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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

	Six Months Ended 30 June		
	2017	2016	Change
	RMB'000	*RMB'000*	
Revenue	**1,445,687**	1,522,478	-5.04%
Profit attributable to equity holders of the Company	**207,636**	331,444	-37.35%
	RMB cent	*RMB cent*	
Earnings per share (basic and diluted)	**11.54**	18.41	-37.35%
Proposed interim dividend per ordinary share (before tax)	**2.4**	5.5	

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of Flat Glass Group Co, Ltd., (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the six month ended 30 June 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

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

	NOTES	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Non-current liabilities			
Borrowings	*12*	**18,816**	100
Deferred revenue		**56,354**	62,216
Long-term payables for the acquisition of mining rights		**–**	56,650
		75,170	118,966
Net assets		**3,082,832**	2,957,649
Capital and reserves			
Share capital		**450,000**	450,000
Reserves		**2,632,832**	2,507,649
Total equity attributable to owners of the Company		**3,082,832**	2,957,649

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Equity attributable to owners of the Company							
	Share capital	Share premium	Production safety fees	Foreign currency translation reserve	Equity-settled employee benefits reserve	Statutory surplus reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note i)*	*RMB'000* *(Note ii)*	*RMB'000*	*RMB'000*
At 1 January 2016 (audited)	450,000	618,951	3,982	–	3,277	257,385	1,239,180	2,572,775
Profit and total comprehensive income for the period	–	–	–	–	–	–	331,444	331,444
Transfer	–	–	466	–	–	–	(466)	–
Dividends	–	–	–	–	–	–	(129,600)	(129,600)
At 30 June 2016 (unaudited)	450,000	618,951	4,448	–	3,277	257,385	1,440,558	2,774,619
At 1 January 2017 (audited)	**450,000**	**618,951**	**6,748**	**7,430**	**3,277**	**310,705**	**1,560,538**	**2,957,649**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**207,636**	**207,636**
Other comprehensive expense for the period	**–**	**–**	**–**	**(12,253)**	**–**	**–**	**–**	**(12,253)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**(12,253)**	**–**	**–**	**207,636**	**195,383**
Transfer	**–**	**–**	**1,380**	**–**	**–**	**–**	**(1,380)**	**–**
Dividends *(note 9)*	**–**	**–**	**–**	**–**	**–**	**–**	**(70,200)**	**(70,200)**
At 30 June 2017 (unaudited)	**450,000**	**618,951**	**8,128**	**(4,823)**	**3,277**	**310,705**	**1,696,594**	**3,082,832**

Notes:

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

1. GENERAL AND BASIS OF PREPARATION

The Company was established in the People's Republic of China (the "PRC") on 24 June 1998 as a limited liability company under the Company Law of the PRC. On 29 December 2005, the Company was converted into a joint stock limited liability company. The Company's H shares were listed on Main Board of the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 26 November 2015 (The "Listing").

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue		
Sales of photovoltaic glass	**1,010,905**	1,156,525
Sales of household glass	**161,714**	141,867
Sales of architectural glass	**94,446**	92,090
Sales of float glass	**162,962**	128,735
Sales of mining products	**15,660**	3,261
Sales of EPC services	**–**	–
Total revenue	**1,445,687**	1,522,478
Segment results		
Sales of photovoltaic glass	**311,009**	484,320
Sales of household glass	**38,958**	39,560
Sales of architectural glass	**18,278**	22,728
Sales of float glass	**32,688**	12,696
Sales of mining products	**4,031**	765
Sales of EPC services	**–**	–
Total segment results	**404,964**	560,069
Other income, expenses, gains and losses	**12,531**	49,111
Selling and marketing expenses	**(66,098)**	(48,800)
Administration expenses	**(43,431)**	(50,543)
Research and development expenditure	**(55,881)**	(51,013)
Finance cost	**(111)**	(28,871)
Profit before tax	**251,974**	429,953
Income tax expense	**(44,338)**	(98,509)
Profit for the period	**207,636**	331,444

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

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

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

Geographical information

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

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

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

4. OTHER INCOME AND EXPENSES

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

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

5. OTHER GAINS AND LOSSES

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

6. FINANCE COSTS

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

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

7. INCOME TAX EXPENSE

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

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

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

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

The Company

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

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

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

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

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

8. PROFIT FOR THE PERIOD

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

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

9. DIVIDENDS

During the six months ended 30 June 2017, a final dividend of RMB3.9 cents per ordinary share for the financial year of 2016 with aggregate amount of RMB70,200,000 was recognised as distribution, which was approved at the annual general meeting dated 13 June 2017.

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

Subsequent to the end of the current interim period, an interim dividend for the six months ended 30 June 2017 of RMB2.4 cents (equivalent to approximately HKD2.8 cents) per ordinary share (six months ended 30 June 2016: RMB 5.5 cents) has been proposed by the Directors and is subject to approval by the shareholders in the extraordinary general meeting.

10. EARNINGS PER SHARE

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

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

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

11. TRADE AND OTHER RECEIVABLES

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

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

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

12. BORROWINGS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

Maintenance of strong global demand for PV

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

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

According to the report of Mercom Indian Research Company, the capacity of new PV cell installations in India was 4.3 gigawatts in 2016, while the capacity of new PV cell installations in India was 4.8 gigawatts in the first half of 2017, and India is on track to achieve the target of an annual installed capacity of 10.5 gigawatts by the end of 2017. With a shortage of energy in India, it has been regarded that solar energy as the "definitive solution" for the energy supply in India. Based on India Prime Minister Modi's renewable energy agenda, the target of PV installed capacity in India is to reach over 100 gigawatts by 2022. Currently, a solar energy project with a capacity of approximately 12.2 gigawatts is under construction and a capacity of 6.3 gigawatts is for auction in India, which is expected to drive up the demand on the PV modules.

Rapid development of Chinese PV industry

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

Expansion of glass capacity

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

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

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

Development of architectural glass

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

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

Research and development of new products

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

Business outlook and prospects

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

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

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

Financial Review

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

Revenue

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

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

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

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

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

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

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

Cost of Sales

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

Gross profit

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

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

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

Other income

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

Other gains and losses

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

Distribution and marketing expenses

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

Administrative expenses

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

Research and development costs

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

Financial costs

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

Income tax expense

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

EBITDA and profit for the period

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

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

Assets and equity

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

Borrowings

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

Anhui Flat Solar Material Co., Ltd*, a subsidiary of the Company, has signed a borrowing agreement of RMB500 million with Bank of China in May 2017. Also, Flat (Hong Kong) Co., Ltd., a subsidiary of the Company is expected to sign a borrowing agreement of USD150 million with the lenders in the second half of 2017, and the Company is expected to provide guarantee for such loan. The shareholders of the Company have approved the provision of guarantee for the USD150 million loan on 2 May 2017.

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

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

Financial resources and liquidity

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

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

Gearing Ratio

At 30 June 2017, the gearing ratio (gearing ratio equals total debt divided by total equity as of the end of the year or period multiplied by 100%. Total debt includes all interest-bearing bank and other loans of the Group) was 13.7%, increased by 2.4% as compared to 11.3% at 31 December 2016, mainly due to the increase of long-term borrowings for the construction of PV glass production bases of the Group in Anhui Province, PRC.

Capital commitment

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

Events after the end of the period

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

Employees and remuneration policy

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

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

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

Credit risk and foreign exchange risk

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company had complied with the code provisions in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules throughout the period from 1 January 2017 to 30 June 2017 except for code provision A.2.1.

Under code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ruan Hongliang currently holds both positions. Throughout the Group's business history of over 18 years, Mr. Ruan has held the key leadership position of the Group and has been deeply involved in the formulation of corporate strategies and management of business and operations of the Group. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board considers that Mr. Ruan is the best candidate for both positions and the present arrangements are beneficial and in the interest of the Company and the shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and supervisors of the Company. Directors and supervisors of the Company are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors and supervisors of the Company have confirmed that they had complied with the required standard set out in the Model Code throughout the period from 1 January 2017 to 30 June 2017.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities from 1 January 2017 to 30 June 2017.

PROPOSED A SHARE OFFERING

The shareholders of the Company considered and approved the proposed A share offering and related matters as disclosed on the circular of the Company dated 5 October 2016 in an extraordinary general meeting held on 21 November 2016. On 30 June 2017, the Company has submitted the application materials of the proposed A Share Offering to the China Securities Regulatory Commission ("CSRC") and the application is under review. The current authorisation from the Shareholders of the Company is valid for one year from the approval date of 21 November 2016. The Company will seek the approval from the Shareholders to consider and approve an extension of the resolution, and publish the announcement, circular and notice of extraordinary general meeting in due course.

INTERIM DIVIDEND

For the six months ended 30 June 2017, the Board proposed an interim dividend of RMB2.4 cents per ordinary share (before tax) (equivalent to approximately HK2.8 cents per ordinary share (before tax)) (the "**2017 Interim Dividend**"), subject to approval by the shareholders of the Company at an extraordinary general meeting of the Company to be convened and held.

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

As the date of the extraordinary general meeting is being finalised, the Company will announce the date of the extraordinary general meeting, the record date for entitlement to participate and note at the said extraordinary general meeting and entitlement to the 2017 Interim Dividend (if approved by shareholders) and the dates of closure of the H share register of members of the Company in due course. It is currently expected that the payment date of the 2017 Interim Dividend will be no later than 31 December 2017.

REVIEW OF THE INTERIM RESULTS

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.flatgroup.com.cn**. The interim report for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 28 August 2017

As at the date of this announcement, the executive directors of the Company are Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong, Mr. Shen Qifu and the independent non-executive directors of the Company are Mr. Cui Xiaozhong, Mr. Li Shilong and Mr. Ng Ki Hung.