Actual Controllers of the Company on the Actual Performance of the Remedial Measures for the Dilution of Current Returns of the Company***

The General Office of the State Council issued the Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets (Guo Ban Fa [2013] No. 110)\* (《國務院辦公廳關於進壹步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) on 25 December 2013 stated that specific remediable measures shall be committed and fulfilled for the dilution of immediate returns due to a company's initial public issuance of shares, a listed company's refinancing or the material assets restructuring. On the other hand, CSRC issued the Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement No. 31 [2015])\* (關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見)(中國證券監督管理委員會公告(2015)31號)) in December 2015 which further proposed the requirements for optimising the investor return mechanism. According to the requirements, all Directors, senior management, Controlling Shareholders and de facto controllers of the Company have to provide undertakings to take remedial measures for the dilution of immediate returns due to the Proposed Issuance. Please refer to Appendix IX to this circular for the full text of the undertakings.

The said undertakings will be proposed at the AGM for the Shareholders' consideration and, if thought fit, to be approved by way of an ordinary resolution.

***(ix) Authorisation of the Board and its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds***

Pursuant to the Company Law, the Securities Law and other relevant laws and regulations and the Articles of Association, for the purpose of completing the Proposed Issuance in an efficient and orderly manner, the Board proposes that the Shareholders to authorise the Board and its authorised persons to deal with matters relating to the Proposed Issuance. The proposed scope of the authorisations are set out in Appendix X to this circular.

The authorisations will be proposed at the AGM and the 2019 First Class Meetings for the Shareholders' consideration and, if thought fit, to be approved by way of a special resolution.

***(x) Shareholders' Dividend Distribution Plan for the Year Ending 31 December 2019, 2020 and 2021***

In order to further enhance the transparency of the declaration and distribution of cash dividends, provide additional information to the Shareholders, improve and fine-tune the Company's dividend decision-making and supervision mechanism, maintain the continuity and stability of the dividend policy, and

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## LETTER FROM THE BOARD

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protect the rights and interests of the investors in order to facilitate the investors to form stable returns expectations, in accordance with the provisions of relevant laws and regulations and regulatory documents such as the Opinions of the CSRC on Further Promoting the IPO System Reform (CSRC Announcement [2013] No. 42)\* (《中國證監會關於進一步推進新股發行體制改革的意見》(證監會公告[2013]42號)), Notice on Further Implementation on Matters Related to Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37)\* (《關於進一步落實上市公司現金分紅有關要求的通知》(證監發[2012]37號)) and Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies\* (《上市公司監管指引第3號 – 上市公司現金分紅》), the Company has prepared the Shareholders' Dividend Distribution Plan for the years ending 31 December 2019, 2020 and 2021 taking into account the Company's actual situation such as profitability, operation development planning, Shareholder returns and cash flow.

The Shareholders' Dividend Distribution Plan for the years ending 31 December 2019, 2020 and 2021 will be proposed at the AGM for the Shareholders' consideration and, if thought fit, to be approved by way of a special resolution.

***(xi) Possible Subscription for A Share Convertible Bonds by Controlling Shareholders, Directors and Supervisors***

Pursuant to the A Share Convertible Bond Issuance Plan, the existing A Shareholders are entitled to pre-emptive rights to subscribe for A Share Convertible Bonds to be issued. The actual amount under the preferential allocation will be determined by the Board with reference to the market conditions before the issuance, subject to the authorisation at the AGM and shall be disclosed in the Offering Document.

Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei are Controlling Shareholders who are parties acting in concert pursuant to a concert party agreement dated 19 September 2016. Mr. Wei Yezhong and Mr. Shen Qifu are executive Directors, and Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming are supervisors of the Company, and who currently are A Shareholders. They are all entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds under the A Share Convertible Bonds Issuance Plan.

The terms of the Possible Subscription for A Share Convertible Bonds by the Connected Subscribers, namely, Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun, Mr. Zhao Xiaofei, Mr. Wei Yezhong, Mr. Shen Qifu, Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming (other than the subscription amount), are the same as the terms and conditions which are set out in the A Share Convertible Bonds Issuance Plan in Appendix III to the circular.

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## LETTER FROM THE BOARD

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Based on the maximum issuance size of the Proposed Issuance of A Share Convertible Bonds (being RMB1.45 billion), the maximum subscription amounts for each of the Connected Subscribers under the Possible Subscription for A Share Convertible Bonds are as below:

	<b>Number of A Shares held</b>	<b>Current direct shareholding percentage of A Shares (%)</b>	<b>Maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds (RMB)</b>
Mr. Ruan Hongliang	439,358,400	29.29	424,713,120
Ms. Jiang Jinhua	324,081,600	21.61	313,278,880
Ms. Ruan Zeyun	350,532,000	23.37	338,847,600
Mr. Zhao Xiaofei	4,800,000	0.32	4,640,000
Mr. Wei Yezhong	19,260,000	1.28	18,618,000
Mr. Shen Qifu	12,840,000	0.86	12,412,000
Mr. Zheng Wenrong	57,780,000	3.85	55,854,000
Mr. Shen Fuquan	38,520,000	2.57	37,236,000
Mr. Zhu Quanming	38,520,000	2.57	37,236,000

A separate resolutions will be proposed at the AGM for the Shareholders to consider and, if thought fit, to be approved the Possible Subscription by the Connected Subscribers by way of an ordinary resolution.

### 2. Equity Fund-Raising Activities in the Past Twelve Months

On 15 February 2019, the Company has completed the A Share Offering by issuing 150,000,000 new A Shares at a price of RMB2.00 per A Share. The proceeds were used for (i) partially fund the annual production capacity of 900,000 tons of glass as covers for PV modules project of Anhui Flat Glass; and (ii) the annual production capacity of 100,000 tons on-line low emissivity (Low-E) coated glass project of the Company. Please refer to the announcements of the Company dated 25 August 2016, 21 November 2016, 20 November 2017, 18 September 2018, 19 November 2018, 18 January 2019, 21 January 2019, 28 January 2019 and 14 February 2019 and the circulars of the Company dated 5 October 2016, 4 October 2017 and 3 October 2018 for details.

For details of the use of proceeds, please refer to Special Report on the Placement and Actual Use of the Company's Raised Funds in Appendix VI to the circular for details.

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## LETTER FROM THE BOARD

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### 3. Effects on the Shareholding Structure of the Company

Under the A Share Convertible Bond Issuance Plan, the minimum initial Conversion Price shall not be lower than (i) the higher of the average trading prices of A Shares of the Company for the 20 trading days preceding the publication date of the Offering Document (in the event that the price has been adjusted due to ex-rights or ex-dividend during such 20 trading days, the average trading price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend A Share price); and (ii) the average trading price of A Shares on the trading day preceding the publication date of the Offering Document. Furthermore, according to the applicable laws and regulations of the PRC, the minimum conversion price of the A Shares shall not be less than the nominal value per A Share, being RMB0.25. Also, in line with PRC market practice, the minimum conversion price of A Shares generally shall not be less than the audited net asset value per Share as stated in the latest audited financial statements of the Company.

The actual initial Conversion Price shall be determined by the Board with reference to the market conditions and the situation of the Company, and by negotiating and agreeing with the sponsor (the lead underwriter).

For reference only and to illustrate the pricing mechanism, assuming the initial conversion price is being determined on the date of the announcement relating to the Proposed Issuance (being 19 April 2019), according to the pricing mechanism described above, the average trading price of A Shares for the 20 trading days preceding 19 April 2019 is RMB15.15, and the average trading price of A Shares for the trading day preceding 19 April 2019 is RMB12.74. Accordingly, the minimum initial conversion price as at 19 April 2019 is RMB15.15 per A Share. Using the illustrative minimum initial conversion price as at 19 April 2019 of RMB15.15, and considering that the total issue size of A Share Convertible Bonds will not be more than RMB1.45 billion, the maximum amount of A Shares to be converted is 95,709,563 A Shares.

## LETTER FROM THE BOARD

The shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Proposed Issuance, assuming (i) an issuance of A Share Convertible Bonds of RMB1.45 billion; (ii) at the illustrative minimum initial conversion price of RMB15.15 per A Share; (iii) the full exercise of pre-emptive rights by the Connected Subscribers (which will be the subscription of 85.72% of the total issue size of the A Share Convertible Bonds based on the shareholdings of A Shares as at the Latest Practicable Date); and (iv) that the A Share Convertible Bonds have been fully converted into A Shares, is as follows:

Name of Shareholder	Class	As at the Latest Practicable Date		Immediately after the completion of the Proposed Issuance	
		Number of Shares	% of entire issued Shares	Number of Shares	% of entire issued Shares
Mr. Ruan Hongliang <sup>(Note)</sup>	A Shares	439,358,400	22.53	467,392,269	22.85
Ms. Jiang Jinhua <sup>(Note)</sup>	A Shares	324,081,600	16.62	344,760,073	16.85
Ms. Ruan Zeyun <sup>(Note)</sup>	A Shares	350,532,000	17.98	372,898,177	18.23
Mr. Zhao Xiaofei <sup>(Note)</sup>	A Shares	4,800,000	0.25	5,106,270	0.25
Mr. Wei Yezhong	A Shares	19,260,000	0.99	20,488,910	1.00
Mr. Shen Qifu	A Shares	12,840,000	0.66	13,659,273	0.67
Mr. Zheng Wenrong	A Shares	57,780,000	2.96	61,466,732	3.00
Mr. Shen Fuquan	A Shares	38,520,000	1.97	40,977,821	2.00
Mr. Zhu Quanming	A Shares	38,520,000	1.97	40,977,821	2.00
Public A Shareholders	A Shares	214,308,000	10.99	227,982,217	11.15
Public H Shareholders	H Shares	450,000,000	23.08	450,000,000	22.00
<b>Total</b>		<b>1,950,000,000</b>	<b>100.00</b>	<b>2,045,709,563</b>	<b>100.00</b>

*Note: The number of Shares stated are those registered under each Shareholder's name as beneficial owner.*

The Conversion Price is subject to adjustment upon the occurrence of events such as distribution of scrip dividend, capitalisation issue, issuance of new Shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue or distribution of cash dividend by the Company, the Company will adjust the Conversion Price.

Furthermore, in the event that the rights and benefits of the Bondholders are affected by the change in the Company's share class, quantity and/or Shareholders' interest due to the possible Share repurchase, consolidation, subdivision or any other circumstances which may occur, the Company will adjust the Conversion Price based on the actual situation and in a fair, just and equitable manner and to protect the Bondholders' interests. The Conversion Price will be adjusted based on the relevant PRC laws and regulations and the relevant regulations of the securities regulatory authorities of the relevant time.

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## LETTER FROM THE BOARD

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The Conversion Price may also be subject to downward adjustments if, during the term of the A Share Convertible Bonds, the closing prices of the A Shares for 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing Conversion Price. The Board may propose downward adjustments of the Conversion Price for the Shareholders to consider and seek their approval at a general meeting and the A Shareholders' and H Shareholders' class meetings.

Please refer to the A Share Convertible Bond Issuance Plan in Appendix III for details of the adjustments.

#### **4. Reasons for and Benefits of the Proposed Issuance and the Possible Subscription**

The Board believes that the Proposed Issuance is necessary for the continuous growth of the Company and fund its major investments in terms of (i) meeting the growing market demand for the PV products; (ii) breaking through the Company's capacity bottleneck and improving its position in the industry; and (iii) the strategic development of the Company. Furthermore, with the conversion of the A Share Convertible Bonds into A Shares, the Company can further reduce its asset and liability ratio, improve its capital structure, enhance its capital operation efficiency, effectively alleviate its financial cost pressures and further realise its growth potentials.

The New Anhui Project will further increase the capacity of the Group's Anhui Production Base from the annual production capacity (including those under constructions) of 900,000 tons of PV glass to an annual production capacity of 1,650,000 tons of PV glass. The Company believes that with the planned increase in the production capacity, the Company will be able to better satisfy the demand for the Company's products. Furthermore, with the size of the fund-raising to the RMB1.45 billion, the Company will be able to fund a majority of its New Anhui Project.

For details, please refer to the "Feasibility Report on the Proposed Issuance of A Share Convertible Bonds – Analysis of the Necessity and Feasibility of Project to be Invested by the Net Proceeds from the Public Issuance of A Share Convertible Bonds" in Appendix V to this circular.

#### **5. Implications on the Proposed Issuance and the Possible Subscription under the PRC Regulatory Requirements**

The A Share Convertible Bonds to be issued by the Company may lead to the issuance of new A Shares upon the exercise of the conversion rights of the A Share Convertible Bonds, the actual number of which depends on a number of factors, including the Conversion Price of the A Share Convertible Bonds. The Board considers that the conversion of A Share Convertible Bonds into new A Shares will dilute the interests of the existing A Shareholders in the Company's share capital.



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## LETTER FROM THE BOARD

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According to the Articles of Association and the relevant PRC laws and regulations, the Proposed Issuance of the A Share Convertible Bonds shall subject to, among others, the Shareholders' approval at the AGM and the 2019 First Class Meetings, and the approvals from relevant PRC regulatory authorities.

The Possible Subscription for A Share Convertible Bonds constitutes a related party transaction of the Company in accordance with the relevant PRC laws and is subject to the independent Shareholders' approval.

### **6. Implications on the Proposed Issuance and the Possible Subscription under the Listing Rules**

Pursuant to Rule 19A.38 of the Hong Kong Listing Rules, the Proposed Issuance of A Share Convertible Bonds is subject to the requirements for Shareholders' approvals at the AGM and the 2019 First Class Meetings.

Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, which are parties acting in concert and hold an aggregate of 1,118,772,000 A Shares of the Company as at the date of this announcement, are connected persons of the Company under the Listing Rules. Mr. Ruan Hongliang and Ms. Jiang Jinhua are also our Directors. If any of Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei (either jointly or independently) exercises his/her/their pre-emptive rights to subscribe for the A Share Convertible Bonds, the Possible Subscription (assuming the maximum subscription amount to be equivalent to their shareholding percentage of A Shares proportional to the size of the Proposed Issuance) will constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules and be subject to the requirements of reporting, announcement and the independent shareholders' approval.

Mr. Wei Yezhong and Mr. Shen Qifu are our executive Directors holding 19,260,000 and 12,840,000 A Shares, respectively, as at the date of this announcement. Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming are our Supervisors, holding 57,780,000, 38,520,000 and 38,520,000 A Shares, respectively, as at the date of this announcement. They are also connected persons of the Company under the Listing Rules. If any of them exercises his pre-emptive rights to subscribe for the A Share Convertible Bonds, the Possible Subscription (assuming the maximum subscription amount to be equivalent to their shareholding percentage of A Shares proportional to the size of the Proposed Issuance) will constitute a connected transaction under Chapter 14A of the Listing Rules and be subject to the requirements of reporting, announcement and the independent shareholders' approval.

All existing A Shareholders of the Company are entitled to the pre-emptive right to subscribe for the A Share Convertible Bonds. No Shareholder can enjoy any privilege in the capacity of connected persons of the Company.

The Board expects the Company will maintain sufficient public float to meet the applicable minimum requirement under the Hong Kong Listing Rules.



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## LETTER FROM THE BOARD

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If there is any material change of use of net proceeds, the Company will re-comply with the Listing Rules requirements and seek Shareholders' approval again. The Company will also issue announcements on the Stock Exchange's websites as and when necessary on the Proposed Issuance, including any adjustments to the Conversion Price.

### 7. General Information

#### *(i) Information of the Company*

The Company is a joint stock company established in the PRC with limited liability, the H Shares are listed on the main board of the Stock Exchange and the A Shares are listed on the main board of the Shanghai Stock Exchange.

The Group is one of the largest photovoltaic glass manufacturers globally and in the PRC, in terms of photovoltaic raw glass and processed Photovoltaic glass. The Group also manufactures and sells float glass, household glass and architectural glass.

#### *(ii) Information of the Connected Subsiders*

Mr. Ruan Hongliang (阮洪良先生) is a founder of the Group and a controlling shareholder of the Company. He is currently an executive Director and the chairman of Board and the general manager of the Company. He is the spouse of Ms. Jiang Jianhua, the father of Ms. Ruan Zeyun and the father-in-law of Mr. Zhao Xiaofei, a deputy general manager of the Company. Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei are Controlling Shareholders who are parties acting in concert pursuant to a concert party agreement dated 19 September 2016.

Ms. Jiang Jinhua (姜瑾華女士) is a Controlling Shareholder, and currently an executive Director, the deputy chairman of Board and a deputy general manager of the Company. She is the spouse of Mr. Ruan Hongliang, the father of Ms. Ruan Zeyun, and the father-in-law of Mr. Zhao Xiaofei, a deputy general manager of the Company.

Mr. Wei Yezhong (魏葉忠先生) is a co-founder of the Group and is currently an executive Director and a deputy general manager of the Company.

Mr. Shen Qifu (沈其甫先生) is currently an executive Director of the Company.

Mr. Zheng Wenrong (鄭文榮先生) is a co-founder of the Group, is currently the chairman of the board of supervisors of the Company.

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

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## LETTER FROM THE BOARD

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

Mr. Zhao Xiaofei (趙曉非先生) is a Controlling Shareholder and currently a deputy general manager of the Company. He is the son-in-law of Mr. Ruan Hongliang and Ms. Jiang Jianhua, and the spouse of Ms. Ruan Zeyun.

Ms. Ruan Zeyun (阮澤雲女士) is a Controlling Shareholder and the company secretary of the Company. She is the daughter of Mr. Ruan Hongliang and Ms. Jiang Jianhua, and the spouse of Mr. Zhao Xiaofei.

### VIII. THE AGM AND THE 2019 FIRST CLASS MEETINGS

A notice convening the AGM and the 2019 First H Shareholders' Class Meeting to be held at the Conference Room, 5th Floor, Flat Glass Group Co., Ltd. 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC, at 14:00 p.m. on Monday, 24 June 2019, is set out on pages AGM-1 to AGM-6 and pages HCM-1 to HCM-3, respectively.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Accordingly, all resolutions to be proposed at the AGM and the 2019 First Class Meetings will be voted by poll.

For the purpose of determining the entitlement for attendance and voting at the AGM and/or the 2019 First H Shareholders' Class Meeting (as the case may be), the H Shares register of members of the Company will be closed from Saturday, 25 May 2019 to Monday, 24 June 2019, both days inclusive, during which period no transfer of H Shares will be effected. H Shareholders whose names appear on the H Share register of members of the Company at 4:30 p.m. on Monday, 24 June 2019 shall be entitled to attend and vote at the AGM and the 2019 First H Shareholders' Class Meeting. In order to attend and vote at the AGM, H Shareholders whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 24 May 2019.

H Shareholders can attend and vote in person or appoint a proxy to attend and vote at the AGM and/or the 2019 First H Shareholders' Class Meeting. H Shareholders who intend to appoint a proxy to attend the AGM and/or the 2019 First H Shareholders' Class Meeting are requested to complete the proxy form in accordance with the instructions set out therein and return it to the H Share registrar of the Company, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event, not less than 24 hours before the time appointed for holding the AGM and/or the 2019 First H Shareholders' Class Meeting, or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM and/or the 2019 First H Shareholders' Class Meeting, or any adjourned meeting (as the case may be) should you so wish.

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## LETTER FROM THE BOARD

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The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the Possible Subscription. Gram Capital, a licensed corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, has been appointed as the Independent Financial Adviser in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders on the Possible Subscription.

Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun, Mr. Zhao Xiaofei, Mr. Wei Yezhong, Mr. Shen Qifu, Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming, shall abstain from voting on the resolution approving the Possible Subscription at the AGM, which in aggregate accounted for 65.93% of the issued share capital of the Company as at the Latest Practicable Date. Save as mentioned above, to the best of the Directors' knowledge, information and belief, none of the other Shareholders has any material interest in the Possible Subscription and therefore will be required to abstain from voting on the resolution approving the Possible Subscription at the AGM. In addition, to the best of the Directors' knowledge, information and belief, none of the Shareholders will be required to abstain from voting on the relevant resolution.

### **IX. RECOMMENDATION**

In relation to the Proposed Issuance of the A Share Convertible Bonds, the Board has passed the relevant resolutions of the proposals to be submitted to the Shareholders for consideration and approval. Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong and Mr. Shen Qifu, executive Directors and connected persons of the Company, are deemed to have material interests in the Possible Subscription and have abstained from voting on the resolution in respect of such of the Board meeting. Save for the above, no Directors are interested or deemed to have material interests in the above transaction. In addition, no Directors have abstained from voting on the other Board resolutions as set out in this circular.

The Board (including the independent non-executive Directors) considers that the resolutions to be proposed at the AGM and the 2019 First Class Meetings are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favor of all the resolutions to be proposed at the AGM and to the extent applicable, the 2019 First Class Meetings.

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## LETTER FROM THE BOARD

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### X. OTHER INFORMATION

The Board has established the Independent Board Committee comprised of all of the independent non-executive Directors to advise the Independent Shareholders on (i) whether the terms of the Possible Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Possible Subscription is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Possible Subscription at the AGM and the 2019 First Class Meetings.

Pursuant to the Listing Rules, Gram Capital, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and Independent Shareholders as to the Possible Subscription for A Share Convertible Bonds.

You are advised to pay attention to the Letter from the Independent Board Committee as set out on pages 26 to 27, the Letter from Gram Capital as set out on pages 28 to 41, and other information as set out in the appendices in this circular.

Yours faithfully  
By order of the Board  
**Flat Glass Group Co., Ltd.**  
**Ruan Hongliang**  
*Chairman*



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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
(stock code: 6865)

9 May 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO  
THE POSSIBLE SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS  
BY THE CONNECTED SUBSCRIBERS**

We refer to the circular dated 9 May 2019 of the Company (the “**Circular**”), of which, this letter forms a part of. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether the Possible Subscription for A Share Convertible Bonds by the Connected Subscribers is fair and reasonable for Independent Shareholders, and whether it is in the interests of the Company and Shareholders as a whole.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise us and you as to such matters. Details of the advice, together with principal factors and reasons considered in arriving at such advice are set out in the letter from Gram Capital as set out on pages 28 to 41 of the Circular.

Your attention is also drawn to the letter from the Board as set out on pages 7 to 25 of the Circular.

Having considered the information as set out in the letter from the Board, the interests of the Independent Shareholders and the advice and recommendations from Gram Capital, we believe (i) the terms of the Possible Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Possible Subscription is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Therefore, we recommend the Independent Shareholders to vote in favour of the resolution(s) on the Possible Subscription and the transactions contemplated thereunder at the AGM.

Yours faithfully  
**Independent Board Committee**  
**Flat Glass Group Co., Ltd.**  
**Cui Xiaozhong, Hua Fulan and Ng Ki Hung**  
*Independent Non-executive Directors*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Possible Subscription and transactions contemplated thereunder for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

9 May 2019

*To: The independent board committee and the independent shareholders  
of Flat Glass Group Co., Ltd.*

Dear Sirs,

### CONNECTED TRANSACTION POSSIBLE SUBSCRIPTION OF A SHARE CONVERTIBLE BONDS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Possible Subscription and transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 May 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 19 April 2019, the Board approved the proposed issuance of the A Share Convertible Bonds. The Board will propose resolutions at the AGM and the 2019 First Class Meetings for the Shareholders to consider and approve, if thought fit, and among others, the Proposed Issuance, the A Share Convertible Bonds Issuance Plan and the Possible Subscription.

With reference to the Board Letter, Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei are controlling Shareholders who are parties acting in concert pursuant to a concert party agreement dated 19 September 2016. Mr. Wei Yezhong and Mr. Shen Qifu are executive Directors, and Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming are supervisors of the Company, and who currently are A Shareholders. They are all entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds under the A Share Convertible Bonds Issuance Plan. The Possible Subscription will constitute connected transaction under Chapter 14A of the Listing Rules and be subject to the requirements of reporting, announcement and the independent shareholders’ approval.

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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Mr. Cui Xiaozhong, Ms. Hua Fulan and Mr. Ng Ki Hung (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Possible Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Possible Subscription is in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Company; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Possible Subscription at the AGM and the 2019 First Class Meetings. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **INDEPENDENCE**

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Possible Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make



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## LETTER FROM GRAM CAPITAL

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any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its connected persons or their respective subsidiaries or associates, nor have we considered the taxation implication on the Company and its subsidiaries or the Shareholders as a result of the Possible Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Possible Subscription, we have taken into consideration the following principal factors and reasons:

**(1) Background of and reasons for the Proposed Issuance (including the Possible Subscription)**

**Information on the Company**

The Company is a China-based company principally involved in the research, development, manufacturing and sales of glass products. The Company's main products include photovoltaic (PV) glass, float glass, engineering glass and home glass. In addition, the Company is also engaged in the mining and sales of glass quartz mine and engineering procurement construction (EPC) photovoltaic power plant construction businesses. The Company distributes its products within domestic market and to foreign markets.

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## LETTER FROM GRAM CAPITAL

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Set out below is a summary of the audited consolidated financial information on the Group for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report"):

	<b>For the year ended 31 December 2018 RMB'000</b>	<b>For the year ended 31 December 2017 RMB'000</b>	<b>Change from 2017 to 2018 %</b>
Revenue	3,039,802	2,974,511	2.20
<i>PV glass</i>	2,096,224	2,027,045	3.41
<i>Float glass</i>	156,825	295,278	(46.89)
<i>Household glass</i>	333,110	321,659	3.56
<i>Architectural glass</i>	395,542	297,048	33.16
<i>Mining products</i>	58,101	33,481	73.53
Gross Profit	791,426	826,119	(4.20)
Profit for the year	410,926	429,511	(4.33)

As depicted by the above table, we noted that the Group recorded a slight increase of approximately 2.20% in revenue for the year ended 31 December 2018 ("FY2018") as compared to that for the year ended 31 December 2017 ("FY2017"). With reference to the 2018 Annual Report, the National Development and Reform Commission, the Ministry of Finance and the National Energy Administration of the PRC jointly issued the Notice on Matters Relating to PV power Generation in 2018 on 31 May 2018 (the "531 Policy"), which emphasized that the state temporarily would not arrange quota for general PV power plants in 2018, while the quota for distributed PV power generation station is 10 gigawatts (GW). Affected by the 531 Policy, the average selling price of PV glass dropped by more than 20% in the second half of FY2018. Nevertheless, despite the impact of the price decline on the Group's PV glass, sales revenue was offset by the launch of new production line of the Group with increased sales volume. The sales revenue of PV glass in 2018 was therefore relatively stable. The sales revenue of the float glass decreased by approximately 46.89% due to the technical innovation of online Low-E glass furnace and therefore reducing the Group's float glass available for sale. In terms of the architectural glass segment, attributable to the significant growth in the production and sales of Low-E glass, the revenue for FY2018 was RMB395.54 million, increased by 33.16% as compared that for FY2017.

As depicted by the above table, the Groups gross profit decreased by approximately 4.20% as compared to that for FY2017. With reference to the 2018 Annual Report, such decrease was mainly due to (i) the decrease in sales price of photovoltaic glass as affected by the 531 Policy; and (ii) the increase of cost of energy and some raw materials. The Group's profit for FY2018 also decreased by approximately 4.33% as compared to that for FY2017.

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## LETTER FROM GRAM CAPITAL

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With reference to the 2018 Annual Report, as a leading manufacturer of PV glass, the Group adheres to the development goal of enhancing quality and improving efficiency, and strives to optimize production management and improve product quality, thereby meeting the needs of the customers. In order to increase market share and reduce production costs, the third PV glass production line in Anhui, China with a daily melting capacity of 1,000 tons is expected to be put into operation in the first half of 2019. Also, two PV glass production line in Vietnam with a daily melting capacity of 1,000 tons is expected to be put into operation in the second half of 2019 and 2020 respectively. Based on these measures, the Group is well prepared for industry consolidation.

### **Information on parties to the Possible Subscription (the “Connected Subscribers”)**

With reference to the Board Letter, Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei are controlling Shareholders who are parties acting in concert pursuant to a concert party agreement dated 19 September 2016. Mr. Wei Yezhong and Mr. Shen Qifu are executive Directors, and Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming are supervisors of the Company, and who currently are A Shareholders. They are all entitled to the pre-emptive rights to subscribe for the A Share Convertible Bonds under the A Share Convertible Bonds Issuance Plan.

### **Reasons for and possible benefits of the Proposed Issuance (including the Possible Subscription) and use of proceeds**

With reference to the Board Letter and as disclosed in the 2018 Annual Report, despite the continuous expansion of the Company, the production capacity of the production facilities of the Company cannot satisfy the demand of the Company’s products. The Company would need to continue to grow to capture the growth in the demand of its products and in the market in order to remain competitive and its leading position as the leading PV glass manufacturer in the world and in the PRC.

As such, with the enhanced share capital structure after completion of the A Share Offering, the Board proposes to issue the A Share Convertible Bonds of not more than RMB1.45 billion. The total amount of proceeds from the Proposed Issuance will not exceed RMB1.45 billion, which will be used for the “Annual production of 750,000 tons of PV module cover glass project” (the “**Project**”) (Total investment amount: Approximately RMB1.75 billion) after deducting the issuance expenses.

The “FEASIBILITY REPORT ON THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS” (the “**Feasibility Report**”) is set out under Appendix V to the Circular.

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## LETTER FROM GRAM CAPITAL

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With reference to the Feasibility Report, the Project includes two production lines with daily melting capacity of 1,200 tons. After the project is fully put into operation, it will be capable of producing 750,000 tons of PV modules annually. The Project will be executed by 安徽福莱特光伏玻璃有限公司 (Anhui Flat Solar Glass Co., Ltd.\*), being a wholly-owned subsidiary of the Company, with a construction period of 18 months. The Project is located at Fengyang Silicon Industrial Park, Chuzhou City, Anhui Province, the PRC with construction area of approximately 330,000 sq. m.

The Feasibility Report also set out the investment budget for the Project (including engineering costs, equipment purchase and installation costs, basic reserve funds and initial working capital) and evaluated the economic benefits of the Project. As concluded by the Feasibility Report, the Project invested by the proceeds from the Proposed Issuance is in line with the interest of the Company and all Shareholders, and has its necessity and feasibility ascertained.

According to the Company's first quarterly report for the three months ended 31 March 2019, the Group's cash at bank and on hand was approximately RMB895 million. It is necessary for the Group to raise fund for the Project.

Upon our enquiry with the Directors, we understand that apart from the Proposed Issuance, the Directors also considered other fund raising alternatives for the Group, including both debt and equity financing. Apart from the Proposed Issuance, the Group also intends to finance part of the total investment amount (i.e. approximately RMB1.75 billion) of the Project by debt financing.

In respect of equity financing, the Directors consider that (i) rights issue/open offer is time-consuming for a company with A shares listed on the Shanghai Stock Exchange and H shares listed on the Stock Exchange; and (ii) placing/subscription of new Shares will have immediate dilution effect on the shareholding interests of the existing Shareholders.

Taking into account (i) that the Possible Subscription is part of the Proposed Issuance; (ii) participation by the Connected Subscribers will demonstrate its solid confidence in the prospect of the Group; (iii) the proposed use of proceeds from the Proposed Issuance; and (iv) the financing alternatives considered by the Company, we concur with the Directors that although the Possible Subscription (being part of the Proposed Issuance) is not conducted in the Company's ordinary and usual course of business, it is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM GRAM CAPITAL

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### **(2) Principal terms of Proposed Issuance (including the Possible Subscription)**

With reference to the Board Letter, the Possible Subscription forms part of the Proposed Issuance. The terms of the A Share Convertible Bonds under the Proposed Issuance and the Possible Subscription are the same. Shareholders may refer to Appendix III to the Circular for the full set of the terms and conditions of the Proposed Issuance.

#### *Types of securities to be issued*

The type of securities to be issued by the Company are the A Share Convertible Bonds. The A Share Convertible Bonds and the A Shares to be converted therefrom will be listed on the Shanghai Stock Exchange.

#### *Issue size*

Pursuant to the relevant laws and regulations and together with the Company's financial situation and investment plans, the total amount of the A Share Convertible Bonds proposed to be issued will be no more than RMB1.45 billion (inclusive of RMB1.45 billion). A resolution will be proposed to the Shareholders at the AGM and the 2019 First Class Meetings to authorise the Board to determine the final issue size within the range above.

#### *Term*

The term of the A Share Convertible Bonds will be six years from the Issuance Date.

#### *Determination and adjustment of the Conversion Price*

##### *(1) Basis for determining the initial Conversion Price*

The initial Conversion Price of the A Share Convertible Bonds shall not be lower than the higher of the average trading prices of A Shares of the Company for the 20 trading days preceding the publication date of the Offering Document (in the event that the price has been adjusted due to ex-rights or ex-dividend during such 20 trading days, the average trading price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend A Share price) and the average trading price of A Shares on the trading day preceding the publication date of the Offering Document.

It will be proposed at the AGM and the 2019 First Class Meetings to authorise the Board, and the Board shall determine the actual initial Conversion Price with reference to the market conditions and the situation of the Company, and by negotiating and agreeing with the sponsor (the lead underwriter).

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## LETTER FROM GRAM CAPITAL

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We understood from the Company that the above basis for the determining of the initial Conversion Price was in compliance with relevant PRC regulations. For our due diligence purpose, we noted from Article 22 of the 《上市公司證券發行管理辦法》 (Administrative Measures for the Issuance of Securities by Listed Companies of the China Securities Regulatory Commission\*, the “**Measures**”) that the conversion price shall not be lower than the average price of the company’s shares in 20 trading days prior to the publication of the offering document and the average trading price on the trading day immediately preceding the date of publication of the offering document. Accordingly, we consider that the basis for determining the initial Conversion Price is in compliance with the Measures.

To further assess the fairness and reasonableness of the terms of the Possible Subscription, we searched for proposal for issuance of A share convertible bonds announced and not terminated by companies which are listed on both (i) the Shanghai Stock Exchange or the Shenzhen Stock Exchange; and (ii) the Stock Exchange, from 1 April 2018 (being approximately one year prior to and including the date of announcement of the Proposed Issuance (including the Possible Subscription) (i.e. 19 April 2019, the “**Announcement Date**”) up to the Announcement Date. To the best of our knowledge and as far as we are aware of, we found 2 issuances which meet the aforesaid criteria for comparison (the “**Comparables**”). Shareholders should note that the businesses, operations and prospects of the Company are not exactly the same as the subject companies of the Comparables.

Set forth below are the key terms of those issuances as extracted from the relevant announcements:

Company name (HK stock code)	Date of announcement	Term (years)	Interest rate	Conversion price	Adjustment (including downward adjustment to the conversion price (Yes/No)
Bank of Communications Co., Ltd. (“BoComm”) (3328)	27 April 2018	6	The manner of determining the interest rate and the final interest rate of each interest accrual year shall be determined by the board (or its authorised person(s)) based on government policies, market conditions and the actual conditions of the bank before the issue, according to the authorization by the shareholders at the shareholders’ general meeting and the shareholders class meetings.	The initial conversion price shall not be lower than the highest of the following: (1) the average trading price of A shares of the bank for the 30 trading days preceding the date of publication of the offering document of the convertible bonds; (2) the average trading price of A shares of the bank for the 20 trading days preceding the date of publication of the offering document of the convertible bonds; (3) the average trading price of A shares of the bank on the trading day immediately preceding the date of publication of the offering document of the convertible bonds; (4) the latest audited net asset per share; and (5) the par value.	Yes

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## LETTER FROM GRAM CAPITAL

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Company name (HK stock code)	Date of announcement	Term (years)	Interest rate	Conversion price	Adjustment (including downward adjustment to the conversion price (Yes/No)
蘭州莊園牧場股份有限公司 Lanzhou Zhuangyuan Pasture Co., Ltd.* ("Lanzhou Zhuangyuan") (1533)	31 January 2019	6	The board proposes to the shareholders at the extraordinary general meeting and the class meetings to authorise the board to determine the method of determining the nominal interest rate as well as the final interest rate for each interest accrual year upon negotiation with the sponsor (the lead underwriter) in accordance with national policies, market conditions and the actual conditions of the company.	The initial conversion price shall not be lower than the average trading price of A shares during the 20 trading days immediately preceding the date of publication of the offering document and the average trading price of A shares on the trading day immediately preceding the date.	Yes

*Source: The Stock Exchange's website*

According to the table above, the basis for determining the initial conversion price of one of the two comparables, namely, Lanzhou Zhuangyuan is the same with the Proposed Issuance. The other comparable, namely, BoComm adopted similar basis for determining the initial conversion price as the Proposed Issuance, with more criteria according to other regulatory requirements.

Despite that the initial Conversion Price is not fixed at this stage, for illustration purpose, set out below is the minimum illustrative initial conversion price (the "**Minimum Illustrative Initial Conversion Price**") based on the basis for determining the initial Conversion Price as abovementioned assuming the date of publication of the Offering Document is the Announcement Date (i.e. 19 April 2019):

<b>Basis for determining the initial Conversion Price</b>	<i>RMB</i>
Not be lower than:	
(i) the average trading price of A Shares of the Company for the 20 trading days preceding the publication date of the Offering Document	15.15
(ii) the average trading price of A Shares on the trading day preceding the publication date of the Offering Document	12.74

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## LETTER FROM GRAM CAPITAL

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Based on the above, the Minimum Illustrative Initial Conversion Price would be RMB15.15, which represents:

- (i) a premium of approximately 27.63% over the closing price of RMB11.87 per A Share as at the Latest Practicable Date;
- (ii) a premium of approximately 19.20% over the closing price of RMB12.71 per A Share as quoted on Wind Info (Note: Based on the website of Wind Info, Wind Info was founded in 1994. As the market leader in PRC financial information services industry, Wind Info is dedicated to provide accurate and real-time information, as well as sophisticated communication platforms for financial professionals) on 19 April 2019, being the Announcement Date;
- (iii) the average trading price of approximately RMB15.15 per A Share as quoted on Wind Info for the last 20 trading days up to and including the Announcement Date;
- (iv) a discount of approximately 3.24% to the average trading price of approximately RMB15.66 per A Share as quoted on Wind Info for the last 30 trading days up to and including the Announcement Date; and
- (v) a premium of approximately 705.27% over the latest audited net asset value per Share of RMB1.88 as at 31 December 2018 based on the Group's net asset value of approximately RMB3,669 million as at 31 December 2018 and 1,950,000,000 Shares in issue as at the Announcement Date.

In order to assess the fairness and reasonableness of the Minimum Illustrative Initial Conversion Prices, we reviewed the daily closing price of the A Shares as quoted on Wind Info during the period commencing from 3 April 2018 up to and including the Announcement Date (the “**Review Period**”), being approximate one year period prior to and including the Announcement Date, which is commonly used for analysis purpose. The comparison of closing price of the A Shares and the Minimum Illustrative Initial Conversion Price are illustrated



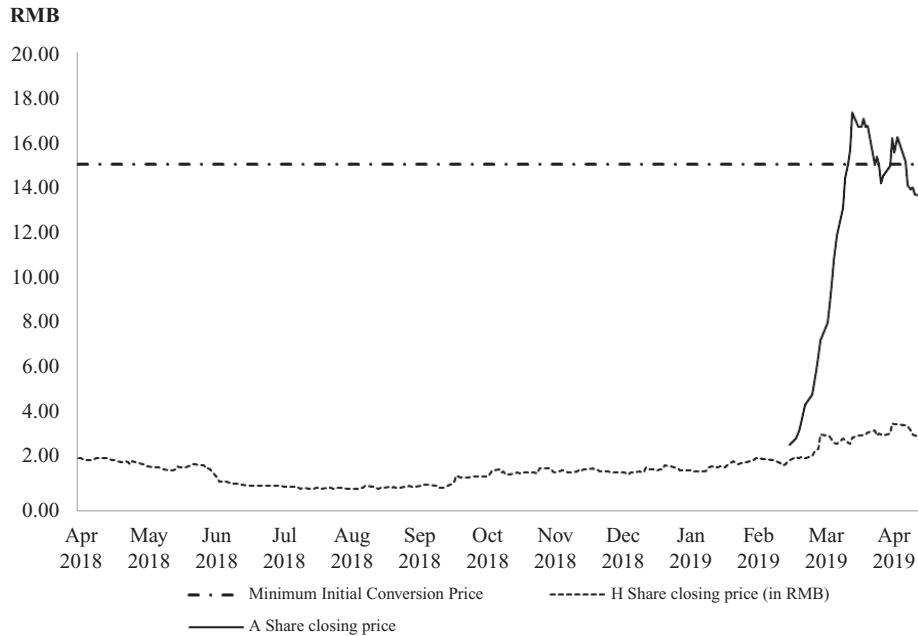
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## LETTER FROM GRAM CAPITAL

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as follows (the daily closing price of the H Shares (presented in RMB equivalent based on the exchange rate of RMB1:HK\$1.17) as quoted on the Stock Exchange is also included for reference):

### Historical daily closing price per H/A Share



Sources: The Stock Exchange's website and Wind Info

Notes:

1. Trading dates of the A Shares may vary from those of the H Shares.
2. The A Shares has been listed on the Shanghai Stock Exchange on 15 February 2019 and its trading commenced on the same date.

We noted that the daily closing price of (i) the A Shares ranged from RMB2.88 to RMB17.38; and (ii) the H Shares ranged from RMB0.96 to RMB3.83 as presented in RMB equivalent based on the exchange rate of RMB1:HK\$1.17 during the Review Period.

After the A Shares being listed on the Shanghai Stock Exchange and its commencement of trading on 15 February 2019, the A Shares closing prices surged to RMB17.38 on 15 March 2019. The A Shares closing prices dropped and fluctuated thereafter and reached RMB12.71 on the Announcement Date.

The H Shares traded between RMB0.96 and RMB2.32 (equivalent) from 3 April 2018 to 12 February 2019. Thereafter, the H Shares closing prices formed a general increasing trend and reached RMB3.48 (equivalent) on 18 April 2019, being the last trading day prior to the Announcement Date.

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## LETTER FROM GRAM CAPITAL

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The Minimum Illustrative Initial Conversion Price is within the A Shares closing price range during the Review Period and substantially above the H Shares closing price range during the Review Period.

Shareholders should note that as the actual initial Conversion Price shall be determined by the Board with reference to the market conditions and the situation of the Company, and by negotiating and agreeing with the sponsor (the lead underwriter), it can be lower or higher than the Minimum Illustrative Initial Conversion Price. Accordingly, the above analysis is for illustrative purpose only.

In light of that:

- (i) the basis for the determination of the initial Conversion Price is in compliance with the Measures;
- (ii) our findings regarding the basis for determining the initial conversion price under the issuance of A share convertible bonds by companies listed on the Shanghai Stock Exchange/Shenzhen Stock Exchange; and
- (iii) the same Conversion Price will be applied to all holders of the Convertible Bonds (including the Connected Subscribers),

we concur with the Directors that it is acceptable that the Conversion Price was not fixed as at the Latest Practicable Date and the basis for the determination of initial Conversion Price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

(2) *Method and calculation formulae of adjustments to Conversion Price (including downward adjustment)*

With reference to the Board Letter, upon completion of the Proposed Issuance, where there is distribution of scrip dividend, capitalisation issue, issuance of new Shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue or distribution of cash dividend by the Company, the Company will adjust the Conversion Price in accordance with the formulae (the adjusted value shall be rounded off to two decimal places) set out under the section headed “2. Adjustment to the conversion price and calculation method” as contained in Appendix III to the Circular.

We noticed that the Comparables also contained provisions for adjustment (including downward adjustment to the conversion price) similar to those of the Proposed Issuance.

***Coupon rate***

With reference to the Board Letter, it will be proposed at the AGM and the 2019 First Class Meetings to authorise the Board, and the Board shall determine the methods for determining the coupon rate and actual annual coupon rate for the

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## LETTER FROM GRAM CAPITAL

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interest accrual year with reference to the PRC government policies, market conditions and the actual conditions of the Company, prior to the issuance of the A Share Convertible Bonds, and by negotiating and agreeing with the sponsor (the lead underwriter). Also, if the deposit rate of the banks has adjusted prior to the issuance of the A Share Convertible Bonds, the authorisation from the Shareholders to the Board will also cover the adjustment of the coupon rate.

We noticed that the above basis for the coupon rate is similar to that for the Comparables.

### *Other terms*

We also reviewed other terms of the Proposed Issuance and were not aware of any abnormal term.

In light of the above and that the terms of the Convertible Bonds will be the same to all subscribers (including the Connected Subscribers), we are of the view that the terms of the Possible Subscription are fair and reasonable so far as the Independent Shareholders are concerned.

### **Dilution effect on the shareholding interests of the public Shareholders as a result of the Possible Subscription**

Based on the Minimum Illustrative Initial Conversion Price, the Convertible Bonds subscribed by the Connected Subscribers (maximum principal amount of approximately RMB1.24 billion) can be converted into 82,035,347 new A Shares. Therefore, the shareholding interests of the public Shareholders would be diluted by approximately 1.38 percentage point as a result of the full conversion of the Convertible Bonds subscribed by the Connected Subscribers. In this regard, taking into account (i) the reasons for the issue of Convertible Bonds and the intended use of proceeds; and (ii) the terms of the Possible Subscription being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the public Shareholders is acceptable.

### **Possible financial effects of the Proposed Issuance (including the Possible Subscription)**

The possible impact on key financial indicators of the Company is set out under the section headed “(II) Impact on key financial indicators” as contained in Appendix VIII to the Circular.

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## LETTER FROM GRAM CAPITAL

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Possible Subscription are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Possible Subscription is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the AGM and the 2019 First Class Meetings to approve the Possible Subscription and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

## APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Proposed Articles Amendments are as follows (amendments shown by way of underline):

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
Article 6	<p>The Articles of Association shall come into effect upon approval by the competent national departments and from the date on which the domestic shares of the Company are listed at SSE; upon the effective day of these Articles of Association, the original Articles of Association of the Company shall lapse automatically.</p>	<p>The Articles of Association shall come into effect upon approval by the competent national departments and from the date on which the domestic shares of the Company are <u>listed</u> at SSE.</p> <p><b><u>Upon the effective day of these Articles of Association, the Articles of Association shall become the legal document regulating the Company's organization and activities, and the rights and obligations between the Company and its shareholders and among the shareholders interest.</u></b></p>
Article 10	<p>The business scope of the Company shall be pursuant to the projects as approved by the relevant registration authority.</p> <p>The business scope of the Company includes: manufacture of special glass, mirror and glass products; sale of construction materials and precious metals; loading/unloading wharf cargo service; import and export business of glass, mirrors, equipment, raw materials of glass and related supplementary materials and glass furnace materials. (The Company operates with appropriate qualifications.)</p>	<p>The business scope of the Company shall be pursuant to the projects as approved by the relevant registration authority.</p> <p>The business scope of the Company includes: manufacture of special glass, mirror and glass products; <b><u>wholesale</u></b> of construction materials and precious metals; loading/unloading wharf cargo service; import and export business of glass, mirrors, equipment, raw materials of glass and related supplementary materials and glass furnace materials. <b><u>The above certified operations involved.</u></b></p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
Article 14	<p>Shares that the Company issues to domestic investors for subscription in RMB shall be referred to as domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies as well as shares holding by foreign investors and shares transferred by shareholders holding domestic shares in the Company shall be referred to as foreign shares. Foreign shares offered and listed overseas shall be named overseas-listed foreign shares. All stocks traded on the domestic stock exchanges shall be named as domestic-listed domestic shares.</p> <p>Foreign currency referred to in the preceding paragraph refers to the statutory currency, other than RMB, of another country or region, which is recognized by the foreign exchange authority of the People’s Republic of China (“the PRC”) and can be used to pay the Company for the shares.</p> <p>The overseas-listed foreign shares offered by the Company on the Hong Kong Stock Exchange shall be named H shares, i.e., shares which have been admitted for listing on the Hong Kong Stock Exchange, the nominal value of which is denominated in RMB and which are subscribed for and traded in Hong Kong dollars. Upon approval by the State Council or the securities regulatory authority under the State Council and agreed by the Hong Kong Stock Exchange, the domestic shares may be converted into H shares which may be circulated on the Hong Kong Stock Exchange.</p>	<p>Shares that the Company issues to domestic investors for subscription in RMB shall be referred to as domestic shares. Shares that the Company issues to foreign investors for subscription in foreign currencies as well as shares holding by foreign investors and shares transferred by shareholders holding domestic shares in the Company shall be referred to as foreign shares. Foreign shares offered and listed overseas shall be named overseas-listed foreign shares. <del>All stocks traded on the domestic stock exchanges shall be named as domestic-listed domestic shares.</del></p> <p>Foreign currency referred to in the preceding paragraph refers to the statutory currency, other than RMB, of another country or region, which is recognized by the foreign exchange authority of the People’s Republic of China (“the PRC”) and can be used to pay the Company for the shares.</p> <p><b><u>The domestic shares issued by the Company shall be named A shares.</u></b></p> <p>The overseas-listed foreign shares offered by the Company on the Hong Kong Stock Exchange shall be named H shares, i.e., shares which have been admitted for listing on the Hong Kong Stock Exchange, the nominal value of which is denominated in RMB and which are subscribed for and traded in Hong Kong dollars. Upon approval by the State Council or the securities regulatory authority under the State Council and agreed by the Hong Kong Stock Exchange, the <b>A shares</b> may be converted into H shares which may be circulated on the Hong Kong Stock Exchange.</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	Both holders of domestic shares and holders of foreign shares are ordinary shareholders and shall have the same rights and obligations. The domestic shares issued by the Company and the foreign shares listed overseas shall have the same right with respect of any part dividend or any other form.	Both holders of domestic shares and holders of foreign shares are ordinary shareholders and shall have the same rights and obligations. The domestic shares issued by the Company and the foreign shares listed overseas shall have the same right with respect of any part dividend or any other form.
Article 16	Following its establishment, the Company's total share capital was changed to 100 million shares after issuance of 30 million ordinary shares (nominal value of RMB 1 per share) to thirteen shareholders including Ruan Hongliang in April 2007; and changed to 100.5 million shares as the Company acquired Jiaxing City Fute Safety Glass Co., Ltd in August 2008 and in July 2009, the total number of share was changed to 107.535 million shares upon capitalization of its undistributed profit. In September 2009, 4.965 million shares (nominal value of RMB 1 per share) were issued to nine persons including Ruan Zeyun and the total number of share capital increased to 112.50 million shares; in December 2010, 7.3 million ordinary shares (nominal value of RMB 1 per share) were issued to four investment institutions including Boxin Growth (Tianjin) Equity Investment Fund Partnership, increasing the total share capital of the Company to 119.8 million shares; in March 2011, following capitalization of its capital reserve fund, the Company's registered capital was changed to 239.6 million shares; in June 2011, following capitalization of its capital reserve, the Company's registered capital was changed to 359.4 million shares; and in January 2014, following a reduction in share capital by 21.9 million shares, the Company's total share capital was changed to 337.5 million shares.	Following its establishment, the Company's total share capital was changed to 100 million shares after issuance of 30 million ordinary shares (nominal value of RMB 1 per share) to thirteen shareholders including Ruan Hongliang in April 2007; and changed to 100.5 million shares as the Company acquired Jiaxing City Fute Safety Glass Co., Ltd in August 2008 and in July 2009, the total number of share was changed to 107.535 million shares upon capitalization of its undistributed profit. In September 2009, 4.965 million shares (nominal value of RMB 1 per share) were issued to nine persons including Ruan Zeyun and the total number of share capital increased to 112.50 million shares; in December 2010, 7.3 million ordinary shares (nominal value of RMB 1 per share) were issued to four investment institutions including Boxin Growth (Tianjin) Equity Investment Fund Partnership, increasing the total share capital of the Company to 119.8 million shares; in March 2011, following capitalization of its capital reserve fund, the Company's registered capital was changed to 239.6 million shares; in June 2011, following capitalization of its capital reserve, the Company's registered capital was changed to 359.4 million shares; and in January 2014, following a reduction in share capital by 21.9 million shares, the Company's total share capital was changed to 337.5 million shares.

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>In November 2015, the Company issued not more than 450 million overseas-listed foreign shares to the public shareholders with nominal value of RMB 0.25 per share for listing on the Hong Kong Stock Exchange.</p> <p>After completion of the abovementioned issuance of overseas-listed foreign shares, the share capital structure of the Company was 1,350,000,000 ordinary shares. Of which: 439,358,400 shares were issued to the promoter Ruan Hongliang; 350,532,000 shares were issued to the promoter Ruan Zeyun; 324,081,600 shares were issued to the promoter Jiang Jinhua; 57,780,000 shares were issued to the promoter Zheng Wenrong; 38,520,000 shares were issued to the promoter Shen Fuquan; 38,520,000 shares were issued to the promoter Zhu Quanming; 19,260,000 shares were issued to the promoter Wei Yezhong; 12,840,000 shares were issued to the promoter Tao Hongzhu; 12,840,000 shares were issued to the promoter Shen Qifu; 56,268,000 shares were issued to other holders of domestic shares; and 450,000,000 shares were issued to holders of overseas-listed foreign shares. The total share capital of the Company was 1,800,000,000 shares.</p> <p>Approved by the securities regulatory authority under the State Council, the Company may issue a total of [●] ordinary shares. The share capital structure of the Company is: [●] ordinary shares, including [●] shares of domestically-listed domestic shares (A-shares), accounting for [●]% of the total number of shares; [●] shares of overseas-listed foreign shares (H-shares), accounting for [●]% of the total number of shares.</p>	<p>In November 2015, the Company issued <del>not more than</del> 450 million overseas-listed foreign shares to the public shareholders with nominal value of RMB 0.25 per share for listing on the Hong Kong Stock Exchange.</p> <p>After completion of the abovementioned issuance of overseas-listed foreign shares, the share capital structure of the Company was 1,350,000,000 ordinary shares. Of which: 439,358,400 shares were issued to the promoter Ruan Hongliang; 350,532,000 shares were issued to the promoter Ruan Zeyun; 324,081,600 shares were issued to the promoter Jiang Jinhua; 57,780,000 shares were issued to the promoter Zheng Wenrong; 38,520,000 shares were issued to the promoter Shen Fuquan; 38,520,000 shares were issued to the promoter Zhu Quanming; 19,260,000 shares were issued to the promoter Wei Yezhong; 12,840,000 shares were issued to the promoter Tao Hongzhu; 12,840,000 shares were issued to the promoter Shen Qifu; 56,268,000 shares were issued to other holders of domestic shares; and 450,000,000 shares were issued to holders of overseas-listed foreign shares. The total share capital of the Company was 1,800,000,000 shares.</p> <p><b><u>In February 2019, upon approval by the China Securities Regulatory Commission, the “CSRC”, the Company issue a total of 150,000,000 shares of domestic shares at par value RMB0.25 to the public and listed at the SSE. Upon completion of issue of the above domestic shares, the share capital structure of the Company is: 1,950,000,000 ordinary shares, including 1,500,000,000 shares of domestic shares (A shares), accounting for 76.92% of the total number of shares; 450,000,000 shares of overseas-listed foreign shares (H shares), accounting for 23.08% of the total number of shares.</u></b></p>



**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
Article 18	<p>The board of directors of the Company may make arrangement for the Company's separate issuance of overseas-listed foreign shares and domestically-listed domestic shares according to the issue scheme approved by the securities regulatory authority under the State Council.</p> <p>According to the aforesaid scheme for separate issuance of overseas-listed foreign shares and domestically-listed domestic shares, the Company may issue such shares separately within 15 months upon approval of the securities regulatory authority under the State Council.</p>	<p>The board of directors of the Company may make arrangement for the Company's separate issuance of overseas-listed foreign shares and <del>domestically-listed</del> domestic shares according to the issue scheme approved by the securities regulatory authority under the State Council.</p> <p>According to the aforesaid scheme for separate issuance of overseas-listed foreign shares and <del>domestically-listed</del> domestic shares, the Company may issue such shares separately within 15 months upon approval of the securities regulatory authority under the State Council.</p>
Article 19	<p>If the Company separately issues overseas-listed foreign shares and domestically-listed domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time; if it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several times upon approval by the securities regulatory authority under the State Council.</p>	<p>If the Company separately issues overseas-listed foreign shares and <del>domestically-listed</del> domestic shares within the total number specified in the issue scheme, the said shares shall be issued respectively at one time; if it is impossible for the shares to be issued at one time for special reasons, the shares may be issued by several times upon approval by the securities regulatory authority under the State Council.</p>
Article 20	<p>The Company's registered capital is RMB 450 million. Upon completion of issue of A-shares, the registered capital will be increased to RMB [●] million. The change in registered capital of the Company shall be registered at the competent Administration for Industry and Commerce.</p>	<p><del>The Company's registered capital is RMB 450 million. Upon completion of issue of A-shares,</del> <b>The Company's registered capital will be increased to RMB48,750 million.</b> The change in registered capital of the Company shall be registered at the competent Administration for Industry and Commerce.</p>

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**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
Article 21	<p>The Company may increase its capital pursuant to the needs of operation and development and in accordance with the laws, administrative regulations, departmental rules, listing rules of the place where the stocks are traded and based on the Articles of Association.</p> <p>The Company may increase its capital by:</p> <p>(I) Offer of new shares to unspecified investors;</p>	<p>The Company may increase its capital pursuant to the needs of operation and development and in accordance with the laws, administrative regulations, departmental rules, listing rules of the place where the stocks are traded and based on the Articles of Association.</p> <p>The Company may increase its capital by:</p> <p>(I) Offer of new shares to specified or unspecified investors;</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(II) Placement of new shares to existing shareholders;</p> <p>(III) Offer of new shares to existing shareholders;</p> <p>(IV) Offer of new shares to specified investors;</p> <p>(V) Conversion of capital reserve into share capital;</p> <p>(VI) Other means stipulated by laws and administrative regulations and approved by the securities authority under the State Council.</p> <p>(VI) Issuance of new shares by the Company shall be subject to approval as specified in the Articles of Association and follow the procedures specified in the relevant laws and administrative regulations of the PRC and the place of listing for the shares of the Company.</p> <p>The Company shall register the change of registered capital after a capital increase or reduction with the industrial and commercial administration authority and make an announcement thereof.</p>	<p>(II) Placement of new shares to existing shareholders;</p> <p>(III) Offer of new shares to existing shareholders;</p> <p>(IV) Offer of new shares to specified investors;</p> <p>(V) Conversion of capital reserve into share capital;</p> <p>(VI) <b><u>Conversion of the Company's issued A Share convertible bonds into shares;</u></b></p> <p>(VII) Other means stipulated by laws and administrative regulations and approved by the securities authority under the State Council.</p> <p>Issuance of new shares by the Company shall be subject to approval as specified in the Articles of Association and follow the procedures specified in the relevant laws and administrative regulations of the PRC and the place of listing for the shares of the Company.</p> <p>The Company shall register the change of registered capital after a capital increase or reduction with the industrial and commercial administration authority and make an announcement thereof.</p>
Article 26	<p>The Company may, in the following circumstances, buy back its outstanding shares following the legal procedures specified in the Articles of Association, administrative regulations, Listing Rules and with approval from the regulatory authority of the state:</p> <p>(I) When cancelling shares for reduction in the registered capital of the Company;</p>	<p>The Company may, in the following circumstances, buy back its outstanding shares following the legal procedures specified in the Articles of Association, administrative regulations, Listing Rules and with approval from the regulatory authority of the state:</p> <p>(I) When cancelling shares for reduction in the registered capital of the Company;</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(II) When merging with other companies holding shares of the Company;</p> <p>(III) When awarding shares to employees of the Company;</p> <p>(IV) When shareholders objecting to resolutions of the general meeting concerning merger or division of the Company require the Company to buy their shares; or</p> <p>(V) In other circumstances stipulated by laws and administrative regulations.</p>	<p>(II) When merging with other companies holding shares of the Company;</p> <p>(III) <b><u>When utilizing shares in Employee Share Ownership Plan or as share awards;</u></b></p> <p>(IV) When shareholders objecting to resolutions of the general meeting concerning merger or division of the Company require the Company to buy their shares;</p> <p>(V) <b><u>When utilizing shares to convert into A Share convertible bonds issued by the Company;</u></b></p> <p>(VI) <b><u>When necessitated by the Company to protect its value and its shareholders' interest;</u></b></p> <p>(VI) In other circumstances stipulated by laws and administrative regulations.</p> <p><b><u>Except under the above circumstances, the Company shall not engage in any activities for the purchase of its shares.</u></b></p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
Article 27	<p>The Company may repurchase its shares in any of the following ways upon approval by the regulatory authority of the state:</p> <p>(I) Issuing a repurchase offer to all shareholders according to an equal percentage;</p> <p>(II) Buying back through open transaction in the stock exchange;</p> <p>(III) Buying back through agreement outside the stock exchange;</p> <p>(IV) Other modes as approved by the competent authority concerned.</p>	<p>The Company may repurchase its shares in any of the following ways upon approval by the regulatory authority of the state:</p> <p>(I) Issuing a repurchase offer to all shareholders according to an equal percentage;</p> <p>(II) Buying back through open transaction in the stock exchange;</p> <p>(III) Buying back through agreement outside the stock exchange;</p> <p>(IV) Other modes as approved by the competent authority concerned.</p> <p><b><u>Where the Company repurchases its shares under the circumstances as mentioned in (III), (V) &amp; (VI) of Article 26 of the Articles of Association, the repurchase shall be carried out by public concentrated transaction.</u></b></p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
Article 29	<p>Repurchase of the Company’s shares for reasons set out in (I) to (III) of Article 26 of the Articles of Association shall be subject to resolution at a general meeting. After the Company has bought back its shares in accordance with Article 27 of the Articles of Association, such shares shall be cancelled within 10 days after repurchase in the circumstance set out in (I), or shall be transferred or cancelled within six months in the circumstances set out in (II) and (IV).</p> <p>Shares repurchased by the Company as per (III) of Article 26 shall not exceed 5% of the total issued shares of the Company; the repurchase cost shall be covered by the after-tax profit of the Company; and the shares repurchased shall be transferred to employees within one year.</p> <p>After the repurchase of shares according to laws, the Company shall cancel the said shares before the deadline specified by the relevant laws and administrative regulations, and have the change of the registered capital registered with the original company registration authority.</p> <p>The aggregate par value of the cancelled shares shall be deducted from the Company’s registered capital, except for the shares purchased by the Company subject to the provisions as stipulated in paragraph (III) of Article 26.</p>	<p>Repurchase of the Company’s shares for reasons set out in (I) to <b>(II)</b> of Article 26 of the Articles of Association shall be subject to resolution at a general meeting. <b><u>Where the Company repurchases its shares under the circumstances as mentioned in (III), (V) &amp; (VI) of Article 26 of the Articles of Association, the repurchase shall be resolved by more than two-thirds of the directors present at a board meeting.</u></b> After the Company has bought back its shares in accordance with Article 27 of the Articles of Association, such shares shall be cancelled within 10 days after repurchase in the circumstance set out in (I), or shall be transferred or cancelled within six months in the circumstances set out in (II) and (IV).</p> <p><del>Shares repurchased by the Company as per (III) of Article 26 shall not exceed 5% of the total issued shares of the Company; the repurchase cost shall be covered by the after-tax profit of the Company; and the shares repurchased shall be transferred to employees within one year.</del></p> <p><del>After the repurchase of shares according to laws, the Company shall cancel the said shares before the deadline specified by the relevant laws and administrative regulations, and have the change of the registered capital registered with the original company registration authority.</del></p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
		<p><b><u>In case of circumstances set out in (3), (5) and (6), the total shares held by the Company shall not exceed 10% of the total shares issued by the Company, and such shares shall be transferred or cancelled within 3 years.</u></b></p> <p>The aggregate par value of the cancelled shares shall be deducted from the Company's registered capital, <del>except for the shares purchased by the Company subject to the provisions as stipulated in paragraph (III) of Article 26 and apply to the original registration authorities for registration of changes in registered capital.</del></p>
Article 59	<p>A general meeting shall exercise the following functions and powers:</p> <p>(I) To decide on the business operation guideline and investment plan for the Company;</p> <p>(II) To elect and replace directors and to decide on matters relating to remuneration of the directors;</p> <p>(III) To elect and replace supervisors who are not employee representative and to decide on matters relating to remuneration of the supervisors;</p> <p>(IV) To examine and approve reports of the board of directors;</p> <p>(V) To examine and approve reports of the board of supervisors;</p> <p>(VI) To examine and approve the annual financial budgets and final accounting plans of the Company;</p>	<p>A general meeting shall exercise the following functions and powers:</p> <p>(I) To decide on the business operation guideline and investment plan for the Company;</p> <p>(II) To elect and replace directors and to decide on matters relating to remuneration of the directors;</p> <p>(III) To elect and replace supervisors who are not employee representative and to decide on matters relating to remuneration of the supervisors;</p> <p>(IV) To examine and approve reports of the board of directors;</p> <p>(V) To examine and approve reports of the board of supervisors;</p> <p>(VI) To examine and approve the annual financial budgets and final accounting plans of the Company;</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(VII) To examine and approve the Company's profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on the increase or reduction of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution, liquidation or transformation of the Company;</p> <p>(X) To resolve on the issuance of corporate bonds;</p> <p>(XI) To resolve on the appointment, removal or termination of appointment of the accounting firm by the Company;</p> <p>(XII) To amend the Articles of Association;</p> <p>(XIII) To examine proposals made by shareholders severally or jointly representing more than 3% (inclusive) of the voting shares of the Company;</p> <p>(XIV) To consider and approve other guarantee matters as prescribed in Article 60;</p> <p>(XV) To examine the Company's purchase or disposal of major assets within one year in an amount exceeding 30% of the total assets of the Company;</p> <p>(XVI) To examine and approve changes in the use of proceeds;</p> <p>(XVII) To examine and approve equity incentive plan;</p> <p>(XVIII) To examine other matters on which resolutions shall be made by the shareholders' general meeting as required by the laws, administrative regulations and the Articles of Association;</p>	<p>(VII) To examine and approve the Company's profit distribution plan and loss recovery plan;</p> <p>(VIII) To resolve on the increase or reduction of the registered capital of the Company;</p> <p>(IX) To resolve on the merger, division, dissolution, liquidation or transformation of the Company;</p> <p>(X) To resolve on the issuance of corporate bonds;</p> <p>(XI) To resolve on the appointment, removal or termination of appointment of the accounting firm by the Company;</p> <p>(XII) To amend the Articles of Association;</p> <p>(XIII) To examine proposals made by shareholders severally or jointly representing more than 3% (inclusive) of the voting shares of the Company;</p> <p>(XIV) To consider and approve other guarantee matters as prescribed in Article 60;</p> <p>(XV) To examine the Company's purchase or disposal of major assets within one year in an amount exceeding 30% of the total assets of the Company;</p> <p>(XVI) To examine and approve changes in the use of proceeds;</p> <p>(XVII) To examine and approve equity incentive plan;</p> <p>(XVIII) <b><u>To decide on matters where the Company repurchase its shares under the circumstances as mentioned in (I) &amp; (II) of Article 26 of these Articles of Association;</u></b></p>



**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(XIX) To examine other matters as requested in the Listing Rules.</p> <p>Without violation of any laws and regulations and the statutory regulations as prescribed in the Listing Rules, the general meetings may grant authorization or entrust the board of directors to handle matters with respect to such authorization and appointment.</p>	<p>(XIX) To examine other matters on which resolutions shall be made by the shareholders' general meeting as required by the laws, administrative regulations and the Articles of Association;</p> <p>(XX) To examine other matters as requested in the Listing Rules.</p> <p>Without violation of any laws and regulations and the statutory regulations as prescribed in the Listing Rules, the general meetings may grant authorization or entrust the board of directors to handle matters with respect to such authorization and appointment.</p>
Article 62	<p>General meetings are divided into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors. Annual general meetings shall be convened once a year within six months after the end of the preceding fiscal year.</p> <p>In any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months:</p> <p>(I) When the number of directors falls short of the minimum number required by the Company Law or is less than two-thirds of the number required by the Articles of Association;</p> <p>(II) When the accrued losses of the Company amount to one-third of its total share capital;</p>	<p>General meetings are divided into annual general meetings and extraordinary general meetings. General meetings shall be convened by the board of directors. Annual general meetings shall be convened once a year within six months after the end of the preceding fiscal year.</p> <p>In any of the following circumstances, the board of directors shall convene an extraordinary general meeting within two months:</p> <p>(I) When the number of directors falls short of the minimum number required by the Company Law or is less than two-thirds of the number required by the Articles of Association;</p> <p>(II) When the accrued losses of the Company amount to one-third of its total share capital;</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(III) When shareholder(s) individually or jointly holding 10% or more of the Company’s issued and outstanding shares carrying voting rights request(s) in writing for the convening of an extraordinary general meeting;</p> <p>(IV) When the board of directors deems it necessary or the board of supervisors proposes to convene an extraordinary general meeting;</p> <p>(V) When more than half of independent directors propose to convene the meeting;</p> <p>(VI) In any other circumstances stipulated by the laws, administrative regulations, departmental regulations, the Listing Rules and the Articles of Association.</p>	<p>(III) When shareholder(s) individually or jointly holding 10% or more of the Company’s issued and outstanding shares carrying voting rights request(s) in writing for the convening of an extraordinary general meeting;</p> <p>(IV) When the board of directors deems it necessary or the board of supervisors proposes to convene an extraordinary general meeting;</p> <p>(V) When more than half of independent directors propose to convene the meeting;</p> <p>(VI) In any other circumstances stipulated by the laws, administrative regulations, departmental regulations, the Listing Rules and the Articles of Association.</p> <p><b><u>The venue of the general meeting shall be the domicile of the Company or the venue explicitly notified in the notice of the general meeting. A general meeting shall be conducted in the form of a physical meeting at the designated venue for meeting. In addition, the Company will provide online and other means for the convenience of participation by the shareholders. A shareholder who participates in a general meeting in the aforesaid means shall be deemed as being present. Where the Company convenes a general meeting by online means, all shareholders whose names appearing on the register of members on the shareholding record date shall confirm their identity and participate in voting through the online system.</u></b></p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	Original Articles	Proposed Articles Amendments
		<p><b><u>During the general meeting, the Company will retain an attorney to issue legal opinions on the following matters and publish the same:</u></b></p> <p><b><u>(1) whether the procedures of convening and holding the meeting comply with relevant laws or administrative regulations and the Articles of Association;</u></b></p> <p><b><u>(2) whether the qualifications of the attendants and the convener are lawful and valid;</u></b></p> <p><b><u>(3) whether the voting procedure and results are lawful and valid;</u></b></p> <p><b><u>(4) on other relevant issues as required by the Company.</u></b></p>
Article 105	<p>The Company shall establish a board of directors, which comprises seven directors, including three independent directors, and shall have one chairman and one vice chairman.</p> <p>The members of the board of directors shall consist with at least three independent directors. Independent directors must make up at least one-third of the board of directors and shall at least have one accounting professional (having senior title or registered accountant qualification). The independent directors shall perform their duties independently and shall not be under the control of major shareholders and de facto controllers nor under the influence of the Company, its major shareholders, de facto controllers and any interested units or individuals. The independent directors shall faithfully perform their duties, protect the Company's interests, and shall especially pay attention that the lawful rights and interests of the public shareholders are not prejudiced.</p>	<p>The Company shall establish a board of directors, which comprises seven directors, including three independent directors, and shall have one chairman and one vice chairman.</p> <p>The members of the board of directors shall consist with at least three independent directors. Independent directors must make up at least one-third of the board of directors and shall at least have one accounting professional (having senior title or registered accountant qualification). The independent directors shall perform their duties independently and shall not be under the control of major shareholders and de facto controllers nor under the influence of the Company, its major shareholders, de facto controllers and any interested units or individuals. The independent directors shall faithfully perform their duties, protect the Company's interests, and shall especially pay attention that the lawful rights and interests of the public shareholders are not prejudiced.</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	Original Articles	Proposed Articles Amendments
		<p><b><u>The Board of the Company shall establish the audit committee, and establish special committees such as the strategic committee, the nomination committee, the remuneration &amp; evaluation committee, etc. Each special committee shall be accountable to the board of directors and perform the duties prescribed by these Articles of Association and the board of directors. Any proposals of the audit committee shall be submitted to the board of directors for consideration and approval. All member of the special committees shall be directors, among which, the majority of the members of the audit committee, the nomination committee, the remuneration &amp; evaluation committee shall be independent directors who also convene the meetings of such committees. The convener of the audit committee shall be an accounting professional.</u></b></p>
Article 108	<p>The board of directors shall be accountable to the general meeting and exercise the following functions and powers:</p> <p>(I) To be responsible for convening general meetings and reporting its work to the general meetings;</p> <p>(II) To implement resolutions of general meetings;</p> <p>(III) To resolve on the Company’s business plans and investment plans;</p> <p>(IV) To prepare the Company’s annual financial budgets and final accounting plans;</p> <p>(V) To prepare the Company’s profit distribution plans and loss recovery plans;</p>	<p>The board of directors shall be accountable to the general meeting and exercise the following functions and powers:</p> <p>(I) To be responsible for convening general meetings and reporting its work to the general meetings;</p> <p>(II) To implement resolutions of general meetings;</p> <p>(III) To resolve on the Company’s business plans and investment plans;</p> <p>(IV) To prepare the Company’s annual financial budgets and final accounting plans;</p> <p>(V) To prepare the Company’s profit distribution plans and loss recovery plans;</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(VI) To formulate the plan for increase or reduction of the Company's registered capital, and the plan for issue of the Company's bonds;</p> <p>(VII) To prepare plans for the Company's merger, division and dissolution;</p> <p>(VIII) To decide on the internal management structure of the Company;</p> <p>(IX) To appoint or dismiss the Company's general manager; to appoint or dismiss the Company's deputy general manager(s), chief financial officer and secretary to the board of directors and determine their remunerations;</p> <p>(X) To determine employees' salary, welfare and rewards and penalties;</p> <p>(XI) To approve appointment or replacement of the directors and shareholder representative supervisors of the Company's wholly-owned subsidiaries; appointment, replacement and recommendation of shareholder representatives, directors (candidates) and shareholder representative supervisors (candidates) of the Company's subsidiaries and participating subsidiaries;</p> <p>(XII) To work out the basic management system of the Company;</p> <p>(XIII) To formulate the plan for any amendment to the Articles of Association;</p> <p>(XIV) To decide on the domestic and overseas branch structure of the Company;</p>	<p>(VI) To formulate the plan for increase or reduction of the Company's registered capital, and the plan for issue of the Company's bonds;</p> <p>(VII) To prepare plans for the Company's merger, division and dissolution;</p> <p>(VIII) To decide on the internal management structure of the Company;</p> <p>(IX) To appoint or dismiss the Company's general manager; to appoint or dismiss the Company's deputy general manager(s), chief financial officer and secretary to the board of directors and determine their remunerations;</p> <p>(X) To determine employees' salary, welfare and rewards and penalties;</p> <p>(XI) To approve appointment or replacement of the directors and shareholder representative supervisors of the Company's wholly-owned subsidiaries; appointment, replacement and recommendation of shareholder representatives, directors (candidates) and shareholder representative supervisors (candidates) of the Company's subsidiaries and participating subsidiaries;</p> <p>(XII) To work out the basic management system of the Company;</p> <p>(XIII) To formulate the plan for any amendment to the Articles of Association;</p> <p>(XIV) To decide on the domestic and overseas branch structure of the Company;</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(XV) To decide on the consolidation, division and restructuring of the Company's wholly-owned subsidiaries and controlled subsidiaries;</p> <p>(XVI) To decide on the structure of the special committees of the board of directors and to recruit and dismiss the person-in-charge of the committees;</p> <p>(XVII) To propose the candidates of independent directors to the general meeting and suggest removal and replacement of independent directors;</p> <p>(XVIII) To suggest appointment, renewal or dismissal of the accounting firm to the general meeting;</p> <p>(XIX) To receive the work report of the general manager and examine his work;</p> <p>(XX) To manage matters in respect of disclosure of the Company's information;</p> <p>(XXI) To formulate the equity incentive plan;</p> <p>(XXII) The board of directors shall exercise the decision-making authority on foreign investment (including capital increase and equity transfer of the investment enterprises), financing, venture investment, entrust financing and external guarantee other than those to be determined by resolution of the general meeting in accordance with the laws and regulations and the Articles of Association;</p>	<p>(XV) To decide on the consolidation, division and restructuring of the Company's wholly-owned subsidiaries and controlled subsidiaries;</p> <p>(XVI) To decide on the structure of the special committees of the board of directors and to recruit and dismiss the person-in-charge of the committees;</p> <p>(XVII) To propose the candidates of independent directors to the general meeting and suggest removal and replacement of independent directors;</p> <p>(XVIII) To suggest appointment, renewal or dismissal of the accounting firm to the general meeting;</p> <p>(XIX) To receive the work report of the general manager and examine his work;</p> <p>(XX) To manage matters in respect of disclosure of the Company's information;</p> <p>(XXI) To formulate the equity incentive plan;</p> <p>(XXII) The board of directors shall exercise the decision-making authority on foreign investment (including capital increase and equity transfer of the investment enterprises), financing, venture investment, entrust financing and external guarantee other than those to be determined by resolution of the general meeting in accordance with the laws and regulations and the Articles of Association;</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
	<p>(XXIII) To determine on other major issues of the Company other than matters which shall be determined at the general meeting in accordance with the Company Law and the Articles of Association;</p> <p>(XXIV) To determine on the Company’s risk management system, including risk assessment, financial control, internal audit and legal risk control, and implement supervision thereof;</p> <p>(XXV) Other power as prescribed in the Articles of Association or granted authorization by the general meeting;</p> <p>(XXVI) Other matters conferred by the laws, administrative regulations, departmental rules, <u>and the regulations of the Listing Rules</u> or the Articles of Association.</p> <p>The board of directors may resolve on the issues specified in the preceding paragraph by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XIII), of which approval of more than two-thirds of the directors is required.</p> <p>If the uninterested directors who attend the meeting are less than three, the board of directors shall timely submit the relevant proposals to the shareholders’ meeting for approval. The board of directors shall state the relevant situation of approval of such proposal when submitting and recording the opinion of the uninterested directors.</p>	<p>(XXIII) To determine on other major issues of the Company other than matters which shall be determined at the general meeting in accordance with the Company Law and the Articles of Association;</p> <p>(XXIV) To determine on the Company’s risk management system, including risk assessment, financial control, internal audit and legal risk control, and implement supervision thereof;</p> <p>(XXV) Other power as prescribed in the Articles of Association or granted authorization by the general meeting;</p> <p>(XXVI) Other matters conferred by the laws, administrative regulations, departmental rules <b><u>and the regulations of the Listing Rules</u></b> or the Articles of Association.</p> <p>The board of directors may resolve on the issues specified in the preceding paragraph by approval of more than half of the directors save for the issues specified in (VI), (VII) and (XIII) <b><u>and the regulations of the Listing Rules</u></b>, of which approval of more than two-thirds of the directors is required.</p> <p>If the uninterested directors who attend the meeting are less than three, the board of directors shall timely submit the relevant proposals to the shareholders’ meeting for approval. The board of directors shall state the relevant situation of approval of such proposal when submitting and recording the opinion of the uninterested directors.</p>

**APPENDIX I PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

	<b>Original Articles</b>	<b>Proposed Articles Amendments</b>
Article 119	<p>Meetings of the board of directors shall be held only if more than half of the directors (including alternate directors attending the meeting on behalf of others) are present.</p> <p>Each director shall have one vote. Unless otherwise provided in the Articles of Association, a resolution of the board of directors must be passed by a majority of the directors of the Company.</p> <p>Where there is an equality of votes cast both for and against a resolution, the chairman of the board of directors shall have a casting vote.</p>	<p><b><u>Unless otherwise regulated by the Listing Rules or these Articles of Association,</u></b> meetings of the board of directors shall be held only if more than half of the directors (including alternate directors attending the meeting on behalf of others) are present.</p> <p>Each director shall have one vote. Unless otherwise provided in the Articles of Association, a resolution of the board of directors must be passed by a majority of the directors of the Company.</p> <p>Where there is an equality of votes cast both for and against a resolution, the chairman of the board of directors shall have a casting vote.</p>
Article 211	<p>This Articles of Association shall come into force and be implemented upon approval by the shareholders' meeting in form of special resolution as well as after the initial public issue and listing of the RMB common shares.</p>	<p><b><u>(Delete)</u></b></p>



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## APPENDIX II                      REPORT ON THE COMPANY'S COMPLIANCE OF THE CONDITIONS FOR THE PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS

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*In case of any discrepancy between this English translation and the original Chinese version, the original Chinese version shall prevail.*

The Company proposed the public issuance of convertible bonds which can be converted into A Shares of the Company (the “**A Share Convertible Bonds**”). Pursuant to relevant requirement of the laws, regulations and regulatory documents including the Company Law of the PRC\* (《中華人民共和國公司法》) (the “**Company Law**”), the Securities Law of the PRC\* (《中華人民共和國證券法》) (the “**Securities Law**”), the Administrative Measures for the Issuance of Securities by Listed Companies\* (《上市公司證券發行管理辦法》) (the “**Administrative Measures**”), the Q&A on Issuance Supervision – Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies\* (《發行監管問答－關於引導規範上市公司融資行為的監管要求》). The Board compared the actual situation of the Company with each of the relevant requirements of the relevant laws, regulations and regulatory documents relating to the public issuance of the A Share Convertible Bonds.

The Board considered that the Company satisfied the relevant requirements on the public issuance of the A Share Convertible Bonds, and met the conditions for public issuance of A Share convertible bonds. The details are as follows:

- I. The Shares after the conversion of the A Share Convertible Bonds have carried the same rights with the issued Shares of the same type of the Company in accordance with requirements of Article 126 of the Company Law.
- II. The Company has satisfied the following requirements under Article 13 of the Securities Law on the issuance of new securities:
  - (1) have a complete and well-operated organisation;
  - (2) have the ability to continuously generate profits and have a sound financial status;
  - (3) have no false financial records over the latest three years and having no other major non-compliance; and
  - (4) satisfy any other requirements as prescribed by the securities regulatory authority under the State Council, which has been approved by the State Council.
- III. The Company has satisfied the following requirements under Article 16 of the Securities Law on the public issuance of bonds:
  - (1) The net asset of the Company being no less than RMB 30 million;
  - (2) The accumulated bond balance constituting no more than 40 % of the net asset of the Company;

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**APPENDIX II                      REPORT ON THE COMPANY’S COMPLIANCE OF  
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- (3) The average distributable profits over the last 3 years being sufficient to pay the 1-year interests of convertible bonds;
- (4) The investment of raised funds complying with the industrial policies of the state;
- (5) The yield rate of bonds not surpassing the level of interest rate as qualified by the State Council; and
- (6) Meeting any other requirements as prescribed by the State Council.

The funds as raised through public issuance of convertible bonds shall be used for the purpose as verified and may not be used for covering any deficit or non-production expenditure.

The public issuance of convertible bonds as made by a company shall also meet the requirements on public offer of stocks, and shall be reported to the securities regulatory authority under the State Council for examination and approval.

IV. The Company has existed none of the following circumstances, under which no more public issuance of convertible bonds may be carried out under Article 18 of the Securities Law:

- (1) Where the convertible bonds as issued in the previous public issuance have not been fully subscribed;
- (2) Where there is any default on convertible bonds as publicly issued or on any other liabilities, or postpones the payment of the relevant principal plus interests, and such situation is still continuing; or
- (3) Where a company violates the present Law by altering the use of funds as raised through public issuance of convertible bonds.

V. The Company has satisfied the following requirements under the Administrative Measures on public issuance of securities:

- (I) The Company has satisfied the following provisions under Article 6 of the Administrative Measures with a sound and well-operated organizational structure: *[Note: Please ask the translator to check and amend item (I) – (VII). Please also ensure the consistency of tenses among item (I) – (VII)]*

- 1. The Articles of Association shall be lawful and effective, and there are sound bylaws for the shareholders’ assembly, the board of directors, the board of supervisors, and independent directors, who are able to perform their respective functions in accordance with the law;

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**APPENDIX II                      REPORT ON THE COMPANY'S COMPLIANCE OF  
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2. The Company has its internal control bylaws, which can ensure the operating efficiency, lawfulness and regulation compliance of the Company, and the reliability of its financial reports. There is no serious defect in regard to the completeness, reasonableness and validity of the internal control bylaws;
  3. The incumbent directors, supervisors and senior management members are qualified for their posts and can faithfully and diligently perform their duties. None of them has committed any act in violation of Article 147 or Article 148 of the Company Law, or has been given any administrative punishment by the CSRC within recent 36 months, or is publicly condemned by the stock exchange within 12 months;
  4. The Company separates its personnel, assets and financial affairs from those of the controlling shareholder or the actual controller, it is independent in terms of its institutions and business operations and can carry out business operations and management independently;
  5. The Company has not provided any illegal guaranty to any outsider within the recent 12 months.
- (II) The Company has possessed sustainable profit-making ability in accordance with the following provisions under Article 7 of the Administrative Measures:
1. It has a favorable balance for the recent 3 consecutive fiscal years as calculated on the basis of the net profits after deducting the non-regular profits and losses or the pre-deduction net profits, whichever is smaller;
  2. It has relatively stable sources of businesses and profit and it does not substantially rely on its controlling shareholder or actual controller;
  3. It can continue its present primary business or investment trend in a sustainable manner. It has a sound business operation mode and investment plan, and has a good market prospect for its main products or services. There is no seriously unfavorable imminent or foreseeable change in the business operation environment and market demands;
  4. The senior management members and the core technicians are stable and there is no seriously unfavorable change in the recent 12 months;
  5. The important assets, core technologies or other important interests have been lawfully obtained, and can be continuously utilized, and none of the seriously imminent or foreseeable unfavorable changes existed;

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**APPENDIX II                      REPORT ON THE COMPANY'S COMPLIANCE OF  
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6. There is no guaranty, lawsuit, arbitration or any other important matter that is likely to seriously affect the sustainable business operations of the Company; and
  7. Where it has ever issued any securities publicly within the recent 24 months, there is no such thing as decrease in the business profits of the current year of the issuance decrease by 50% or more as compared to the previous year.
- (III) The Company has maintained a good financial status to satisfy the following provisions under Article 8 of the Administrative Measures and Decisions on Amending Some Provisions on Cash Dividends by Listed Companies:
1. Its basic accounting work is standard and it strictly complies with the uniform accounting system of the state;
  2. For the financial statements of the recent three years and the recent 1 period, there is no audit report with reserved opinions or negative opinions as issued by certified accountants or on which it is difficult for certified accountant to express their opinions. If an audit report with no reserved opinions but with emphasized matters is issued by a certified public accountant, the matters involved shall have no seriously unfavorable effect on the issuer of securities or the seriously unfavorable effect has been eliminated prior to the issuance of securities;
  3. The assets are of good quality. The non-performing assets cannot result in any seriously unfavorable effect on the financial status of the Company;
  4. Its business outcomes are genuine and the cash flows are normal. It has strictly complied with the relevant accounting standards of the state in the recognition of its business incomes, costs and expenses. It has made full and reasonable provisions for asset impairment in recent three years and has never manipulated its business performances; and
  5. The profits which it has accumulatively distributed in cash or in stocks are not less than 30% of the average annual distributable profits realized in the recent 3 years.

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**APPENDIX II                      REPORT ON THE COMPANY’S COMPLIANCE OF  
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(IV) The Company has existed none of the following circumstance under the Article 9 of the Administrative Measures:

A company has no false record in its financial and accounting documents within the recent 36 months and has not committed any of the following serious illegal acts:

1. Due to violating any securities law, administrative regulation or rules, it has been subject to any administrative punishment of the CSRC or has been given any criminal punishment;
2. Due to violating any law, administrative regulation or rules on the industry and commerce, tax, land, environmental protection or customs, it has been subject to any administrative punishment very serious circumstance, or has been subject to any criminal punishment; or
3. Other acts in violation of other laws or administrative regulations of the state, of which the circumstances are serious.

(V) The use of the proceeds by the Company from the issuance of the A Share Convertible Bonds has satisfied the following provisions under Article 10 of the Administrative Measures:

1. The amount of funds raised shall not exceed the required amount of the project;
2. The purposes of use of the fund raised are in line with the industrial policies of the state as well as the laws and administrative regulations on environmental protection and land management;
3. The fund raised at the present time shall not be used as financial investments such as holding transactional financial assets or financial assets available for sale, or lending it to others or use it as entrusted financing, nor may it be used to invest directly or indirectly in any company which mainly engages in the buying and selling securities;
4. The investment project will not result in competition with the controlling shareholder or the actual controller, nor will it affect the Company’s independence in production and business operations; and
5. It shall formulate rules on the special deposit of the raised funds and shall deposit the raised funds in the special account as decided by its board of directors.

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**APPENDIX II                      REPORT ON THE COMPANY'S COMPLIANCE OF  
THE CONDITIONS FOR THE PROPOSED ISSUANCE  
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(VI) The Company has existed none of following circumstances under Article 11 of the Administrative Measures, which provides that it shall not issue any securities publicly:

1. The application documents for the present issuance have any false record, misleading statement or serious omission;
2. The Company illegally changes the purposes of use of the funds raised in the previous public issuance of securities and fails to make a correction;
3. The Company has ever been publicly condemned by the stock exchange within the recent 12 months;
4. The Company and its controlling shareholder or actual controller fail to the perform their public commitments to the investors within the recent 12 months;
5. The Company or any of its incumbent directors, senior management members is being investigated by the judicial organ due to any suspected crime or is being investigated by The CSRC due to any suspected violation; or
6. Other circumstances under which the legitimate rights and interests of the investors or the social and public interests are severely impaired.

(VII) The Company has satisfied the following provisions of Article 14 of the Administrative Measures on the public issuance of A Share Convertible Bonds:

1. The average of the weighted average net asset yield rates for the recent 3 years is not lower than 6% as calculated on the basis of the net profits after deducting the non-regular profits and losses or the pre-deduction net profits, whichever is smaller;
2. After the present issuance, the balance of the accumulative convertible bonds shall not exceed 40% of the amount of net assets at the end of the recent period; and
3. The annual average amount of distributable profits realized in recent 3 years is not less than the annual amount of interests of the convertible bonds.

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## **APPENDIX III A SHARE CONVERTIBLE BONDS ISSUANCE PLAN**

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The A Share Convertible Bonds Issuance Plan is as follows:

### **I. Type of bonds to be issued**

The type of securities to be issued by the Company are the A Share Convertible Bonds that can be converted into A Shares of the Company. The convertible bonds and future converted shares will be listed on the Shanghai Stock Exchange.

### **II. Issue size**

Pursuant to the relevant laws and regulations and together with the Company's financial situation and investment plans, the total amount of the A Share Convertible Bonds raised and proposed to be issued will be RMB1.45 billion (inclusive of RMB1.45 billion). A resolution will be proposed at the General Meeting and the Class Meetings to authorise the Board to determine the final issue size within the range above

### **III. Par value and issue price**

The A Share Convertible Bonds will be issued at par with a nominal value of RMB100 each.

### **IV. Bonds term**

The term of the A Share Convertible Bonds will be 6 years from the Issuance Date.

### **V. Bonds interest**

It will be proposed at the General Meeting and the Class Meetings to authorise the Board, and the Board shall determine the methods for determining the coupon rate of the A Share Convertible Bonds to be issued and actual annual rate for the interest accrual year with reference to the state policies, market conditions and the actual conditions of the Company, prior to the issuance, and by negotiating and agreeing with the sponsor (the lead underwriter).

Also, if the deposit rate of the banks has been adjusted prior to the issuance of the A Share Convertible Bonds, the authorisation from the General Meeting to the Board will also cover the adjustment of the coupon rate.

**VI. Method and timing of interest payment**

Interest of the A Share Convertible Bonds will be paid annually, while the principal and the final year's interest will be paid upon maturity.

**1. Calculation of the annual interest rates**

Annual accrued interest (the "Annual Interest") means the interest accrued for the year on each anniversary of the Issuance Date of the A Share Convertible Bonds, calculated based on the aggregate face value of the A Share Convertible Bonds that an A Share Convertible Bonds Holder is entitled to.

The formula for calculating the annual interest is:  $I = B \times i$

where,

I: annual interest;

B: the aggregate face value of the A Share Convertible Bonds held by a A Share Convertible Bonds Holder as at the debt record date for interest payment in an interest accrual year (referred to as "that year" or "each year");

i: the coupon rate of the A Share Convertible Bonds of that year.

**2. Method of interest payment**

- (1) Interest of the A Share Convertible Bonds will be paid once a year, accruing from the Issuance Date.
- (2) Interest payment date: the interest is payable annually on each anniversary of the Issuance Date of the A Share Convertible Bonds. If such day falls on a statutory holiday or rest day, the interest payment date shall be postponed to the next trading day and no additional interest will be paid during the period of postponement. The period between an interest payment date and the next interest payment date will be an interest accrual year.

Matters relating to the interest and dividend entitlement during the year of conversion shall be determined by the Board of the Company in accordance with relevant laws and rules and regulations of the Shanghai Stock Exchange.

- (3) Debt record date for interest payment: The debt record date for interest payment of each year will be the last trading day preceding the interest payment date. The Company will pay the interest accrued in that year within five trading days from the interest payment date. The Company will not pay any interest to Bondholders, who have applied for conversion into the A Share Convertible Bonds of the Company on or before the debt record date, for that year and subsequent interest accrual years.



- (4) Tax payable on the interest income from the A Share Convertible Bonds shall be borne by the Bondholders.

## **VII. Conversion period**

The conversion period of the A Share Convertible Bonds commences on the first trading day immediately following the expiry of the six-month period after the Issuance Date and ends on the maturity date of the A Share Convertible Bonds.

## **VIII. Determination and adjustment of conversion price**

### ***1. Determination basis of initial conversion price***

The initial conversion price of the A Share Convertible Bonds shall be not be lower than the average trading prices of the shares of the Company for the 20 trading days preceding the publication date of the Offering Document (in the event that the price has been adjusted due to ex-rights or ex-dividend during such 20 trading days, the average trading price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend price), and the average trading price of the shares on the trading day preceding the publication date of the Issuance Document. It will be proposed at the General Meeting and the Class Meetings to authorise the Board, and the Board shall determine the actual initial conversion price with reference to the market conditions and the situation of the Company, and by negotiating and agreeing with the sponsor (the lead underwriter).

The average trading price of the shares of the Company for the 20 trading days immediately = the total trading amount of the shares of the Company during the 20 trading days/the total trading volume of the shares of the Company during the 20 trading days; the average trading price of the shares of the Company = the total trading amount of the shares of the Company on the preceding trading day/the total trading volume of the shares of the Company on such trading day.

### ***2. Adjustment to the conversion price and calculation method***

Upon completion of the Proposed Issuance, where there is distribution of scrip dividend, conversion of share capital, issuance of new Shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds to be issued), rights issue or distribution of cash dividend by the Company, the Company will adjust the Conversion Price in accordance with the following formulae (the adjusted value shall be rounded off to two decimal places):

Distribution of scrip dividend or conversion of share capital =  $P_1 = P_0/(1+n)$ ;

Issuance of new Shares or rights issue:  $P_1 = (P_0 + A \times k)/(1 + k)$ ;

If the two situations above took place together:  $P_1 = (P_0 + A \times k)/(1 + n + k)$ ;

Distribution of cash dividend:  $P_1 = P_0 - D$ ;

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## APPENDIX III A SHARE CONVERTIBLE BONDS ISSUANCE PLAN

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If the three situations above took place together:  $P_1 = (P_0 - D + A \times k)/(1 + n + k)$ .

Where,  $P_1$  = the adjusted Conversion Price,  $P_0$  = the Conversion Price before adjustments,  $n$  = the rate of bonus shares or transferred shares,  $A$  = price of issuance of new Shares or rights issue,  $k$  = the ratio of issuance of new Shares or rights issue and  $D$  = cash dividend per Share.

Where the above changes in the above shares and/or the Company's equity interests occur, the Conversion Price will be adjusted accordingly and an announcement will be published on the website of the Shanghai Stock Exchange and on the media designated by the CSRC for disclosing information of listed companies. The announcement will indicate the date of adjustment to the Conversion Price, adjustment method and period of suspension for Share conversion (if necessary). If the date of adjustment to the Conversion Price takes place on or after a Bondholder's application for conversion, and before the Share registration date, then such conversion will be based on the Conversion Price adjusted by the Company.

In the event that the debt rights and conversion derivative interest of the Bondholders are affected by the change in the Company's share class, quantity and/or Shareholders' interest due to the possible Share repurchase, consolidation, subdivision or any other circumstances which may occur, the Company will adjust the Conversion Price based on the actual situation and in a fair, just and equitable manner and to protect the interests of the Bondholders of the A Share Convertible Bonds. The Conversion Price will be adjusted and operated based on the relevant PRC laws and regulations and the relevant regulations of the securities regulatory authorities of the relevant time.

### IX. Downward adjustment to the Conversion Price

#### *1. Adjustment authorization and permitted adjustment magnitude*

The Conversion Price may be subject to downward adjustments if, during the term of the A Share Convertible Bonds, the closing prices of the Shares of the Company for 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing Conversion Price, the Board may propose downward adjustments of the Conversion Price to consider and seek the approval at the General Meeting and the A/H Shares Class Meetings.

The above proposal is subject to approval of more than two-thirds of the votes of the participating Shareholders at the General Meeting and the Class Meetings. Shareholders holding the A Share Convertible Bonds should abstain from voting at the General Meeting and the Class Meetings. The adjusted Conversion Price shall not be lower than the higher of the average trading price of the Shares of the Company for the 20 trading days preceding the said General Meeting, and the average trading price of the Shares of the Company for the preceding trading day. Furthermore, the adjusted Conversion Price shall not be lower than the latest audited net asset value per Share and the par value per Share.

In the event that another adjustment of Conversion Price has taken place within the prior 30 trading days, the Conversion Price and closing price of Shares will be calculated on an unadjusted basis during the trading days prior to the adjustment, while the adjusted Conversion Price and closing price of Shares will be adopted during the trading days on which the adjustment was made or the trading day afterwards.

## **2. Procedure of adjustment**

If the Company resolves to make a downward adjustment to the Conversion Price, the Company will publish an announcement on the resolutions of the General Meeting and the Class Meetings on the website of the Shanghai Stock Exchange and through the media designated by the CSRC for disclosing information of listed companies. The announcement will disclose the magnitude of the adjustment, the registration date of the Shares, the suspension period of Share conversion. Application for share conversion will be restored based on the adjusted Conversion Price on the first trading day after the registration date (i.e. the effective date of the adjustment to the Conversion Price).

If the adjustment date is on or after the share conversion application date and prior to the registration date, the share conversion application should be executed based on the Conversion Price after the adjustment.

## **X. Determination of the number of conversion shares and methods of insufficient on conversion into one Share**

When a Bondholder applies to convert the A Share Convertible Bonds during the conversion period, the number of converted shares = aggregate face value of the A Share Convertible Bonds that the Bondholder applies for conversion/prevaling Conversion Price as at the date of application for conversion, and any fractional share shall be rounded down to the nearest whole number.

Within five trading days from the conversion of the A Share Convertible Bonds by the Bondholders, the Company will pay the Bondholders in cash an amount equals to the face value of the remaining balance of the A Share Convertible Bonds which are insufficient to be converted into one Share and the interest accrued on such balance in accordance with the relevant requirements of such as the Shanghai Stock Exchange and the securities registration authorities.

**XI. Terms of redemption****1. Terms of redemption at maturity**

Within 5 trading days after the maturity of the A Share Convertible Bonds, the Company will redeem all of the A Share Convertible Bonds which have not been converted into A Shares from the Bondholders at a price equivalent to the face value or a certain percentage higher than the face value of the A Share Convertible Bonds (including annual interests accrued for the final year). The actual redemption price shall be determined by the Board after discussion and agreement with the sponsor (the lead underwriter) according to the authorisation at the General Meeting and the Class Meetings with reference to the market conditions at the time of issuance.

**2. Terms of conditional redemption**

During the conversion term of the A Share Convertible Bonds, the Company has the right to redeem all or part of the A Share Convertible Bonds which have not been converted based on the face value plus the accrued interest for the year if either of the following situations occurs:

- (1) during the conversion term of the A Share Convertible Bonds, if the closing price of the Shares of the Company is not lower than 130% of the prevailing Conversion Price for at least 15 trading days out of any 30 consecutive trading days.
- (2) when the outstanding balance of the outstanding A Share Convertible Bonds issued is less than RMB30 million.

The accrued interest for the period is:  $IA = B \times i \times t/365$

IA: the accrued interest for the period;

B: the aggregate face value of the A Share Convertible Bonds held by the A Share Convertible Bonds Holder;

i: the interest rate of the A Share Convertible Bonds for the year;

t: the number of actual calendar days on which interest is accrued, from the beginning of current year to the redemption date and excluding the redemption date.

In the event that another adjustment of Conversion Price has taken place within the prior 30 trading days, the Conversion Price and closing price for the trading days prior to the adjustment date will be calculated based on the Conversion Price and closing price of A Shares prior to the adjustment, and for trading days after the adjustment, Conversion Price and closing price will be calculated based on the Conversion Price and closing price after the adjustment.

**XII. Terms of sell back****1. Terms of conditional sell back**

Within 2 years prior to the maturity of the A Share Convertible Bonds, where the closing price of the Company's Shares is lower than 70% of the then Conversion Price for 30 consecutive trading days, the Bondholders are entitled to sell all or part of the A Share Convertible Bonds held by them back to the Company at the face value plus the interest accrued then.

If there is distribution of scrip dividend, conversion of share capital, issuance of new Shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue or distribution of cash dividend during the said trading days, the Conversion Price and closing price will be calculated on an unadjusted basis during the trading days prior to adjustment, while the adjusted Conversion Price and closing price will be adopted during the trading days on which the adjustment was made or the trading day afterwards. If there is downward adjustment to the Conversion Price, then the said 30 consecutive trading days shall be re-counted based on the adjusted Conversion Price from the first trading day after the adjustment of the Conversion Price.

During the last 2 years prior to maturity, at the first time the requirements for the sell back are fulfilled for the year, the A Share Convertible Bond Holders may exercise the right of sell back once. If the A Share Convertible Bond Holders do not exercise their sell back rights after the requirements for sell back is first fulfilled and during the sell back declaration period, such Bondholders cannot exercise their sell back rights during the current year. Furthermore, Bondholders shall not exercise the right of sell back multiple times.

**2. Additional terms of sell back**

If the Company's actual use of the net proceeds from the Proposed Issuance of A Share Convertible Bonds is materially different from the undertaking of the use of proceeds set out in the Issuance Document, and such difference is considered by the CSRC as a change in the use of the proceeds, the Bondholders will have a one-off right to sell all or part of the A Share Convertible Bonds held by them back to the Company at the face value plus the interest accrued. Under the said scenario, the Bondholders may sell their A Share Convertible Bonds back to the Company during the sell back declaration period. If the Bondholders do not exercise their sell back rights during the sell back declaration period, such right will automatically lapse. For interest accrued for the current period, please refer to the paragraph "term of redemption" above.

**XIII. Dividend rights for the conversion year**

The new Company Shares to be issued as a result of the conversion of the A Share Convertible Bonds shall rank *pari passu* with all the existing Company Shares. As for the dividend distribution, all the ordinary Shareholders (including Shareholders from the conversion of the A Share Convertible Bonds) registered on the register of members on the record date for dividend distribution are all entitled to such distribution.

**XIV. Method of issuance and target investors**

The actual method of the issuance of the A Share Convertible Bonds will be determined by the Board with the sponsor (the lead underwriter), subject to the authorisation at the General Meeting and the Class Meetings.

The target investors of the A Share Convertible Bonds are natural persons, legal persons, securities investment funds and other investors who meet the requirements under the laws, and who have maintained securities accounts with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (except those prohibited by the state laws and regulations in the PRC).

**XV. Subscription arrangement for existing A Shareholders**

The A Shareholders shall have pre-emptive rights to subscribe for the A Share Convertible Bonds to be issued. It will be proposed at the General Meeting and Class Meetings to authorise the Board, and the Board shall determine by negotiating and agreeing with the sponsor (the lead underwriter) with reference to the prevailing market conditions, the actual amount to be allocated under the pre-emptive rights, and shall be disclosed in the A Share Convertible Bonds publications.

The remaining A Share Convertible Bonds after such preferential allocation to the existing A Shareholders or waived by the existing A Shareholders shall be issued to the institutional investors by off-line allocations or to the investors through the on-line issuance system of the Shanghai Stock Exchange, and the lead underwriter shall underwrite the any remaining balance.

**XVI. Relevant matters on Bondholders' Meetings****(1) Rights of Bondholders**

- ① Entitlement to interest payments based on the amount of the A Share Convertible Bonds held;
- ② Entitlement to convert the A Share Convertible Bonds held into A Shares of the Company based on the conditions set out in the A Share Convertible Bonds Issuance Document;
- ③ Entitlement to exercise right of sell back based on the conditions set out in the A Share Convertible Bonds Issuance Document

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## APPENDIX III A SHARE CONVERTIBLE BONDS ISSUANCE PLAN

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- ④ Ability to transfer, give or pledge the A Share Convertible Bonds held in accordance with the laws, administrative regulations and the Articles of Association;
- ⑤ Access to relevant information in accordance with the laws and the Articles of Association;
- ⑥ Seek claim from the Company for payment of the principal and interests of the A Share Convertible Bonds for such period and in such method as set out in the Issuance Document;
- ⑦ Rights to participate in or appoint proxies to participate in the Bondholders' meetings and exercise voting rights in accordance with the laws, administrative regulations and other relevant requirements; and
- ⑧ Other rights pursuant to the laws, administrative regulations and the Articles of the Association as creditors of the Company.

### ***(2) Obligations of the Bondholders***

- ① Complying with the relevant terms of the A Share Convertible Bonds;
- ② Making due subscription payment for the A Share Convertible Bonds subscribed;
- ③ Complying with the valid resolutions of the Bondholders' meeting;
- ④ Except as specified in laws, regulations, or the A Share Convertible Bonds Issuance Document, the Bondholders shall not request the Company to make prepayment of the principal and interests of the A Share Convertible Bonds before being due;
- ⑤ Complying with other obligations to be undertaken by the A Share Convertible Bond Holders in accordance with the laws, administrative regulations and the Articles of Association.

### ***2. Circumstances for convening a Bondholders' meeting***

The Board shall convene a Bondholders' meeting if any one of the following situation arises during the subsistence of the A Share Convertible Bonds:

- (1) the Company proposes to change the terms under the A Share Convertible Bonds Issuance Document;
- (2) the Company's default in payment of the principal and interests of the A Share Convertible Bonds;

## APPENDIX III A SHARE CONVERTIBLE BONDS ISSUANCE PLAN

- (3) reduction of capital (other than the reduction of capital for the repurchase of Shares relating to share incentive scheme), merger, separation, dissolution or application of winding-up of the Company;
- (4) amendments to the rules for the A Share Convertible Bond Holders' meetings;
- (5) the occurrence of other matters which may substantially affect the interests of the Bondholders; and
- (6) other matters that should be considered and decided by the Bondholders' meetings in accordance with the laws, administrative regulations, CSRC, Shanghai Stock Exchange and the rules.

The following institutions or persons are entitled to propose convening a Bondholders' meeting:

- (1) proposal by the Board;
- (2) written proposal by any one or more Bondholder(s) which hold more than 10% of the outstanding Bonds in aggregate; and
- (3) any institution or person designated by the CSRC.

### XVII. Use of proceeds

The total amount of proceeds from the Proposed Issuance of the A Share Convertible Bonds will not exceed RMB1.45 billion, which will be used for the following projects after deducting the issuance expenses:

*Unit: 0'000*

<b>Number</b>	<b>Project name</b>	<b>Project location</b>	<b>Total amount of investment</b>	<b>Amount of net proceeds to be used</b>
1	Annual production of 750,000 tons of PV module cover glass project	Anhui	175,168.36	145,000.00
Total			<u>175,168.36</u>	<u>145,000.00</u>

The Company shall use internal source of funding to finance the short fall between the project's investment amount and the actual net proceeds from the Proposed Issuance of the A Share Convertible Bonds if the net proceeds from the Proposed Issuance cannot satisfy the investment amount. If the time of receiving the net proceeds from the Proposed Issuance



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## **APPENDIX III     A SHARE CONVERTIBLE BONDS ISSUANCE PLAN**

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does not meet with the implementation schedule of the project, the Company may apply other funds to the project pursuant to its actual progress, and replace such funds with the net proceeds from the Proposed Issuance after the same have been received.

### **XVIII. Management and deposit of proceeds**

The Company has established the Administrative Measures for the Proceeds Raised. Proceeds from the Proposed Issuance will be deposited into a specific account determined by the Board, specific matters related to the opening of the account will be determined by the Board before the Proposed Issuance.

### **XIX. Guarantee**

No guarantee will be provided for the Proposed Issuance of the A Share Convertible Bonds.

### **XX. Validity period of the Proposed Issuance of A Share Convertible Bonds**

The resolutions for the Proposed Issuance of A Share Convertible Bonds will be valid for 12 months from the date of the passing of the relevant resolutions at the General Meetings and the Class Meetings.

**I. THE ISSUANCE SATISFIES THE CONDITIONS OF THE PUBLIC ISSUANCE OF THE SECURITIES UNDER THE ADMINISTRATIVE MEASURES FOR THE ISSUANCE OF SECURITIES BY LISTED COMPANIES**

Pursuant to the relevant requirements of the laws, regulations and regulatory documents including the Company Law of the PRC\* (《中華人民共和國公司法》), the Securities Law of the People's Republic of China\* (《中華人民共和國證券法》), the Administrative Measures for the Issuance of Securities by Listed Companies\* (《上市公司證券發行管理辦法》), after self-examination of the matters one by one by the Board on the actual conditions of the Company, the Board believe that the Company has satisfied all the existing regulations and requirements of the relevant laws, regulations and regulatory documents in relation to the public issuance of the A Share Convertible Bonds, and that it possesses the conditions for public issuance of the A Share Convertible Bonds.

**II. OVERVIEW OF THE ISSUANCE****I. Type of securities to be issued**

The type of securities to be issued by the Company are the A Share Convertible Bonds that can be converted into A Shares of the Company. The A Share Convertible Bonds and future converted shares will be listed on the Shanghai Stock Exchange.

**II. Issue size**

Pursuant to the relevant laws and regulations and together with the Company's financial situation and investment plans, the total amount of the A Share Convertible Bonds raised and proposed to be issued will be RMB1.45 billion (inclusive of RMB1.45 billion). A resolution will be proposed at the AGM and the Class Meetings to authorise the Board to determine the final issue size within the range above

**III. Par value and issue price**

The A Share Convertible Bonds will be issued at par with a nominal value of RMB100 each

**IV. Bonds term**

The term of the A Share Convertible Bonds will be 6 years from the Issuance Date

**V. Coupon rate**

It will be proposed at the AGM and the Class Meetings to authorise the Board, and the Board shall determine the methods for determining the coupon rate and actual annual rate for the interest accrual year with reference to PRC government policies,

market conditions and the actual conditions of the Company, prior to the issuance of A Share Convertible Bonds, and by negotiating and agreeing with the sponsor (the lead underwriter).

Also, if the deposit rate of the banks has been adjusted prior to the issuance of the A Share Convertible Bonds, the authorization from the Shareholders to the Board will also cover the adjustment of the coupon rate.

## **VI. Method and timing of interest payment**

Interest of the A Share Convertible Bonds will be paid annually, while the principal and the final year's interest will be paid upon maturity.

### **1. Calculation of the annual interest rates**

Annual accrued interest (the "Annual Interest") means the interest accrued for the year on each anniversary of the Issuance Date of the A Share Convertible Bonds, calculated based on the aggregate face value of the A Share Convertible Bonds that Bonds Holder is entitled to.

The formula for calculating the annual interest is:  $I=B \times i$

where,

I: annual interest;

B: the aggregate face value of the A Share Convertible Bonds held by Bonds Holder as at the debt record date for interest payment in an interest accrual year (referred to as "that year" or "each year");

i: the coupon rate of the A Share Convertible Bonds of that year.

### **2. Method of interest payment**

(1) Interest of the A Share Convertible Bonds will be paid once a year, accruing from the Issuance Date.

(2) Interest payment date: the interest is payable annually on each anniversary of the Issuance Date of the A Share Convertible Bonds. If such day falls on a statutory holiday or rest day, the interest payment date shall be postponed to the next trading day and no additional interest will be paid during the period of postponement. The period between an interest payment date and the next interest payment date will be an interest accrual year.

Matters relating to the interest and dividend entitlement during the year of conversion shall be determined by the Board of the Company in accordance with relevant laws, rules and regulations of the Shanghai Stock Exchange.

- (3) Record date for interest payment: The record date for interest payment of each year will be the last trading day preceding the interest payment date. The Company will pay the interest accrued in that year within five trading days from the interest payment date. The Company will not pay any interest to Bondholders, who have applied for conversion into the A Share Convertible Bonds of the Company on or before the debt record date, for that year and subsequent interest accrual years.
- (4) Tax payable on the interest income from the A Share Convertible Bonds shall be borne by the Bondholders.

#### **VII. Conversion period**

The conversion period of the A Share Convertible Bonds commences on the first trading day immediately following the expiry of the six-month period after the Issuance Date and ends on the maturity date of the A Share Convertible Bonds.

#### **VIII. Determination and adjustment of conversion price**

##### ***1. Determination basis of initial conversion price***

The initial conversion price of the A Share Convertible Bonds shall be not be lower than the average trading prices of the shares of the Company for the 20 trading days preceding the publication date of the Offering Document (in the event that the price has been adjusted due to ex-rights or ex-dividend during such 20 trading days, the average trading price of each of these trading days before adjustment shall be adjusted with reference to the ex-rights or ex-dividend price), and the average trading price of the shares on the trading day preceding the publication date of the Offering Document. It will be proposed at the AGM and the Class Meetings to authorise the Board, and the Board shall determine the actual initial conversion price with reference to the market conditions and the situation of the Company, and by negotiating and agreeing with the sponsor (the lead underwriter)

The average trading price of the shares of the Company for the 20 trading days immediately = the total trading amount of the shares of the Company during the 20 trading days / the total trading volume of the shares of the Company during the 20 trading days; the average trading price of the shares of the Company on the preceding trading day= the total trading amount of the shares of the Company on the preceding trading day / the total trading volume of the shares of the Company on such trading day.

*2. Adjustment to the conversion price and calculation method*

Upon completion of the Proposed Issuance, where there is distribution of scrip dividend, conversion of share capital, issuance of new Shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue or distribution of cash dividend by the Company, the Company will adjust the Conversion Price in accordance with the following formulae (the adjusted value shall be rounded off to two decimal places):

Distribution of scrip dividend or conversion of share capital =  $P_1 = P_0 / (1+n)$ ;

Issuance of new Shares or rights issue:  $P_1 = (P_0+A \times k) / (1+k)$ ;

If the two situations above took place together:  $P_1 = (P_0+A \times k) / (1+n+k)$ ;

Distribution of cash dividend:  $P_1 = P_0 - D$ ;

If the three situations above took place together:  $P_1 = (P_0-D+A \times k) / (1+n+k)$ .

Where,  $P_1$  = the adjusted Conversion Price,  $P_0$  = the Conversion Price before adjustments,  $n$  = the rate of bonus shares or transferred shares,  $A$  = price of issuance of new Shares or rights issue,  $k$  = the ratio of issuance of new Shares or rights issue and  $D$  = cash dividend per Share.

Where the above changes in the above shares and/or the Company's equity interests occur, the Conversion Price will be adjusted accordingly and an announcement will be published on the website of the Shanghai Stock Exchange and on the media designated by the CSRC for disclosing information of listed companies. The announcement will indicate the date of adjustment to the Conversion Price, adjustment method and period of suspension for Share conversion (if necessary). If the date of adjustment to the Conversion Price takes place on or after a Bondholder's application for conversion, and before the Share registration date, then such conversion will be based on the Conversion Price adjusted by the Company.

In the event that the debt rights and conversion derivative interest of the Bondholders are affected by the change in the Company's share class, quantity and/or Shareholders' interest due to the possible Share repurchase, consolidation, subdivision or any other circumstances which may occur, the Company will adjust the Conversion Price based on the actual situation and in a fair, just and equitable manner and to protect the interests of the Bondholders of the A Share Convertible Bonds. The Conversion Price will be adjusted and operated based on the relevant PRC laws and regulations and the relevant regulations of the securities regulatory authorities of the relevant time.

**IX. Downward adjustment to the Conversion Price****1. Adjustment authorization and permitted adjustment magnitude**

The Conversion Price may be subject to downward adjustments if, during the term of the A Share Convertible Bonds, the closing prices of the Shares of the Company for 15 trading days out of any 30 consecutive trading days are lower than 90% of the prevailing Conversion Price, the Board may propose downward adjustments of the Conversion Price to consider and seek the approval at the General Meeting and the A / H Shares Class Meetings.

The above proposal is subject to approval of more than two-thirds of the votes of the participating Shareholders at the General Meeting and the Class Meetings. Shareholders holding the A Share Convertible Bonds should abstain from voting at the General Meeting and the Class Meetings. The adjusted Conversion Price shall not be lower than the higher of the average trading price of the Shares of the Company for the 20 trading days preceding the said General Meeting, and the average trading price of the Shares of the Company for the preceding trading day. Furthermore, the adjusted Conversion Price shall not be lower than the latest audited net asset value per Share and the par value per Share.

In the event that another adjustment of Conversion Price has taken place within the prior 30 trading days, the Conversion Price and closing price of Shares will be calculated on an unadjusted basis during the trading days prior to the adjustment, while the adjusted Conversion Price and closing price of Shares will be adopted during the trading days on which the adjustment was made or the trading day afterwards.

**2. Procedure of adjustment**

If the Company resolves to make a downward adjustment to the Conversion Price, the Company will publish an announcement on the resolutions of the General Meeting and the Class Meetings on the websites of the Shanghai Stock Exchange and through the media designated by the CSRC for disclosing information of listed companies. The announcement will disclose the magnitude of the adjustment, the registration date of the Shares, the suspension period of Share conversion. Application for share conversion will be restored based on the adjusted Conversion Price on the first trading day after the registration date (i.e. the effective date of the adjustment to the Conversion Price).

If the adjustment date is on or after the share conversion application date and prior to the registration date, the share conversion application should be executed based on the Conversion Price after the adjustment.

**X. Determination of the number of conversion shares and methods of insufficient on conversion into one Share**

When a Bondholder applies to convert the A Share Convertible Bonds during the conversion period, the number of converted shares = aggregate face value of the A Share Convertible Bonds that the Bondholder applies for conversion / prevailing Conversion Price as at the date of application for conversion, and any fractional share shall be rounded down to the nearest whole number.

Within five trading days from the conversion of the A Share Convertible Bonds by the Bondholders, the Company will pay the Bondholders in cash an amount equals to the face value of the remaining balance of the A Share Convertible Bonds which are insufficient to be converted into one Share and the interest accrued on such balance in accordance with the relevant requirements of such as the Shanghai Stock Exchange and the securities registration authorities.

**XI. Terms of redemption****1. Terms of redemption at maturity**

Within 5 trading days after the maturity of the A Share Convertible Bonds, the Company will redeem all of the A Share Convertible Bonds which have not been converted into A Shares from the Bondholders at a price equivalent to the face value or a certain percentage higher than the face value of the A Share Convertible Bonds (including annual interests accrued for the final year). The actual redemption price shall be determined by the Board after discussion and agreement with the sponsor (the lead underwriter) according to the authorisation at the General Meeting and the Class Meetings with reference to the market conditions at the time of issuance.

**2. Terms of conditional redemption**

During the conversion term of the A Share Convertible Bonds, the Company has the right to redeem all or part of the A Share Convertible Bonds which have not been converted based on the face value plus the accrued interest for the year if either of the following situations occurs:

- (1) during the conversion term of the A Share Convertible Bonds, if the closing price of the Shares of the Company is not lower than 130% of the prevailing Conversion Price for at least 15 trading days out of any 30 consecutive trading days.
- (2) when the outstanding balance of the outstanding issued is less than RMB30 million.

The accrued interest for the period is:  $IA = B \times i \times t / 365$

- IA: the accrued interest for the period;
- B: the aggregate face value of the A Share Convertible Bonds held by the Bonds Holder;
- i: the interest rate of the A Share Convertible Bonds for the year;
- t: the number of actual calendar days on which interest is accrued, from the beginning of current year to the redemption date and excluding the redemption date.

In the event that another adjustment of Conversion Price has taken place within the prior 30 trading days, the Conversion Price and closing price for the trading days prior to the adjustment date will be calculated based on the Conversion Price and closing price of A Shares prior to the adjustment, and for trading days after the adjustment, Conversion Price and closing price will be calculated based on the Conversion Price and closing price after the adjustment.

## **XII. Terms of sell back**

### ***1. Terms of conditional sell back***

Within 2 years prior to the maturity of the A Share Convertible Bonds, where the closing price of the Company's Shares is lower than 70% of the then Conversion Price for 30 consecutive trading days, the Bondholders are entitled to sell all or part of the A Share Convertible Bonds held by them back to the Company at the face value plus the interest accrued then.

If there is distribution of scrip dividend, conversion of share capital, issuance of new Shares (excluding any increase in the share capital as a result of conversion of the A Share Convertible Bonds), rights issue or distribution of cash dividend during the said trading days, the Conversion Price and closing price will be calculated on an unadjusted basis during the trading days prior to adjustment, while the adjusted Conversion Price and closing price will be adopted during the trading days on which the adjustment was made or the trading day afterwards. If there is downward adjustment to the Conversion Price, then the said 30 consecutive trading days shall be re-counted based on the adjusted Conversion Price from the first trading day after the adjustment of the Conversion Price.

During the last 2 years prior to maturity, at the first time the requirements for the sell back are fulfilled for the year, the A Share Convertible Bond Holders may exercise the right of sell back once. If the A Share Convertible Bond Holders do not exercise their sell back rights after the requirements for sell back is first fulfilled and during the sell back declaration period, such Bondholders cannot exercise their sell back rights during the current year. Furthermore, Bondholders shall not exercise the right of sell back multiple times.



**2. Additional terms of sell back**

If the Company's actual use of the net proceeds from the Proposed Issuance of A Share Convertible Bonds is materially different from the undertaking of the use of proceeds set out in the Offering Document, and such difference is considered by the CSRC as a change in the use of the proceeds, the Bondholders will have a one-off right to sell all or part of the A Share Convertible Bonds held by them back to the Company at the face value plus the interest accrued. Under the said scenario, the Bondholders may sell their A Share Convertible Bonds back to the Company during the sell back declaration period. If the Bondholders do not exercise their sell back rights during the sell back declaration period, such right will automatically lapse. For interest accrued for the current period, please refer to the paragraph "term of redemption" above.

**XIII. Dividend rights for the conversion year**

The new Company Shares to be issued as a result of the conversion of the A Share Convertible Bonds shall rank pari passu with all the existing Company Shares. As for the dividend distribution, all the ordinary Shareholders (including Shareholders from the conversion of the A Share Convertible Bonds) registered on the register of members on the record date for dividend distribution are all entitled to such distribution.

**XIV. Method of issuance and target investors**

The actual method of the issuance of the A Share Convertible Bonds will be determined by the Board with the sponsor (the lead underwriter), subject to the authorisation at the General Meeting and the Class Meetings.

The target investors of the A Share Convertible Bonds are natural persons, legal persons, securities investment funds and other investors who meet the requirements under the laws, and who have maintained securities accounts with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (except those prohibited by the state laws and regulations in the PRC).

**XV. Subscription arrangement for existing A Shareholders**

The A Shareholders shall have pre-emptive rights to subscribe for the A Share Convertible Bonds to be issued. It will be proposed at the General Meeting and Class Meetings to authorise the Board, and the Board shall determine by negotiating and agreeing with the sponsor (the lead underwriter) with reference to the prevailing market conditions, the actual amount to be allocated under the pre-emptive rights, and shall be disclosed in the A Share Convertible Bonds publications.

The remaining A Share Convertible Bonds after such preferential allocation to the existing A Shareholders or waived by the existing A Shareholders shall be issued to the institutional investors by off-line allocations or to the investors through the on-line offering system of the Shanghai Stock Exchange, and the lead underwriter shall underwrite the any remaining balance.

## **XVI. Relevant matters on Bondholders' Meetings**

### **1. *Rights and responsibilities of Bondholders***

#### *(1) Rights of Bondholders*

- ① Entitlement to interest payments based on the amount of the A Share Convertible Bonds held;
- ② Entitlement to convert the A Share Convertible Bonds held into A Shares of the Company based on the conditions set out in the A Share Convertible Bonds Offering Document;
- ③ Entitlement to exercise right of sell back based on the conditions set out in the A Share Convertible Bonds Offering Document
- ④ Ability to transfer, give or pledge the A Share Convertible Bonds held in accordance with the laws, administrative regulations and the Articles of Association;
- ⑤ Access to relevant information in accordance with the laws and the Articles of Association;
- ⑥ Seek claim from the Company for payment of the principal and interests of the A Share Convertible Bonds for such period and in such method as set out in the Offering Document;
- ⑦ Rights to participate in or appoint proxies to participate in the Bondholders' meetings and exercise voting rights in accordance with the laws, administrative regulations and other relevant requirements; and
- ⑧ Other rights pursuant to the laws, administrative regulations and the Articles of the Association as creditors of the Company.

#### *(2) Obligations of the Bondholders*

- ① Complying with the relevant terms of the A Share Convertible Bonds;

- ② Making due subscription payment for the A Share Convertible Bonds subscribed;
- ③ Complying with the valid resolutions of the Bondholders' meeting;
- ④ Except as specified in laws, regulations, or the A Share Convertible Bonds Offering Document, the Bondholders shall not request the Company to make prepayment of the principal and interests of the A Share Convertible Bonds before being due;
- ⑤ Complying with other obligations to be undertaken by the Convertible Bond Holders in accordance with the laws, administrative regulations and the Articles of Association.

## 2. *Circumstances for convening a Bondholders' meeting*

The Board shall convene a Bondholders' meeting if any one of the following situation arises during the subsistence of the A Share Convertible Bonds:

- (1) the Company proposes to change the terms under the A Share Convertible Bonds Offering Document;
- (2) the Company's default in payment of the principal and interests of the A Share Convertible Bonds;
- (3) reduction of capital (other than the reduction of capital for the repurchase of Shares relating to share incentive scheme), merger, separation, dissolution or application of winding-up of the Company;
- (4) amendments to the rules for the A Share Convertible Bond Holders' meetings;
- (5) the occurrence of other matters which may substantially affect the interests of the Bondholders; and
- (6) other matters that should be considered and decided by the Bondholders' meetings in accordance with the laws, administrative regulations, CSRC, Shanghai Stock Exchange and the rules.

The following institutions or persons are entitled to propose convening a Bondholders' meeting:

- (1) proposal by the Board;
- (2) written proposal by any one or more Bondholder(s) which hold more than 10% of the outstanding Bonds in aggregate; and

(3) any institution or person designated by the CSRC.

#### **XVII. Use of proceeds**

The total amount of proceeds from the Proposed Issuance of the A Share Convertible Bonds will not exceed RMB1.45 billion, which will be used for the following projects after deducting the issuance expenses:

*Unit: 0'000*

<b>Number</b>	<b>Project name</b>	<b>Project location</b>	<b>Total amount of investment</b>	<b>Amount of net proceeds to be used</b>
1	Annual production of 750,000 tons of PV module cover glass project	Anhui	175,168.36	145,000.00
Total			<u>175,168.36</u>	<u>145,000.00</u>

The Company shall use internal source of funding to finance the short fall between the project's investment amount and the actual net proceeds from the Proposed Issuance of the A Share Convertible Bonds if the net proceeds from the Proposed Issuance cannot satisfy the investment amount. If the time of receiving the net proceeds from the Proposed Issuance does not meet with the implementation schedule of the project, the Company may apply other funds to the project pursuant to its actual progress, and replace such funds with the net proceeds from the Proposed Issuance after the same have been received.

#### **XVIII. Management and deposit of proceeds**

The Company has established the Administrative Measures for the Proceeds Raised. Proceeds from the Proposed Issuance will be deposited into a specific account determined by the Board, specific matters related to the opening of the account will be determined by the Board before the Proposed Issuance.

#### **XIX. Guarantee**

No guarantee will be provided for the Proposed Issuance of the A Share Convertible Bonds.

#### **XX. Validity period of the Proposed Issuance of A Share Convertible Bonds**

The resolutions for the Proposed Issuance of A Share Convertible Bonds will be valid for 12 months from the date of the passing of the relevant resolutions at the General Meetings and the Class Meetings.

## III. FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

## (1) The Balance Sheet, Income Statement and Cash Flow Statement for the last three financial years

The financial reports for 2016, 2017 and 2018 prepared by the Company have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership).

## I. CONSOLIDATED BALANCE SHEET

Unit: RMB

Item	31 December 2018	31 December 2017	31 December 2016
Current assets:			
Monetary assets	683,018,973.73	1,084,791,942.37	776,529,755.14
Derivative financial assets	6,172,390.30	–	20,749,238.39
Bills and accounts receivable	1,732,489,710.55	1,440,365,848.41	1,123,431,846.23
Prepayments	65,474,835.88	71,752,325.55	33,316,310.18
Other receivables	1,296,794.21	1,248,417.99	2,278,943.80
Inventories	377,123,199.96	267,593,243.84	257,678,916.64
Other current assets	181,666,205.48	75,652,409.33	14,937,452.99
Total current assets	3,047,242,110.11	2,941,404,187.49	2,228,922,463.37
Non-current assets:			
Available-for-sale financial assets		4,000,000.00	4,000,000.00
Investment properties	23,096,642.23	24,528,112.63	–
Fixed assets	2,166,275,875.65	1,469,217,181.18	1,541,130,124.52
Construction in progress	962,570,065.48	701,244,606.73	92,724,087.00
Intangible assets	536,809,851.25	535,448,278.19	524,401,947.74
Long-term prepaid expenses	2,777,526.55	871,402.03	1,913,075.62
Deferred income tax assets	19,005,748.81	29,813,297.84	31,144,295.41
OTHER NON-CURRENT ASSETS	195,771,282.04	249,015,993.57	42,390,829.60
Total non-current assets	3,906,306,992.01	3,014,138,872.17	2,237,704,359.89
Total assets	6,953,549,102.12	5,955,543,059.66	4,466,626,823.26
Current liabilities:			
Short term loans	450,399,136.69	379,519,650.00	335,370,000.00
Trading financial liabilities			26,150,000.00
Derivative financial liabilities	738,000.00	7,824,900.00	1,501,229.25
Bills and accounts receivable	1,436,373,242.18	1,375,996,769.84	819,335,996.79
Receipts in advance	–	5,994,110.96	7,000,277.75
Contract liabilities	14,042,379.21		
Employee Benefits	26,225,994.20	23,479,927.11	27,345,733.26
Tax charge payables	81,681,336.98	123,012,914.38	115,369,513.36
Other payables	38,681,381.51	33,624,949.92	19,793,893.97

**APPENDIX IV****PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS**

<b>Item</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Non-current liabilities due within one year	201,905,909.70	19,082,931.08	38,144,897.33
Total current liabilities	2,250,047,380.47	1,968,536,153.29	1,390,011,541.71
Non-current liabilities:			
Long-term borrowings	989,439,412.61	687,504,745.28	100,000.00
Long-term payables			56,650,000.00
Deferred revenue	45,408,645.01	49,128,788.49	62,216,386.33
Total non-current liabilities	1,034,848,057.62	736,633,533.77	118,966,386.33
Total liabilities	3,284,895,438.09	2,705,169,687.06	1,508,977,928.04
Shareholders' equity			
share capital	450,000,000.00	450,000,000.00	450,000,000.00
Capital reserves	622,230,162.41	622,230,162.41	622,230,162.41
Other comprehensive income	-4,685,190.57	-15,956,814.44	7,429,469.19
Special reserve	9,425,627.41	9,731,676.16	6,747,678.18
Surplus reserves	168,158,907.37	141,271,158.58	96,733,948.23
Retained profit	2,423,524,157.41	2,043,097,189.89	1,774,507,637.21
Equity attributable to the Shareholders of the parent company	3,668,653,664.03	3,250,373,372.60	2,957,648,895.22
Minority interests			
TOTAL EQUITY	3,668,653,664.03	3,250,373,372.60	2,957,648,895.22
Total liabilities and Shareholders' equity	6,953,549,102.12	5,955,543,059.66	4,466,626,823.26

## II. CONSOLIDATED STATEMENTS OF PROFIT

Unit: RMB

Item	Year of 2018	Year of 2017	Year of 2016
I. Operating revenue	3,063,802,709.44	2,991,497,043.77	2,967,520,841.88
less: Operating cost	2,232,762,168.05	2,127,998,095.84	1,842,360,309.46
Business tax and surcharges	28,635,983.23	35,302,715.51	34,696,184.55
Selling expenses	128,327,434.68	137,513,244.60	107,564,939.56
Management expenses	117,786,385.22	102,913,558.25	107,703,991.34
Research and development expenses	113,246,196.64	96,131,544.21	103,201,559.48
Finance cost	1,611,581.32	28,490,124.09	4,418,415.20
Including: interest expenses	25,791,618.68	10,718,343.36	28,124,478.30
Interest Income	18,599,358.49	9,233,927.69	6,072,449.32
Total provisions for impairment losses on assets	2,589,390.06	-8,955,619.51	69,529,094.56
Credit impairment losses	7,363,612.81	-	-
Other gains	24,929,136.86	27,057,294.77	-
Investment losses	-16,191,214.96	-306,840.71	-1,984,653.85
Gain from changes in fair value	13,259,290.30	-7,072,909.14	-751,990.86
Asset disposal losses	5,040,070.63	-146,163.71	-5,157,704.64
II. Operating profit	458,517,240.26	491,634,761.99	690,151,998.38
Add: Non-operating income	7,757,924.37	4,777,548.10	43,732,103.14
Less: Non-operational expense	129,905.64	558,280.15	4,098,113.88
III. Total profit	466,145,258.99	495,854,029.94	729,785,987.64
Less: Income tax expense	58,830,542.68	69,327,266.91	126,507,459.50
IV. Net profit	407,314,716.31	426,526,763.03	603,278,528.14
Minority interests			-
Net profit attributable to Shareholders of the Company	407,314,716.31	426,526,763.03	603,278,528.14
V. Other comprehensive income, net of tax	11,271,623.87	-23,386,283.63	7,429,469.19
Net other comprehensive income after tax attributable to owners of the parent company	11,271,623.87	-23,386,283.63	7,429,469.19
VI. Other comprehensive income that will not be reclassified into profit or loss afterwards			

**APPENDIX IV****PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS**

<b>Item</b>	<b>Year of 2018</b>	<b>Year of 2017</b>	<b>Year of 2016</b>
VII. Other comprehensive income that will be subsequently reclassified to profit or loss	11,271,623.87	-23,386,283.63	7,429,469.19
– Exchange differences on translating foreign operations	11,271,623.87	-23,386,283.63	7,429,469.19
Other comprehensive income attributable to minority interest, net of tax		–	–
VIII. Total comprehensive income	418,586,340.18	403,140,479.40	610,707,997.33
Total comprehensive income attributable to the owners of the parent company	418,586,340.18	403,140,479.40	610,707,997.33
Total comprehensive income attributable to minority interests		–	–
IX. Earning per share			
(I) Basic earnings per share	0.23	0.24	0.34
(II) Diluted earnings per share	Not Applicable	Not Applicable	Not Applicable



## III. CONSOLIDATED CASH FLOWS STATEMENT

Unit: RMB

Item	Year of 2018	Year of 2017	Year of 2016
I. Cash flows from operating activities:			
Cash received from the sales of goods and the rendering of services	3,304,200,550.98	2,980,689,445.35	3,391,059,863.30
Refund of taxes and levies	55,198,126.62	43,432,257.01	37,469,306.44
Cash received relating to other operating activities	49,720,199.30	29,106,603.25	36,242,116.66
Sub-total of cash inflows from operating activities	3,409,118,876.90	3,053,228,305.61	3,464,771,286.40
Cash received from the sales of goods and the rendering of services	2,325,631,527.20	2,145,563,004.04	1,794,936,617.96
Cash paid to and for employees	256,273,716.64	215,697,044.83	208,519,386.58
Payments of all types of taxes	160,534,112.01	155,975,947.06	233,516,242.75
Cash payments relating to other operating activities	235,770,269.30	226,951,220.97	179,827,217.77
Sub-total of cash outflows from operating activities	2,978,209,625.15	2,744,187,216.90	2,416,799,465.06
Net cash flow generated from operating activities	430,909,251.75	309,041,088.71	1,047,971,821.34
II. Cash flow from investing activities:			
Cash received from return of investments	4,200,000.00	50,000,000.00	24,000,000.00
Cash received from investments income	6,137,288.85	3,411,481.68	12,528,552.97
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	7,154,807.27	2,133,999.42	284,022.41
Cash received relating to other investing activities	108,900,833.79	11,725,000.00	1,688,365.11
Sub-total of cash inflows from investing activities	126,392,929.91	67,270,481.10	38,500,940.49
Cash paid to acquire fixed assets, intangible assets and other long-term assets	1,257,129,436.89	553,594,369.83	394,993,717.58
Cash paid for investments	–	30,000,000.00	20,000,000.00
Cash payments relating to other investing activities	172,208,372.97	12,778,582.39	2,085,454.62

**APPENDIX IV**
**PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS**

Item	Year of 2018	Year of 2017	Year of 2016
Sub-total of cash outflows from investing activities	1,429,337,809.86	596,372,952.22	417,079,172.20
Net cash flows from investing activities	-	-	-
III. Cash flow from financing activities:	1,302,944,879.95	-529,102,471.12	-378,578,231.71
Cash received from capital contribution			3,035,600.00
Cash received from proceeds from borrowing	1,078,769,050.66	1,367,207,146.03	608,339,250.00
Cash received relating to other financing activities	349,496,734.24	198,238,621.44	355,103,679.91
Sub-total of cash inflows from financing activities	1,428,265,784.90	1,565,445,767.47	966,478,529.91
Cash payments for debts settlement	584,818,797.80	625,208,440.00	1,218,342,394.97
Cash payments for distribution of dividends, profits, or interest expenses	79,161,657.99	160,721,412.79	282,591,837.26
Cash payments relating to other financing activities	327,641,933.96	300,029,926.01	348,224,040.31
Sub-total of cash outflows from financing activities	991,622,389.75	1,085,959,778.80	1,849,158,272.54
Net cash flows from financing activities	436,643,395.15	479,485,988.67	-882,679,742.63
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	14,495,046.71	-30,388,983.60	11,922,766.08
V. Net increase in cash and cash equivalents	-420,897,186.34	229,035,622.66	-201,363,386.92
Add: Balance of cash and cash equivalent at the beginning of the period	949,647,190.42	720,611,567.76	921,974,954.68
VI. Balance of cash and cash equivalents at the end of the period	528,750,004.08	949,647,190.42	720,611,567.76

## IV. BALANCE SHEET OF THE PARENT COMPANY

Unit: RMB

Item	31 December 2018	31 December 2017	31 December 2016
Current assets:			
Monetary assets	248,453,770.98	213,492,062.34	402,620,040.59
Derivative financial assets	4,970,224.71	–	268,278.39
Notes receivable and accounts receivable	1,276,678,882.18	1,374,953,129.92	916,932,957.93
prepayments	39,136,580.02	44,730,176.66	19,931,814.02
Other receivables	115,299,644.49	336,493.36	1,085,179.96
Inventories	162,383,851.02	185,894,818.49	131,993,523.35
Other current assets	24,941,889.24	4,126,182.25	–
Total current assets	1,871,864,842.64	1,823,532,863.02	1,472,831,794.24
Non-current assets:			
Available-for-sale financial assets		4,000,000.00	4,000,000.00
Long-term equity investments	786,137,343.00	547,155,022.00	358,155,022.00
Fixed assets	927,127,844.80	1,055,235,543.13	1,085,494,603.07
Construction in progress	243,785,148.44	40,107,194.52	63,881,882.02
Intangible assets	131,628,507.77	136,712,248.99	138,156,721.11
Long-term prepaid expenses	265,068.34	46,362.57	157,632.10
Deferred income tax assets	10,881,999.81	9,268,372.35	15,951,677.85
OTHER NON-CURRENT ASSETS	788,994,654.72	400,836,482.73	140,860,537.16
Total non-current assets	2,888,820,566.88	2,193,361,226.29	1,806,658,075.31
Total assets	4,760,685,409.52	4,016,894,089.31	3,279,489,869.55
Current liabilities:			
Short term loans	328,446,377.87	268,519,650.00	157,000,000.00
Trading financial liabilities		–	26,150,000.00
Derivative financial liabilities	738,000.00	2,106,600.00	930,000.00
Bills and accounts receivable	833,298,361.22	672,265,054.31	555,876,956.14
Receipts in advance	–	7,779,979.69	7,872,875.14
Contract liabilities	4,662,060.73		
Employee Benefits	14,964,926.68	14,017,382.63	16,559,429.50
Tax charge payables	3,721,807.65	54,062,854.24	53,684,261.66
Other payables	632,131,765.44	320,754,875.61	105,764,091.11
Non-current liabilities due within one year	11,056,290.73	10,236,666.72	10,236,666.71
Total current liabilities	1,829,019,590.32	1,349,743,063.20	934,074,280.26

**APPENDIX IV****PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS**

<b>Item</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
Non-current liabilities:			
Long-term borrowings		-	-
Deferred revenue	34,543,339.27	38,906,034.01	49,142,700.74
Total non-current liabilities	34,543,339.27	38,906,034.01	49,142,700.74
Total liabilities	1,863,562,929.59	1,388,649,097.21	983,216,981.00
Shareholders' equity			
share capital	450,000,000.00	450,000,000.00	450,000,000.00
Capital reserves	622,230,162.41	622,230,162.41	622,230,162.41
Surplus reserves	168,158,907.37	141,271,158.58	96,733,948.23
Retained profit	1,656,733,410.15	1,414,743,671.11	1,127,308,777.91
TOTAL EQUITY	2,897,122,479.93	2,628,244,992.10	2,296,272,888.55
Total liabilities and Shareholders' equity	4,760,685,409.52	4,016,894,089.31	3,279,489,869.55

## V. INCOME STATEMENT OF THE PARENT COMPANY

Unit: RMB

Item	Year of 2018	Year of 2017	Year of 2016
I. Operating revenue	2,115,178,672.77	2,051,001,574.09	1,842,647,454.49
Less: Operating cost	1,677,974,994.68	1,543,783,608.86	1,201,369,993.77
Business tax and surcharges	13,295,177.08	16,990,241.28	19,773,275.36
Selling expenses	58,495,428.54	65,546,240.91	50,390,381.39
Management expenses	75,396,615.14	70,472,111.38	74,228,981.34
Research and development expenses	79,974,931.66	59,450,169.16	64,588,074.70
Finance cost	28,246,194.85	6,902,045.37	16,629,255.08
Including: Interest expenses	15,368,900.18	15,710,466.07	16,173,204.25
Interest Income	13,377,822.49	8,337,281.01	2,137,685.06
Total provisions for impairment losses on assets	2,335,927.27	-7,075,364.51	62,124,570.57
Credit impairment loss	5,195,846.30		
Other gains	11,176,810.34	10,236,666.72	-
Investment income	87,550,157.14	187,564,574.73	193,513,396.62
Gain from changes in fair value	6,338,824.71	-1,444,878.39	-661,721.61
Asset disposal gains(losses)	-133,999.89	-197,692.32	75,451.23
II. Operating profit	279,195,349.55	491,091,192.38	546,470,048.52
Add: Non-operating income	6,009,680.09	2,756,708.58	26,769,132.81
Less: Non-operational expense	60,000.00	320,000.00	2,878,188.83
III. Total profit	285,145,029.64	493,527,900.96	570,360,992.50
Less: Income tax expense	16,267,541.81	48,155,797.41	51,798,894.11
IV. Net profit	268,877,487.83	445,372,103.55	518,562,098.39
V. Other comprehensive income, net of tax		-	-
VI. Total comprehensive income	268,877,487.83	445,372,103.55	518,562,098.39

## VI. CASH FLOW STATEMENT OF THE PARENT COMPANY

Unit: RMB

Item	Year of 2018	Year of 2017	Year of 2016
I. Cash flows from operating activities:			
Cash received from the sales of goods and the rendering of services	2,473,277,005.45	1,902,576,961.96	1,947,575,042.31
Refund of taxes and levies	10,224,768.74	3,051,236.67	–
Cash received relating to other operating activities	24,805,686.36	12,431,972.83	19,501,663.61
Sub-total of cash inflows from operating activities	2,508,307,460.55	1,918,060,171.46	1,967,076,705.92
Cash received from the sales of goods and the rendering of services	1,603,519,870.71	1,565,921,304.82	1,060,433,796.32
Cash paid to and for employees	135,313,519.30	125,800,350.67	129,033,926.86
Payments of all types of taxes	109,569,582.10	108,412,230.75	173,031,915.65
Cash payments relating to other operating activities	133,478,664.56	110,978,370.16	116,963,207.67
Sub-total of cash outflows from operating activities	1,981,881,636.67	1,911,112,256.40	1,479,462,846.50
Net cash flow generated from operating activities	526,425,823.88	6,947,915.06	487,613,859.42
II. Cash flow from investing activities:			
Cash received from returns on investments	97,285,550.00	190,000,000.00	–
Net cash received from disposals of fixed assets, intangible assets and other long-term assets	2,825,764.49	1,735,440.52	3,383,753.37
Cash received relating to other investing activities	270,508,983.03	68,728,160.66	38,687,076.03
Sub-total of cash inflows from investing activities	370,620,297.52	260,463,601.18	42,070,829.40
Cash paid to acquire fixed assets, intangible assets and other long-term assets	225,584,953.98	126,520,603.67	102,899,824.56
Cash paid for investments	238,982,321.00	189,000,000.00	58,093,600.00
Cash payments relating to other investing activities	726,182,465.28	289,390,883.72	102,086,613.83
Sub-total of cash outflows from investing activities	1,190,749,740.26	604,911,487.39	263,080,038.39

**APPENDIX IV**
**PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS**

Item	Year of 2018	Year of 2017	Year of 2016
Net cash flows from investing activities	-820,129,442.74	-344,447,886.21	-221,009,208.99
III. Cash flow from financing activities:			
Cash received from capital contribution		–	3,035,600.00
Cash received from proceeds from borrowing	408,913,484.01	306,818,090.00	243,331,250.00
Cash received relating to other financing activities	687,483,506.91	412,154,722.28	382,239,400.27
Sub-total of cash inflows from financing activities	1,096,396,990.92	718,972,812.28	628,606,250.27
Cash payments for debts settlement	348,986,756.14	195,298,440.00	728,077,027.97
Cash payments for distribution of dividends, profits, or interest expenses	34,029,518.46	135,700,960.54	273,795,877.28
Cash payments relating to other financing activities	426,984,600.29	237,542,128.21	279,391,997.50
Sub-total of cash outflows from financing activities	810,000,874.89	568,541,528.75	1,281,264,902.75
Net cash flows from financing activities	286,396,116.03	150,431,283.53	-652,658,652.48
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	2,443,339.95	-7,674,894.56	9,067,312.73
V. Net increase in cash and cash equivalents	-4,864,162.88	-194,743,582.18	-376,986,689.32
Add: Balance of cash and cash equivalent at the beginning of the period	176,663,254.34	371,406,836.52	748,393,525.84
VI. Balance of cash and cash equivalents at the end of the period	171,799,091.46	176,663,254.34	371,406,836.52

## (2) The information of scope of consolidated statements and the changes

## 1. Scope of consolidated statements

As at 31 December 2018, the scope of consolidated statements of the Company is as follows:

No.	Name of company	Place of Registration	Acquisition method	Business nature	Shareholding and the percentage of voting rights as at 31 December 2018 (%)	
					Direct	Indirect
1	Zhejiang Flat Glass Co., Ltd.* (浙江福萊特玻璃有限公司) ("Zhejiang Flat")	Zhejiang	Establishment	Manufacture and sale of building or household glass products	100.00	–
2	Zhejiang Jiafu Glass Co., Ltd. ("Zhejiang Jiafu")	Zhejiang	Establishment	Manufacture and sale of PV glass products	100.00	–
3	Shanghai Flat Glass Co., Ltd.* (上海福萊特玻璃有限公司) ("Shanghai Flat")	Shanghai	Establishment	Architectural glass processing	100.00	–
4	Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司) ("Anhui Flat Glass")	Anhui	Establishment	Manufacturing, processing and sales of special glass	100.00	–
5	Anhui Flat Solar Material Co., Ltd.* (安徽福萊特光伏材料有限公司)	Anhui	Establishment	Mine operation and sales of quartzite mine	100.00	–
6	Flat (Hong Kong) Limited	Zhejiang	Establishment	Glass export	100.00	–
7	Jiaxing Flat New Energy Technology Co., Ltd.* (嘉興福萊特新能源科技有限公司) ("Jiaxing Flat")	Zhejiang	Establishment	Investment, Construction, Operation and Maintenance of New Energy Power Plant	100.00	–
8	Flat (Vietnam) Company Limited	Vietnam	Establishment	Manufacture and sale of PV glass products	–	100.00
9	Flat (Hong Kong) Investment Limited	Hong Kong	Establishment	Investments	–	100.00



2. *Changing scope of consolidated statements*

SN	Name of company	Attributable to the scope of consolidated statements of the listed company for the Reporting Period		
		2018	2017	2016
1	Zhejiang Jiafu Glass Co., Ltd.* (浙江福萊特玻璃有限公司) ("Zhejiang Jiafu")	✓	✓	✓
2	Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司) ("Zhejiang Jiafu")	✓	✓	✓
3	Shanghai Flat Glass Co., Ltd.* (上海福萊特玻璃有限公司) ("Shanghai Flat")	✓	✓	✓
4	Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司) ("Anhui Flat Glass")	✓	✓	✓
5	Anhui Flat Solar Material Co., Ltd.* (安徽福萊特光伏材料有限公司)	✓	✓	✓
6	Flat (Hong Kong) Limited	✓	✓	✓
7	Jiaxing Flat New Energy Technology Co., Ltd. ("Jiaxing Flat")	✓	✓	✓
8	Flat (Vietnam) Company Limited	✓	✓	✓
9	Flat (Hong Kong) Investment Limited	✓	✓	

*Note:* Flat (Hong Kong) Investment Limited was established on 31 July 2017. It was funded by Zhejiang Jiafu Glass Co., Ltd.\* (浙江嘉福玻璃有限公司) ("Zhejiang Jiafu") with a registered capital of HK\$1,000,000. As of the announcement date of the Proposal, the company has no business.

## (3) The key financial indicators of the Company for the last three years

## 1. Return on equity and earnings per share for the Reporting Period

*Return on equity and earnings per share*

According to the provisions of Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No.9: Calculation and Disclosure of Return on Equity and Earnings per Shares (Revised in 2010) of China Securities Regulatory Commission, the return on equity and earnings per share of the Company for the last three years are as follows:

Profit in the reporting period		ROE (%)	Earnings per share (RMB)	
			Basic earnings per share	Diluted earnings per share
<b>Year of 2018</b>	Net profit attributable to Shareholders of the parent company	11.79	0.23	–
	Net profit attributable to Shareholders of the parent after non-operating profit or loss	10.79	0.21	–
<b>Year of 2017</b>	Net profit attributable to Shareholders of the parent company	13.59	0.24	–
	Net profit attributable to Shareholders of the parent after non-operating profit or loss	13.03	0.23	–
<b>Year of 2016</b>	Net profit attributable to Shareholders of the parent company	21.54	0.34	–
	Net profit attributable to Shareholders of the parent after non-operating profit or loss	20.66	0.32	–

*Note:* The Company's shares totaled 1.95 billion shares, with a par value of RMB0.25 per share, equivalent to a share capital of RMB487.5 million.

(2) *The calculation of return on equity and earnings per share*

- (i) The equation of calculating the ROE on a weighted average basis is as follows:

$$ROE = P \div (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

of which: P is the net profits attributable to the common Shareholders of the Company, and the net profits attributable to the common Shareholders of the Company after deducting the recurring gains and losses, respectively; NP is the net profits attributable to the common Shareholders of the Company; E<sub>0</sub> is the net assets attributable to the common Shareholders of the Company at the beginning of the reporting period; E<sub>i</sub> is the increase in net assets attributable to the common Shareholders of the Company arising from new issues of shares or debt-to-equity swaps during the reporting period; E<sub>j</sub> is the decrease in net assets attributable to the common Shareholders of the Company arising from repurchases or cash distributions during the reporting period; M<sub>0</sub> is the month of the reporting period; M<sub>i</sub> is the number of remaining months immediately following the month of increase in net assets to the last month of the reporting period; M<sub>j</sub> is the number of remaining months immediately following the month of decrease in net assets to the last month of the reporting period; E<sub>k</sub> is the increase or decrease of net assets caused by other transactions or events. M<sub>k</sub> is the number of remaining months immediately following the month of the increase or decrease in other net assets to the last month of the reporting period.

- (ii) The equation of calculating the basic earnings per share and diluted earnings per share:

$$\text{Basic earnings per share} = \frac{\text{Profit during the Reporting Period}}{\text{Total number of shares at the end of the reporting period}}$$

$$\text{Diluted earnings per share} = \frac{[P + (\text{Potential diluted interests of ordinary shares recognized as expense} - \text{Transfer fee}) \times (1 - \text{Income tax rate})]}{(S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{Weighted average amount of ordinary shares increased due to warrant, share options, and A Share Convertible Bonds, etc.})}$$

Of which: P is profit during the reporting period; S<sub>0</sub> is the shares at the beginning of the reporting period; S<sub>1</sub> is the increased shares due to conversion of capital reserve into share capital or make any bonus issue; S<sub>i</sub> is the increased shares due to new issues of shares or debt-to-equity swaps during the reporting period; S<sub>j</sub> is shares decreased arising from repurchases or due to share shrinkages

during the reporting period; M<sub>0</sub> is the month of the reporting period; M<sub>i</sub> is the number of remaining months immediately following the month of increase in shares to the last month of the reporting period; M<sub>j</sub> is the number of remaining months immediately following the month of decrease in shares to the last month of the reporting period;

## 2. Other key financial indicators

Financial indicators	31 December 2018	31 December 2017	31 December 2016
Current Ratio	1.35	1.49	1.60
Quick Ratio	1.19	1.36	1.42
Gearing ratio (parent company)	39.14%	34.57%	29.98%
Gearing ratio (combined)	47.24%	45.42%	33.78%

Financial indicators	Year of 2018	Year of 2017	Year of 2016
Turnover of account receivables	4.62	5.46	5.24
Inventory turnover	6.93	8.10	7.88
EBITDA times interest earned	6.36	39.30	26.95
EBITDA (RMB 0'000)	74,743.79	74,186.27	99,642.47
Net cash flow from operating activities per share (RMB/share)	0.24	0.17	0.58

The specific equation for calculating the above indicators are as follows:

- (1) Current ratio = current assets ÷ current liabilities
- (2) Quick ratio = quick assets ÷ current liabilities
- (3) Gearing ratio= (total liabilities ÷ total assets)×100%
- (4) Turnover of account receivables = operating income ÷ average book value of accounts receivable
- (5) Inventory turnover = operating cost ÷ average book value of inventory
- (6) Interest cover (times) = (total consolidated profit + Interest expenses) ÷ total interest expenses
- (7) EBITDA = total profit + interest expenses charged into financial expenses + depreciation + amortization
- (8) Cash flow from operating activities per share = Net cash flow from operating activities /number of ordinary shares at the end of the period

## (4) Brief analysis of the financial position of the Company

## I. Analysis of the assets composition

The assets composition of the Company at the end of each reporting period is as follows:

*Unit: RMB 0'000*

Item	31 December 2018		31 December 2017		31 December 2016	
	shares	the Bank	shares	the Bank	shares	the Bank
Monetary assets	68,301.90	9.82%	108,479.19	18.21%	77,652.98	17.39%
Derivative financial assets	617.24	0.09%	–	–	2,074.92	0.46%
Notes receivables and accounts receivables	173,248.97	24.92%	144,036.58	24.19%	112,343.18	25.15%
prepayments	6,547.48	0.94%	7,175.23	1.20%	3,331.63	0.75%
Other receivables	129.68	0.02%	124.84	0.02%	227.89	0.05%
Inventories	37,712.32	5.42%	26,759.32	4.49%	25,767.89	5.77%
Other current assets	18,166.62	2.61%	7,565.24	1.27%	1,493.75	0.33%
<b>Total current assets</b>	<b>304,724.21</b>	<b>43.82%</b>	<b>294,140.42</b>	<b>49.39%</b>	<b>222,892.25</b>	<b>49.90%</b>
Available-for-sale financial assets	0.00	0.00%	400.00	0.07%	400.00	0.09%
Investment properties	2,309.66	0.33%	2,452.81	0.41%	–	–
Fixed assets	216,627.59	31.15%	146,921.72	24.67%	154,113.01	34.50%
Construction in progress	96,257.01	13.84%	70,124.46	11.77%	9,272.41	2.08%
Intangible assets	53,680.99	7.72%	53,544.83	8.99%	52,440.19	11.74%
Long-term prepaid expenses	277.75	0.04%	87.14	0.01%	191.31	0.04%
Deferred income tax assets	1,900.57	0.27%	2,981.33	0.50%	3,114.43	0.70%
OTHER NON-CURRENT ASSETS	19,577.13	2.82%	24,901.60	4.18%	4,239.08	0.95%
<b>Total non-current assets</b>	<b>390,630.70</b>	<b>56.18%</b>	<b>301,413.89</b>	<b>50.61%</b>	<b>223,770.44</b>	<b>50.10%</b>
<b>Total assets</b>	<b>695,354.91</b>	<b>100.00%</b>	<b>595,554.31</b>	<b>100.00%</b>	<b>446,662.69</b>	<b>100.00%</b>

At the end of each reporting period, the total assets of the Company were RMB 4,466,626,900, RMB5,955,543,100 and RMB6,953,549,100, respectively. The rapid growth of the total assets was mainly due to the rapid development of the Company's principal activities, the continuous investment in the construction of Anhui production base and the expansion of production and operation scale.

At the end of each reporting period, the total current assets of the Company were RMB2,228,922,500, RMB2,941,404,200 and RMB3,047,242,100, representing 49.90%, 49.39% and 43.82% of the total assets, respectively. The decrease in the percentage in 2018 was mainly due to the continuous construction investment in Anhui production base and the rapid growth of fixed assets and construction in progress. The total amount of non-current assets is RMB2,237,704,400, RMB3,014,138,900 and RMB3,906,307,000, representing 50.10%, 50.61% and 56.18% of the total assets respectively. Non-current assets are mainly fixed assets, construction in progress and intangible assets.

## 2. Analysis of the liabilities composition

The liabilities composition of the Company at the end of each reporting period is as follows:

*Unit: RMB 0'000*

Item	31 December 2018		31 December 2017		31 December 2016	
	shares	the Bank	shares	the Bank	shares	the Bank
Short term loans	45,039.91	13.71%	37,951.97	14.03%	33,537.00	22.22%
Trading financial liabilities					2,615.00	1.73%
Derivative financial liabilities	73.80	0.02%	782.49	0.29%	150.12	0.10%
Bills and accounts receivable	143,637.32	43.73%	137,599.68	50.87%	81,933.60	54.30%
Receipts in advance			599.41	0.22%	700.03	0.46%
Contract liabilities	1,404.24	0.43%				
Employee Benefits	2,622.60	0.80%	2,347.99	0.87%	2,734.57	1.81%
Tax charge payables	8,168.13	2.49%	12,301.29	4.55%	11,536.95	7.65%
Other payables	3,868.14	1.18%	3,362.49	1.24%	1,979.39	1.31%
Including: interest payable	156.27	0.05%	287.15	0.11%		
Non-current liabilities due within one year	20,190.59	6.15%	1,908.29	0.71%	3,814.49	2.53%
<b>Total current liabilities</b>	<b>225,004.74</b>	<b>68.50%</b>	<b>196,853.62</b>	<b>72.77%</b>	<b>139,001.15</b>	<b>92.12%</b>

Item	31 December 2018		31 December 2017		31 December 2016	
	shares	the Bank	shares	the Bank	shares	the Bank
<b>Non-current liabilities:</b>						
Long-term borrowings	98,943.94	30.12%	68,750.47	25.41%	10.00	0.01%
Long-term payables					5,665.00	3.75%
Deferred revenue	4,540.86	1.38%	4,912.88	1.82%	6,221.64	4.12%
<b>Total non-current liabilities</b>	<b>103,484.81</b>	<b>31.50%</b>	<b>73,663.35</b>	<b>27.23%</b>	<b>11,896.64</b>	<b>7.88%</b>
<b>Total liabilities</b>	<b>328,489.54</b>	<b>100.00%</b>	<b>270,516.97</b>	<b>100.00%</b>	<b>150,897.79</b>	<b>100.00%</b>

At the end of each reporting period, the total liabilities of the Company were RMB1,508,977,900, RMB2,705,169,700 and RMB3,284,895,400, which mainly were short-term liabilities, notes receivables and accounts receivables, and long-term borrowings. During the reporting period, along with the construction investment of the Company's funded projects and the demand for liquidity after the new production line was put into operation, the Company's project payables, short-term borrowings and long-term borrowings increased year by year, and the liabilities increased accordingly.

### 3. Analysis of the profitability

During the reporting period, the main items of the Company's income statement are as follows:

*Unit: RMB 0'000*

Project	Year of 2018	Year of 2017	Year of 2016
Revenue	306,380.27	299,149.70	296,752.08
Operating profit	45,851.72	49,163.48	69,015.20
Total profit	46,614.53	49,585.40	72,978.60
Profit for the year	40,731.47	42,652.68	60,327.85

The Company is a leading glass manufacturer in China. The principal activities of the Group are research and development, manufacturing and sale of PV glass products, float glass products, architect-ural glass products, household glass products, as well as quartz mining and sales for glass and construction of EPC PV power station. Among them, PV glass is the Company's principal product.

During the reporting period, the Company's revenue remained basically stable, which was approximately RMB3 billion for each reporting period. Among them, PV glass accounts for approximately 70% of revenue for each reporting period, which is the main source of the Company's revenue. For operating profit, total profit and net profit, the indicators declined during the reporting period,

mainly due to the rising prices of materials and fuels used by the Company, and the price of PV glass fluctuated with the market trend. In 2018, the first and second phases of the Company's "PV Module Cover Glass Project with an annual capacity of 900,000 tons" have been completed and put into operation, effectively improving the production efficiency and capacity utilization in PV glass sheets, saving energy consumption per unit product, reducing production costs, and playing a significant role for the issuer to maintain stable development in an overall fluctuation environment of the market after the "531 Policy".

#### 4. *Analysis of the solvency*

Project	Year of 2018	Year of 2017	Year of 2016
Current Ratio	1.35	1.49	1.60
Quick Ratio	1.19	1.36	1.42
Gearing ratio (parent company)	39.14%	34.57%	29.98%
Gearing ratio (combined)	47.24%	45.42%	33.78%

In terms of short-term solvency, the Company's liquidity ratio and quick-moving ratio declined during the reporting period, mainly due to the completion and launch of the first and second phases of the Company's "PV Module Cover Glass Project with an annual capacity of 900,000 tons", and the Company increased short-term borrowings from banks for the daily liquidity needed to expand the scale of production and operation, and also due to the increase of production inventory.

In terms of long-term debt repayment indicators, the gearing ratios of business combination and that of the parent company at the end of each reporting period have increased as a whole, which is also related to the above items. In order to ensure the construction of the project on schedule, the company borrowed long-term special loans from banks for the construction of the above-mentioned projects, and the corresponding gearing ratios increased.

#### 5. *Analysis of asset turnover capacity*

The key indicators of the Company's asset turnover capacity are as follows:

Project	Year of 2018	Year of 2017	Year of 2016
Inventory turnover (times)	4.62	5.46	5.24
Accounts receivable turnover (times)	6.93	8.10	7.88

During the reporting period, the Company's inventory turnover and accounts receivable turnover fluctuated, mainly reflecting a slight decline of the above indicators for the last year. In 2018, with the Company's new production line achieving the target capacity, the inventory of production increased correspondingly, and the turnover of inventory decreased. The second phase of the



newly built production line reached the target capacity in the second half of 2018, and the sales proceeds of products were still in the credit period, resulting in the overall growth of accounts receivable at the end of the period, and the turnover decreased accordingly.

#### IV. THE USE OF PROCEEDS FROM THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS

The total amount of proceeds raised through this public issuance of A Share Convertible Bonds does not exceed RMB1.45 billion (inclusive). After deducting the issuance fees, the proceeds raised were used for the following projects:

*Unit: RMB 0'000*

SN	Items	Region of the project	Total investment	Proposed input of the proceeds
1	Annual production of 750,000 tons of PV module cover glass project	Anhui	175,168.36	145,000.00
<b>TOTAL</b>			<b><u>175,168.36</u></b>	<b><u>145,000.00</u></b>

If the actual proceeds raised (net amount after deducting the issuance fee) through the public issuance of the A Share Convertible Bonds can not satisfy the funding needs of the above-mentioned project, the shortage of funds shall be solved by the Company itself. If the time the necessary amount of proceeds being achieved is inconsistent with the progress of project implementation, the Company may input other funds in advance according to the actual situation, and then replace with the corresponding proceeds raised once the necessary amount is procured.

#### V. PROFIT DISTRIBUTION OF THE COMPANY

##### (1) The existing profit distribution policy of the Company

According to the Notice Regarding Further Implementation of Cash Dividend Distribution by Listed Companies(Zheng Jian Fa [2012] No.37) and the Regulatory Guidance No.3 of Listed Companies – Cash Dividend Distribution of Listed Companies (CSRC Announcement [2013] No.43) issued by the CSRC, as well as the related provisions of the articles of association, the existing profit distribution policy of the Company is as follows:

- (i) The Company shall implement a continuous and stable profit distribution policy. It attaches importance to providing reasonable and stable investment returns for its Shareholders and maintaining the Company's long-term and sustainable development. The distribution of profits shall not exceed the limit of cumulative distributable profits.
- (ii) The Company's profit distribution policy and specific dividend distribution scheme shall be formulated and examined by the Board and approved through the general meeting; The Board shall fully take into account the opinions of independent directors, Supervisory Committee and public investors when stipulating the profit distribution policy and dividend distribution scheme.
- (iii) The Company may distribute its dividends by ways of cash, shares or a combination of both.
- (iv) The Company shall distribute its distributable profit (i.e. the remaining profits after tax after the Company has made up its losses and allocated to its reserve funds) on a yearly basis. Subject to the Company's profits, an interim cash dividends distribution may be made by the Company, without audit.
- (v) The Company proactively implement a cash dividends distribution method. The profit distribution in cash on a yearly basis shall not be less than 20% of the distributable profits for the year. In determining the specific amount for distributing profits in cash, the Company should give due regard to whether cash flow after profit distribution satisfies the Company's normal operations and the long-term growth, so to ensure that the profit distribution plan is in line with the overall interests of Shareholders as a whole.
  - 1. Of the Company is at the mature stage of development and has no significant capital expenditure plan, the proportion of cash dividend shall be at least 80% in the profit distribution;
  - 2. If the Company is at the mature stage of development and has a significant capital expenditure plan, the proportion of cash dividend shall be at least 40% in the profit distribution;
  - 3. If the Company is at the growing development stage and has a significant capital expenditure plan, the proportion of cash dividend shall be at least 20% in the profit distribution.

If it is difficult to determine the Company's stage of development while it has a significant capital expenditure plan, the profit distribution may be dealt with pursuant to the rules previously stated.

Under special circumstances, if the profit distribution plan for the current year may not be determined according to the established cash dividend policy or the minimum cash dividend ratio, the Company shall disclose the specific reasons and clear opinions of independent directors in regular report. If the stock exchange where the Company's shares are listed has special provisions on the voting system and mode of the Shareholders' general meeting approving such profit distribution plan, such provisions shall be complied with.

- (vi) If there is any distributable profit remaining after cash-based distribution is made and the Board considers that stock-based distribution may meet the overall interests of all Shareholders, the stock-based distribution may be adopted. When the Company determines the specific amount of such distribution, it should fully consider whether the total capital after such distribution will match the present scale of operation of the Company and consider the effect on future cost of debt and financing in order to ensure that the distribution plan aligns with the overall interests of all Shareholders.
- (vii) If the Company recorded profits in last fiscal year but the Board did not propose cash profit distribution plan after the end of last fiscal year, explanation shall be made in regular report on the reasons not distributing profit and the usages of the profits not distributed and retained by the Company. The independent directors shall give independent opinions on this.
- (viii) The Company shall explain in detail in the annual report of the formulation and implementation of the cash dividend policy.
- (ix) If the profit distribution policy is adjusted by the Company according to the external business environment or its own operating conditions, the adjusted policy shall not violate the relevant provisions released by the CSRC and the stock exchange; the proposal in respect of policy adjustment must be approved by the Company's Board and the board of supervisors before submitting to the Shareholders' general meeting for approval. The Shareholders' general meeting may be convened on site or via the network. The independent director shall give independent opinions on this.
- (x) If any Shareholder illegally occupies the Company's funds, the Company shall deduct the cash profit allocated to such Shareholder to repay the amount taken.

**(2) The profits distribution of the Company for the last three years**

***1. The cash dividend distribution of the Company for the last three years***

The Company's total profit allocated in cash for last three years amounted to RMB 300,150,000, representing 62.66% of the annual average distributable profit of RMB479,040,000 achieved for the last three years, exceeding 30%. The

Company's profit distribution policy conforms to the relevant provisions of the CSRC and the Company's Articles of Association. The specific dividend distribution is as follows:

Year	Cash dividend distribution <i>(RMB0'000)</i>	The net profit attributable to the parent company under consolidated statements <i>(RMB0'000)</i>	Percentage
2016	16,920	60,327.85	28.05%
2017	4,320	42,652.68	10.13%
2018	8,775	40,731.47	21.54%
<b>The average annual net profit for the last three years <i>(RMB0'000)</i></b>			<b>47,904.00</b>
<b>Accumulated cash dividends for the last three years attributable to the average annual net profit for the last three years</b>			<b>62.66%</b>

In June 2016, the Company convened the annual general meeting for the year 2015, considered and approved the Proposals on the Profit Distribution Plan and the Distribution of the Final Dividend for the year ended 31 December 2015. The Company allocated a dividend of RMB129,600,000 to the Shareholders.

In November 2016, the Company convened the first extraordinary general meeting for the year 2016, considered and approved the Proposals on the Profit Distribution for the half year of 2016. The Company allocated a dividend of RMB99,000,000 to the Shareholders.

On 13 June 2017, the Company convened the annual general meeting for the year 2016, considered and approved the Proposals on the Profit Distribution for the year 2016. The Company allocated a dividend of RMB70,200,000 to the Shareholders.

On 20 November 2017, the Company convened the second extraordinary general meeting for the year 2017, considered and approved the Proposals on the Profit Distribution for the half year of 2017. The Company allocated a dividend of RMB43,200,000 to the Shareholders.

On 21 March 2019, the Company convened the fourth meeting of the Board of the fifth session, considered and approved the Announcement on the Proposals of the Profit Distribution for the year 2018, in which the Company proposed to allocate a dividend of RMB87,750,000 to the Shareholders. The proposals still need to be submitted to the annual general meeting for the year 2018 for review and consideration.

**2. *The usage of the undistributed profits for last three years***

According to the Company's operation situation and future development plan, the undistributed profits after dividend distribution are mainly used for various business development to meet the capital needs of the Company's business expansion, and to improve the Company's market competitiveness and profitability. The use arrangement of undistributed profits conforms to the actual situation of the Company and the interests of the Shareholders of the Company as a whole.

**I. PLAN FOR THE USE OF THE PROCEEDS**

The total amount of proceeds from the public issuance of A Share Convertible Bonds will not exceed RMB1.45 billion. After deducting the issuance expenses, the net proceeds will be invested in the following project:

*Unit: RMB10,000*

No.	Project name	Region location	Total amount investment	Amount of proceeds to be used
1	Annual production of 750,000 tons of PV module cover glass project	Anhui	175,168.36	145,000
<b>Total</b>			<b><u>175,168.36</u></b>	<b><u>145,000</u></b>

The Company shall use internal source of funding to finance the short fall if the proceeds from the public issuance of A Share Convertible Bonds (net of the issuance expenses) cannot satisfy the investment amount. If the time of receiving the proceeds does not meet with the implementation schedule of the project, the Company may use other funds to the project pursuant to its actual progress, and replace such funds with the proceeds after the same have been received.

**II. PROJECT INVESTED BY PROCEEDS FROM THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS****(I) Annual production of 750,000 tons of PV module cover glass project****1. Basic information about the project**

After the project is fully put into operation, it will be capable of producing 750,000 tons of cover glass for PV modules annually.

**2. Construction content of the project**

The project was undertaken by Anhui Flat Solar Glass Co., Ltd\* (安徽福莱特光伏玻璃有限公司), which planned to invest in the construction of annual production of 750,000 tons of PV module cover glass project, including two production lines with the a melting capacity of 1,200 tons per day.

### ***3. Subject, site and plan of project implementation***

The project will be implemented by Anhui Flat Solar Glass Co., Ltd\* (安徽福萊特光伏玻璃有限公司), a wholly-owned subsidiary of the Company. The project is located in Fengyang Silicon Industrial Park, Chuzhou City, Anhui Province and has an added floor area of approximately 330,000 square meters.

It was planned to complete the plant renovation and construction, production line installation and commissioning of the project and put into operation within 18 months. The project will reach its design production capacity within six months after being put into operation.

### ***4. Project cost estimating and evaluation of the economic benefits of the project***

#### ***(1) Estimating project cost***

The total investment of the project is RMB1,751.6836 million, including RMB410.1309 million of engineering costs, RMB1,090.2086 million of equipment purchase and installation costs, RMB75.017 million of basic reserve funds and RMB176.3271 million of initial working capital. The amount of investment that is to come from the proceeds is RMB1.45 billion.

#### ***(2) Evaluation of the economic benefits of the project***

According to the feasibility study report of the project, it is expected to generate an average annual sales revenue of RMB1.814 billion and an average annual profit of RMB354 million; the financial internal rate of return is projected at 12.10% (after tax) and the payback period at 7.96 years (including construction period, after tax) after the project reaches its design production capacity.

### ***5. Project filing and approval of the EIA report***

The Company has handled the filing procedures with Fengyang County Development and Reform Commission. The environmental assessment procedure is being processed.

**III. ANALYSIS OF THE NECESSITY AND FEASIBILITY OF PROJECT INVESTED BY PROCEEDS FROM THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS****(I) Analysis of the necessity of the proceeds investment project****1. *The implementation of the proceeds investment project is conducive to meet the growing market demand for PV products***

PV energy refers to the use of PV effect to convert solar energy into electricity, which has the features of reliability, safety, resource adequacy and so on. Under the background of shortage of traditional energy resources and global warming, PV industry presents a fast development trend.

Over the years, the Company has been deeply engaged in research and development, manufacturing, processing and sales of PV glass, with industry-leading technological advantages and industrial scale, and achieved good reputation with premium product quality. As a necessary material for the production of crystalline silicon PV modules, PV glass is an important part of solar generators, and its market demand is bound to increase rapidly with the promotion and utilization of solar energy. According to the statistics of China Photovoltaic Industry Association, in 2017, China's new installed capacity was 53GW, an increase of 53.6% year on year, ranking first in the world for five consecutive years, with the total installed capacity reaching 130GW, ranking first in the world for three consecutive years. In 2017, the global PV market grew vigorously, with new installed capacity reaching 102GW, an increase of more than 37% year on year, and the cumulative PV capacity reaching 405GW.

With the rapid development of PV energy industry, the demand for PV glass will also grow rapidly. The construction of the project will increase the capacity of 750,000 tons of PV cover glass with short production cycle, which can quickly fill the gap of market demand and further expand the Company's market presence. It is of great significance for the Company to seize the development opportunities of the industry.

**2. *The implementation of proceeds investment project is conducive to breaking through the Company's capacity bottleneck and improving its position in the industry***

At present, the company's PV glass products are made from ultra-clear solar patterned raw glass. The Company prepares PV glass deep processing capacity according to the "highest conformance rate of raw glass + spare capacity". In the past few years, the Company has rarely sold any of its PV raw glass, with more than 99% of the PV raw glass processed into finished PV glass products for sale. The Company has a high capacity utilization rate and generally runs at full capacity.



In the face of growing market demand and increasingly fierce market competition, the Company's PV glass sheet production can no longer meet market demand. This not only limits the Company's production of finished PV glass products, but also bodes ill for the Company's efforts to maintain its existing competitive advantage in the market and industry-leading position.

With the further utilization of renewable resources such as solar energy in China, market demand for PV glass will be further unleashed and increase steadily. If the Company is unable to continue to expand market supply due to capacity constraints, the Company will face operational risks such as the loss of customers, which will jeopardize the Company's sustainable development. The proceeds investment project can break through the existing capacity bottleneck to help the Company increase the production of finished PV glass products, adapt to trends in the PV market, avoid the potential loss of customers due to capacity constraints and boost its market competitiveness and position in the industry.

***3. The implementation of the proceeds investment project is needed for the Company's strategic development***

Adhering to the market-oriented business philosophy of "high starting point, high quality and high efficiency", the Company has always focused its development strategy on its main business with a view to firmly seizing market development opportunities in downstream industries, integrating all kinds of resources in an all-round way and highlighting its advantages attained through specialization, differentiation and large-scale operations in an effort to build the Company into a low-carbon, energy-saving and green new energy glass group with advanced technology, first-class management, an objective of serving the society and international competitiveness.

In the face of major development opportunities presented by countries around the world vigorously developing the solar energy industry, the Company has formulated a production capacity expansion strategy. According to the strategy, the Company will make full use of its capital, technology, management and market advantages accumulated in the PV glass industry to further expand the economies of scale of its PV glass business and consolidate and improve its leading position in the PV glass industry. Therefore, the proceeds investment project is an important part of the company's future strategic development, which will help the Company grasp development opportunities in the industry, enhance the Company's overall competitiveness and risk resistance capacity, and provide an adequate safeguard for the Company's sustainable development.

**(II) Analysis of the feasibility of the proceeds investment project*****1. Core technologies independently developed by the Company lay a solid foundation for the implementation of the proceeds investment project***

The Company is one of the first enterprises in China to enter the PV glass industry, and is one of the developers of China's PV glass industry standards. So far, the Company has obtained more than 100 patents related to PV glass. The Company has also won the National key New Product Award presented by the Chinese Ministry of Science and Technology. The Company is an industry forerunner in key technologies such as formulation, production engineering and spontaneous breakage control for PV glass.

Supported by core technologies independently developed by the Company, the project will produce products are consistent in quality and perform better than similar products. Meanwhile, core technologies independently developed by the Company are safe and can deal with various technical challenges in a timely and targeted manner and reduce operational risk, providing reliable technical support for the smooth implementation of the project.

***2. A strong R&D team provides support for the sustainable development of the project***

A strong scientific research talent team is the core competitive advantage of the Company. The Company attaches great importance to the building of its talent team, attracts elite talent in the industry through different channels and means and has built a R&D team with strong core management and excellent capabilities.

The Company attaches great importance to the continuous cultivation of its scientific research force. The Company's total R&D expenditure between 2016 and 2018 exceeded RMB300 million. The Company has established various forms of technical and academic cooperation with many well-known enterprises, scientific research institutes and industry experts at home and abroad to speed up the industrialization of R&D achievements. The Company's R&D team is comprised of technical personnel in various fields such as electromechanics, automatic control, optics, physical chemistry, glass technology and inorganic non-metallic materials, with most key researchers having more than ten years' experience in production technology. The Company's R&D team possesses a high level of technological competence across the board and is reasonably structured age-wise, providing strong support for the Company's technological progress and new product development.

In summary, the Company has a top-notch R&D team and strong R&D strength, which provides a sufficient reserve of scientific research talent for the project, and enables the Company to effectively overcome technical challenges in

the production process, improve the quality of its products, promote the continuous optimization and upgrading of its products, and enhance its core competencies.

***3. Stable customer resources provide support for the successful implementation of the proceeds investment project***

Over the years, the Company has been committed to PV glass production and R&D, and accumulated a wealth of industry experience and strong technical strength. Its products are in an industry-leading position for quality and performance. “Flat” has also become a well-known brand recognized by customers. Meanwhile, large PV module manufacturers place a high premium on the evaluation of suppliers and are very demanding when it comes to suppliers’ comprehensive strength and industry experience. Moreover, the process of getting PV glass products certified by authoritative bodies in destination countries is time-consuming and expensive. This creates a high barrier to entry. Therefore, once a PV glass manufacturer successfully makes it onto the list of qualified suppliers of a large PV module manufacturer, the two sides will reach a more stable and lasting partnership. The Company has established stable cooperative relationships with many world-renowned PV module manufacturers, such as JinkoSolar, Hanwha Group, Sunpower, Showa Shell Sekiyu K.K., etc., and is highly recognized by customers.

High-quality and stable customer resources are conducive to fostering a virtuous cycle of development for the Company, and enable the Company to quickly establish a dominant position in the market, thus shortening the business development cycle, reducing operational risks, and providing reliable customer resource support for the implementation of the proceeds investment project.

***4. Leading management expertise provides a quality and cost advantage for the implementation of the proceeds investment project***

Due to high barriers to entry into the PV glass industry in terms of technology, capital and talent, only a few large glass manufacturers can participate in market competition for such products. Competition among large glass manufacturers is not only reflected in technology, but more importantly in management, including production cost control, product quality management and finished product rate. Most members of the Company’s management team possess more than 10 years of industry experience, strong business skills and rich professional experience. They also have long-standing experience in team management and strong ability to innovate and learn. Through continuous process and technology optimization and improvements in management efficiency over the years, the Company’s finished product rate for PV glass substrates has reached an international leading level. After more than ten years of industry accumulation, the Company has formed a rigorous and sound internal quality control system, with its product quality superior to that of its competitors in the industry.

In summary, the Company possesses industry-leading production management and quality management expertise, which can greatly improve production efficiency, reduce production costs and ensure product quality, providing quality and cost assurance for the implementation of the proceeds investment project.

#### **IV. IMPACT OF THE ISSUANCE ON THE OPERATION MANAGEMENT AND FINANCIAL POSITION OF THE COMPANY**

##### **(I) Impact of the issuance of A Share Convertible Bonds on the Company's operation management**

Proceeds from the issuance of A Share Convertible Bonds will be used for the Company's main business, so the issuance is closely related to the Company's development strategy and existing main business. After the implementation of the proceeds investment project, the Company's production capacity will be further enhanced and production efficiency further improved, thus laying a solid foundation for the Company to enhance its core competencies. The proceeds investment project will further enhance the Company's operational scale and profitability, which in turn will help maximize the value of the Company and the interests of its shareholders.

##### **(II) Impact of the issuance of A Share Convertible Bonds on financial position of the Company**

After the completion of the issuance of A Share Convertible Bonds, the size of the Company's assets will be greatly increased. After the issuance of A Share Convertible Bonds, the Company has to pay interest in respect of outstanding A Share Convertible Bonds at the pre-agreed coupon rate. Under normal circumstances, profit growth brought by the Company's use of proceeds from the issuance of A Share Convertible Bonds will exceed interest payable in respect of the A Share Convertible Bonds.

Due to the existence of the construction cycle of the proceeds investment project, the contribution of the proceeds investment project to the Company's operating results will be small in the short term, which may lead to the dilution of the Company's earnings per share and return on net assets in the short term. After the project is completed and put into operation, the Company's profitability and risk resistance capacity will be enhanced, the revenue and net profit of the Company's main business will be significantly increased, the Company's financial position will be further optimized and improved, the total assets and net assets of the Company (after conversion) will be further increased, and the Company's financial structure will be further rationalized, which will help enhance the stability of the financial structure and the risk resistance capacity of the Company.

**V. SUMMARY**

In summary, the project invested by proceeds from the public issuance of A Share Convertible Bonds was initiated by the Company taking into account factors such as industry trends, market competition and the Company's own advantages, is in line with the interests of the Company and all shareholders, and has had its necessity and feasibility ascertained. Meanwhile, the proceeds investment project complies with laws and regulations, is in line with state policies and the Company's strategic development, and is conducive to enhancing the Company's sustainable competitiveness.

## I. Basis of Preparation

The report on use of previous proceeds was prepared in accordance with the Provisions on the Report on Use of the Capital Raised in the Previous Time (Zheng Jian Fa Xing Zi [2007] No. 500) of the China Securities Regulatory Commission.

## II. Basic information of the previous proceeds

Upon the approval of the Reply on Approval of the Initial Public Issuance of Shares of Flat Glass Group Co., Ltd. (Zheng Jian Xu Ke [2018] No. 1959)\* (證監許可[2018]1959號文《關於核準福萊特玻璃集團股份有限公司首次公開發行股票的批復》) from the China Securities Regulatory Commission, Flat Glass Group Co., Ltd. (the “Company”) publicly issued RMB ordinary Shares (A Shares) on the Shanghai Stock Exchange at a issue price of RMB2.00 per share on 15 February 2019. The total amount of proceeds from the issuance of shares was RMB300,000,000.00. The actual amount of proceeds the Company received was RMB269,700,000.00 after deducting the remaining underwriting and sponsor fee of RMB28,584,905.66 and the corresponding value-added tax of RMB1,715,094.34. The net proceeds were RMB254,384,951.00 after deducting the underwriting and sponsor fee and other issue cost of RMB45,615,049.00.

The net proceeds above were received on 11 February 2019, and the capital verification report of De Shi Bao (Yan) Zi (19) No.00059\* (德師報(驗)字(19)第00059號) was issued by Deloitte Touche Tohmatsu.

The Company and its subsidiary Anhui Flat Solar Glass Co., Ltd\* (安徽福萊特光伏玻璃有限公司) (“Anhui Flat Glass”), and the sponsor GF Securities Co., Ltd. (“GF Securities”) entered into a Tri-Party Supervisory Agreement for the Designated Saving Accounts of Proceeds\* (《募集資金專戶存儲三方監管協議》) with Bank of China Limited, Jiaxing Branch (“BOC Jiaxing Branch”), China CITIC Bank Corporation Limited, Nanhu Jiaxing Branch (“CITIC Nanhu Jiaxing Branch”) and Industrial and Commercial Bank of China Limited, Jiaxing Branch (“ICBC Jiaxing Branch”), respectively. The Company and Anhui Flat Glass, the commercial banks where the proceeds were placed and GF Securities should jointly supervise the designated saving accounts of proceeds, including the designated saving accounts of proceeds of the Company such as BOC Jiaxing Branch (388375753547), CITIC Nanhu Jiaxing Branch (8110801012801603829) and ICBC Jiaxing Branch (1204060029000019640), and the designated saving accounts of proceeds of Anhui Flat Glass including BOC Jiaxing Branch (359775769945) and ICBC Jiaxing Branch (1204060029000019764).

According to the Proposal on the Proceeds from the Initial Public Issuance of RMB Ordinary Shares Project and Implementation Plan considered and approved at 2016 First Extraordinary General Meeting of the Company, the commitment investment project of the proceeds is the annual production of 900,000 tons of PV module cover glass project of Anhui Flat Glass. Therefore, upon receipt of the proceeds, such proceeds will be transferred from the designated saving accounts of the proceeds of the Company to the designated saving accounts of proceeds of Anhui Flat Glass. The initial saving amount of proceeds was RMB 269,700,000.00.

As of 31 March 2019, the ending balance of the Company's designated saving account of proceeds totaled RMB100,128,462.63 (including interest income and income from wealth management products of RMB123,511.63). The details of placement are as follows:

<b>Company name</b>	<b>Bank</b>	<b>Bank account</b>	<b>RMB Placement amount on 31 March 2019 (Note )</b>
The Company	BOC Jiaxing Branch	388375753547	–
The Company	CITIC Nanhu Jiaxing Branch	8110801012801603829	–
The Company	ICBC Jiaxing Branch	1204060029000019640	–
Anhui Flat Glass	BOC Jiaxing Branch	359775769945	21,674.12
Anhui Flat Glass	ICBC Jiaxing Branch	1204060029000019764	<u>100,106,788.51</u>
<b>Total</b>			<u><u>100,128,462.63</u></u>

*Note:* As of 31 March 2019, the balance of Anhui Flat Glass placed in BOC Jiaxing Branch of RMB 21,674.12 was the interest income from the proceeds. The balance placed in ICBC Jiaxing Branch of RMB100,106,788.51 included proceeds of RMB100,004,951.00 and income from wealth management products of RMB101,837.51.

### III. Use of previous proceeds

#### (I) Use of funds of proceeds raising project

As of 31 March 2019, the details of the previous proceeds set out in Appendix I Comparison Table of Use of Previous Proceeds

#### (II) Changes in previous proceeds actual investment projects

The previous proceeds actual investment projects of the Company did not change.

#### (III) Initial investment and replacement of proceeds investment project

Prior to the receipt of proceeds, the Company initially used self-raised funds to invest in and implement proceeds committed investment projects. As of 31 March 2019, the Company initially used self-raised funds of RMB 254.385 million to invest in proceeds committed investment projects, and had yet to replace the proceeds with the self-raised funds initially invested in proceeds project.



*(IV) Cash management of temporarily idle proceeds and investment in relevant products*

Pursuant to the Proposal on Cash Management of Using Idle proceeds considered and approved at the third meeting of the fifth session of the Board and the second meeting of the fifth session of the Board of Supervisors held on 22 February 2019, the Company and Anhui Flat Glass were approved to conduct the cash management by using idle proceeds with a total amount of not more than RMB254,384,951.00, including the appropriate purchase of wealth management products (including structured deposits) with high security, good liquidity, and guaranteed capital commitments for a period of not more than 12 months. The cash management period shall be within 12 months from the date of consideration and approval by the Board of the Company. Within the above period and amount, the funds can be recycled. The idle proceeds shall be returned to the account of proceeds after the expiry of the management. The independent directors of the Company expressed an independent opinion on the matter, the Board of Supervisors made a resolution on the matter, and the sponsor verified and issued a special verification opinion, all of which expressed their consents on the matter. On the same day, the Company issued the Announcement on the Use of Idle proceeds for Cash Management the by Flat Glass Group Co., Ltd., which disclosed the details of the Company's use of proceeds for cash management.

As of 31 March 2019, the balance of idle proceeds for cash management of the Company and Anhui Flat Glass was RMB25,438,500. The details of the unmatured wealth management products held by the Company and Anhui Flat Glass are as follows:

No.	Account name	Wealth management products name	Amount (Note)	Start date	Mature date	RMB Estimated annual return rate
1	BOC Jiaxing Branch	BOC Guaranteed Wealth Management – CNYAQKF* (中銀保本理財 – 人民幣按期開放)	154,380,000.00	20 March 2019	26 April 2019	3.8%-4%
2	ICBC Jiaxing Branch	Profit-increasing demand deposit Type B* (活期增利型B款)	100,004,951.00	20 March 2019	30 June 2019	4%

*Note:* For the wealth management product “BOC Guaranteed Wealth Management – CNYAQKF”\* (中銀保本理財 – 人民幣按期開放), the amount of RMB154,380,000.00 had been transferred from the designated saving account of BOC Jiaxing Branch (359775769945) for proceeds of Anhui Flat Glass to the wealth management account. For the wealth management product “Profit-increasing Demand Deposit Type B”\* (活期增利型B款), the amount of RMB100,004,951.00 was still placed in the designated saving account of ICBC Jiaxing Branch (1204060029000019764) for proceeds of Anhui Flat Glass.



**IV. Realization of benefits of the previous proceeds investment projects**

As of 31 March 2019, during the previous proceeds investment project, the first and the second term of the annual production of 900,000 tons of PV module cover glass project was completed on December 2018 and reached the expected usable conditions. Given its short operation time, the project had yet to fully release its production capacity. Thus, the benefits of the projects was not comparable with the expected benefits.

**V. Unused proceeds**

Prior to receipt of proceeds, the Company initially used self-raised funds to invest in and implement the proceeds committed investment projects. As at 31 March 2019, the Company initially used self-raised funds of RMB 254.385 million to invest in the proceeds committed investment projects, and had yet to replace the proceeds with the self-raised funds initially invested in proceeds project. Therefore, as at 31 March 2019, the unused proceeds of the Company amounted to RMB254.385 million.

## APPENDIX I

## Comparison Table of Use of Previous Proceeds

RMB0'000

Net proceeds	Net proceeds that changed its use during the reporting period		Total proceeds investment		Accumulated proceeds invested as of 31 March 2019				The date on which the project reached the usable conditions (or the completion status of the project as at closing date)
	Net proceeds that changed its use during the reporting period	Ratio of accumulative net proceeds that changed its use	Committed investment project before raising	Actual investment amount	Committed investment amount before raising	Committed investment amount after raising	Actual investment amount	Difference between actual investment amount and committed investment amount after raising	
Net proceeds	25,438.50								
Net proceeds that changed its use during the reporting period	Nil								
Ratio of accumulative net proceeds that changed its use	Nil								
No.	Investment project		Total proceeds investment		Accumulated proceeds invested as of 31 March 2019				The date on which the project reached the usable conditions (or the completion status of the project as at closing date)
	Committed investment projects	Actual investment projects	Committed investment project before raising	Actual investment amount	Committed investment amount before raising	Committed investment amount after raising	Actual investment amount	Difference between actual investment amount and committed investment amount after raising	
1	Annual production of 900,000 tons of PV module cover glass project	Annual production of 900,000 tons of PV module cover glass project	25,438.50	25,438.50	25,438.50	25,438.50	25,438.50	–	Note 1
									Note 2

Note 1: Prior to receipt of proceeds, the Company initially used self-raised funds to invest in and implement the proceeds committed investment projects. As of 31 March 2019, the Company initially used self-raised funds of RMB 254,385 million to invest in the proceeds committed investment projects, and had yet to replace the proceeds with the self-raised funds initially invested in proceeds project.

Note 2: The annual production of 900,000 tons of PV module cover glass project was constructed by three phases, of which the first and second phase projects were the proceeds committed investment projects. This proceeds investment project was completed on December 2018 and reached the expected usable conditions.

**CHAPTER 1 GENERAL PROVISIONS**

Article 1 In order to regulate the organization and conduct of meetings of holders of A Share Convertible Bonds publicly issued by Flat Glass Group Co., Ltd. (the “Company”), define the rights and obligations of Bondholders’ meetings, and protect the legitimate rights and interests of Bondholders, these Rules are hereby formulated in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures for the Issuance of Securities by Listed Companies and the Stock Listing Rules of the Shanghai Stock Exchange issued by the China Securities Regulatory Commission (“CSRC”) and other laws, regulations and normative documents and in the light of the actual situation of the Company.

Article 2 Under these Rules, the A Share Convertible Bonds are A Share Convertible Bonds issued according to the A Share Convertible Bonds Prospectus of Flat Glass Group Co., Ltd. on Public Issuance of A Share A Share Convertible Bonds (the “A Share Convertible Bonds Prospectus”) (the “A Share Convertible Bonds”); Bondholders are investors who obtain A Share Convertible Bonds through subscription, purchase or other lawful means.

Article 3 A Bondholders’ meeting shall be constituted by all Bondholders in accordance with these Rules. A Bondholders’ meeting shall be called and held in accordance with the procedures stipulated in these Rules, and shall consider and vote on matters falling within the scope of authority prescribed by these Rules according to law.

Article 4 A resolution considered and adopted at a Bondholders’ meeting in accordance with these Rules shall be equally binding on all Bondholders (including all Bondholders who attended the meeting, didn’t attend the meeting, voted against the resolution or abstained from voting, and holders to whom A Share Convertible Bonds are transferred after the adoption of the resolution)..

Article 5 By subscribing for or otherwise acquiring A Share Convertible Bonds, investors shall be deemed to have accepted all the provisions of these Rules and agreed to be bound by these Rules.

**CHAPTER 2 RIGHTS AND OBLIGATIONS OF BONDHOLDERS**

Article 6 Rights of holders of A Share Convertible Bonds

- (1) Earn interest on the A Share Convertible Bonds held by him or her at the agreed-upon rate;
- (2) Convert the A Share Convertible Bonds held by him or her into A shares of the Company according to the terms and conditions set out in the A Share Convertible Bonds Prospectus;
- (3) Exercise a put option according to the terms and conditions set out in the A Share Convertible Bonds Prospectus;

- (4) Transfer, give as a gift or pledge the A Share Convertible Bonds held by him or her in accordance with the provisions of applicable laws and administrative regulations and the Articles of Association;
- (5) Obtain relevant information in accordance with the provisions of applicable laws and the Articles of Association;
- (6) Require the Company to pay principal and interest on A Share Convertible Bonds within the time limit and in the manner stipulated in the A Share Convertible Bonds Prospectus;
- (7) Attend and vote at a Bondholders' meeting, either in person or by proxy, in accordance with the relevant provisions of applicable laws, administrative regulations, etc.
- (8) Other rights conferred by applicable laws and administrative regulations and the Articles of Association in connection with his or her status as a creditor of the Company.

#### Article 7 Obligations of a holder of A Share Convertible Bonds

- (1) Comply with the relevant provisions of the terms and conditions of A Share Convertible Bonds;
- (2) Pay for the A Share Convertible Bonds he/she/it has subscribed for;
- (3) Comply with valid resolutions adopted at Bondholders' meetings;
- (4) Except as otherwise provided by applicable laws or regulations or the A Share Convertible Bonds Prospectus, shall not require the Company to pay principal and interest on A Share Convertible Bonds in advance;
- (5) Other obligations prescribed by applicable laws and administrative regulations and the Articles of Association.

### **CHAPTER 3 SCOPE OF AUTHORITY OF A BONDHOLDERS' MEETING**

Article 8 The scope of authority of a Bondholders' meeting is as follows:

- (1) When the Company proposes to change a scheme agreed upon in the A Share Convertible Bonds Prospectus, decide whether to accept the proposal. But a Bondholders' meeting may not adopt a resolution exempting the Company from paying principal and interest on A Share Convertible Bonds, changing the interest rate and maturity of A Share Convertible Bonds or canceling the call or put provision in the A Share Convertible Bonds Prospectus;

- (2) When the Company fails to pay principal and interest on A Share Convertible Bonds on time, decide whether to accept relevant solutions, decide whether to compel the Company and the underwriter (if any) to repay principal and interest on A Share Convertible Bonds through legal and other proceedings, or decide whether to participate in the restructuring, settlement, reorganization or bankruptcy proceedings;
- (3) When the Company proposes to reduce its capital (except for capital reductions resulting from the repurchase of shares for an equity incentive plan), merge, divide itself, dissolve itself or file for bankruptcy, decide on whether to accept the proposal and decide on schemes in which Bondholders are legally entitled to participate;
- (4) When there is a material adverse change in the underwriter or collateral (if any), decide on schemes in which Bondholders are legally entitled to participate;
- (5) When there is an event that has a material impact on the rights and interests of Bondholders, decide on schemes in which Bondholders are legally entitled to participate;
- (6) Decide on the amendment of these Rules to the extent permitted by law;
- (7) Other circumstances in which applicable laws, administrative regulations and normative documents stipulate that the Bondholders' meeting shall adopt a resolution.

#### **CHAPTER 4 CALLING OF A BONDHOLDERS' MEETING**

Article 9 A Bondholders' meeting shall be called and presided over by the Board. The Board shall hold a Bondholders' meeting of Bondholders within 30 days from the date of submission or receipt of a proposal to convene a Bondholders' meeting. A notice of the meeting shall be given to all Bondholders and other interested persons 15 days before the meeting, and the notice shall be published in at least one kind of media designated for information disclosure by listed companies. The notice of the meeting shall state matters such as the specific time, place and content of the meeting, the specific way the meeting is to be conducted, etc. These matters shall be determined by the Board.

Article 10 During the life of A Share Convertible Bonds, the Board shall called a Bondholders' meeting if any of the following occurs:

- (1) The Company intends to change the terms of the A Share Convertible Bonds Prospectus;
- (2) The Company fails to pay principal and interest on A Share Convertible Bonds on time;

- (3) The Company reduces its capital (except for capital reductions resulting from the repurchase of shares for an equity incentive plan), merges, divides itself, dissolves itself or files for bankruptcy;
- (4) Amendment of the rules of procedure for meetings of holders of A Share convertible bonds;
- (5) Other events that have a material impact on the rights and interests of Bondholders;
- (6) Other matters that should be considered and decided upon by a Bondholders' meeting as required by applicable laws or administrative regulations, the CSRC, the Shanghai Stock Exchange or these Rules.

Article 11 The following bodies or persons may propose the holding of a Bondholders' meeting in writing:

- (1) Board;
- (2) Bondholders who individually or collectively represent 10% or more of the total face value of outstanding A Share Convertible Bonds;
- (3) Other bodies or persons specified by the CSRC.

Article 12 If the Board fails to perform its duties pursuant to these Rules within 15 days from the date of occurrence of any event specified in Article 10 of these Rules, or within 15 days from the date on which Bondholders who individually or collectively represent 10% or more of the total face value of outstanding A Share Convertible Bonds propose in writing to the Board to hold a Bondholders' meeting, Bondholders who individually or collectively represent 10% or more of the total face value of outstanding A Share Convertible Bonds shall have the right to give a convening notice for a Bondholders' meeting by way of a public announcement.

Article 13 After the notice of a Bondholders' meeting is given, unless necessitated by a force majeure event, the Bondholder's meeting may not be rescheduled or canceled, nor shall any proposal set out in the notice be changed. Where the Bondholder's meeting has to be rescheduled or canceled, or any proposal set out in the notice of the meeting has to be changed due to force majeure, the convenor shall, by way of a public announcement, notify all Bondholders and explain the reasons therefor, at least five trading days before the original date of the Bondholders' meeting, but the registration date for interest payment for Bondholders shall not be changed as a result. The supplementary notice of the Bondholders' meeting shall be published in the same designated media in which the notice of the meeting was published. If the matters to be decided upon at the Bondholders' meeting are eliminated after the notice of the Bondholders' meeting is issued, the convenor may, by way of a public announcement, cancel the Bondholders' meeting and explain the reasons therefor.

Article 14 The convenor of a Bondholders' meeting shall publish the notice of the Bondholders' meeting in the media designated by the CSRC. The notice of the Bondholders' meeting shall include the following:

- (1) Time, place and convenor of the meeting and method of voting to be used at the meeting;
- (2) Matters to be considered at the meeting;
- (3) Explicitly state that: All Bondholders have the right to attend the Bondholders' meeting and may attend and vote at the meeting by proxy;
- (4) Determine the registration date for interest payment for Bondholders entitled to attend the Bondholders' meeting;
- (5) Documents to be prepared and formalities to be gone through by persons who are to attend the meeting, including but not limited to powers of attorney Bondholders have granted to their proxies who are to attend the meeting on their behalf.
- (6) Name of the convenor, and name and telephone number of the permanent contact person for the meeting;
- (7) Other matters that the convenor needs to state in the notice.

Article 15 The registration date for interest payment for a Bondholders' meeting shall not be earlier than ten days before the date of the Bondholders' meeting, and shall not be later than three days before the date of the Bondholders' meeting. Holders of outstanding A Share Convertible Bonds who are registered on the custody roster of China Securities Depository and Clearing Corporation Limited or any other organization specified by applicable laws at the close of business on the registration date for interest payment are Bondholders entitled to attend the Bondholders' meeting.

Article 16 The place where an on-site meeting of Bondholders is held shall be in principle at the Company's domicile. The meeting venue shall be provided by the Company or by the convenor of the Bondholders' meeting.

Article 17 The body or person who gives notice of a Bondholders' meeting in accordance with these Rules shall be the convenor of the meeting.

Article 18 When convening a Bondholders' meeting, the convenor shall hire a lawyer to issue legal opinions on the following matters:

- (1) Whether the procedures for calling and holding the meeting comply with the provisions of applicable laws and regulations and these Rules;
- (2) Whether the qualifications of persons attending the meeting and the qualifications of the convenor are legitimate and valid:

- (3) Whether the voting procedures and voting results of the meeting are legitimate and valid;
- (4) Issue legal opinions on other relevant matters at the request of the convenor.

**CHAPTER 5 PROPOSALS FOR BONDHOLDERS' MEETINGS, PARTICIPANTS  
MEETING AND THEIR RIGHTS**

Article 19 A proposal to be submitted for consideration at a Bondholders' meeting shall be drafted by the convenor. The proposal shall comply with the provisions of applicable laws and regulations, be within the scope of authority of the Bondholders' meeting, and provide a specific subject to be discussed and a specific matter to be decided upon.

Article 20 Matters to be considered at a Bondholders' meeting shall be decided by the convenor in accordance with the provisions of Articles 8 and 10 of these Rules. Bondholders who individually or collectively represent 10% or more of the total face value of outstanding A Share Convertible Bonds have the right to submit an extraordinary resolution to the Bondholders' meeting. The Company and its related parties may participate in the Bondholders' meeting and submit an impromptu resolution. The proposer or proposers of an additional proposal shall submit the completed additional proposal to the convenor no later than 10 days before the Bondholders' meeting. The Convenor shall, within five days from the date of receipt of the additional proposal, give a supplementary notice of the Bondholders' meeting and publish the name or names of the Bondholder or Bondholders who submitted the extraordinary resolution, the proportion of bonds held by the Bondholder or Bondholders and the content of the additional proposal. The supplementary notice shall be published in the same designated media in which the notice of the meeting was published.

Subject to the foregoing, the convenor shall not amend proposals set out in the notice of the meeting or add any new proposal after giving notice of the Bondholders' meeting. A proposal not specified in the notice of the Bondholders' meeting (including the supplementary notice for the addition of an impromptu proposal) or a proposal that does not meet the requirements of these Rules shall not be voted and decided upon.

Article 21 A Bondholder may attend and vote at a Bondholders' meeting in person or by proxy. Travel, accommodation and other expenses incurred by the Bondholder or his or her proxy in connection with attending the Bondholders' meeting shall be borne by the Bondholder.

As the bond issuer, the Company can attend a Bondholders' meeting and submit a proposal for discussion and decision at the meeting, but has no right to vote. Bondholders who are shareholders holding no less than 5% of the Company's shares, or related parties of such shareholders, the Company and the underwriter (if any) (collectively referred to as "other important related parties") may express their opinions at a Bondholders' meeting and submit a proposal for discussion and decision at the meeting, but have no right to vote, and



the A Share Convertible Bonds they represent do not count towards calculating the number of votes cast on a resolution at the Bondholders' meeting. The date of record for the above-mentioned shareholders is determined as the registration date for interest payment.

The underwriter (if any) for A Share Convertible Bonds or other important related parties may participate in a Bondholders' meeting and explain relevant matters with the consent of the chairperson, but have no right to vote.

Article 22 Where a Bondholder attends a meeting in person, he or she shall present his or her identity documents and the securities account card for the outstanding A Share Convertible Bonds held by him or her or other supporting documents prescribed by applicable law; where the legal representative or responsible person of a Bondholder attend a meeting, he or she shall present his or her identity documents, valid proof of his qualifications as the legal representative or responsible person or other supporting documents prescribed by applicable law.

Where a proxy is appointed to attend a meeting, the proxy shall present his or her identity documents, the power of attorney issued by the principal (or its legal representative or responsible person) according to law, the identity documents of the principal, and the securities account card for the outstanding A Share Convertible Bonds held by the principal or other supporting documents prescribed by applicable law.

Article 23 The power of attorney issued by a Bondholder to appoint another person to attend a Bondholders' meeting shall contain the following:

- (1) Name and identity card number of the proxy;
- (2) Authority of the proxy, including but not limited to whether he or she has the right to vote;
- (3) Voting instructions ("for", "against" or "abstain") with respect to each of the items on the agenda of the Bondholders' meeting;
- (4) Effective date and duration of the power of attorney;
- (5) Signature or seal of the principal.

The power of attorney should indicate whether the Bondholder's proxy may vote according to his or her own discretion in the absence of specific instructions from the Bondholder. The power of attorney should be sent to the convenor 24 hours before the Bondholders' meeting.

Article 24 The convenor and lawyer shall jointly verify the qualifications and legitimacy of Bondholders present at the meeting based on the roster of Bondholders who held A Share Convertible Bonds at the close of business on the registration date for interest

payment provided by the securities registration and clearing institution, and register the names of Bondholders or proxies attending the meeting and the number of A Share Convertible Bonds with voting rights held or represented by them.

The above-mentioned roster of Bondholders shall be obtained by the company from the securities registration and clearing institution and provided to the convenor free of charge.

#### **CHAPTER 6 HOLDING OF A BONDHOLDERS' MEETING**

Article 25 A Bondholders' meeting is held either on-site or by means of telecommunication.

Article 26 A Bondholders' meeting shall be chaired and presided over by the chairman of the Company. If the chairman of the Company is unable to preside over the meeting, the chairman shall authorize a director to chair and preside over the meeting; if neither the chairman nor the director authorized by the chairman is able to preside over the meeting, a Bondholder shall be elected by a majority vote of Bondholders present at the meeting who represent no less than 50% of the total face value of the bonds to chair and preside over the meeting.

The chairperson of the Bondholders' meeting announce the proceedings of the meeting and matters needing attention, appoint scrutineers and announce the identity of the scrutineers in accordance with the prescribed procedures, after which the proposal or proposals shall be read out by the chairperson, debated and voted on. Resolutions shall be adopted at the meeting witnessed by the lawyer.

Article 27 At the request of Bondholders who individually or collectively represent no less than 10% of all A Share Convertible Bonds with voting rights, the Company shall send directors, supervisors or senior managers to attend a Bondholders' meeting. Directors, supervisors or senior managers present at the meeting shall provide answers or explanations in response to Bondholders' inquires and suggestions except where the Company's trade secrets are involved or they are prevented from doing so by applicable laws and regulations related to information disclosure by listed companies.

Article 28 The convenor shall produce an attendees' sign-in sheet. The sign-sheet shall contain the names, ID numbers and residential addresses of Bondholders or proxies attending the meeting, the face value of A Share Convertible Bonds with voting rights held or represented by them, and the numbers of their securities account cards or relevant information on other documents prescribed by applicable law.

Registration for the meeting shall end before the chairperson announces the number of Bondholders and proxies attending the meeting and the total number of A Share Convertible Bonds held or represented by them.

Article 29 The Company's directors, supervisors and senior managers can attend Bondholders' meetings in a non-voting capacity.

Article 30 The chairperson of a Bondholders' meeting has the power to adjourn, reconvene and change the place of the meeting after the meeting adopts a resolution to that effect. The chairperson shall change the time and place of the meeting according to the resolution.

The reconvened meeting after such adjournment shall not decide on matters outside the scope of the original proposals.

#### **CHAPTER 7 VOTING AND RESOLUTIONS AT AND MINUTES OF A BONDHOLDERS' MEETING**

Article 31 Each proposal submitted to a meeting shall be voted on by Bondholders present at the meeting who are entitled to attend Bondholders' meetings or their duly authorized proxies.

Each outstanding bond (with a face value of RMB100) entitles the holder to one vote.

Article 32 Matters to be considered as set out in the notice of the meeting or the different elements of a matter to be considered shall be considered separately and voted upon on a case-by-case basis. Except where the meeting is suspended or prevented from adopting resolutions due to force majeure or any other special reason, the meeting shall not shelve or withhold votes on matters to be considered as set out in the notice of the meeting.

Where there are different proposals on the same matter, proposals shall be voted and decided upon in the chronological order in which they were submitted. A Bondholders' meeting may not vote on matters not included in the notice of the meeting. When a Bondholder meeting considers a matter, it shall not change the matter. Any change in the matter shall be regarded as a new matter to be considered and shall not be voted on at the meeting.

Article 33 A Bondholders' meeting shall vote by open ballot. When a Bondholder or proxy votes on a matter, he or she can either: vote for, against or; abstain from voting.

Votes cast via unfilled, incorrectly filled-out or illegible ballots shall be counted as invalid votes and shall not count towards the voting results. Uncast votes shall be deemed abstained and shall not count towards the voting results.

Article 34 The following Bondholders may attend a Bondholders' meeting, submit a proposal for discussion and express their opinions at the meeting, but have no right to vote, and the A Share Convertible Bonds they represent do not count towards the number of A Share Convertible Bonds held by Bondholders attending the meeting.

- (1) Bondholders who are shareholders holding no less than 5% of the Company's shares;
- (2) Related parties of such shareholders, the Company and the underwriter (if any).

Article 35 A meeting shall have two scrutineers, who are responsible for counting votes and scrutinizing the voting process. The scrutineers shall be nominated by the chairperson and shall be Bondholders (or proxies) present at the meeting. Bondholders who are related to the Company and their proxies shall not act as scrutineers.

For each matter considered, at least two Bondholders (or proxies) shall count the votes jointly with an authorized representative of the Company, and the counters shall announce the voting results on the spot. The lawyer is responsible for witnessing the voting process.

Article 36 The chairperson of a Bondholders' meeting shall confirm whether a resolution has been adopted at the meeting based on the voting results, and announce the voting results at the meeting. The results of the vote on a resolution shall be included in the minutes of the meeting.

Article 37 If the chairperson of a Bondholders' meeting has any doubts about the outcome of the vote on a resolution, he or she may recount the votes cast; if the chairperson hasn't proposed a recount and a Bondholder (or proxy) present at the meeting disagrees with the results announced by the chairperson, he or she shall have the right to request a recount immediately after the announcement of the results of the vote, and the chairperson shall promptly organize a recount.

Article 38 Except as otherwise provided herein, a resolution is only validly passed at a Bondholders' meeting if Bondholders (proxies) present at the meeting who represent more than two-thirds of the total face value of outstanding A Share Convertible Bonds vote in favor of the resolution.

Article 39 Resolutions put to the vote at a Bondholders' meeting shall take effect on the date they are passed, but resolutions that are subject to approval by the CSRC or other authoritative bodies shall take effect on the date of approval or another date determined by the relevant approval. According to the provisions of relevant laws and regulations, the A Share Convertible Bonds Prospectus and these Rules, a resolution passed at a Bondholders' meeting is legally binding on all holders of A Share Convertible Bonds (including Bondholders who have not attended the meeting or expressed a dissenting opinion).

Where any resolution relating to A Share Convertible Bonds that leads to a change in rights and obligations between the Company and Bondholders, unless any law, regulation or departmental rule or the A Share Convertible Bonds Prospectus expressly stipulates that resolutions adopted at Bondholders' meetings are binding on the Company:

- (1) If the resolution is proposed by Bondholders, it shall be binding on the Company and all Bondholders after it has passed at the Bondholders' meeting and been approved in writing by the Company;
- (2) If the resolution is proposed by the Company, it shall be binding on the Company and all Bondholders after it has passed at the Bondholders' meeting.,

Article 40 Within two trading days after resolutions are adopted at a Bondholders' meeting, the Board shall notify Bondholders by way of a public announcement. The announcement shall specify the date, time, place, way of conducting, convenor and chairperson of the meeting, the number of Bondholders and proxies present at the meeting, the number of A Share Convertible Bonds with voting rights represented by Bondholders and proxies present at the meeting and that number as a percentage of the total number of A Share Convertible Bonds, the results of the vote on each matter considered and the content of the resolutions adopted.

Article 41 Minutes shall be taken at Bondholders' meetings. The minutes of a Bondholders' meeting record the following:

- (1) The time, place, agenda and name of the convenor of the meeting;
- (2) The names of the chairperson, persons attending the meeting, the lawyer who witnessed at the meeting, the scrutineers and the counters;
- (3) The number of Bondholders and proxies present at the meeting, the number of A Share Convertible Bonds with voting rights represented by Bondholders and proxies present at the meeting and that number as a percentage of the total number of A Share Convertible Bonds;
- (4) The key points of remarks made about each matter considered;
- (5) The results of each vote;
- (6) Bondholders' inquires and suggestions and answers or explanations provided by the Company's directors, supervisors or senior managers;
- (7) Other contents that should be included in the minutes as required by applicable laws, administrative regulations or normative documents and that the meeting concludes should be included in the minutes.

Article 42 The convenor and chairperson of a Bondholders' meeting shall ensure that the contents of the minutes of the meeting are true, accurate and complete. The minutes of a Bondholders' meeting shall be signed by the chairperson, the convenor (or his or her representative), the minute taker and the scrutineers. The minutes, ballots, the attendees' sign-in sheet, powers of attorney, the legal opinions issued by the lawyer and other documents related to a Bondholders' meeting shall be kept by the Board for a period of 10 years.

Article 43 The convenor of a Bondholders' meeting shall ensure that the meeting continues until all matters have been decided upon. If the meeting is suspended, cannot be held normally or cannot adopt resolutions due to force majeure, an unexpected event or any other reason, the convenor shall take necessary measures to resume the meeting as soon as possible or terminate the meeting directly, and make a public announcement to that effect in a timely manner. Meanwhile, the convenor shall report the matter to the CSRC's local office

and the Shanghai Stock Exchange. The convenor shall take measures to stop the acts of interfering with the meeting, picking quarrels and provoking troubles and infringing on the legitimate rights and interests of Bondholders and report them to the relevant departments for investigation and punishment in a timely manner.

Article 44 The Board shall strictly implement resolutions adopted at Bondholders' meetings, communicate with relevant entities about the content of relevant resolutions on behalf of Bondholders in a timely manner, and supervise the specific implementation of resolutions adopted at Bondholders' meetings.

#### **CHAPTER 8 SUPPLEMENTARY PROVISIONS**

Article 45 Where any applicable law, administrative regulation or normative document contains explicit provisions with regard to rules of procedure for meetings of holders of A Share Convertible Bonds, such provisions shall prevail. These Rules shall not be changed except with the consent of the Company and unless the change is approved by a resolution passed by a Bondholders' meeting.

Article 46 Public announcements under these Rules shall be made through the website of the Shanghai Stock Exchange and the media for information disclosure designated by the Company.

Article 47 The terms "no less than" and "within" herein shall be inclusive, while the terms "more than half", "below" and "exceeding" shall be exclusive.

Article 48 For the purpose of these Rules, "outstanding A Share Convertible Bonds" shall refer to all A Share Convertible Bonds issued except the following bonds:

- (1) Bonds for which the principal and interest have been paid in full;
- (2) Matured bonds for which the Company has deposited the funds, to be disbursed by the paying agent to Bondholders for payment of any interest and principal payable by the principal payment date under the terms of the A Share Convertible Bonds;
- (3) Bonds that have been converted into the Company's A shares;
- (4) Bonds that the Company has repurchased and canceled according to the agreement.

Article 49 Disputes over the legality and validity of the procedures for calling, holding and voting at Bondholders' meetings, as well as of resolutions shall be resolved through litigation in the competent people's court of the place where the Company is domiciled.

Article 50 These rules shall become effective on the date of issuance of A Share Convertible Bonds after they have been examined and approved at a general meeting of shareholders of the Company.

Flat Glass Group Co., Ltd. (the “**Company**” or “**Flat**”) intends to raise no more than RMB1.45 billion through a public issuance of A Share Convertible Bonds (the “**Issuance**”). According to the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium-sized Investors in the Capital Market (Guo Ban Fa [2013] No. 110)\* (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market (Guo Fa [2014] No. 17)\* (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)), the Guiding Opinions on Matters Concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31)\* (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)) and other laws, regulations and normative documents, the Company carefully, prudently and objectively analysed the impact of the public issuance of A Share Convertible Bonds on the dilution of immediate returns, and put forward specific measures for making up the gap. Relevant entities have committed themselves to the effective implementation of the Company’s measures for making up the gap.

Details of the dilution of immediate returns caused by the public issuance of A Share Convertible Bonds and relevant measures for making up the gap are as follows:

## **I. IMPACT OF THE DILUTION OF IMMEDIATE RETURNS CAUSED BY THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS ON THE COMPANY’S KEY FINANCIAL INDICATORS**

### **(I) Main assumptions and premises of the analysis**

The following assumptions are only used for the measurement of the impact of the public issuance of A Share Convertible Bonds on the Company’s key financial indicators and do not represent the Company’s judgment about operating conditions in 2019 and 2020, nor do they constitute a profit forecast. Investors should not make investment decisions based on these assumptions. The Company shall not be liable to investors for any losses resulting from investment decisions made based on these assumptions.

1. Assume that there are no significant changes in the macroeconomic environment, industrial policies, industry development, market conditions and the Company’s operating environment.
2. Assume that the Company completes the public issuance of A Share Convertible Bonds by the end of December 2019. The completion time is only an estimate and is used to calculate the impact of the dilution of immediate returns caused by the public issuance of A Share Convertible Bonds on key financial indicators. The actual time when the public issuance of A Share Convertible Bonds is completed after approval by the CSRC shall be final.



3. The A Share Convertible Bonds issued have a maturity of six years. Assume that all the bonds have been converted into shares by 30 June 2020 and that all the bonds remain outstanding as at 31 December 2020, respectively. The conversion completion time is only an estimate. The actual time when holders of the A Share Convertible Bonds complete the conversion shall be final.
4. According to the actual situation of the Company's operation and the principle of prudence, assume that the net profit attributable to owners of the parent and the net profit attributable to owners of the parent after deducting non-recurring gains and losses each grow 0%, 15% and 30% in 2019 and 2020, respectively. The assumption is only used to calculate the impact of the public issuance of A Share Convertible Bonds on the Company's key financial indicators and does not represent the Company's judgment about operating conditions and trends in 2019 and 2020, nor does it constitute a profit forecast for the Company.
5. Assume that the total amount of proceeds from the public issuance of A Share Convertible Bonds is RMB1.45 billion, without considering the impact of issue costs. The actual amount of proceeds from the public issuance of A Share Convertible Bonds will be determined according to regulatory approval, subscriptions and issue costs.
6. Assume that the conversion price of the A Share Convertible Bonds is RMB15.63 per share calculated based on the principle of the average price of the first twenty trading days of the Company's A shares as of 18 April 2019, and the average price of the previous trading day as of 18 April 2019, whichever is higher. The conversion price is only a simulated price, only used to calculate the impact of the dilution of immediate returns caused by the public issuance of A Share Convertible Bonds on key financial indicators. The final initial conversion price will be determined by the Board of Directors based on market conditions prior to the public issuance of A Share Convertible Bonds upon authorization by the shareholders' general meeting, and may be subject to ex-right or ex-dividend adjustments or downward revisions.
7. Assume that no conversion into share capital and distribution of dividend in shares will take place in 2019 and 2020. The impact of dividend payment on the conversion price is not considered.
8. Assume that there are no other events that may cause changes in equity than the public issuance of A Share Convertible Bonds
9. The impact of proceeds from the public issuance of A Share Convertible Bonds on the Company's production, operation and financial position (e.g., operating income, financial expenses, and investment income).



10. The impacts of interest accrued on unused portions of proceeds and interest charges on A Share convertible bonds are not considered.

**(II) Impact on key financial indicators**

Based on the above assumptions, the Company measured the impact of the dilution of immediate returns caused by the public issuance of A Share Convertible Bonds on the Company's key financial indicators, as follows:

*Unit: RMB*

Project name	Year 2019/the end of 2019	Year 2020/the end of 2020	
		All the bonds remain outstanding as at 31 December 2020	All the bonds have been converted into shares by 30 June 2020
<i>Scenario 1: the net profit attributable to owners of the parent and the net profit attributable to owners of the parent after deducting non-recurring gains and losses each grow 0% in 2019 and 2020</i>			
Total share capital (shares)	1,950,000,000.00	1,950,000,000.00	2,042,770,313.50
Net profit attributable to owners of the listed company (RMB)	407,314,716.31	407,314,716.31	407,314,716.31
The net profit attributable to owners of the listed company after deducting non-recurring gains and losses (RMB)	370,579,172.93	370,579,172.93	370,579,172.93
Basic EPS (RMB/share)	0.21	0.21	0.20
Diluted EPS (RMB/share)	0.21	0.20	0.20
Basic EPS after deducting non-recurring gains and losses (RMB/share)	0.19	0.19	0.19
Diluted EPS after deducting non-recurring gains and losses (RMB/share)	0.19	0.18	0.19

Project name	Year 2019/the end of 2019	Year 2020/the end of 2020	
		All the bonds remain outstanding as at 31 December 2020	All the bonds have been converted into shares by 30 June 2020

*Scenario 2: the net profit attributable to owners of the parent and the net profit attributable to owners of the parent after deducting non-recurring gains and losses each grow 15% in 2019 and 2020*

Total share capital (shares)	1,950,000,000.00	1,950,000,000.00	2,042,770,313.50
Net profit attributable to owners of the listed company (RMB)	468,411,923.76	538,673,712.32	538,673,712.32
The net profit attributable to owners of the listed company after deducting non-recurring gains and losses (RMB)	426,166,048.87	490,090,956.20	490,090,956.20
Basic EPS (RMB/share)	0.24	0.28	0.27
Diluted EPS (RMB/share)	0.24	0.26	0.27
Basic EPS after deducting non-recurring gains and losses (RMB/share)	0.22	0.25	0.25
Diluted EPS after deducting non-recurring gains and losses (RMB/share)	0.22	0.24	0.25

*Scenario 3: the net profit attributable to owners of the parent and the net profit attributable to owners of the parent after deducting non-recurring gains and losses each grow 30% in 2019 and 2020*

Total share capital (shares)	1,950,000,000.00	1,950,000,000.00	2,042,770,313.50
Net profit attributable to owners of the listed company (RMB)	529,509,131.20	688,361,870.56	688,361,870.56
The net profit attributable to owners of the listed company after deducting non-recurring gains and losses (RMB)	481,752,924.81	626,278,802.25	626,278,802.25
Basic EPS (RMB/share)	0.27	0.35	0.34
Diluted EPS (RMB/share)	0.27	0.34	0.34

Project name	Year 2019/the end of 2019	Year 2020/the end of 2020	
		All the bonds remain outstanding as at 31 December 2020	All the bonds have been converted into shares by 30 June 2020
Basic EPS after deducting non-recurring gains and losses (RMB/share)	0.25	0.32	0.31
Diluted EPS after deducting non-recurring gains and losses (RMB/share)	0.25	0.31	0.31

*Note:* The earnings per share indicator is calculated in accordance with the relevant provisions of the Compilation and Submission Rules for Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share.

## II. RISK DISCLOSURE CONCERNING THE DILUTION OF IMMEDIATE RETURNS CAUSED BY THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS

After some or all of the A Share Convertible Bonds held by investors are converted into shares, the total share capital of the Company will be increased accordingly. In the event that the Company's operating income and net profit do not grow immediately and simultaneously, according to the above estimates, the conversion of the A Share Convertible Bonds may lead to a decline in earnings per share for the year in which the conversion takes place, and the Company could see a temporary dilution in earnings. In addition, the A Share Convertible Bonds come with a provision for downward revision of the conversion price. When the provision is triggered, the Company may apply for downward revision of the conversion price to cause an increase in the total amount of share capital added due to the conversion of the A Share Convertible Bonds, thereby expanding the potential dilutive effect of the conversion of the A Share Convertible Bonds on the Company's original common shareholders. Investors are reminded to pay attention to the risk of the public issuance of A Share Convertible Bonds diluting immediate returns.

### III. EXPLANATION OF THE NECESSITY AND RATIONALITY OF THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS

The total amount of proceeds from the public issuance of A Share Convertible Bond swill not exceed RMB1.45 billion (inclusive). After deducting the issuance expenses, the net proceeds will be invested in the “annual production of 750,000 tons of PV module cover glass project”, the details are as follows:

*Unit: RMB10,000*

No.	Project name	Region location	Total amount of investment	Amount of proceeds to be used
1	Annual production of 750,000 tons of PV module cover glass project	Anhui	175,168.36	145,000
Total			<u>175,168.36</u>	<u>145,000</u>

The Company shall use internal source of funding to finance the short fall if the proceeds from the public issuance of A Share Convertible Bonds (net of the issuance expenses) cannot satisfy the investment amount. If the time of receiving the proceeds does not meet with the implementation schedule of the project, the Company may use other funds to the project pursuant to its actual progress, and replace such funds with the proceeds after the same have been received.

#### **1. The implementation of the proceeds investment project is conducive to meeting the growing market demand for PV products**

PV energy refers to the use of PV effect to convert solar energy into electricity, which has the features of reliability, safety, resource adequacy and so on. Under the background of shortage of traditional energy resources and global warming, PV industry presents a fast development trend.

Over the years, the Company has been deeply engaged in research and development, manufacturing, processing and sales of PV glass, with industry-leading technological advantages and industrial scale, and achieved good reputation with premium product quality. As a necessary material for the production of crystalline silicon PV modules, PV glass is an important part of solar generators, and its market demand is bound to increase rapidly with the promotion and utilization of solar energy. According to the statistics of China Photovoltaic Industry Association, in 2017, China’s new installed capacity was 53GW, an increase of 53.6% year on year, ranking first in the world for five consecutive years, with the total installed capacity reaching 130GW,

ranking first in the world for three consecutive years. In 2017, the global PV market grew vigorously, with new installed capacity reaching 102GW, an increase of more than 37% year on year, and the cumulative PV capacity reaching 405GW.

With the rapid development of PV energy industry, the demand for PV glass will also grow rapidly. The construction of the project will increase the capacity of 750,000 tons of PV cover glass with short production cycle, which can quickly fill the gap of market demand and further expand the Company's market presence. It is of great significance for the Company to seize the development opportunities of the industry.

**2. The implementation of proceeds investment project is conducive to breaking through the Company's capacity bottleneck and improving its position in the industry**

At present, the Company's PV glass products are made from ultra-clear solar patterned raw glass. The Company prepares PV glass deep processing capacity according to the "highest conformance rate of raw glass + spare capacity". In the past few years, the Company has rarely sold any of its PV raw glass, with more than 99% of the PV raw glass processed into finished PV glass products for sale. In the face of growing market demand and increasingly fierce market competition, the Company's PV glass sheet production can no longer meet market demand. This not only limits the Company's production of finished PV glass products, but also bodes ill for the Company's efforts to maintain its existing competitive advantage in the market and industry-leading position.

With the further utilization of renewable resources such as solar energy in China, market demand for PV glass will be further unleashed and increase steadily. If the Company is unable to continue to expand market supply due to capacity constraints, the Company will face operational risks such as the loss of customers, which will jeopardize the Company's sustainable development. The proceeds investment project can break through the existing capacity bottleneck to help the Company increase the production of finished PV glass products, adapt to trends in the PV market, avoid the potential loss of customers due to capacity constraints and boost its market competitiveness and position in the industry.

**3. The implementation of the proceeds investment project is needed for the Company's strategic development**

Adhering to the market-oriented business philosophy of "high starting point, high quality and high efficiency", the Company has always focused its development strategy on its main business with a view to firmly seizing market development opportunities in downstream industries, integrating all kinds of resources in an all-round way and highlighting its advantages attained through specialization, differentiation and large-scale operations in an effort to build the Company into a low-carbon, energy-saving and green new energy glass group with advanced technology, first-class management, an objective of serving the society and international competitiveness.

In the face of major development opportunities presented by countries around the world vigorously developing the solar energy industry, the Company has formulated a production capacity expansion strategy. According to the strategy, the Company will make full use of its capital, technology, management and market advantages accumulated in the PV glass industry to further expand the economies of scale of its PV glass business and consolidate and improve its leading position in the PV glass industry. Therefore, the the proceeds investment project is an important part of the company's future strategic development, which will help the Company grasp development opportunities in the industry, enhance the Company's overall competitiveness and risk resistance capacity, and provide an adequate safeguard for the Company's sustainable development.

#### **IV. RELATIONSHIP BETWEEN THE PROCEEDS INVESTMENT PROJECT AND THE COMPANY'S EXISTING BUSINESS AND THE COMPANY'S PERSONNEL, TECHNICAL AND MARKET RESERVES FOR THE PROJECT**

##### **(I) Relationship between the Proceeds Investment Project and the Company's Existing Business**

The Company has applied itself to the glass industry for many years and has a strong first-mover advantage and scale advantage. The Company is the world's second largest PV glass manufacturer. Funds raised by the Company will be used for a "annual production of 750,000 tons of PV module cover glass project". The project falls within the scope of the Company's existing business. The implementation of the project is conducive to the long-term development of the Company and will boost the Company's operating performance greatly.

##### **(II) The Company's Personnel, Technical and Market Reserves for the proceeds investment project**

###### ***1. Personnel reserve***

Over the years, the Company has built a reserve of excellent talents in various fields such as management, production and sales through internal training, external recruitment and job bidding. In the future, the Company will strengthen the building of human resources for the project. The Company will establish a reasonable human resource development mechanism, formulate an overall development plan for human resources, optimize the existing human resource configuration, and train reserve personnel according to the product characteristics of the project to ensure that they are competent in their line of work.

## **2. *Technical reserve***

After years of research and development, the Company has gradually formed its own core technologies, developed a number of patented technologies, and achieved the transformation of multiple scientific and technological achievements. At present, the Company owns more than 100 patents. In the future, the company will further increase investment in research and development, strengthen cooperation with scientific research institutions at home and abroad, and carry out continuous technology research and development and product innovation in a bid to maintain its core competencies.

## **3. *Market reserve***

After years of expansion, the Company has built stable sales channels and established long-term cooperative relationships with a large number of world-renowned PV module manufacturers, such as JinkoSolar, Trina Solar, Hanwha Group, EGing PV, Sunpower, etc. In addition to PV glass customers, the Company has established long-term and stable cooperative relationships with well-known companies in other glass product-related fields at home and abroad.

## **V. MEASURES TAKEN BY THE COMPANY IN RESPONSE TO THE DILUTION OF IMMEDIATE RETURNS CAUSED BY THE PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS**

In order to protect the interests of investors and reduce the impact of the dilution of immediate returns that may result from the public issuance of A Share Convertible Bonds, the Company intends to take a variety of measures to ensure the effective use of proceeds from the public issuance of A Share Convertible Bonds and effectively guard against the risk of immediate returns being diluted, so as to increase immediate returns to shareholders. The specific measures the Company intends to take are as follows:

### **1. Accelerate the construction of the project to expand the Company's market share**

Upon receipt of proceeds from the public issuance of A Share Convertible Bonds, the Company will mobilize internal resources to accelerate the construction and integration of the project. The Company will improve efficiency of the use of the proceeds and strive to put the project in condition for its intended use at an early date, thereby further expanding its business, enhancing profitability and delivering better returns for shareholders.

**2. Strictly implement the management system for proceeds to guard against risks associated with the use of proceeds**

In order to standardize the management and use of proceeds to ensure that proceeds are used for their intended purposes, the Company has formulated the Management System for Proceeds in accordance with the provisions and requirements of the Company Law, the Securities Law, the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies, the Stock Listing Rules of the Shanghai Stock Exchange and other laws and regulations while taking into account the actual situation of the Company. The system sets out specific provisions in relation to deposit, use, change, supervision and accountability involving the dedicated account for proceeds from issues. After proceeds from the public issuance of A Share Convertible Bonds are received, the Board of Directors will supervise the Company to make sure that the proceeds are deposited into a special account, ensure that the proceeds are used for the designated investment project, and cooperate with the supervisory bank and sponsor in checking and supervising the use of the proceeds, so as to ensure that proper and standardized use of the proceeds and guard against risks associated with the use of the proceeds.

**3. Continuously improve the profit distribution policy and strengthen the investor return mechanism**

According to the provisions of the Notice of the China Securities Regulatory Commission on Related Matters of Further Implementation of Distribution of Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37)\* (《關於進一步落實上市公司分紅相關規定的通知》(證監發[2012]37號)) and the Guideline No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies (CSRC Announcement [2013] No. 43)\* (《上市公司監管指引第3號 – 上市公司現金分紅》(證監會公告[2013]43號)) and the spirit of the Guidance for the Articles of Listed Company\* (《上市公司章程指引》), the Company has formulated the Plan for the Distribution of Dividends to Shareholders in the Next Three Years (2019-2021)\* (《公司未來三年(2019-2021年)股東分紅回報規劃》). The Company will strictly implement relevant regulations, conscientiously safeguard the legitimate rights and interests of investors, strengthen the mechanism for protecting the rights and interests of small and medium-sized investors, actively promote the distribution of profits and cash dividends to shareholders while taking into account the Company's operating conditions and development plans, provided certain conditions are met, and strive to improve returns for shareholders.



**4. Further improve corporate governance to provide an institutional guarantee for the Company's development**

The Company will strictly comply with the requirements of the Company Law of the PRC\* (《中華人民共和國公司法》), the Securities Law of the PRC\* (《中華人民共和國證券法》), the Guidelines for the Governance of Listed Companies\* (《上市公司治理准則》) and other laws, regulations and normative documents, and continuously improve the corporate governance structure to ensure that shareholders can fully exercise their rights, the Board of Directors can exercise its functions and powers and make scientific, prompt and prudent decisions in accordance with laws, regulations and the articles of association, independent directors can conscientiously perform their duties and safeguard the interests of the Company as a whole, especially the legitimate rights and interests of minority shareholders, and the Supervisory Committee can independently and effectively exercise supervisory and inspection powers over directors, managers and other senior managers and corporate finances, thereby providing an institutional guarantee for the Company's development.

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APPENDIX IX      UNDERTAKINGS BY THE DIRECTORS, SENIOR MANAGEMENT OF THE COMPANY, CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS OF THE COMPANY ON THE ACTUAL PERFORMANCE OF THE REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURNS OF THE COMPANY

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On 25 December 2013, the General Office of the State Council issued the Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets (Guo Ban Fa [2013] No. 110)\* (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)) clearly stated that specific remediable measures shall be committed and fulfilled for the dilution of immediate returns due to a company's initial public issuance of shares, a listed company's refinancing or the material assets restructuring. In December 2015, the China Securities Regulatory Commission (the "CSRC") issued the Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring (CSRC Announcement No. 31 [2015])\* (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(中國證券監督管理委員會公告(2015)31號)), which further proposed the requirements for optimizing the investor return mechanism. According to the requirements, all directors, senior management, Controlling Shareholders and de facto controllers of Flat Glass Group Co., Ltd. (the "Company") made the following commitments to take remedial measures for the dilution of immediate returns due to the Company's public issuance of A Share Convertible Bonds (the "A Share Convertible Bonds"):

**I. The commitment of the directors and senior management of the Company feasible commitment for the fulfillment of the remediable measures for the public issuance of the A Share Convertible Bonds**

1. None of the benefits will be transferred to other units or individuals with any compensation or unfair conditions, and no other measures will be taken to damage the Company's interests;
2. Restrictions will be imposed for the position-related consumption;
3. None of the Company's assets will be used to engage in investment and consumption activities unrelated to the performance of duties;
4. The compensation system established by the Board or the Compensation Assessment Committee is linked to the implementation of the Company's remediable measures;
5. If the Company implements equity incentive in the future, the exercise conditions of the Company's equity incentive to be announced will be linked to the implementation of the Company's remediable measures;
6. From the date of the commitment to the completion of the Company's current public issuance of A Share Convertible Bonds, if the CSRC makes other new regulatory requirements for remediable measures and their commitments, and the above commitments cannot satisfy the requirements of the CSRC, I promise that I will issue a supplementary commitment in accordance with the latest requirements of the CSRC;

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APPENDIX IX      UNDERTAKINGS BY THE DIRECTORS, SENIOR MANAGEMENT OF THE COMPANY, CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS OF THE COMPANY ON THE ACTUAL PERFORMANCE OF THE REMEDIAL MEASURES FOR THE DILUTION OF CURRENT RETURNS OF THE COMPANY

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7. I am committed to fulfilling the Company's commitment for the remediable measures and any commitments made related to the remediable measures, and I am willing to bear the company or investors' compensation responsibility according to law if the company violates these commitments and causes losses to the company or investors.

**II. The commitment of the Controlling Shareholder and the de facto controller's feasible commitment for the fulfillment of the remediable measures for the public issuance of the A Share Convertible Bonds**

1. Do not interfere with the Company's business management activities exceeding the position;
2. Do not encroach on the Company's interests;
3. From the date of the commitment to the completion of the Company's public issuance of A Share Convertible Bonds, if the CSRC makes other new regulatory requirements for remediable measures and their commitments, and the above commitments fail to satisfy the requirements of the CSRC, the Controlling Shareholders and de facto controllers commit that they will issue a supplementary commitment in accordance with the latest requirements of the CSRC.

For the purpose of completion of the public issuance of A Share Convertible Bonds in an efficient and orderly manner, according to the relevant provisions of the Company Law, the Securities Law and other relevant laws and regulations and the Articles of Association, the Board of the Company proposed at the Shareholders' general meeting of the Company to authorize the Board and its authorized persons to exercise the full power to deal with all matters relating to the public issuance of A Share Convertible Bonds under the frameworks and principles considered and approved at the Shareholders' general meeting, including but not limited to the following:

- (1) Make appropriate amendments, adjustments and additions to the Issuance Plan and terms of issuance to the extent permitted by relevant laws, regulations and the Articles of Association and in accordance with the opinions of regulatory authorities and in the light of the actual situation of the Company; specify the Issuance Plan and terms of issuance before the issue, and formulate and implement the final plan for the issue, including but not limited to determining or adjusting the issue size, the method of issue, target subscribers and the percentage of the issue reserved for preferential subscription for original Shareholders, determining the initial conversion price, amending the conversion price, matters related to redemption, bond interest rates and underwriting, stipulating the rights of bondholders' meetings, the procedures for holding bondholders' meetings and the conditions that must be met in order for a resolution to take effect, amending the rules of procedure for bondholders' meetings, determining the time of issuance, adding dedicated accounts for proceeds, signing tripartite agreements for the supervision of deposits in dedicated accounts for proceeds and all other matters related to the Issuance Plan;
- (2) Make a comprehensive judgment according to the review of the project by relevant departments, changes in relevant market conditions, changes in conditions for the implementation of the project and other factors, adjust or decide on specific arrangements for the use of proceeds according to the actual progress and actual funding needs of the project within the scope of investment approved by the general meeting of Shareholders for proceeds; the Company may apply funds it has raised from other sources to the project according to the actual progress and operational needs of the project before proceeds are received and replace such funds after proceeds are received; make necessary adjustments to the project in accordance with the provisions of relevant laws and regulations, the requirements of regulatory authorities and market conditions;
- (3) Go through procedures for examination, approval, registration, filing, consent, etc. with relevant government bodies, regulatory authorities, stock exchanges and securities registration and clearing institutions in connection with the issue, sign, amend, supplement, deliver, submit and execute all agreements and application documents related to the issue, handle relevant application, submission and approval procedures and other relevant issuance and filing matters, and respond to feedback from the CSRC and relevant government departments;

- (4) Hire intermediaries to handle work related to the issue and listing, including but not limited to producing, modifying and submitting documents as required by regulatory authorities, and decide on the payment of remuneration to intermediaries and other relevant matters;
- (5) Modify relevant provisions in the Articles of Association in due course according to the status of the issue and conversion of A Share convertible bonds, and handle matters such as industrial and commercial filing, registration for changes in registered capital, listing of A Share convertible bonds, and adjustment of dedicated accounts for proceeds;
- (6) If regulatory authorities have changed policies and review requirements for the issuance of A Share convertible bonds or market conditions have changed, except for matters that must be re-voted upon at a general meeting of Shareholders as required by relevant laws, regulations and the Articles of Association, adjust the Issuance Plan and other relevant matters accordingly;
- (7) In the event of force majeure or any other circumstance which is sufficient to render the Issuance Plan unimplementable, or although implementable, detrimental to the Company if implemented, or a change in policy on the issuance of A Share convertible bonds, elect in its sole discretion to postpone the implementation of the Issuance Plan;
- (8) In response to the latest regulations and requirements set by relevant laws, regulations and regulatory authorities in respect of making up the gap in immediate returns through refinancing, further analyze, study and verify the impact of the issue on the Company's immediate financial indicators and immediate returns to the Company's Shareholders, formulate and revise relevant measures for making up the gap, and handle other relevant matters at its sole discretion;
- (9) Handle all other matters that are relevant to the issue, necessary, proper or appropriate to the extent permitted by relevant laws and regulations.

All of the above authorizations, except for authorization (5) which is valid throughout the duration of the relevant matters from the date of approval of the proposal by the Company's general meeting of Shareholders, are valid for a period of 12 months from the date of approval of the proposal by the Company's general meeting. If the public issuance of A Share Convertible Bonds is approved by the CSRC during the aforesaid period, then the validity period will automatically extend to the date of completion of the public issuance of A Share Convertible Bonds.

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## APPENDIX XI SHAREHOLDERS' RETURN PLAN FOR THE YEAR ENDING 31 DECEMBER 2019, 2020 AND 2021

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In order to further enhance the transparency of the cash dividends of Flat Glass Group Co., Ltd. (the "Company"), strengthen the Company's awareness of returning Shareholders, improve and perfect the Company's dividend decision-making and supervision mechanism, maintain the continuity and stability of the profit distribution policy, and protect the legitimate rights and interests of investors in order to facilitate investors to form stable returns expectations, in accordance with the provisions of relevant laws and regulations and regulatory documents such as the Opinions of the China Securities Regulatory Commission on Further Promoting the IPO System Reform (CSRC Announcement [2013] No. 42)\* (《中國證監會關於進一步推進新股發行體制改革的意見》(證監會公告[2013]42號)), Notice on Further Implementation on Matters Related to Cash Dividends of Listed Companies (Zheng Jian Fa [2012] No. 37)\* (《關於進一步落實上市公司現金分紅有關要求的通知》(證監發[2012]37號)) and Guidelines No. 3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies\* (《上市公司監管指引第3號 – 上市公司現金分紅》), and with comprehensive consideration of the Company's actual situation such as profitability, operation development planning, Shareholder returns and cash flow, the Company has formulated the Shareholder Dividend Distribution Plan for the Next Three Years (2019-2021) of Flat Glass Group Co., Ltd. (the "Plan"), and the specific contents are as follows:

### **I. Factors considered for the formulation of the Plan**

Focusing on the long-term planning and sustainable development of the Company and on the basis of comprehensive analysis of the Company's industry characteristics, development strategy and operation plan, Shareholder requirements and willingness, the Company fully considered our actual situation and development plan, capital demand of project investment, current and future profitability, cash flow status and external financing environment, and established a Shareholder dividend distribution plan for the investors' continuous, stable and scientific return mechanism, so as to make institutional arrangements of profit distribution for the purpose of maintaining the continuity and stability of profits distribution policy.

### **II. Principles for the formulation of the Plan**

The Company implements a continuous and stable profit distribution policy, and the Company's profit distribution attaches importance to the reasonable return on investment for the investors and takes into account the sustainable development of the Company.

### **III. Formulation cycle and related decision-making mechanism of Shareholder dividend distribution plan**

The Board of the Company shall formulate a Shareholder dividend distribution plan in accordance with the profit distribution policy determined by the Articles of Association. If the company needs to adjust the profit distribution policy according to the production and operation situation, investment planning, long-term development needs or due to the external business environment and its own operating conditions, the Board of the Company should take the protection of Shareholders' rights as the starting point and combine the actual situation of the company before proposing a plan to adjust the profit distribution policy, and should seek the opinions of independent directors, the Board of Supervisors and

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## APPENDIX XI      **SHAREHOLDERS' RETURN PLAN FOR THE YEAR ENDING 31 DECEMBER 2019, 2020 AND 2021**

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Shareholders (especially small and medium Shareholders) in advance, and should actively communicate with Shareholders especially small and medium Shareholders through various channels such as telephone, fax, e-mail and investor relations interactive platform. After the review by the Board of the Company, it shall be submitted to the general meeting of Company, and be reviewed and approved by more than two-thirds of the voting rights held by Shareholders attending the general meeting. The adjusted profit distribution policy shall not violate the provisions of relevant laws and regulations and regulatory documents.

The Company shall review the Shareholder dividend distribution plan at least once every three years, and shall, in conjunction with the opinions of the independent directors, the board of supervisors and the Shareholders (especially the small and medium Shareholders), make appropriate and necessary modifications to the profit distribution policy being implemented by the Company to determine the Shareholder dividend distribution plan for the time period.

### **IV. Detailed Shareholder return plan for the next three years (2019-2021) of the Company**

#### ***1. Profit distribution form and interval***

- (1) The Company distributes profits by means of a combination of cash, shares or cash shares, and prioritizes the distribution of profits by cash. Under the condition of ensuring the distribution of cash dividends, the Company may adopt the method of share dividend to distribute profits. Where the Company adopts the method of share dividend to distribute profits, there shall exist real and reasonable factors such as the Company's growth and the dilution of its net assets per share.
- (2) The Company shall carry out annual profit distribution under the satisfaction of the conditions for profit distribution, and may also carry out interim cash dividends.
- (3) The Company's profit distribution shall not exceed the range of accumulated profit available for distribution. Under the premise of satisfying the capital demand for purchasing raw materials, the expected major investment plan or major cash expenditure, the Board of the Company can carry out interim dividend according to the current operating profit and cash flow of the Company, and the detailed plan must be submitted to the general meeting of the Company for approval after the review by the Board of the Company. If the Shareholders of the Company illegally occupy the our funds, the Company shall deduct the cash dividends distributed by the Shareholders to repay the occupied funds.

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**APPENDIX XI      SHAREHOLDERS' RETURN PLAN FOR THE YEAR  
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*2. Specific conditions and minimum ratio of cash dividends*

The Company shall at least simultaneously satisfy the following conditions when it intends to implement cash dividend:

- (1) the distributable profit (i.e. the after-tax profit after the Company makes up the loss and withdraws the housing accumulation fund) of the Company in the current year is positive, and the Company is flush with cash, and the implementation of cash dividend will not affect the subsequent continuous operation of the company;
- (2) the audit institution shall issue a standard unqualified audit report on the Company's annual financial report;
- (3) the Company has no major investment plan;
- (4) the Company's cash dividends will not violate laws, regulations, rules, governmental normative documents, applicable rules and binding agreements and documents of the Company or its subsidiaries.

The Board shall, taking into account the characteristics of the industry, the stage of development, its own business model, profitability and significant capital expenditure arrangements and other factors, distinguish the following situations and put forward differentiated cash dividend policies:

- (1) if the Company is in the mature stage of development and there is no significant capital expenditure arrangement, the minimum proportion of cash dividends in the profit distribution shall reach 80% at the time of distributing profits;
- (2) if the Company is in the mature stage of development and there is a significant capital expenditure arrangement, the minimum proportion of cash dividends in the profit distribution shall reach 40% at the time of distributing profits;
- (3) if the Company is in the growth stage of development and there is a significant capital expenditure arrangement, the minimum proportion of cash dividends in the profit distribution shall reach 20% at the time of distributing profits;

If the Company's development stage is difficult to distinguish while there is a significant capital expenditure arrangement, it can be handled in accordance with the provisions of the preceding paragraph.

If the Company is currently in the growth stage, the conditions of cash dividends are as follows: if the Company makes profits in the current year and it still has profits for distribution after making up for loss and drawing housing accumulation fund and



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**APPENDIX XI      SHAREHOLDERS' RETURN PLAN FOR THE YEAR  
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surplus accumulation fund in accordance with the law, the Company should carry out cash dividend; the profit distribution of the Company shall not exceed the scope of accumulated distributable profit, and the profit distributed in cash in a single year shall not be less than 20% of the distributable profit realized in the current year if there is no major investment plan or major cash expenditure.

**3.    *Formulation and implementation of the profit distribution plan***

After the end of each fiscal year, the Board of the Company shall propose a profit distribution plan and submit it to the general meeting for review. As for the review at the general meeting, it shall give full consideration to the opinions of independent directors, Board of Supervisors and Shareholders (especially small and medium Shareholders), shall be by telephone, fax, e-mail, investor relations interactive platform and other channels to take the initiative to communicate with Shareholders, especially small and medium Shareholders, fully listen to the opinions and demands of small and medium Shareholders, and timely answer the concerns of the small and medium Shareholders. After the resolution on the profit distribution plan at the general meeting, the Board of the Company shall complete the distribution of dividends (or shares) within 2 months after the general meeting.

**V.    Arrangements for the use of undistributed profits**

The Company's retained undistributed profits are mainly used for technical transformation or project expansion, foreign investment, acquisition of assets or equity, purchase of equipment, replenishment of working capital and other capital expenditures, which would gradually expand production and operation scale, optimize of financial structure, promote the rapid development of the Company, and achieve the Company's future planning and development goals step by step, and ultimately maximize the interests of Shareholders.

**VI.   The Plan shall come into effect on the date when it is reviewed and approved at the general meeting, and the same shall apply to the revision.**

**VII. The Plan is interpreted by the Board of the Company.**

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to their best knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Interests and Short Positions of Directors, Supervisors and Chief Executive

As at the Latest Practicable Date, 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 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, Supervisors or the chief executive were taken or deemed to have under such provisions) and the Model Code, were as follows:

Shareholder	Number of Shares held	Class	Nature of Interest	Approximate percentage of shareholding in the relevant class of Shares <sup>(1)</sup> %	Approximate percentage of shareholding in the total share capital of the Company <sup>(2)</sup> %
<i>Directors</i>					
Mr. Ruan Hongliang <sup>(3)</sup>	1,118,772,000	A Shares	Beneficial owner and parties acting in concert	74.58	57.37
Ms. Jiang Jianhua <sup>(4)</sup>	1,118,772,000	A Shares	Beneficial owner and parties acting in concert	74.58	57.37
Mr. Wei Yezhong	19,260,000	A Shares	Beneficial owner	1.28	0.99
Mr. Shen Qifu	12,840,000	A Shares	Beneficial owner	0.86	0.66
<i>Supervisors</i>					
Mr. Zheng Wenrong	57,780,000	A Shares	Beneficial owner	3.85	2.96
Mr. Shen Fuquan	38,520,000	A Shares	Beneficial owner	2.57	1.97
Mr. Zhu Quanming	38,520,000	A Shares	Beneficial owner	2.57	1.97

*Notes:*

- (1) The calculation was based on the total number of 1,500,000,000 A Shares in issue as at the Latest Practicable Date.

- (2) The calculation was based on the total number of 1,500,000,000 A Shares and 450,000,000 H Shares in issue as at the Latest Practicable Date.
- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. As at the Latest Practicable Date, Mr. Ruan Hongliang owned 439,358,400 A Shares, and Ms. Jiang Jinhua owned 324,081,600 A Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. As at the Latest Practicable Date, Ms. Ruan Zeyun owned 350,532,000 A Shares and Mr. Zhao Xiaofei owned 4,800,000 A 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 A Shares under the SFO as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, 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 (including interest or short positions which the Directors, Supervisors or the chief executive were taken or deemed to have under such provisions) or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(ii) Competing and Other Interests of Directors**

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business.

**(iii) Interests held by the Directors in the Company's Assets, Contracts or Arrangements Significant to the Company**

So far as the Company and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of or leased by any member of the Group, or are proposed to be acquired or disposed of or leased by any member of the Group.

So far as the Company and Directors are aware after making reasonable enquiries, as at the Latest Practicable Date, none of the Directors or Supervisors was materially interested, either directly or indirectly, in any significant contract or arrangement entered into by the Company that is relevant to the business of the Company and is still valid as at the Latest Practicable Date.

**(iv) Service Contracts**

As at the Latest Practicable Date, none of the Directors or Supervisors has or is proposed to have any service contract which any member of the Group that is not determinable within one year without payment or compensation (other than statutory compensation).

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or operating position of the Group since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up).

**4. QUALIFICATION AND CONSENT OF EXPERT**

The following is the qualification of the expert who have given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO

As at the Latest Practicable Date, the above expert did not have any shareholding directly or indirectly in any member of the Group, or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and it had no interest, either directly or indirectly, in any assets which have been acquired or disposed by, or leased to, or are proposed to acquire or disposed by, or leased to, any member of the Group since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up).

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its opinion or advice, and reference to its name in the form and context in which it appears.

**5. LANGUAGE**

In case of inconsistency, other than Appendices I to XI to this circular, the English text shall prevail over the Chinese text. As for the English translation of the Appendices I to XI, the original Chinese text shall prevail over the English translation in case of inconsistency.

**6. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the offices of Luk & Partners In Association with Morgan, Lewis & Bockius at Suites 1902-09, 19/F., Edinburgh Tower, The Landmark, 15 Queen's Road Central, Central Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this circular (excluding any Saturdays, Sundays and public holidays in Hong Kong):

- (i) letter from the Independent Board Committee as set out in this circular;
- (ii) letter from Gram Capital, as set out in this circular;
- (iii) written consent from Gram Capital; and
- (iv) the Proposal in relation to the Proposed Issuance of A Share Convertible Bonds.

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## NOTICE OF ANNUAL GENERAL MEETING

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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(stock code: 6865)**

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Flat Glass Group Co., Ltd. (the “**Company**”) will be held at 14:00 p.m. on Monday, 24 June 2019 at the Conference Room, 5th Floor, Flat Glass Group Co., Ltd., 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the People’s Republic of China for the purpose of considering, and if thought fit, passing the following resolutions by way of ordinary or special resolution as indicated. Unless defined otherwise, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 9 May 2019:

- Ordinary resolution 1.** To consider and approve the report of the Board for the year ended 31 December 2018.
- Ordinary resolution 2.** To consider and approve the report of the board of Supervisors for the year ended 31 December 2018.
- Ordinary resolution 3.** To consider and approve the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018.
- Ordinary resolution 4.** To consider and approve the annual report of the Company for the year ended 31 December 2018.
- Ordinary resolution 5.** To consider and approve the report on the Company’s final accounts for the year ended 31 December 2018.
- Ordinary resolution 6.** To consider and approve the report on the Company’s financial budget for the year ending 31 December 2019.

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## NOTICE OF ANNUAL GENERAL MEETING

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- Ordinary resolution** 7. To consider and approve the profit distribution plan and payment of the final dividend of RMB4.5 cents per ordinary share of the Company (before tax) for the year ended 31 December 2018.
- Ordinary resolution** 8. To consider and approve the Company to adopt CASBE in the preparation of its financial statements.
- Ordinary resolution** 9. To consider and approve the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP in the PRC as the Company's auditors until the conclusion of the next annual general meeting of the Company, and to approve and authorise the Board to determine its remuneration.
- Ordinary resolution** 10. To consider and approve the cessation of appointment of Messrs. Deloitte Touche Tohmatsu in Hong Kong as the Company's international auditor.
- Ordinary resolution** 11. To consider and approve the proposal on determination of the remuneration of the directors of the Company for the year ending 31 December 2019.
- Ordinary resolution** 12. To consider and approve the proposal on determination of the remuneration of the supervisors of the Company for the year ending 31 December 2019.
- Ordinary resolution** 13. To consider and approve the Environmental, Social and Governance Report of the Company for the year ended 31 December 2018.
- Special resolution** 14. To consider and approve:
- (i) the Proposed Articles Amendments; and
  - (ii) to authorise the Board to make relevant adjustments and revisions to the Articles of Association in accordance with the requirements and opinions of the relevant government departments and regulatory authorities in the PRC, including but not limited to adjustments and revisions to characters, chapters and articles.
- Special resolution** 15. To consider and approve the Report on the Company's Compliance of the Conditions for the Proposed Issuance of A Share Convertible Bonds.

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## NOTICE OF ANNUAL GENERAL MEETING

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- Special resolution**      **16.** To consider and approve the grant of specific mandate to the Board to issue the A Share Convertible Bonds pursuant to the A Share Convertible Bonds Issuance Plan:
- (i) Type of bonds to be issued;
  - (ii) Issue size;
  - (iii) Par value and issue price;
  - (iv) Bonds term;
  - (v) Bonds interest;
  - (vi) Method and timing of interest payment;
  - (vii) Conversion period;
  - (viii) Determination and adjustment of conversion price;
  - (ix) Downward adjustment to the conversion price;
  - (x) Determination of the number of conversion shares and methods for determining the number of shares for conversion when there is insufficient balance on conversion into one share;
  - (xi) Terms of redemption;
  - (xii) Terms of sell back;
  - (xiii) Dividend rights for the conversion year;
  - (xiv) Method of issuance and target investors;
  - (xv) Subscription arrangement for existing A Shareholders;
  - (xvi) Relevant matters on Bondholders' meetings;
  - (xvii) Use of proceeds;
  - (xviii) Management and deposit of proceeds;
  - (xix) Guarantee; and
  - (xx) Validity period of the Plan.



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## NOTICE OF ANNUAL GENERAL MEETING

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| <b>Special resolution</b>  | <b>17.</b> To consider and approve the Preliminary Plan of the Proposed Issuance of A Share Convertible Bonds.  |
| <b>Special resolution</b>  | <b>18.</b> To consider and approve the Feasibility Report on the Proposed Issuance of A Share Convertible Bonds.  |
| <b>Ordinary resolution</b> | <b>19.</b> To consider and approve the Report on Use of Previous Proceeds.  |
| <b>Ordinary resolution</b> | <b>20.</b> To consider and approve the Rules for A Share Convertible Bondholders' Meetings.   |
| <b>Ordinary resolution</b> | <b>21.</b> To consider and approve the Impact of the Dilution of Immediate Return as a Result of the Initial Public Offering of A Share Convertible Bonds on Major Financial Indicators of the Company and the Remedial Measures adopted by the Company and related Undertakings.   |
| <b>Ordinary resolution</b> | <b>22.</b> To consider and approve the Undertakings by the Directors, Senior Management of the Company, Controlling Shareholders and Actual Controllers of the Company on the Actual Performance of the Remedial Measures for the Dilution of Current Returns of the Company.   |
| <b>Special resolution</b>  | <b>23.</b> To consider and approve the authorisation of the Board and its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds.  |
| <b>Special resolution</b>  | <b>24.</b> To consider and approve the Shareholders' Dividend Distribution Plan for the Years Ending 31 December 2019, 2020 and 2021.   |
| <b>Ordinary resolution</b> | <b>25.</b> To consider and approve the proposal on the Possible Subscription for A Share Convertible Bonds by Mr. Ruan Hongliang, Ms. Jiang Jinhua, Ms. Ruan Zeyun and Mr. Zhao Xiaofei, controlling shareholders of the Company, Mr. Wei Yezhong and Mr. Shen Qifu, executive directors of the Company, and Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming, supervisors of the Company. |

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## NOTICE OF ANNUAL GENERAL MEETING

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- Special resolution**      **26.** To consider and approve the guarantees to be provided by the Group for its potential credit facility of up to RMB1.5 billion and to authorize the chairman of the Company and its authorized persons to sign all legal documents relating to the credit facilities, and the validity period of this resolution to be valid until the date of the next annual general meeting of the Company.

By order of the Board of  
**Flat Glass Group Co., Ltd.**  
**Ruan Hongliang**  
*Chairman*

Jiaxing, Zhejiang Province, the PRC  
9 May 2019

*As at the date hereof, the executive directors are Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong and Mr. Shen Qifu. Independent non-executive directors are Mr. Cui Xiaozhong, Ms. Hua Fulan and Mr. Ng Ki Hung.*

### **Explanatory Notes:**

1. **Resolution 3:** Audited consolidated financial statements are prepared respectively under the IFRS by Messrs. Deloitte Touche Tohmatsu in Hong Kong and under CASBE by Messrs. Deloitte Touche Tohmatsu in the PRC.
2. **Resolution 4:** Annual reports are prepared for H shareholders in compliance with Listing Rules and for A shareholders in compliance with SSE Listing Rules.
3. **Resolutions 7 to 10, and 14 to 26:** Please refer to the Circular for more information.

### *Notes:*

1. In order to ascertain shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Saturday, 25 May 2019 to Monday, 24 June 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all transfer documents must be lodged with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or to the Company's registered office in the PRC at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC (for holders of A Shares), for registration before 4:30 p.m. on Friday, 24 May 2019.

Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2019 are entitled to attend and vote at the AGM.

The Board has recommended a final dividend for the year ended 31 December 2018 of RMB4.5 cents per ordinary share (before tax) (for illustration purpose only, equivalent to approximately HK5.3 cents per ordinary share (before tax)) (the "2018 Final Dividend") and, if the resolution regarding the payment of the 2018 Final Dividend is approved by the shareholders at the AGM, the 2018 Final Dividend is expected to be distributed no later than 30 August 2019 to shareholders whose names appear on the register of members of the Company on Tuesday, 2 July 2019.

For the purpose of ascertaining shareholders' entitlement to the 2018 Final Dividend, the register of members of the Company will be closed from Friday, 28 June 2019 to Tuesday, 2 July 2019 (both days inclusive) for the purpose of determining shareholders' entitlement to the 2018 Final Dividend. In order to qualify for receiving the 2018 Final Dividend, all transfer documents must be lodged with the Company's H

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## NOTICE OF ANNUAL GENERAL MEETING

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share registrar in Hong Kong, Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (for holders of H Shares), or to the Company's registered office in the PRC at 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC (for holders of A Shares), for registration before 4:30 p.m. on Thursday, 27 June 2019. The record date for entitlement to the 2018 Final Dividend is Tuesday, 2 July 2019.

2. Shareholders who are entitled to attend and vote at the AGM may appoint one or more proxies to attend and vote on their behalf. A proxy need not be a shareholder of the Company.
3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
4. In order to be valid, the proxy form must be deposited by hand or by post, for holders of H shares of the Company, to the H share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and, for holders of A shares of the Company, to the head office in the PRC of the Company not less than 24 hours before the time for holding the AGM (or any adjournment thereof) for taking the poll. If the proxy Form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy Form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the AGM or any adjourned meetings should they so wish.
5. Shareholders or their proxies shall provide their identification documents when attending the AGM.
6. Shareholders who intend to attend the AGM should complete the reply slip and return it by hand or by post to the H share registrar of the Company (for holders of H shares of the Company) or to the head office in the PRC of the Company (for holders of A shares of the Company) on or before Monday, 3 June 2019.
7. Shareholders attending the AGM shall be responsible for their own travel and accommodation expenses.
8. The address of the head office in the PRC of the Company is 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC.

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## NOTICE OF 2019 FIRST H SHAREHOLDERS' CLASS MEETING

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

*(a joint stock company incorporated in the People's Republic of China with limited liability)*  
**(stock code: 6865)**

### NOTICE OF 2019 FIRST H SHAREHOLDERS' CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2019 First H Shareholders' Class Meeting of Flat Glass Group Co., Ltd. will be held on Monday, 24 June 2019 at the Conference Room, 5th Floor, Flat Glass Group Co., Ltd., 1999 Yunhe Road, Xiuzhou District, Jiaying, Zhejiang Province, the People's Republic of China immediately after the conclusion of the 2019 First A Shareholders' Class Meeting to be held on the same day (or any adjournment thereof) for the purpose of considering, and if thought fit, passing the following resolutions. Unless defined otherwise, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 9 May 2019 (the "**Circular**").

- Special resolution**
1. To consider and approve the grant of specific mandate to the Board to issue the A Share Convertible Bonds pursuant to the A Share Convertible Bonds Issuance Plan:
    - (i) Type of bonds to be issued;
    - (ii) Issue size;
    - (iii) Par value and issue price;
    - (iv) Bonds term;
    - (v) Bonds interest;
    - (vi) Method and timing of interest payment;
    - (vii) Conversion period;
    - (viii) Determination and adjustment of conversion price;

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## NOTICE OF 2019 FIRST H SHAREHOLDERS' CLASS MEETING

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- (ix) Downward adjustment to the conversion price;
- (x) Determination of the number of conversion shares and methods for determining the number of shares for conversion when there is insufficient balance on conversion into one share;
- (xi) Terms of redemption;
- (xii) Terms of sell back;
- (xiii) Dividend rights for the conversion year;
- (xiv) Method of issuance and target investors;
- (xv) Subscription arrangement for existing A Shareholders;
- (xvi) Relevant matters on Bondholders' meetings;
- (xvii) Use of proceeds;
- (xviii) Management and deposit of proceeds;
- (xix) Guarantee; and
- (xx) Validity period of the resolution.

- Special resolution**      2. To consider and approve the authorisation of the Board and its authorised persons to manage the matters relating to the Proposed Issuance of A Share Convertible Bonds.

By order of the Board of  
**Flat Glass Group Co., Ltd.**  
**Ruan Hongliang**  
*Chairman*

Jiaxing, Zhejiang Province, the PRC  
9 May 2019

*As at the date hereof, the executive directors are Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong and Mr. Shen Qifu. Independent non-executive directors are Mr. Cui Xiaozhong, Ms. Hua Fulan and Mr. Ng Ki Hung.*

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## NOTICE OF 2019 FIRST H SHAREHOLDERS' CLASS MEETING

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*Notes:*

1. Holders of H shares whose names appear on the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, as at 4:30 p.m. on Monday, 24 June 2019 are eligible to attend the 2019 First H Shareholders' Class Meeting. To qualify for attendance and vote at the 2019 First H Shareholders' Class Meeting, all transfers of H shares accompanied by the relevant share certificates must be lodged with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 24 May 2019.
2. A member eligible to attend and vote at the 2019 First H Shareholders' Class Meeting is entitled to appoint, in written form, one or more proxies to attend and vote on his behalf. A proxy needs not be a shareholder.
3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
4. In order to be valid, the proxy Form must be deposited by hand or by post to the H share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time designated for holding of the 2019 First H Shareholders' Class Meeting. If the proxy Form is signed by a person under a power of attorney or other authority, a notarial copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy Form. Completion and return of the proxy Form will not preclude the a shareholder from attending and voting in person at the 2019 First H Shareholders' Class Meeting or any adjourned meetings should they so wish.
5. A shareholder or his proxy shall produce proof of identity when attending the 2019 First H Shareholders' Class Meeting. If a shareholder is a legal person, its legal representative or other persons authorised by the board of directors or other governing body of such shareholder may attend the 2019 First H Shareholders' Class Meeting by producing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person(s) to attend the meeting.
6. Holders of H shares who intend to attend the 2019 First H Shareholders' Class Meeting (or any adjournment thereof) should complete the reply slips for attending the 2019 First H Shareholders' Class Meeting (or any adjournment thereof) and return them to the office of the secretary to the board of the Company not later than 20 days before the date of the 2019 First H Shareholders' Class Meeting.
7. Shareholders may send the reply slip to the Company in person, by post or by fax.
8. Shareholders who attend shall bear their own travelling and accommodation expenses.
9. The register of members of the Company will be closed from Saturday, 25 May 2019 to Monday, 24 June 2019 (both days inclusive).
10. The address of the head office in the PRC of the Company is 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC.