

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR ATTENTION

If you are in any doubt as to any aspect of this circular or as to any action to be taken, you should consult your broker, 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 the enclosed proxy form of proxy to the purchaser or the transferee, or to the broker, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited, in connection with this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability for any loss arising from or in reliance upon the whole or any part of the contents of this circular.

This circular, for which the Directors of the Company collected and verified the information, is issued to comply with the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. The Directors have taken all reasonable steps to ensure that the information contained in this circular is accurate and complete in all material respects and believe there are no other matters the omission of which would make any statement herein misleading.



福萊特玻璃集團有限公司

Flat Glass Group Co., Ltd.

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

(Stock code: 1133)

- (1) PROPOSED ISSUANCE OF NEW SHARES
- (2) CONNECTED TRANSACTIONS
- SUBSCRIPTION FOR A NEW ISSUE OF SHARES
- BY THE COMPANY

- (3) NOTICE OF 2021 SECOND H SHAREHOLDERS' CLASS MEETING

Independent Financial Adviser  
and the Independent Non-Executive Directors



嘉利會計師事務所有限公司

Notice convening the 2021 Second EGM and 2021 Second H Shareholders' Class Meeting to be held at the 2nd Floor, Conference Room, Administrative Building, Flat Glass Group Co., Ltd., 959 Yunhe Road, Xiuzhou District, Jiaying, Zhejiang Province, the People's Republic of China, at 14:00 p.m. on Friday, 20 August 2021 is set out on pages EMG-1 to EGM-4 and pages NH-1 to NH-3 of this circular.

Proxy forms for use at the 2021 Second EGM and 2021 Second 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 54, 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, Jiaying, 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.

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

“2021 Second A Shareholders’ Class Meeting”	the class meeting of A Shareholders to be held at the 2nd Floor, Conference Room, Administrative Building, Flat Glass Group Co., Ltd., 959 Yunhe Road, Xiuzhou District, Jiaying, Zhejiang Province, PRC on Friday, 20 August 2021(or adjournment thereof), or immediately after the conclusion of the 2021 Second EGM, whichever is later
“2021 Second Class Meetings”	the 2021 Second A Shareholders’ Class Meeting and the 2021 Second H Shareholders’ Class Meeting
“2021 Second EGM”	the 2021 second extraordinary general meeting of the Company proposed to be held at 2:00 p.m. on Friday, 20 August 2021 at the Conference Room, 2nd Floor, Administrative Building, Flat Glass Group Co., Ltd., 959 Yunhe Road, Xiuzhou District, Jiaying, Zhejiang Province, the PRC
“2021 Second H Shareholders’ Class Meeting”	the class meeting of the H Shareholders to be held at the 2nd Floor, Conference Room, Administrative Building, Flat Glass Group Co., Ltd., 959 Yunhe Road, Xiuzhou District, Jiaying, Zhejiang Province, the PRC on Friday, 20 August 2021 (or any adjournment thereof), or immediately after the conclusion of the 2021 Second 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 RMB4 billion (inclusive of RMB4 billion) which are

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## DEFINITIONS

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“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
“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 person(s)”	as the meaning ascribed to it under the Listing Rules
“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
“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
“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 (《公開發行A股可轉換公司債券募集資金運用的可行性分析報告》), the texts of which are set out in Appendix IV 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
“Independent Board Committee”	the committee of Directors consisting of Ms. Xu Pan, Ms. Hua Fulan and Ms. Ng Yau Kuen Carmen, who are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Possible Subscription for A Share Convertible Bonds
“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
“Independent Shareholders”	the Shareholders, other than Mr. Ruan Hongle1423(Hon9(.)-423(er3lle14237
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## DEFINITIONS

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“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 2021 Second EGM, based on the market conditions before the issuance of the A Share Convertible Bonds
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Issuance”	the issuance of the A Share Convertible Bonds proposed by the Company according to the A Share Convertible Bonds Issuance Plan
“PV”	photovoltaic
“RMB” or “Renminbi”	Renminbi, the lawful currency 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 2021 Second EGM and the 2021 Second 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
“%”	percent

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## DEFINITIONS

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*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:*

Ms. Xu Pan  
Ms. Hua Fulan  
Ms. Ng Yau Kuen Carmen

*Principal place of business in Hong Kong:*  
Unit 6, 11/F, Prosperity Place,  
6 Shing Yip Street, Kwun Tong,  
Kowloon, Hong Kong

28 July 2021

*To the Shareholders*

Dear Sir or Madam,

(1) PROPOSED ISSUANCE OF A SHARE CONVERTIBLE BONDS  
(2) CONNECTED TRANSACTION IN RELATION TO THE POSSIBLE  
SUBSCRIPTION FOR A SHARE CONVERTIBLE BONDS  
BY THE CONNECTED SUBSCRIBERS  
AND  
(3) NOTICE OF 2021 SECOND EGM AND  
2021 SECOND 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 Issuance of the A Share Convertible Bonds; (ii) the Possible Subscription for A Share Convertible Bonds by Connected Persons; and (iii) to give you notice of the 2021 Second EGM and 2021 Second H Shareholders' Class Meeting.



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## LETTER FROM THE BOARD

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

#### 1. Information on the Resolutions to be Proposed at the 2021 Second EGM and the 2021 Second 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 I to this circular for details.

The said report will be proposed at the 2021 Second EGM 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 16 June 2021 in respect of the Proposed Issuance.

The Specific Mandate for the Proposed Issuance will be proposed at the 2021 Second EGM and at the 2021 Second 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 Securities Law and 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 III to this circular.

The said preliminary plan will be proposed at the 2021 Second EGM and the 2021 Second Class Meetings for the Shareholders' consideration and, if thought fit, to be approved by way of a special resolution.

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## LETTER FROM THE BOARD

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

The total amount of proceeds from the Proposed Issuance will not exceed RMB4 billion, which will be used for the following projects after deducting the issuance expenses:

*Unit: RMB10,000*

Project	Total amount of investment	Amount of net proceeds to be used
Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project	239,312.70	194,500.00
Distributed PV power generation construction project	66,515.96	65,800.00
Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project	20,697.75	19,700.00
Supplementary of working capital project <i>(note)</i>	<u>120,000.00</u>	<u>120,000.00</u>
Total	<u><u>446,526.41</u></u>	<u><u>400,000.00</u></u>

*Note:*

The working capital will be used to fulfill various needs of cashflow in the Group's daily business operation along with its rapid business growth and expansion in the recent two years, including but not limited to purchase of raw materials, purchase of fuel, research and development, payment for salaries and wages, and payment of bank loans.

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

The Feasibility Report will be proposed at the 2021 Second EGM 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 regulation of report on use of previous proceeds and other laws, regulations and normative documents, the Board has prepared the Report on Use of Previous Proceeds for the Proposed Issuance as set out in Appendix V to this Circular.

The report will be proposed at the 2021 Second EGM 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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***(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 VI to this circular.

The rules will be proposed at the 2021 Second EGM 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 Public Offering of A Shares Convertible Bonds on Major Financial Indicators of the Company and the Remedial Measures Adopted by the Company***

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)), and 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 analyzed 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 VII to this circular for details.

The measures will be proposed at the 2021 Second EGM for the Shareholders' consideration and, if thought fit, to be approved by way of an ordinary resolution.

***(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)) 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 VIII to this circular for the full text of the undertakings.

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## LETTER FROM THE BOARD

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The said undertakings will be proposed at the 2021 Second EGM 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 IX to this circular.

The authorisations will be proposed at the 2021 Second EGM and 2021 Second 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 2021, 2022 and 2023***

In order to further enhance the transparency of the declaration and distribution of cash dividends, improve and fine-tune the Company's dividend decision-making and supervision mechanism, maintain the continuity and stability of the dividend policy, and 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 2021, 2022 and 2023 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 2021, 2022 and 2023 will be proposed at the 2021 Second EGM 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 2021 Second EGM 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 II to the circular.

Based on the maximum issuance size of the Proposed Issuance of A Share Convertible Bonds (being RMB4 billion) as at the Latest Practicable Date, the maximum subscription amounts for each of the Connected Subscribers under the Possible Subscription for A Share Convertible Bonds are as below:

	Number of A Shares held as at the Latest Practicable Date	Shareholding percentage of A Shares (%)	Maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds (RMB) (Note)
Mr. Ruan Hongliang	439,358,400	25.90%	1,036,000,000
Ms. Jiang Jinhua	324,081,600	19.11%	764,400,000
Ms. Ruan Zeyun	350,532,000	20.67%	826,800,000
Mr. Zhao Xiaofei	4,800,000	0.28%	11,200,000
Mr. Wei Yezhong	15,600,600	0.92%	36,800,000
Mr. Shen Qifu	10,400,400	0.61%	24,400,000
Mr. Zheng Wenrong	46,801,800	2.76%	110,400,000
Mr. Shen Fuquan	31,201,200	1.84%	73,600,000
Mr. Zhu Quanming	31,201,200	1.84%	73,600,000

*Note:* The maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds

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## LETTER FROM THE BOARD

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A separate resolutions will be proposed at the 2021 Second EGM 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.

According to the relevant PRC laws and regulations, each of the Connected Subscribers is entitled to exercise their respective pre-emptive rights to subscribe for the A Share Convertible Bonds under the A Share Convertible Bonds Issuance Plan, and each of them has indicated to the Company about his/her intention to participate in the Possible Subscription. However, whether and/or to what extent they will participate in the Possible Subscription depends on the actual market conditions by the time that the Proposed Issuance is launched by the Company.

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

On 18 January 2021, the Company completed the Non-public Issuance with the issuance of 84,545,147 A Shares in total at issue price of RMB29.57 per A Share. The proceeds were used for (i) Phase II of PV glass as covers with an annual production capacity of 750,000 tons project; (ii) PV backplane glass with an annual production capacity of 42 million square meters project; and (iii) Working capital. Please refer to the announcements of the Company dated 12 June 2020, 15 July 2020, 10 August 2020, 12 October 2020 and 19 January 2021 and the circular of the Company dated 17 July 2020 for details.

For details of the use of proceeds, please refer to Report on use of the Previous Proceeds in Appendix V to the circular for details.

### 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.

## LETTER FROM THE BOARD

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”) arrived at on the basis as at the Latest Practicable Date:

Basis for determining the initial Conversion Price	<i>RMB</i>
Not be lower than the higher of:	
(i) the average trading price of A Shares of the Company for the 20 trading days preceding the Latest Practicable Date	39.45
(ii) the average trading price of A Shares on the trading day preceding the Latest Practicable Date	41.85

Based on the above, the Minimum Illustrative Initial Conversion Price would be RMB41.85 where the Convertible Bonds can be converted into 95,582,815 new A Shares.

The shareholding structure of the Company as at the Latest Practicable Date, and the change upon the conversion of all the A Share Convertible Bonds at the Minimum Illustrative Initial Conversion Price if the Connected Subscribers (i) subscribe for the maximum subscription amounts, or (ii) do not subscribe for any Convertible Bonds, are set out as follows.

	Number of A Shares held	Shareholding percentage of A Shares	Number of H Shares held	Shareholding percentage of H Shares	Shareholding			
					Number of A Shares held if the maximum subscription amounts under the Possible Subscription are subscribed	percentage of A Shares if the maximum subscription amounts under the Possible Subscription are subscribed	Number of A Shares held if the Connected Subscribers do not subscribe for any A Share Convertible Bonds	percentage of A Shares if the Connected Subscribers do not subscribe for any A Share Convertible Bonds
Mr. Ruan Hongliang	439,358,400	25.9%	485,000	0.11%	464,114,349	25.90%	439,358,400	24.52%
Ms. Jiang Jinhua	324,081,600	19.11%	111,000	0.02%	342,347,476	19.11%	324,081,600	18.09%
Ms. Ruan Zeyun	350,532,000	20.67%	723,000	0.16%	370,288,968	20.67%	350,532,000	19.56%
Mr. Zhao Xiaofei	4,800,000	0.28%	-	-	5,067,632	0.28%	4,800,000	0.27%
Mr. Wei Yezhong	15,600,600	0.92%	-	-	16,479,962	0.92%	15,600,600	0.87%
Mr. Shen Qifu	10,400,400	0.61%	-	-	10,983,455	0.61%	10,400,400	0.58%
Mr. Zheng Wenrong	46,801,800	2.76%	-	-	49,439,886	2.76%	46,801,800	2.61%
Mr. Shen Fuquan	31,201,200	1.84%	-	-	32,959,924	1.84%	31,201,200	1.74%
Mr. Zhu Quanming	31,201,200	1.84%	-	-	32,959,924	1.84%	31,201,200	1.74%
Public Shareholders	442,216,054	26.07%	448,681,000	99.71%	467,134,494	26.07%	537,798,869	30.01%

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## LETTER FROM THE BOARD

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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 and 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.

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, where the Company will adjust the Conversion Price. For details of formulae for the different adjustment, please refer to the paragraph headed “VII. Determination and adjustment of conversion price – 2. Adjustment in the conversion price and calculation method” in Appendix II to the Circular. All such adjustment formulae are fully in compliance with the relevant PRC laws and regulations.

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.

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 II 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 (i) reduce its asset and liability ratio by using part of the proceeds from the Proposed Issuance for repayment of its bank loans, (ii) improve its capital structure, enhance its capital operation efficiency and effectively alleviate its financial cost pressures as most of the A Share Convertible Bonds will eventually be converted into A Shares according to the market practices in the A share market, and (iii) further realize its growth potentials with the proceeds from the Proposed Issuance devoted into projects that will help enhance the productivity of the Group.

Please refer to the Feasibility Analysis Report on the Use of the Proceeds by the Public Issuance of A Share Convertible Bonds in Appendix IV for details.



The Board of Directors is of the view that the Proposed Issuance of A Share Convertible Bonds are in the interest of both the Company and its Shareholders for the following reasons: (i) according to the relevant PRC laws and regulations, compared with other equity or fund raising alternatives such as issuance of A shares which requires a minimum time gap of six months after each issuance, issuance of A share convertible bonds is not subject to any such similar time

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## LETTER FROM THE BOARD

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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 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 15,600,600 and 10,400,400 A Shares, respectively, as at the date of this announcement. Mr. Zheng Wenrong, Mr. Shen Fuquan and Mr. Zhu Quanming are our Supervisors, holding 46,801,800, 31,201,200 and 31,201,200 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 pre-emptively subscribe for the A Share Convertible Bonds. No Shareholders can enjoy any privilege in the capacity of connected persons of the Company.

Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong and Mr. Shen Qifu, executive Directors, are deemed to have material interests in the Possible Subscription and have abstained from voting on the relevant Board resolution. Save for the above, no other Directors are interested or deemed to have material interests in the above transactions.

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

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.

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## LETTER FROM THE BOARD

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*(ii) Information of the Connected Subscribers*

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 Jinhua, 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.

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 Jinhua, and the spouse of Ms. Ruan Zeyun.

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

## LETTER FROM THE BOARD

### *(iii) 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 Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors or the chief executive were taken or deemed to have under such provisions) and the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) contained in the Listing Rules, were as follows:

Shareholder	Number of Shares held	Class	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares <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	65.96%	52.13%
	1,319,000	H Shares	Beneficial owner and parties acting in concert	0.29%	0.06%
Ms. Jiang Jinhua <sup>(3)</sup>	1,118,772,000	A Shares	Beneficial owner and parties acting in concert	65.96%	52.13%
	1,319,000	H Shares	Parties acting in concert	0.29%	0.06%
Mr. Wei Yezhong	15,600,600	A Shares	Beneficial owner	0.92%	0.73%
Mr. Shen Qifu	10,400,000	A Shares	Beneficial owner	0.61%	0.48%
<i>Supervisors</i>					
Mr. Zheng Wenrong	46,801,800	A Shares	Beneficial owner	2.76%	2.18%
Mr. Shen Fuquan	31,201,200	A Shares	Beneficial owner	1.84%	1.45%
Mr. Zhu Quanming	31,201,200	A Shares	Beneficial owner	1.84%	1.45%

*Notes:*

- (1) The calculation is based on the total number of 1,696,193,254 A Shares or 450,000,000 H Shares of the Company in issue as at the Latest Practicable Date.
- (2) The calculation is based on the total number of 1,696,193,254 A Shares and the total number of 450,000,000 H Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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- (3) Mr. Ruan Hongliang is the spouse of Ms. Jiang Jinhua. As at the Latest Practicable Date, Mr. Ruan Hongliang owns 439,358,400 A Shares and 485,000 H Shares. Ms. Jiang Jinhua owns 324,081,600 A Shares and 111,000 H Shares. Ms. Ruan Zeyun is the spouse of Mr. Zhao Xiaofei, and the daughter of Mr. Ruan Hongliang and Ms. Jiang Jinhua. Ms. Ruan Zeyun owns 350,532,000 A Shares and 723,000 H Shares. Mr. Zhao Xiaofei owns 4,800,000 A Shares. In addition, pursuant to a concert party agreement dated 19 September 2016 entered into among 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 and 1,319,000 H Shares under the SFO.

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 or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

***(iv) Financial or Trading Position of the Group***

As confirmed by the Board of Directors, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts of the Group have been made up.

***(v) Service Contracts of Directors and Supervisors***

All the Directors were re-elected at 2020 annual general meeting for a term of three years ending on the expiration of the term of the 6th session of the Board, subject to his or her retirement and re-election at annual general meeting in accordance with the Articles of Association. Each of the executive Directors has entered into a service contract with the Company and each of the independent non-executive Directors has entered into a letter of appointment in May 2021 with a term of three years which will expire in May 2024.

Save as disclosed above, none of the Directors or supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

***(vi) Interest of the Directors in assets and significant contract or arrangement***

As at the Latest Practicable Date, no Director held any direct or indirect interest in any assets which have been since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, no Director was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

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## LETTER FROM THE BOARD

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### III. THE 2021 SECOND EGM AND 2021 SECOND H SHAREHOLDERS' CLASS MEETINGS

A notice convening the 2021 Second EGM and the 2021 Second H Shareholders' Class Meeting to be held at the Conference Room, 2nd Floor, Administrative Building, Flat Glass Group Co., Ltd. 959 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, PRC, at 14:00 p.m. on Friday, 20 August 2021, is set out on pages EGM-1 to EGM-4 and pages NH-1 to NH-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 2021 Second EGM and the 2021 Second H Shareholders Class Meetings will be voted by poll.

For the purpose of determining the entitlement for attendance and voting at the 2021 Second EGM and/or the 2021 Second H Shareholders' Class Meeting (as the case may be), the H Shares register of members of the Company will be closed from Monday, 16 August 2021 to Friday, 20 August 2021, 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 Friday, 13 August 2021 shall be entitled to attend and vote at the 2021 Second EGM and/or the 2021 Second H Shareholders' Class Meeting. In order to attend and vote at the 2021 Second EGM, 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 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Friday, 13 August 2021.

H Shareholders can attend and vote in person or appoint a proxy to attend and vote at the 2021 Second EGM and/or the 2021 Second H Shareholders' Class Meeting. H Shareholders who intend to appoint a proxy to attend the 2021 Second EGM and/or the 2021 Second 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 54th 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 2021 Second EGM and/or the 2021 Second 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 2021 Second EGM and/or the 2021 Second H Shareholders' Class Meeting, or any adjourned meeting (as the case may be) should you so wish.

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 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.

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## LETTER FROM THE BOARD

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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 2021 Second EGM, which in aggregate accounted for 58.49% 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 2021 Second EGM. 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.

#### IV. 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 2021 Second EGM and the 2021 Second 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 2021 Second EGM and the 2021 Second Class Meetings.

The specific mandate for the Proposed Issuance will be valid for 12 months from the date of the passing of the relevant resolutions at the 2021 Second EGM and the 2021 Second Class Meeting. The Company will seek further authorization from the Shareholders upon maturity of such 12-months term.

#### V. 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 2021 Second EGM and the 2021 Second Class Meetings.

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## LETTER FROM THE BOARD

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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.

The Company will also announce important information in relation to the A Share Convertible Bonds as required by the Shanghai Stock Exchange and CSRC in Hong Kong in both English and Chinese. Such important information include (i) the announcement with respect to the notice of the 2021 Second EGM and the 2021 Second Class Meetings where approval for the Proposed Issuance will be sought for; (ii) the announcement with respect to the poll results announcement of the 2021 Second ECM and the 2021 Second Class Meetings; and (iii) the announcement with respect to the receipt of approval from CSRC on the Proposed Issuance.

You are advised to pay attention to the Letter from the Independent Board Committee as set out on pages 23 to 24, the Letter from Gram Capital as set out on pages 25 to 40, and other information as set out in the appendices in this circular.

The following documents or copies thereof will be available for public inspection during the 14 days since the date of this circular at the Company's principal place of business in Hong Kong, namely Unit 6, 11/F, Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong:

- (i) the service contracts of the Directors as disclosed above; and
- (ii) the A Share Convertible Bonds Issuance Plan, the full text of which is set out in appendix II to this circular.

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



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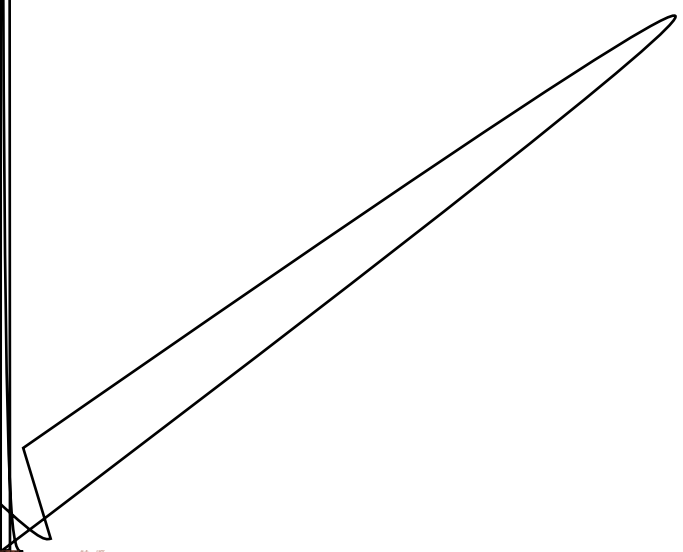
## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 2021 Second EGM.

Yours faithfully  
Independent Board Committee  
Flat Glass Group Co., Ltd.  
Xu Pan, Hua Fulan and Ng Yau Kuen Carmen  
*Independent Non-executive Directors*

*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 for the purpose of inclusion in this circular.*



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## LETTER FROM GRAM CAPITAL

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The Independent Board Committee comprising Ms. Xu Pan, Ms. Hua Fulan and Ms. Ng Yau Kuen Carmen (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 to approve the Possible Subscription at the 2021 Second EGM and the 2021 Second 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 is 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 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.

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## LETTER FROM GRAM CAPITAL

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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, the Connected Subscribers 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 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 2020 as extracted from the Company's annual report for the year ended 31 December 2020 (the "2020 Annual Report"):

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>	Year on year change %
Operating revenue	6,260,418	4,806,804	30.24
<i>PV glass</i>	<i>5,225,674</i>	<i>3,747,704</i>	<i>39.44</i>
<i>Float glass</i>	<i>75,653</i>	<i>171,053</i>	<i>(55.77)</i>
<i>Household glass</i>	<i>326,537</i>	<i>336,346</i>	<i>(2.92)</i>
<i>Architectural glass</i>	<i>530,625</i>	<i>451,154</i>	<i>17.62</i>
<i>Mining products</i>	<i>63,784</i>	<i>49,630</i>	<i>28.52</i>
<i>Other business</i>	<i>38,145</i>	<i>50,917</i>	<i>(25.08)</i>
Gross profit	2,913,776	1,517,069	92.07
Net profit	1,628,784	717,244	127.09

As depicted by the above table, the Group recorded an increase of approximately 30.24% in operating revenue for the year ended 31 December 2020 ("FY2020") as compared to that for the year ended 31 December 2019 ("FY2019"). Such increase in the Group's operating revenue was mainly due to increase in operating revenue generated from the PV glass segment, which is the Group's largest segment accounted for approximately 83.47% of the Group's operating revenue for FY2020. With reference to the 2020 Annual Report, in FY2020, the Group was benefited from the impact of capacity expansion and the boom of PV industry, and its operating revenue reached a new high.

As depicted by the above table, the Group's gross profit increased by approximately 92.07% as compared to that for FY2019. With reference to the 2020 Annual Report and as confirmed by the Directors, such increase was mainly due to increase in gross profit generated by the PV glass products, sales volume of thin glass, coupled with improvement of production technology, optimization of production capacity structure and decrease in price of part of raw material and fuel. The Group's net profit for FY2020 also increased by approximately 127.09% as compared to that for FY2019.

With reference to the 2020 Annual Report, the Company aims to further expand the capacity of its core products PV glass and maintain its leading technology and scale advantage while enhancing the capital strength and meeting working capital requirements of the Company. PV glass production line of the Group that are newly ignited and put into production are large-scale furnaces and applied with new production technology, which will enhance the production scale and efficiency of the Group. At present, the double-sided power generation system is mainly

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## LETTER FROM GRAM CAPITAL

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Accordingly, the Board proposes to issue the A Share Convertible Bonds of not more than RMB4 billion. The total amount of proceeds from the Proposed Issuance will not exceed RMB4 billion, which will be used (after deducting the issuance expenses) as to (i) approximately RMB1.94 billion for annual production of 750,000 tons of solar equipment ultrathin and ultra-high-transparent panel manufacturing project (total investment amount: approximately RMB2.39 billion); (ii) approximately RMB0.66 billion for distributed PV power generation construction project (total investment amount: approximately RMB0.67 billion); (iii) approximately RMB0.20 billion for annual production of 15 million square meters of solar PV ultra-white glass technical transformation project (total investment amount: approximately RMB0.21 billion) (collectively, the “Projects”); and (iv) RMB1.20 billion for the supplementary of working capital.

The Feasibility Report is set out in Appendix IV to the Circular.

With reference to the Feasibility Report, the Projects include (i) two production lines with a kiln melting capacity of 1,200 tons/day; (ii) a four-phase 203.65 mega watt peak (MWP) distributed PV power station to be built in Fengyang Silicon Industrial Park, Chuzhou City, Anhui Province; and (iii) technical transformation of the existing solar PV ultra-white glass production line with an annual production of 15 million square meters by replacing new equipment and rebuilding the kiln.

To further optimize the capital structure of the Company and to meet the need for operating funds for the rapid growth of the Company’s future business, the Company proposes to use RMB1.20 billion of the funds raised from the Proposed Issuance to supplement the working capital, taking into account internal and external conditions such as industry trend, financial status, business scale, financing environment and future strategic planning.

The Feasibility Report also set out the investment budget for the Projects (including construction work, equipment acquisition and installation engineering, basic reserve funds and initial working capital) and evaluated the economic benefits of the Projects. As concluded by the Feasibility Report, after the successful implementation of the Projects, it will further enhance the Company’s comprehensive competitiveness, and optimize its capital structure and enhance its ability to continue as a going concern, which is in line with the interests of the Company and all the Shareholders.

With reference to the Feasibility Report, the PV glass industry is capital-intensive, and the Company is currently experiencing rapid business development with operating revenue increasing year by year.

With the continuous growth of the Company’s business scale, the demand for working capital such as monetary capital, accounts receivable and inventory required for the Company’s main business operation during daily operation and market development will be further expanded. Therefore, the Company needs to supplement the working capital suitable for business operation to effectively relieve the Company’s capital pressure, meet the Company’s sustainable and healthy development of business, and provide guarantee for the Company’s continuous business development, which will be conducive to enhancing the Company’s competitiveness and reducing the Company’s business risks.



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## LETTER FROM GRAM CAPITAL

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According to the Company's first quarterly report for the three months ended 31 March 2021, the Group's cash at bank and on hand was approximately RMB2.29 billion. It is necessary for the Group to raise fund for the Projects and the supplementary of working capital.

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 in excess of the maximum amount of proceeds from the Proposed Issuance (i.e. approximately RMB0.47 billion) of the Projects by internal resources or 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 their solid confidence in the prospects 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.

### (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 Possible Subscription for A Share Convertible Bonds by the Connected Subscribers are the same as the terms and conditions which are set out in the A Share Convertible Bonds Issuance Plan in Appendix II to the Circular.

#### *Type of securities to be issued*

The type of securities to be issued by the Company is 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 RMB4 billion (inclusive of RMB4 billion). A resolution will be proposed to the Shareholders at the general meetings to authorise the Board to determine the final issue size within the range above.

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## LETTER FROM GRAM CAPITAL

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Based on the maximum issuance size of the Proposed Issuance of A Share Convertible Bonds, the maximum subscription amounts for each of the Connected Subscribers under the Possible Subscription for A Share Convertible Bonds are as below:

	Current maximum subscription amounts under the Possible Subscription for A Share Convertible Bonds <i>(RMB million)</i>
Mr. Ruan Hongliang	1,036.0
Ms. Jiang Jinhua	764.4
Ms. Ruan Zeyun	826.8
Mr. Zhao Xiaofei	11.2
Mr. Wei Yezhong	36.8
Mr. Shen Qifu	24.4
Mr. Zheng Wenrong	110.4
Mr. Shen Fuquan	73.6
Mr. Zhu Quanming	73.6
	<hr/>
Total	2,957.2
	<hr/> <hr/>

### ***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 general 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 and the lead underwriter.

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”) promulgated by the CSRC that the conversion price shall not be lower than the average trading price of the company’s shares for the 20 trading days prior to the publication date of the offering document and the average trading price on the trading day immediately preceding the publication date 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 initially 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 June 2020 (being approximately

## LETTER FROM GRAM CAPITAL

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

Company name (HK stock code)	Date of initial announcement	Term (years)	Interest rate	Conversion price	Adjustment (including downward adjustment to the conversion price (Yes/No)
Zijin Mining Group Co., Ltd.* (紫金礦業集團 股份有限公司) ("Zijin") (2899)	12 June 2020	5	It is proposed that the shareholders to authorise the board or its authorised persons at the shareholders' general meetings to determine the method for determination of coupon rate of the A share convertible corporate bonds and the final interest rate for the 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, prior to the issuance.	The initial conversion price of the A share convertible corporate bonds under the issuance shall not be lower than average trading price of A shares for the 20 trading days preceding the date of publication of the offering document (in the event that the A share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A shares on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of the preceding trading day.	Yes
Great Wall Motor Company Limited* (長城 汽車股份有限 公司) ("Great Wall Motor") (2333)	6 November 2020	6	It is proposed to the shareholders to authorise the board of the company or its authorised persons at the shareholders' general meetings to determine the method for determination of coupon rate of the convertible bonds and the final interest rate for the 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, prior to the issuance.	The initial conversion price of the convertible bonds under the issuance shall not be lower than average trading price of A shares of the company for the 20 trading days preceding the date of publication of the offering document (in the event that the A share price was adjusted due to ex-right and ex-dividend in the preceding 20 trading days, the average trading price of A shares of the company on the trading days prior to the adjustment shall be calculated based on the price after such ex-right and ex-dividend) and the average trading price of A shares of the company on the preceding trading day.	Yes

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## LETTER FROM GRAM CAPITAL

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Company name (HK stock code)	Date of initial announcement	Term (years)	Interest rate	Conversion price	Adjustment (including downward adjustment to the conversion price (Yes/No)
Bank of Chongqing Co., Ltd. (重慶銀行 股份有限公司) ("BCQ") (1963)	30 March 2021	6	The manner of determining the coupon rate of the A share convertible bonds and the final interest rate of each interest accrual year shall be determined by the board (or its authorized person(s)) with reference to government policies, market conditions and actual conditions of BCQ before the issuance, according to the authorization by the shareholders at the general meeting.	The initial conversion price of the A share convertible bonds shall not be lower than the highest of the following: the average trading price of A shares of BCQ for the 20 trading days immediately before the date of publication of the offering document of the A share convertible bonds (in the event that during such 20 trading days the share price has been adjusted due to ex-rights or ex-dividend, the price of each of these trading days before adjustment shall be adjusted based on ex-rights or ex-dividend share price); the average trading price of A shares of BCQ on the trading day immediately before the date of publication of the offering document of the A share convertible bonds; the latest audited net asset value per share; and the par value of a share.	Yes

*Source: The Stock Exchange's website*

According to the table above, the basis for determining the initial conversion price of two of the three Comparables, namely Zijin and Great Wall Motor, are the same with the Proposed Issuance. The other Comparable, namely BCQ, adopted similar basis for determining the initial conversion price as the Proposed Issuance, with more criteria according to other regulatory requirements.

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## LETTER FROM GRAM CAPITAL

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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”) arrived at 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. 16 June 2021):

Basis for determining the initial Conversion Price *RMB*

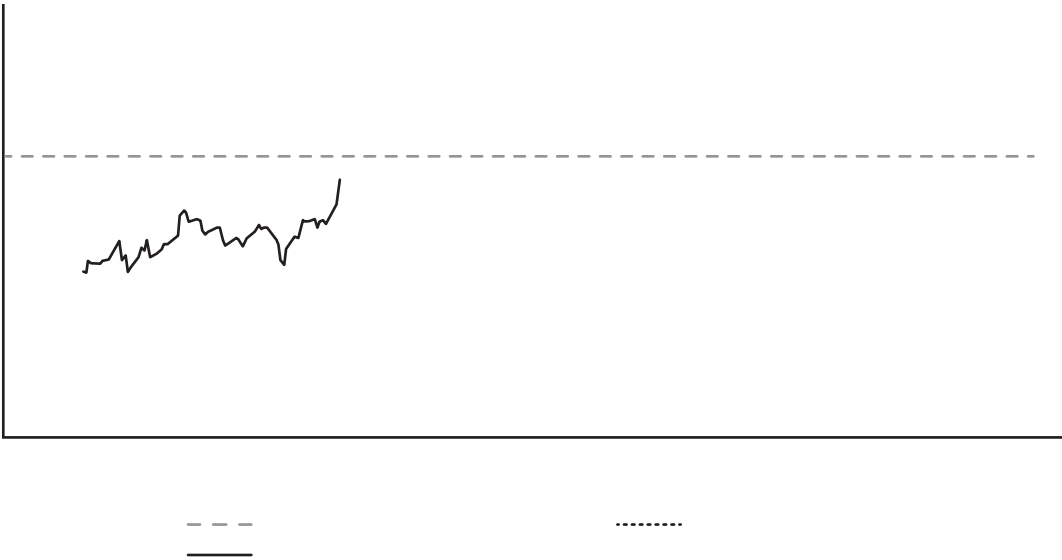
Not be lower than the higher of:

- |  |        |
|--|--------|
| (i) the average trading price of A Shares of the Company for the 20 trading days preceding the publication date of the Offering Document | 29.853 |
| (ii) the average trading price of A Shares on the trading day preceding the publication date of the Offering Document                    | 32.585 |

Based on the above, the Minimum Illustrative Initial Conversion Price would be RMB32.59, which represents:

- (i) a discount of approximately 18.42% to the closing price of RMB39.95 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 providing accurate and real-time information, as well as sophisticated communication platforms for financial professionals) as at the Latest Practicable Date;
- (ii) a premium of approximately 9.00% over the closing price of RMB29.90 per A Share as quoted on Wind Info on 16 June 2021, being the Announcement Date;
- (iii) a premium of approximately 9.17% over the average trading price of approximately RMB29.85 per A Share as quoted on Wind Info for the 20 trading days preceding the Announcement Date;
- (iv) a premium of approximately 14.03% over the average trading price of approximately RMB28.58 per A Share as quoted on Wind Info for the 30 trading days preceding the Announcement Date; and
- (v) a premium of approximately 867.06% over the latest audited net asset value per Share of approximately RMB3.37 as at 31 December 2020 based on the Group’s net asset value of approximately RMB7,234.74 million as at 31 December 2020 and 2,146,193,254 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 approximately one-year period commencing from 1 June 2020 up to and including the Announcement Date (the “Review Period”), which is commonly used for analysis purpose and sufficient for us to perform a thorough analysis on the historical A Shares closing prices. The comparison of closing price of the A Shares and the Minimum Illustrative Initial Conversion Price are illustrated as follows (the daily closing price of the H Shares (presented in RMB equivalent based on the exchange rate of RMB1:HK\$1.20) as quoted on the Stock Exchange is also included for reference):



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The Minimum Illustrative Initial Conversion Price is within the A Shares closing price range during the Review Period and 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 and 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) the basis for determining the initial conversion price of two of the three Comparables, namely Zijin and Great Wall Motor, are the same with the Proposed Issuance. The other Comparable, namely BCQ, adopted similar basis for determining the initial conversion price as the Proposed Issuance, with more criteria according to other regulatory requirements;
- (iii) the initial conversion prices of the Comparables were not fixed when they obtained shareholders' approval on the proposed issuances; and
- (iv) the same Conversion Price will be applied to all holders of the Convertible Bonds (including the Connected Subscribers),

we concur with the Directors' view 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 for adjustment to the Conversion Price*

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 sub-section headed "2. Adjustment to the Conversion Price and calculation method" under the section headed "VIII. DETERMINATION AND ADJUSTMENT OF CONVERSION PRICE" as set out in Appendix II to the Circular. The adjustment formulae are fully in compliance with the relevant PRC laws and regulations.

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



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## LETTER FROM GRAM CAPITAL

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### *(3) Downward adjustment to the Conversion Price*

With reference to the A Share Convertible Bonds Issuance Plan, the Conversion Price may 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 the general meeting. Shareholders may refer to the section headed “IX. DOWNWARD ADJUSTMENT TO THE CONVERSION PRICE” as set out in Appendix II to the Circular for details.

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

### *Coupon rate*

With reference to the A Share Convertible Bonds Issuance Plan, it will be proposed at the general meeting to authorise the Board, and the Board shall determine the methods for determining the coupon rate and actual annual coupon rate for the 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 and 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 such as “terms of redemption, terms of sell back, dividend rights for the conversion year and relevant matters on bondholders’ meetings” and were not aware of any abnormal term as compared to the Comparables.

We also noted from the section headed “Preliminary Plan of the Proposed Issuance of A Share Convertible Bonds” as set out in Appendix III to the Circular that the Proposed Issuance satisfies the conditions of the public issuance of securities pursuant to the relevant requirements of the laws, regulations, and regulatory documents including the Company Law, Securities Law and the Measures.

Having considered (i) our view on the basis of determining the initial Conversion Price as set out above; (ii) the pricing mechanism of the initial Conversion Price, the adjustment provisions (including the downward adjustment) to the Conversion Price and the determination method of the coupon rate are similar to those of the Comparables; (iii) our view on the terms of the Proposed Issuance as set out above; and (iv) 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.

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## LETTER FROM GRAM CAPITAL

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### ***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 RMB2.96 billion) can be converted into 90,739,486 new A Shares. Therefore, the shareholding interests of the public Shareholders would be diluted by approximately 1.69 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 Proposed Issuance (including the Possible Subscription) 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 sub-section headed “(II) Impact on key financial indicators” of the section headed “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” as contained in Appendix VII to the Circular.

## 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 to be proposed at the 2021 Second EGM and the 2021 Second 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 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 25 years of experience in investment banking industry.

\* *For identification purpose only*

*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 RMB30 million;
- (2) The accumulated bond balance constituting no more than 40 % of the net asset of the Company;
- (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;
- (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;
- (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:

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;
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; and
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

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;
  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.

(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.

(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.



The A Share Convertible Bonds Issuance Plan is as follows:

I. TYPE 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.

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 proposed to be issued will be no more than RMB4 billion (inclusive of RMB4 billion). A resolution will be proposed to the Shareholders at the general meetings to authorise the Board to determine the final issue size within the range above.

III. PAR VALUE AND ISSUE PRICE

Pursuant to Measures for Issuance of Convertible Corporate Bonds by Listed Issuers (CSRC Management Committee Order No. 2) (《上市公司發行可轉換公司債券實施辦法》(中國證券監督管理委員會令第2號)) promulgated by CSRC, corporate convertible bonds shall be issued at par with a nominal value of RMB100 each. There are no regulatory requirements in Hong Kong governing the issue price of corporate convertible bonds. The A Share Convertible Bonds will be issued at par with a nominal value of RMB100 each.

No prescribed minimum issue price is set for the Proposed Issuance. There are no regulatory requirements in either the PRC or Hong Kong on setting a prescribed minimum issue price for issuance of corporate bonds.

IV. TERM

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

V. COUPON RATE

It will be proposed at the general meeting to authorise the Board, and the Board shall determine the methods for determining the coupon rate and actual annual coupon rate for the 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 and 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.



- (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 of the A Share Convertible Bonds to A Shares on or before the record date for interest payment, 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 of the 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 general 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 and the lead underwriter.

The averages shall be calculated as follows:

$$\begin{array}{l} \text{The average trading price of A Shares} \\ \text{for the 20 trading days immediately} \\ \text{preceding the date of publication of} \\ \text{the Offering Document} \end{array} = \frac{\text{the total trading amount of the A Shares} \\ \text{during the 20 trading days}}{\text{The total trading volume of the A Shares} \\ \text{during the 20 trading days}}$$

$$\begin{array}{l} \text{The average trading price of A Shares} \\ \text{for the trading day immediately} \\ \text{preceding the date of publication of} \\ \text{the Offering Document} \end{array} = \frac{\text{the total trading amount of the A Shares} \\ \text{on the trading day}}{\text{The total trading volume of the A Shares} \\ \text{on such trading day}}$$

2.    Adjustment to the Conversion Price and calculation method

Upon completion of the Proposed Issuance, where there is distribution of scrip dividend, 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 following formulae (the adjusted value shall be rounded off to two decimal places):

Distribution of scrip dividend or capitalization issue	:	$P_1 = P_0 / (1 + n)$ ;
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 ratio of the scrip dividend or capitalisation
- $A$  = price of issuance of new Shares or rights issue
- $k$  = the ratio of issuance of new Shares or rights issue
- $D$  = cash dividend per Share

Where the above changes in the Company's equity interests occur, the Conversion Price will be adjusted accordingly and an announcement will be published by means designated by the Shanghai Stock Exchange and 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 registration date of the shares, then such conversion will be based on the Conversion Price adjusted by the Company.

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.

## IX. DOWNWARD ADJUSTMENT TO THE CONVERSION PRICE

### 1. Adjustment conditions and 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 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 the general meeting.

The above proposal is subject to approval of more than two-thirds of the votes of the participating Shareholders at the general meeting. Shareholder holding the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted Conversion Price shall not be lower than the higher of the average trading price of A Shares of the Company for the 20 trading days preceding the said general meeting, and the average trading price of A Shares of the

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

When a Bondholder applies to convert the A Share Convertible Bonds during the conversion period, the number of the shares to be issued upon conversion is calculated as follows and any fractional share shall be rounded down to the nearest whole number:

$$\text{Number of converted shares} = \frac{\text{aggregate face value of the A Share Convertible Bonds that the Bondholder applies for conversion}}{\text{prevailing Conversion Price as at the date of application for conversion}}$$

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 A 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 five 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). It will be proposed at the general meeting to authorise the Board, and the Board shall determine the actual redemption price after discussion and agreement with the sponsor and the lead underwriter with reference to the market conditions at the time of issuance.

2. Terms of conditional redemption

During the term of the A Share Convertible Bonds, if the closing price of the A Shares of the Company is equal to or not lower than 130% of the prevailing Conversion Price for at least 15 trading days out of any 30 consecutive trading days, or when the balance of the outstanding A Share Convertible Bonds issued is less than RMB30 million, the Company has the right to redeem all or part of the A Share Convertible Bonds which have not been converted into A Shares based on the face value plus the accrued interest for the period.

The accrued interest for the period is:

$$IA = B \times i \times t/365$$

where:

- IA = the accrued interest for the period
- B = the aggregate face value of the A Share Convertible Bonds held by the Bondholder
- i = the interest rate of the A Share Convertible Bonds for the year
- t = the number of 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 of A Shares 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 of the A Shares 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 A 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, 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 during the said 30 consecutive trading days, the Conversion Price and closing price of the A Shares will be calculated on an unadjusted basis during the trading days prior to adjustment, while the adjusted Conversion Price and closing price of the A Shares will be adopted during the trading days on which the adjustment was made and the trading day afterwards. If there is downward adjustment to the Conversion Price, then the "30 consecutive trading days" shall be re-counted based on the adjusted Conversion Price from the first trading day after the downward adjustment of the Conversion Price.

During the last two years prior to maturity, at the first time the requirements for the sell back are fulfilled for the year, the Bondholders may exercise the right of sell back once. If the Bondholders do not exercise their sell back rights after the requirements for sell back are first fulfilled 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.





XVI. RELEVANT MATTERS ON BONDHOLDERS' MEETINGS

1. Rights and obligations of Bondholders

*(1) Rights of Bondholders*

1. to participate in or entrust agents to participate in the bondholders' meetings and exercise voting rights in accordance with the laws, administrative regulations and other relevant requirements;
2. to convert the Convertible Corporate Bonds held into A Shares of the Company in accordance with the agreed conditions;
3. to exercise the right of sale back in accordance with the agreed conditions;
4. to assign, bestow or pledge the Convertible Corporate Bonds held in accordance with the laws, administrative regulations and the Articles of Association;
5. to obtain relevant information in accordance with the laws and the Articles of Association;
6. to request the Company to repay the principal and interest of the Convertible Corporate Bonds within the agreed period and by the agreed manner;
7. other rights as creditors of the Company prescribed by the laws, administrative regulations and the Articles of Association.

*(2) Obligations of Bondholders*

1. to abide by the terms in relation to the issuance of the Convertible Corporate Bonds of the Company;
2. to pay the subscription amount in accordance with the number of the Convertible Corporate Bonds subscribed for;
3. to comply with the valid resolutions passed by the bondholders' meetings;
4. not to request the Company to make prepayment of the principal and interest of the Convertible Corporate Bonds, unless otherwise required by the laws and regulations or otherwise agreed in the Prospectus on the Public Issuance of the Convertible Corporate Bonds;
5. other obligations required to be assumed by the holders of the Convertible Corporate Bonds prescribed by the laws, administrative regulations and the Articles of Association.

2. Circumstances for convening a Bondholders' meetings

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 set out in the Prospectus of the Convertible Bonds;
- (2) the Company fails to pay the principal and interest of the Convertible Bonds on time;
- (3) the Company undertakes a capital reduction (except for a capital reduction arising from the repurchase of shares under a share incentive scheme and the repurchase and cancellation of certain restricted shares), merger, division, receivership, close down or dissolution or files for bankruptcy;
- (4) proposed amendment to the rules of the meeting of holders of the Convertible Corporate Bonds;
- (5) other matters which may significantly and materially affect the interests of bondholders;
- (6) proposed changes to the bond trustee or the main contents of the bond trustee management agreement;
- (7) other matters required to be considered and determined at the bondholders' meetings in accordance with the provisions of the laws, administrative regulations, the CSRC, the Shanghai Stock Exchange, and these rules.

3. The following entities or persons may propose to convene a bondholders' meeting:

- (1) the board of directors of the issuer;
- (2) the trustee;
- (3) bondholders, individually or jointly, holding 10% or more of the aggregate nominal value of the outstanding Convertible Bonds proposing in writing;
- (4) other entities or persons prescribed by the laws, administrative regulations or the CSRC.

## APPENDIX II A SHARE CONVERTIBLE BONDS ISSUANCE PLAN

### XVII. USE OF PROCEEDS

The total amount of proceeds from the Proposed Issuance will not exceed RMB4 billion, which will be used for the following projects after deducting the issuance expenses:

*Unit: RMB10,000*

No.	Project	Total amount of investment	Amount of net proceeds to be used
1	Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project	239,312.70	194,500.00
2	Distributed PV power generation construction project	66,515.96	65,800.00
3	Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project	20,697.75	19,700.00
4	Supplementary of working capital project	<u>120,000.00</u>	<u>120,000.00</u>
Total		<u><u>446,526.41</u></u>	<u><u>400,000.00</u></u>

The Company shall use self-raised funding to finance the short fall between the project's investment amount and the actual net proceeds from the Proposed Issuance if the net proceeds from the Proposed Issuance cannot satisfy the total 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 (《募集資金管理辦法》). 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 BOARD RESOLUTION

The resolutions for the Proposed Issuance will be valid for 12 months from the date of the passing of the relevant resolutions at the general meeting.

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## 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

### 1. Type 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.

### 2. 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 RMB4 billion (inclusive of RMB4 billion). A resolution will be proposed to the Shareholders at the general meetings to authorise the Board to determine the final issue size within the range above.

### 3. Par value and issue price:

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

### 4. Term:

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

### 5. Coupon rate:

It will be proposed at the general meeting to authorise the Board, and the Board shall determine the methods for determining the coupon rate and actual annual coupon rate for the 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 and 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.

6. 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.

(i) *Calculation of the annual interest rates*

“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 a Bondholder 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 Bondholder as at the record date for interest payment in an interest accrual year (referred to as “that year” or “each year” for this purpose);

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

(ii) *Method of Interest Payment*

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

(b) Interest payment date: The interest is payable annually on each anniversary of the Issuance Date. 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 in accordance with relevant laws, rules and regulations of the Shanghai Stock Exchange.

- (c) 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 of the A Share Convertible Bonds to A Shares on or before the record date for interest payment, for that year and subsequent interest accrual years.
- (d) Tax payable on the interest income from the A Share Convertible Bonds shall be borne by the Bondholders.
7. 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.
8. Determination and adjustment of conversion price:

(i) *Determination of the 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 general 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 and the lead underwriter.

The averages shall be calculated as follows:

The average trading price of A Shares for the 20 trading days immediately preceding the date of publication of the Offering Document	=	the total trading amount of the A Shares during the 20 trading days <hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> The total trading volume of the A Shares during the 20 trading days
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The average trading price of A Shares for the trading day immediately preceding the date of publication of the Offering Document	=	the total trading amount of the A Shares on the trading day <hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> The total trading volume of the A Shares on such trading day
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*(ii) Adjustment to the Conversion Price and calculation method*

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 following formulae (the adjusted value shall be rounded off to two decimal places):

Distribution of scrip dividend or capitalization issue:

$$P_1 = P_0 (1+n);$$

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.

$P_1$  = the adjusted Conversion Price

$P_0$  = the Conversion Price before adjustments

$n$  = the ratio of the scrip dividend or capitalisation

$A$  = price of issuance of new Shares or rights issue

$k$  = the ratio of issuance of new Shares or rights issue

$D$  = cash dividend per Share

Where the above changes in the Company's equity interests occur, the Conversion Price will be adjusted accordingly and an announcement will be published by means designated by the Shanghai Stock Exchange and 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 registration date of the shares, then such conversion will be based on the Conversion Price adjusted by the Company.

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.

9. Downward adjustment to the Conversion Price:

(i) *Adjustment conditions and 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 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 the general meeting.

The above proposal is subject to approval of more than two-thirds of the votes of the participating Shareholders at the general meeting. Shareholders holding the A Share Convertible Bonds should abstain from voting at the general meeting. The adjusted Conversion Price shall not be lower than the higher of the average trading price of A Shares of the Company for the 20 trading days preceding the said general meeting, and the average trading price of A Shares of the Company for the trading day immediately before the said general meeting. 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 and the trading day afterwards.



*(ii) Procedure of adjustment*

If the general meeting of the Company resolve to make a downward adjustment to the Conversion Price, the Company will publish an announcement on the relevant resolutions through the means designated by the Shanghai Stock Exchange and CSRC for disclosing information of listed companies. The announcement will disclose the magnitude of the

*(ii) Terms of conditional redemption*

During the term of the A Share Convertible Bonds, if the closing price of the A Shares of the Company is equal to or not lower than 130% of the prevailing Conversion Price for at least 15 trading days out of any 30 consecutive trading days, or when the balance of the outstanding A Share Convertible Bonds issued is less than RMB30 million, the Company has the right to redeem all or part of the A Share Convertible Bonds which have not been converted into A Shares based on the face value plus the accrued interest for the period.

The accrued interest for the period is:

$$IA = B \times i \times t / 365$$

where

IA = the accrued interest for the period

B = the aggregate face value of the A Share Convertible Bonds held by the Bondholder

i = the interest rate of the A Share Convertible Bonds for the year

t = the number of 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 of A Shares 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 of the A Shares will be calculated based on the Conversion Price and closing price after the adjustment.

**12. Terms of sell back***(i) 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 A 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, 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 during the said 30 consecutive trading days, the Conversion Price and closing price of the A Shares will be calculated on an unadjusted basis during the trading days prior to adjustment, while the adjusted Conversion Price and closing price of the A Shares will be adopted during the trading days on which the adjustment was made and the trading day afterwards. If there is downward adjustment to the Conversion Price, then the “30 consecutive trading days” shall be re-counted based on the adjusted Conversion Price from the first trading day after the

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).

#### 15. 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 to authorise the Board, and the Board shall determine by negotiating and agreeing with the sponsor and the lead underwriter with reference to the prevailing market conditions, the actual amount to be allocated under the preemptive 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 any remaining balance.

#### 16. Relevant matters on Bondholders' Meetings

##### (i) *Rights and obligations of Bondholders*

###### *Rights of Bondholders*

- (a) to participate in or entrust agents to participate in the bondholders' meetings and exercise voting rights in accordance with the laws, administrative regulations and other relevant requirements;
- (b) to convert the Convertible Corporate Bonds held into A Shares of the Company in accordance with the agreed conditions;
- (c) to exercise the right of sale back in accordance with the agreed conditions;
- (d) to assign, bestow or pledge the Convertible Corporate Bonds held in accordance with the laws, administrative regulations and the Articles of Association;
- (e) to obtain relevant information in accordance with the laws and the Articles of Association;
- (f) to request the Company to repay the principal and interest of the Convertible Corporate Bonds within the agreed period and by the agreed manner;
- (g) other rights as creditors of the Company prescribed by the laws, administrative regulations and the Articles of Association.

*Obligations of Bondholders*

- (a) to abide by the terms in relation to the issuance of the Convertible Corporate Bonds of the Company;
- (b) to pay the subscription amount in accordance with the number of the Convertible Corporate Bonds subscribed for;
- (c) to comply with the valid resolutions passed by the bondholders' meetings;
- (d) not to request the Company to make prepayment of the principal and interest of the Convertible Corporate Bonds, unless otherwise required by the laws and regulations or otherwise agreed in the Prospectus on the Public Issuance of the Convertible Corporate Bonds;
- (e) other obligations required to be assumed by the holders of the Convertible Corporate Bonds prescribed by the laws, administrative regulations and the Articles of Association.

*(ii) Circumstances for convening a Bondholders' meetings*

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

- (a) the Company proposes to change the terms set out in the Prospectus of the Convertible Bonds;
- (b) the Company fails to pay the principal and interest of the Convertible Bonds on time;
- (c) the Company undertakes a capital reduction (except for a capital reduction arising from the repurchase of shares under a share incentive scheme and the repurchase and cancellation of certain restricted shares), merger, division, receivership, close down or dissolution or files for bankruptcy;
- (d) proposed amendment to the rules of the meeting of holders of the Convertible Corporate Bonds;
- (e) other matters which may significantly and materially affect the interests of bondholders;
- (f) proposed changes to the bond trustee or the main contents of the bond trustee management agreement;
- (g) other matters required to be considered and determined at the bondholders' meetings in accordance with the provisions of the laws, administrative regulations, the CSRC, the Shanghai Stock Exchange, and these rules.

(iii) *The following entities or persons may propose to convene a bondholders' meeting:*

- (a) the board of directors of the issuer;
- (b) the trustee;
- (c) bondholders, individually or jointly, holding 10% or more of the aggregate nominal value of the outstanding Convertible Bonds proposing in writing;
- (d) other entities or persons prescribed by the laws, administrative regulations or the CSRC.

17. Use of proceeds:

The total amount of proceeds from the Proposed Issuance will not exceed RMB4 billion, which will be used for the following projects after deducting the issuance expenses:

*Unit: RMB10,000*

No.	Project	Total amount of investment	Amount of net proceeds to be used
1	Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project	239,312.70	194,500.00
2	Distributed PV power generation construction project	66,515.96	65,800.00
3	Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project	20,697.75	19,700.00
4	Supplementary of working capital project	120,000.00	120,000.00
	<b>Total</b>	<b>446,526.41</b>	<b>400,000.00</b>

The Company shall use self-raised funding to finance the short fall between the project's investment amount and the actual net proceeds from the Proposed Issuance if the net proceeds from the Proposed Issuance cannot satisfy the total 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.

18. Management and deposit of proceeds

The Company has established the Administrative Measures for the Proceeds Raised (《募集資金管理辦法》). 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.

19. Guarantee

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

20. Validity period of the board resolution

The resolutions for the Proposed Issuance will be valid for 12 months from the date of the passing of the relevant resolutions at the general meeting.

## III. FINANCIAL INFORMATION AND MANAGEMENT DISCUSSION AND ANALYSIS

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

*I. CONSOLIDATED BALANCE SHEET*

Item	<i>Unit: RMB</i>			
	31 March 2021	31 December 2020	31 December 2019	31 December 2018
<b>Current assets:</b>				
Monetary assets	2,293,694,382.07	1,589,967,013.69	613,000,364.84	683,018,973.73
Held-for-trading financial assets	1,100,000,000.00	400,000,000.00	–	–
Derivative financial assets	39,913.02	1,445,666.57	1,117,793.99	6,172,390.30
Bill receivables	527,714,968.57	546,772,640.17	1,976,383,235.76	911,294,531.23
Receivables	1,036,965,655.86	1,388,373,649.20	1,107,245,636.40	821,195,179.32
Receivables financing	1,237,085,688.64	684,530,748.37	–	–
Payables	533,484,197.38	363,154,384.40	93,183,465.96	65,474,835.88
Other receivables	27,533,834.09	24,267,677.88	3,684,181.68	1,296,794.21
Inventories	810,335,771.15	479,395,186.67	483,619,647.17	377,123,199.96
Other current assets	140,078,416.97	91,369,716.90	174,510,375.27	181,666,205.48
<b>Total current assets</b>	<b>7,706,932,827.75</b>	<b>5,569,276,683.85</b>	<b>4,452,744,701.07</b>	<b>3,047,242,110.11</b>
<b>Non-current assets:</b>				
Other equity instrument investment	54,619,757.50	53,970,165.00	–	–
Long-term equity investment	16,091,169.37	13,914,841.66	–	–
Investment properties	19,875,833.83	20,233,701.43	21,665,171.83	23,096,642.23
Fixed assets	3,581,079,094.34	3,333,698,217.15	3,070,665,219.42	2,166,275,875.65
Construction in progress	2,590,822,500.87	1,937,151,385.42	936,828,544.14	962,570,065.48
Right-of-use assets	173,810,161.12	173,805,026.26	188,930,554.53	–
Intangible assets	523,271,923.86	529,570,040.37	427,130,471.49	536,809,851.25
Long-term prepaid expenses	6,714,459.23	5,175,651.56	6,935,053.37	2,777,526.55
Deferred tax asset	28,331,099.76	25,990,515.11	18,458,589.23	19,005,748.81
Other non-current assets	935,009,345.68	603,014,147.21	268,922,264.83	195,771,282.04
<b>Total non-current assets</b>	<b>7,929,625,345.56</b>	<b>6,696,523,691.17</b>	<b>4,939,535,868.84</b>	<b>3,906,306,992.01</b>
<b>Total assets</b>	<b>15,636,558,173.31</b>	<b>12,265,800,375.02</b>	<b>9,392,280,569.91</b>	<b>6,953,549,102.12</b>



## APPENDIX III

PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS

Item	31 March 2021	31 December 2020	31 December 2019	31 December 2018
<b>Current liabilities:</b>				
Short-term borrowings	482,856,500.00	617,402,035.00	1,316,277,482.79	450,399,136.69
Derivative financial liabilities	699,510.94	–	917,754.01	738,000.00
Bills payables	956,668,576.43	713,571,260.89	338,562,948.43	219,832,038.07
Trade payables	1,342,470,431.28	1,294,643,492.26	1,854,705,642.59	1,216,541,204.11
Contract liabilities	124,495,350.79	91,178,042.21	24,993,817.16	14,042,379.21
Payroll payable	47,545,246.26	48,938,953.78	31,758,290.80	26,225,994.20
Tax payable	256,381,804.45	303,432,110.05	129,352,280.77	81,681,336.98
Other payables	98,113,215.34	100,815,515.00	45,543,202.52	38,681,381.51
Including: Interest payable	6,171,482.48	2,856,171.00	4,831,749.01	1,562,660.53
Dividends payables	299,000.00	299,000.00	–	–
Non-current liabilities due within one year	295,708,500.00	160,819,952.95	711,977,777.21	201,905,909.70
<b>Total current liabilities</b>	<b>3,604,939,135.49</b>	<b>3,330,801,362.14</b>	<b>4,454,089,196.28</b>	<b>2,250,047,380.47</b>
<b>Non-current liabilities:</b>				
Long-term borrowings	1,145,992,460.17	1,375,011,882.07	281,902,410.30	989,439,412.61
Bonds payables	–	236,681,991.63	–	–
Lease liabilities	11,482,283.85	11,508,090.39	11,016,173.42	–
Deferred tax liabilities	42,128,293.44	44,014,924.20	86,975,757.21	–
Deferred income	30,922,194.76	33,039,484.74	45,408,644.70	45,408,645.01
<b>Total non-current liabilities</b>	<b>1,230,525,232.22</b>	<b>1,700,256,373.03</b>	<b>425,302,985.63</b>	<b>1,034,848,057.62</b>
<b>Total liabilities</b>	<b>4,835,464,367.71</b>	<b>5,031,057,735.17</b>	<b>4,879,392,181.91</b>	<b>3,284,895,438.09</b>
<b>Owner's equity (or shareholders' equity):</b>				
Paid-in capital (or share capital)	536,548,313.50	510,312,197.00	487,500,000.00	450,000,000.00
Other equity instruments	–	49,401,670.49	–	–
Capital reserve	4,794,143,908.15	2,045,095,156.05	839,115,113.41	622,230,162.41
Less: Treasury stock	28,359,000.00	28,359,000.00	–	–
Other comprehensive income	-24,149,546.72	-26,338,876.15	5,935,642.83	-4,685,190.57
Special reserve	14,830,775.60	14,369,931.38	11,810,858.31	9,425,627.41
Surplus reserve	220,705,199.31	220,705,199.31	193,555,355.70	168,158,907.37
Undistributed profit	5,287,374,155.76	4,449,556,361.77	2,974,971,417.75	2,423,524,157.41
<b>Total equity attributable to shareholders of the parent company</b>	<b>10,801,093,805.60</b>	<b>7,234,742,639.85</b>	<b>4,512,888,388.00</b>	<b>3,668,653,664.03</b>
Minority interests	–	–	–	–
<b>Total owner's equity</b>	<b>10,801,093,805.60</b>	<b>7,234,742,639.85</b>	<b>4,512,888,388.00</b>	<b>3,668,653,664.03</b>
<b>Total liabilities and owner's equity</b>	<b>15,636,558,173.31</b>	<b>12,265,800,375.02</b>	<b>9,392,280,569.91</b>	<b>6,953,549,102.12</b>

## 2. CONSOLIDATED INCOME STATEMENT

Unit: RMB

Item	2021 Q1	2020	2019	2018
I. Operating revenue	2,056,716,792.92	6,260,417,792.26	4,806,804,020.96	3,063,802,709.44
Less: Operating costs	858,931,976.57	3,346,641,311.75	3,289,735,511.36	2,232,762,168.05
Taxes and surcharges	16,284,524.92	61,083,688.80	35,026,838.85	28,635,983.23
Selling expenses	88,887,168.44	301,854,852.77	255,112,912.72	128,327,434.68
Administrative expenses	57,577,774.90	172,349,032.43	121,498,560.29	117,786,385.22
Research and development expenses	92,827,454.78	284,717,812.81	204,151,559.30	113,246,196.64
Financial expenses	-5,302,166.53	141,528,692.18	53,129,460.34	1,611,581.32
Including: Interest expenses	16,426,273.54	80,273,151.69	65,388,264.94	25,791,618.68
Interest income	9,917,004.54	16,412,291.81	17,902,429.34	18,599,358.49
Add: Other income	4,774,900.19	25,471,233.82	30,189,426.63	24,929,136.86
Net investment income	8,479,094.32	5,675,836.26	6,908,081.15	-16,191,214.96
Including: Gains on investment in associates or joint ventures	2,176,327.71	2,614,841.66	-	-
Net gains from changes in fair value	-2,105,264.49	1,245,626.59	-5,234,350.32	13,259,290.30
Asset impairment loss	-2,376,619.88	-71,783,469.77	-14,697,934.51	2,589,390.06
Credit impairment loss	4,515,785.89	-29,914,991.88	-12,816,559.04	7,363,612.81
Gains on disposal of assets	-343,958.67	-18,018,346.26	-6,541,402.98	5,040,070.63
II. Operating profit	960,453,997.20	1,864,918,290.28	845,956,439.03	458,517,240.26
Add: Non-operating income	1,898,504.84	12,889,216.85	16,897,963.68	7,757,924.37
Less: Non-operating expenses	644,682.60	3,899,465.44	184,158.59	129,905.64
III. Total profit	961,707,819.44	1,873,908,041.69	862,670,244.12	466,145,258.99
Less: Income tax	123,890,025.45	245,124,254.06	145,426,535.45	58,830,542.68
IV. Net profit	837,817,793.99	1,628,783,787.63	717,243,708.67	407,314,716.31
Minority shareholders' profit or loss	-	-	-	-
Net profit attributable to the owner of the parent company	837,817,793.99	1,628,783,787.63	717,243,708.67	407,314,716.31

## APPENDIX III

PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS

Item	2021 Q1	2020	2019	2018
V. Other comprehensive income, net of tax	2,189,329.43	-32,274,518.98	10,620,833.40	11,271,623.87
Other comprehensive income attributable to the owner of the parent company, net of tax	2,189,329.43	-32,274,518.98	10,620,833.40	11,271,623.87
I. Other comprehensive income that cannot be classified into profit or loss	649,592.50	-3,217,914.84	-	-
II. Other comprehensive income that will be classified into profit or loss	1,539,736.93	-29,056,604.14	10,620,833.40	11,271,623.87
Other comprehensive income attributable to minority shareholders, net of tax	-	-	-	-
VI. Total comprehensive income	840,007,123.42	1,596,509,268.65	727,864,542.07	418,586,340.18
Total comprehensive income attributable to the ordinary shareholders of the parent company	840,007,123.42	1,596,509,268.65	727,864,542.07	418,586,340.18
Total comprehensive income attributable to minority shareholders	-	-	-	-
VII. Earnings per share:				
Basic earnings per share	0.40	0.83	0.37	0.23
Diluted earnings per share	0.40	0.81	N/A	N/A

### 3. CONSOLIDATED STATEMENT OF CASH FLOW

Unit: RMB

Item	2021 Q1	2020	2019	2018
I. Cash flow from operating activities:				
Cash received from sale of goods or rendering of services	1,114,840,642.90	4,260,896,686.12	4,515,888,387.61	3,304,200,550.98
Cash received from refunds of taxes	31,433,373.58	150,547,543.63	133,103,705.74	55,198,126.62
Cash received relating to other operating activities	14,473,119.59	42,603,582.52	89,326,909.64	49,720,199.30
Subtotal of cash inflows operating activities	1,160,747,136.07	4,454,047,812.27	4,738,319,002.99	3,409,118,876.90
Cash paid for goods and services	539,887,323.99	1,667,088,694.33	3,368,644,502.93	2,325,631,527.20
Cash paid to and on behalf of employee	106,966,474.99	316,786,736.20	287,842,958.25	256,273,716.64
Cash paid for payments of taxes and surcharges	222,195,171.16	248,246,780.53	151,625,868.89	160,534,112.01
Cash paid relating to other operating activities	152,786,211.95	520,758,281.51	420,008,980.35	235,770,269.30
Subtotal of cash outflow operating activities	1,021,835,182.09	2,752,880,492.57	4,228,122,310.42	2,978,209,625.15
Net cash flow from operating activities	138,911,953.98	1,701,167,319.70	510,196,692.57	430,909,251.75
II. Cash flow from investing activities:				
Recollection of cash received from investments	700,000,000.00	–	–	4,200,000.00
Cash received from returns on investments	8,042,032.81	25,655,598.20	8,272,192.47	6,137,288.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,380,170.26	11,614,469.66	16,579,973.39	7,154,807.27
Cash received relating to other investing activities	30,732,222.53	125,909,899.04	131,264,078.45	108,900,833.79

## APPENDIX III

PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS

Item	2021 Q1	2020	2019	2018
III. Cash flow from financing activities:				
Cash received from capital contribution	2,499,999,996.79	28,658,000.00	269,700,000.00	–
Cash received from borrowings	515,574,315.63	2,772,983,295.88	1,954,723,227.20	1,078,769,050.66
Cash received relating to other financing activities	151,052,822.55	255,660,791.32	277,454,484.32	349,496,734.24
Cash received from bonds issuing	–	1,444,025,000.00	–	–
Subtotal of cash inflows from financing activities	3,166,627,134.97	4,501,327,087.20	2,501,877,711.52	1,428,265,784.90
Cash paid for payment of borrowings	598,455,977.28	2,330,256,654.52	1,291,775,272.59	584,818,797.80
Cash paid for distribution of dividends, and profits or payment of interest	15,860,385.73	244,567,836.56	229,761,226.52	79,161,657.99
Cash paid relating to other financing activities	464,223,533.85	557,330,065.30	296,310,722.70	327,641,933.96
Subtotal of cash outflows relating to financing activities	1,078,539,896.86	3,132,154,556.38	1,817,847,221.81	991,622,389.75
Net cash flow from financing activities	2,088,087,238.11	1,369,172,530.82	684,030,489.71	436,643,395.15
IV. Effect of foreign exchange rate changes on cash and cash equivalents	3,093,352.09	-29,075,003.29	3,862,938.18	14,495,046.71
V. Net increase (decrease) in cash and cash equivalents	428,607,175.57	667,103,838.54	-49,681,912.49	-420,897,186.34
Add: Cash and cash equivalents at the beginning of the year	1,146,171,930.13	479,068,091.59	528,750,004.08	949,647,190.42
VI. Cash and cash equivalents at the end of the year	1,574,779,105.70	1,146,171,930.13	479,068,091.59	528,750,004.08

#### 4. CONSOLIDATED BALANCE SHEET OF THE PARENT COMPANY

*Unit: RMB*

Item	31 March 2021	31 December 2020	31 December 2019	31 December 2018
<b>Current assets:</b>				
Monetary assets	433,405,344.01	299,567,786.91	223,564,789.23	248,453,770.98
Trading financial assets	200,000,000.00	–	–	–
Derivative financial assets	–	–	379,492.22	4,970,224.71
Bills receivable	325,506,488.16	488,505,596.47	1,567,902,478.98	774,398,067.88
Trade receivables	340,671,833.42	588,347,375.06	778,907,971.16	502,280,814.30
Financing receivables	678,893,018.99	633,026,500.88	–	–
Advance payment	91,443,646.35	39,787,487.32	45,197,178.86	39,136,580.02
Other receivables	991,986,265.84	682,247,356.05	356,091,353.75	115,299,644.49
Inventories	276,976,702.20	179,788,994.03	209,640,163.73	162,383,851.02
Other current assets	2,067,086.02	17,020.44	9,673,749.05	24,941,889.24
<b>Total current assets</b>	<b>3,340,950,384.99</b>	<b>2,911,288,117.16</b>	<b>3,191,357,176.98</b>	<b>1,871,864,842.64</b>
<b>Non-current assets:</b>				
Long-term equity investments	1,048,728,512.37	1,046,552,184.66	1,043,137,343.00	786,137,343.00
Fixed assets	1,305,429,696.39	1,016,732,435.83	994,488,315.18	927,127,844.80
Construction in progress	270,866,935.80	293,288,787.44	163,647,371.24	243,785,148.44
Intangible assets	234,931,888.88	237,077,496.41	170,704,769.30	131,628,507.77
Long-term prepaid expenses	753,911.80	11,649.38	150,172.37	265,068.34
Deferred tax asset	22,012,917.51	22,181,477.91	6,379,124.69	10,881,999.81
Other non-current assets	3,180,492,095.53	2,161,507,235.87	567,405,500.94	788,994,654.72
<b>Total non-current assets</b>	<b>6,063,215,958.28</b>	<b>4,777,351,267.50</b>	<b>2,945,912,596.72</b>	<b>2,888,820,566.88</b>
<b>Total assets</b>	<b>9,404,166,343.27</b>	<b>7,688,639,384.66</b>	<b>6,137,269,773.70</b>	<b>4,760,685,409.52</b>
<b>Current liabilities:</b>				
Short-term borrowings	232,856,500.00	140,391,130.00	736,237,118.11	328,446,377.87
Derivative financial liabilities	–	–	–	738,000.00
Bills payables	38,897,227.00	–	190,000,000.00	88,051,988.88
Trade payables	471,815,536.35	604,274,221.67	1,483,614,555.57	745,246,372.34
Advance receipts	–	–	–	–
Contract liabilities	79,281,893.96	58,126,632.90	17,454,654.26	4,662,060.73
Payroll payable	22,666,010.33	25,684,776.32	18,089,920.60	14,964,926.68

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## APPENDIX III

PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS

Item	31 March 2021	31 December 2020	31 December 2019	31 December 2018
<b>Non-current liabilities:</b>				
Long-term borrowings	170,000,000.00	235,000,000.00	–	–
Bonds payables	–	236,681,991.63	–	–
Deferred income	20,722,975.89	23,487,048.57	34,543,339.29	34,543,339.27
<b>Total non-current liabilities</b>	<b>190,722,975.89</b>	<b>495,169,040.20</b>	<b>34,543,339.29</b>	<b>34,543,339.27</b>
<b>Total liabilities</b>	<b>1,846,120,439.74</b>	<b>3,035,247,691.60</b>	<b>2,872,197,859.45</b>	<b>1,863,562,929.59</b>
<b>Owner's equity (or shareholders' equity):</b>				
Paid-in capital (or share capital)	536,548,313.50	510,312,197.00	487,500,000.00	450,000,000.00
Other equity instruments	–	49,401,670.49	–	–
Capital reserve	4,794,143,908.15	2,045,095,156.05	839,115,113.41	622,230,162.41
Less: Treasury stock	28,359,000.00	28,359,000.00	–	–
Other comprehensive income	-5,613,537.32	-5,964,567.44	–	–
Surplus reserve	220,705,199.31	220,705,199.31	193,555,355.70	168,158,907.37
Undistributed profit	2,040,621,019.89	1,862,201,037.65	1,744,901,445.14	1,656,733,410.15
Total equity attributable to shareholders of the parent company	7,558,045,903.53	4,653,391,693.06	3,265,071,914.25	2,897,122,479.93
Minority interests	–	–	–	–
<b>Total owner's equity</b>	<b>7,558,045,903.53</b>	<b>4,653,391,693.06</b>	<b>3,265,071,914.25</b>	<b>2,897,122,479.93</b>
<b>Total liabilities and owner's equity</b>	<b>9,404,166,343.27</b>	<b>7,688,639,384.66</b>	<b>6,137,269,773.70</b>	<b>4,760,685,409.52</b>

## 5. CONSOLIDATED INCOME STATEMENT OF THE PARENT COMPANY

Unit: RMB

Item	2021 Q1	2020	2019	2018
I. Total operating revenue	919,104,389.57	4,553,484,065.43	3,591,539,008.03	2,115,178,672.77
Less: Operating costs	644,065,964.67	3,720,981,669.51	3,000,997,457.74	1,677,974,994.68
Taxes and surcharges	2,030,380.78	22,889,998.05	15,520,516.48	13,295,177.08
Selling expenses	17,474,138.49	73,636,828.80	68,929,956.72	58,495,428.54
Administrative expenses	32,574,236.46	109,487,312.67	76,656,007.96	75,396,615.14
Research and development expenses	35,690,337.44	145,433,731.51	100,075,014.72	79,974,931.66
Financial expenses	-5,224,530.14	79,213,541.67	27,911,159.88	28,246,194.85
Including: Interest expenses	6,605,919.76	58,260,295.56	31,980,999.88	15,368,900.18
Interest income	6,738,729.33	5,119,750.54	12,524,684.44	13,377,822.49
Add: Other income	3,105,860.97	15,040,420.63	16,361,949.96	11,176,810.34
Net investment income	2,176,327.71	-4,288,623.74	471,707.68	87,550,157.14
Including: Gains on investment in associates or joint ventures	2,176,327.71	2,614,841.66	-	-
Net gains from changes in fair value	-	-379,492.22	-3,852,732.49	6,338,824.71
Asset impairment loss	-2,375,065.57	-68,495,338.01	-14,697,934.51	-2,335,927.27
Credit impairment loss	7,456,921.14	-17,377,891.48	-15,465,340.85	-5,195,846.30
Gains on disposal of assets	712,300.36	-16,774,163.09	-7,017,163.75	-133,999.89
II. Operating profit	203,570,206.48	309,565,895.31	277,249,380.57	279,195,349.55
Add: Non-operating income	53,541.30	6,832,392.47	8,293,509.23	6,009,680.09
Less: Non-operating expenses	400,239.00	2,511,423.80	100,000.00	60,000.00
III. Total profit	203,223,508.78	313,886,863.98	285,442,889.80	285,145,029.64
Less: Income tax	24,803,526.54	42,388,427.86	31,478,406.48	16,267,541.81
IV. Net profit	178,419,982.24	271,498,436.12	253,964,483.32	268,877,487.83
V. Other comprehensive income, net of tax	351,030.12	-5,964,567.44	-	-
VI. Total comprehensive income	178,771,012.36	265,533,868.68	253,964,483.32	268,877,487.83



## 6. CONSOLIDATED STATEMENT OF CASH FLOW OF THE PARENT COMPANY

Item	<i>Unit: RMB</i>			
	2021 Q1	2020	2019	2018
I. Cash flow from operating activities:				
Cash received from sale of goods or rendering of services	574,019,862.46	2,930,691,103.16	3,257,963,652.31	2,473,277,005.45
Cash received from refunds of taxes	11,820,559.69	19,189,989.89	41,213,278.68	10,224,768.74
Cash received relating to other operating activities	7,083,058.92	15,936,272.92	26,491,352.92	24,805,686.36
Subtotal of cash inflows from operating activities	592,923,481.07	2,965,817,365.97	3,325,668,283.91	2,508,307,460.55
Cash paid for goods and services	348,051,627.48	2,805,718,498.72	2,682,566,982.27	1,603,519,870.71
Cash paid to and on behalf of employee	39,500,091.07	156,730,320.57	146,295,174.43	135,313,519.30
Cash paid for payments of taxes and surcharges	56,710,844.78	92,327,401.58	46,139,814.03	109,569,582.10
Cash paid relating to other operating activities	52,638,802.22	189,974,122.64	160,943,583.75	133,478,664.56
Subtotal of cash outflow from operating activities	496,901,365.55	3,244,750,343.51	3,035,945,554.48	1,981,881,636.67
Net cash flow from operating activities	96,022,115.52	-278,932,977.54	289,722,729.43	526,425,823.88
II. Cash flow from investing activities:				
Recollection of cash received from investments	-	-	-	-
Cash received from returns on investments	-	-	1,759,200.00	97,285,550.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	712,300.36	11,397,687.32	3,093,989.93	2,825,764.49
Net cash received from disposal of subsidiaries and other business units	-	-	-	-
Cash received relating to other investing activities	30,723,813.81	258,179,396.36	246,772,690.36	270,508,983.03
Subtotal of cash inflows from investing activities	31,436,114.17	269,577,083.68	251,625,880.29	370,620,297.52
Cash paid to purchase fixed assets, intangible assets and	220,683,907.33	287,276,684.06	184,514,117.79	225,584,953.98
Cash paid for investments	200,000,000.00	800,000.00	257,000,000.00	238,982,321.00
Cash paid relating to other investing activities	2,084,144,015.14	2,126,958,214.27	338,217,053.07	726,182,465.28
Subtotal of cash outflows from investing activities	2,504,827,922.47	2,415,034,898.33	779,731,170.86	1,190,749,740.26
Net cash flow from investing activities	-2,473,391,808.30	-2,145,457,814.65	-528,105,290.57	-820,129,442.74

## APPENDIX III

PRELIMINARY PLAN OF THE PROPOSED  
ISSUANCE OF A SHARE CONVERTIBLE BONDS

Item	2021 Q1	2020	2019	2018
III. Cash flow from financing activities:				
Cash received from capital contribution	2,499,999,996.79	28,658,000.00	269,700,000.00	–
Cash received from borrowings	340,574,315.63	669,967,570.88	1,064,410,735.92	408,913,484.01
Cash received relating to other financing activities	259,579,011.26	1,369,267,749.36	168,683,559.31	687,483,506.91
Cash received from bonds issuing	–	1,444,025,000.00	–	–
Subtotal of cash inflows from financing activities	3,100,153,323.68	3,511,918,320.24	1,502,794,295.23	1,096,396,990.92
Cash paid for payment of borrowings	157,319,006.22	764,468,760.28	656,619,995.68	348,986,756.14
Cash paid for distribution of dividends, and profits or payment of interest	4,504,498.03	163,436,592.51	176,772,652.43	34,029,518.46
Cash paid relating to other financing activities	453,559,542.54	126,294,817.74	444,513,969.81	426,984,600.29
Subtotal of cash outflows relating to financing activities	615,383,046.79	1,054,200,170.53	1,277,906,617.92	810,000,874.89
Net cash flow from financing activities	2,484,770,276.89	2,457,718,149.71	224,887,677.31	286,396,116.03
IV. Effect of foreign exchange rate changes on cash	490,897.16	-3,696,195.31	623,827.56	2,443,339.95
V. Net increase in cash and cash equivalents	107,891,481.27	29,631,162.21	-12,871,056.27	-4,864,162.88
Add: Cash and cash equivalents at the beginning of the period	188,559,197.40	158,928,035.19	171,799,091.46	176,663,254.34
VI. Cash and cash equivalents at the end of the period	296,450,678.67	188,559,197.40	158,928,035.19	171,799,091.46

## (2) Scope of and Changes in Consolidation

*1. Scope of Consolidation*

As of 31 March 2021, the scope of consolidation of the consolidation statements of the Company is as follows:

No.	Company Name	Incorporation Place	Method	Business	Ratio of shareholding and voting on 31 March 2021 (%)	
					Directly	Indirectly
1	Zhejiang Flat Glass Co., Ltd.* (浙江福莱特玻璃有限公司)	Zhejiang	Establishment	Manufacturing and sale of construction or household glass products	100.00	–
2	Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司)	Zhejiang	Establishment	Manufacturing and sale of PV glass	100.00	–
3	Shanghai Flat Glass Co., Ltd.* (上海福莱特玻璃有限公司)	Shanghai	Establishment	Processing of architectural glass	100.00	–
4	Anhui Flat Solar Glass Co., Ltd.* (安徽福莱特光伏玻璃有限公司)	Anhui	Establishment	Manufacturing, processing and sale of special glass	100.00	–
5	Anhui Flat Solar Materials Co., Ltd.* (安徽福莱特光伏材料有限公司)	Anhui	Establishment	Operation of mines and sale of quartz ore	100.00	–
6	Flat (Hong Kong) Co., Limited (福莱特(香港)有限公司)	Zhejiang	Establishment	Export of glass	100.00	–
7	Jiaxing Flat New Energy Technology Co., Ltd.* (嘉兴福莱特新能源科技有限公司)	Zhejiang	Establishment	Investment, construction, operation and maintenance of the new energy power generation plant	100.00	–

No.	Company Name	Incorporation Place	Method	Business	Ratio of shareholding and voting on 31 March 2021 (%)	
					Directly	Indirectly
8	Flat (Vietnam) Co., Ltd.	Vietnam	Establishment	Manufacturing, and sale of PV glass	-	100.00
9	Flat (Hong Kong) Investment Co., Limited (福萊特(香港)投資有限 公司)	Hong Kong	Establishment	Investment	-	100.00
10	Flat (Jiaxing) Import and Export Trade Co., Ltd.* (福萊特(嘉興)進出口貿易 有限公司)	Zhejiang	Establishment	Import and export business	100.00	-
11	Fengyang Flat Natural Gas Pipeline Co., Ltd.* (鳳陽 福萊特天然氣管道有限 公司)	Anhui	Establishment	Investment	-	100.00

2. *Changes in Consolidation*

No.	Company name	Consolidation scope attributable to the Listed Company during the Reporting Period			
		2021 Q1	2020	2019	2018
1	Zhejiang Flat Glass Co., Ltd.* (浙江福萊特玻璃有限公司)	✓	✓	✓	✓
2	Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司)	✓	✓	✓	✓
3	Shanghai Flat Glass Co., Ltd.* (上海福萊特玻璃有限公司)	✓	✓	✓	✓
4	Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司)	✓	✓	✓	✓
5	Anhui Flat Solar Materials Co., Ltd.* (安徽福萊特光伏材料有限公司)	✓	✓	✓	✓
6	Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司)	✓	✓	✓	✓
7	Jiaxing Flat New Energy Technology Co., Ltd.* (嘉興福萊特新能源科技有限公司)	✓	✓	✓	✓
8	Flat (Vietnam) Co., Ltd.,	✓	✓	✓	✓
9	Flat (Hong Kong) Investment Co., Limited (福萊特(香港)投資有限公司)	✓	✓	✓	✓
10	Flat (Jiaxing) Import and Export Trade Co., Ltd.* (福萊特(嘉興)進出口貿易有限公司)	✓	✓	✓	✓
11	Fengyang Flat Natural Gas Pipeline Co., Ltd.* (鳳陽福萊特天然氣管道有限公司)	✓	✓	✓	✓

## (III) Key Financial Indicators of the Company for the Last Three Years

1. *Net return on equity and earnings per share for the Reporting Period*(1) *Net 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 during the Reporting Period		Weighted Average Return on Equity (%)	Earnings per share (RMB)	
			Basic earnings per share	Diluted earnings per share
2021 Q1	Net profit attributable to ordinary shareholders of the Company	8.85	0.40	0.40
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	8.77	0.39	0.39
2020	Net profit attributable to ordinary shareholders of the Company	29.46	0.83	0.81
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	29.29	0.83	0.80
2019	Net profit attributable to ordinary shareholders of the Company	17.10	0.37	N/A
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	16.45	0.36	N/A
2018	Net profit attributable to ordinary shareholders of the Company	11.79	0.23	N/A
	Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses	10.79	0.21	N/A

(2) *Calculation of net return on equity and Earnings per share*

- ① The computational formula the Weighted Average Return on Equity (ROE) is as follows:

$$\text{ROE} = P \div (E0 + NP \div 2 + Ei \times Mi \div M0 - Ej \times Mj \div M0 \pm Ek \times Mk \div M0)$$

of which: P is the net profit attributable to ordinary shareholders of the Company, net profit attributable to ordinary shareholders of the Company after deducting non-recurring profits and losses; NP is the net profit attributable to ordinary shareholders of the Company; E0 is the net assets attributable to the ordinary shareholders of the Company at the beginning of the Reporting Period; Ei is the increase in net assets attributable to the ordinary shareholders of the Company arising from the issue of new shares or conversion of bonds into shares during the Reporting Period; Ej is the decrease in net assets attributable to the ordinary shareholders of the Company arising from repurchases or cash distributions during the Reporting Period; M0 is the month of the Reporting Period; Mi is the number of remaining months immediately following the month of increase in net assets to the last month of the Reporting Period; Mj is the number of remaining months immediately following the month of decrease in net assets to the last month of the Reporting Period; Ek is the increase or decrease of net assets caused by other transactions or events. Mk 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.

- ② Calculation of basic earnings per share and diluted earnings per share:

Basic earnings per share = Profit during the Reporting Period  $\div$  Total number of shares at the end of the Reporting Period

Diluted earnings per share = [P + (Potential diluted interests of ordinary shares recognized as expenses – Conversion expenses)  $\times$  (1 – Income tax rate))]  $\div$  (S0 + S1 + Si  $\times$  Mi  $\div$  M0 – Sj  $\times$  Mj  $\div$  M0 – Sk + Weighted average amount of ordinary shares increased due to warrant, share options, and Convertible Bonds, etc.)

Of which: P is profit during the Reporting Period; S0 is the shares at the beginning of the Reporting Period; S1 is the increased shares due to conversion of capital reserve into share capital or bonus issue; Si is the increased shares due to the issue of new shares or conversion of bonds into shares during the Reporting Period; Sj is shares decreased arising from repurchases or due to share consolidation during the Reporting Period; M0 is the month of the Reporting Period; Mi is the number of remaining months immediately following the month of increase in shares to the last month of the Reporting Period; Mj 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 March 2021	31 December 2020	31 December 2019	31 December 2018
Current ratio (times)	2.14	1.67	1.00	1.35
Quick ratio (times)	1.91	1.53	0.89	1.19
Gearing ratio (parent company)	19.63%	39.48%	46.80%	39.14%
Gearing ratio (consolidation)	30.92%	41.02%	51.95%	47.24%
Financial indicators	2021 Q1	2020	2019	2018
Accounts receivable turnover	1.70	5.02	4.99	4.61
Inventory turnover	1.33	6.95	7.64	6.93
Interest coverage ratio	45.71	14.83	8.73	6.36
EBITDA (RMB0'000)	108,080.95	235,731.37	126,175.99	74,743.79
Net cash flow from operating activities per share (RMB/share)	0.06	0.83	0.26	0.24

*Note 1:* Accounts receivable turnover, inventory turnover for January to March in 2021 are not annualized.

*Note 2:* The computational formula of 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) Accounts receivable turnover = revenue ÷ average book value of accounts receivable
- (5) Inventory turnover = operating cost ÷ average book value of inventory
- (6) Interest coverage ratio = (consolidated total profit + interest expenses) ÷ total interest expenses
- (7) EBITDA = total profit + interest expenses included in 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



## (IV) Brief Analysis of the Financial Position of the Company

*1. Analysis of the assets composition*

The assets composition of the Company at the end of each Reporting Period is as follows:

*Unit: RMB0'000*

Item	31 March 2021		31 December 2020		31 December 2019		31 December 2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
<b>Current assets:</b>								
Monetary assets	229,369.44	14.67%	158,996.70	12.96%	61,300.04	6.53%	68,301.90	9.82%
Trading financial assets	110,000.00	7.03%	40,000.00	3.26%	–	–	–	–
Derivative financial assets	3.99	0.00%	144.57	0.01%	111.78	0.01%	617.24	0.09%
Bills receivable	52,771.50	3.37%	54,677.26	4.46%	197,638.32	21.04%	91,129.45	13.11%
Trade receivables	103,696.57	6.63%	138,837.36	11.32%	110,724.56	11.79%	82,119.52	11.81%
Financing receivables	123,708.57	7.91%	68,453.07	5.58%	–	–	–	–
Advance payment	53,348.42	3.41%	36,315.44	2.96%	9,318.35	0.99%	6,547.48	0.94%
Other receivables	2,753.38	0.18%	2,426.77	0.20%	368.42	0.04%	129.68	0.02%
Inventories	81,033.58	5.18%	47,939.52	3.91%	48,361.96	5.15%	37,712.32	5.42%
Other current assets	14,007.84	0.90%	9,136.97	0.74%	17,451.04	1.86%	18,166.62	2.61%
<b>Total current assets</b>	<b>770,693.28</b>	<b>49.29%</b>	<b>556,927.67</b>	<b>45.40%</b>	<b>445,274.47</b>	<b>47.41%</b>	<b>304,724.21</b>	<b>43.82%</b>
<b>Non-current assets:</b>								
Other equity instrument investment	5,461.98	0.35%	5,397.02	0.44%	–	–	–	–
Long-term equity investments	1,609.12	0.10%	1,391.48	0.11%	–	–	–	–
Investment property	1,987.58	0.13%	2,023.37	0.16%	2,166.52	0.23%	2,309.66	0.33%
Fixed assets	358,107.91	22.90%	333,369.82	27.18%	307,066.52	32.69%	216,627.59	31.15%
Construction in progress	259,082.25	16.57%	193,715.14	15.79%	93,682.85	9.97%	96,257.01	13.84%
Right-of-use assets	17,381.02	1.11%	17,380.50	1.42%	18,893.06	2.01%	–	–
Intangible assets	52,327.19	3.35%	52,957.00	4.32%	42,713.05	4.55%	53,680.99	7.72%
Long-term prepaid expenses	671.45	0.04%	517.57	0.04%	693.51	0.07%	277.75	0.04%
Deferred tax asset	2,833.11	0.18%	2,599.05	0.21%	1,845.86	0.20%	1,900.57	0.27%
Other non-current assets	93,500.93	5.98%	60,301.41	4.92%	26,892.23	2.86%	19,577.13	2.82%
<b>Total non-current assets</b>	<b>792,962.53</b>	<b>50.71%</b>	<b>669,652.37</b>	<b>54.60%</b>	<b>493,953.59</b>	<b>52.59%</b>	<b>390,630.70</b>	<b>56.18%</b>
<b>Total assets</b>	<b>1,563,655.82</b>	<b>100.00%</b>	<b>1,226,580.04</b>	<b>100.00%</b>	<b>939,228.06</b>	<b>100.00%</b>	<b>695,354.91</b>	<b>100.00%</b>

At the end of each Reporting Period, the total assets of the Company were RMB6,953,549,100, RMB9,392,280,600, RMB12,265,800,400 and RMB15,636,558,200. During the Reporting Period, the total assets of the Company grew rapidly. On the one hand, with the rapid development of the PV industry, the Company seized the market opportunities

Item	31 March 2021		31 December 2020		31 December 2019		31 December 2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Non-current liabilities:								
Long-term borrowings	114,599.25	23.70%	137,501.19	27.33%	28,190.24	5.78%	98,943.94	30.12%
Bonds payables	-	-	23,668.20	4.70%	-	-	-	-
Lease liabilities	1,148.23	0.24%	1,150.81	0.23%	1,101.62	0.23%	-	-
Deferred tax liabilities	4,212.83	0.87%	4,401.49	0.87%	8,697.58	1.78%	-	-
Deferred income	3,092.22	0.64%	3,303.95	0.66%	4,540.86	0.93%	4,540.86	1.38%
Total non-current liabilities	123,052.52	25.45%	170,025.64	33.80%	42,530.30	8.72%	103,484.81	31.50%
Total liabilities	483,546.44	100.00%	503,105.77	100.00%	487,939.22	100.00%	328,489.54	100.00%

At the end of each Reporting Period, the total liabilities of the Company are RMB3,284,895,400, RMB4,879,392,200, RMB5,031,057,700, and RMB4,835,464,400, respectively.

In terms of liabilities composition, the Company's liabilities mainly include current liabilities. At the end of each Reporting Period, the percentage of current liabilities in total liabilities of the Company was 68.50%, 91.28%, 66.20% and 74.55%, respectively. The Company's current liabilities mainly include trade payables, bills payables and other operating liabilities.

### 3. Analysis of the profitability

During the Reporting Period, the main items of the Company's income statement are as follows:

*Unit: RMB0'000*

Item	2021 Q1	2020	2019	2018
Revenue	205,671.68	626,041.78	480,680.40	306,380.27
Operating profit	96,045.40	186,491.83	84,595.64	45,851.72
Total profit	96,170.78	187,390.80	86,267.02	46,614.53
Net profit	83,781.78	162,878.38	71,724.37	40,731.47

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, architectural glass products, household glass products. Among them, PV glass is the Company's principal product. During the Reporting Period, the Company's main business performed outstanding, with its profit mainly comes from operating profit. During the Reporting Period, benefiting from the rapid development of the PV industry and the continuous improvement of the Company's capacity and core competitiveness, the Company's revenue scale and profitability increased rapidly. During each Reporting Period, the Company realized a revenue RMB3,063,802,700, RMB4,806,804,000, RMB6,260,417,800, and RMB2,056,716,800, respectively. The net profit attributable to the parent company was RMB407,314,700, RMB717,243,700, 1,628,783,800 and RMB837,817,800, respectively. As a result, the Company maintained a fast growth and a continuous improved sustainable development ability.

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

Item	2021 Q1	2020	2019	2018
Current ratio (times)	2.14	1.67	1.00	1.35
Quick ratio (times)	1.91	1.53	0.89	1.19
Gearing ratio (parent company)	19.63%	39.48%	46.80%	39.14%
Gearing ratio (consolidation)	30.92%	41.02%	51.95%	47.24%

During the Reporting Period, the Company maintained a good asset liquidity and high coverage of current liabilities. The current ratio and quick ratio also maintained a reasonable level, thus having a strong short-term solvency. In terms of long-term debt repayment indicators, the overall consolidation and gearing ratio of the parent company during the Reporting Period showed a downward trend and gradually became reasonable. For this regards, the main reason is that the Company completed financing to further enhance its capital strength through the Public Issuance of Convertible Bonds (completion of conversion of bonds into shares and redemption) and Non-public Issuance of Shares.

5. *Analysis of asset turnover capacity*

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

Item	2021 Q1	2020	2019	2018
Accounts receivable turnover (times)	1.70	5.02	4.99	4.61
Inventory turnover (times)	1.33	6.95	7.64	6.93

*Note:* Accounts receivable turnover, inventory turnover for January to March in 2021 are not annualized.

For each Reporting Period, the Company's accounts receivable turnover is 4.61, 4.99, 5.02 and 1.70, respectively, maintaining a relative high and increase level overall. For each Reporting Period, the Company's inventory turnover is 6.93, 7.64, 6.95 and 1.33, respectively. The Company's high inventory turnover is in line with its actual operating conditions.

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

The total amount of proceeds from the Public Issuance of A Share Convertible Bonds after deducting issue expenses will not exceed RMB4,000 million (inclusive), which will be used in following projects:

		<i>Unit: RMB0'000</i>	
No.	Project name	Total Investment	Proposed amount of proceeds to be applied
1	Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project	239,312.70	194,500.00
2	Distributed PV power generation construction project	66,515.96	65,800.00
3	Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project	20,697.75	19,700.00
4	Supplementary of working capital project	120,000.00	120,000.00
Total		446,526.41	400,000.00

In the event that the actual amount of net proceeds after deducting issue expenses from the Public Issuance of A Share Convertible Bonds can not satisfy the amount of capital required by the above-mentioned projects, the Company will fund the shortfall with its self-raised funds. In the event that the availability of the proceeds is inconsistent with implementation schedule of the project, the Company may fund the project with other funds according to actual situation in advance, which capital shall then be replaced with the proceeds when they are available.

## V. PROFIT DISTRIBUTION POLICY OF THE COMPANY

### (I) The profit distribution policy of the Company

According to the 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事項的通知》(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 (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)) issued by the CSRC, as well as the related provisions of the Articles of Association, the existing profit distribution policies of the Company are as follows:

1. 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.
2. The Company's profit distribution policy and specific dividend distribution scheme shall be formulated and examined by the Board and approved at 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.
3. The Company may distribute its dividends by ways of cash, shares or a combination of both.
4. 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.

5. 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. 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) If 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 specific opinions of independent directors in the annual 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.

6. 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.
7. 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.
8. The Company shall explain in detail in the annual report of the formulation and implementation of the cash dividend policy.





On 9 October 2019, the Company convened the second extraordinary general meeting for the year 2020, considered and approved the Proposals on the Interim Profit Distribution for the year 2020. The Company allocated a dividend of RMB127,049,000 to the Shareholders.

On 20 May 2021, the Company convened the annual general meeting for the year 2020, considered and approved the Proposals on the Profit Distribution for the year 2020. The Company allocated a dividend in cash of RMB321,929,000 to the Shareholders.

***2. Use of the Undistributed Profit for the 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 ON USE OF PROCEEDS

The total proceeds from the Public Issuance of A-Share Convertible Corporate Bonds (the “Public Issuance”) shall not exceed RMB4,000 million (inclusive). The proceeds after deducting relevant issuance expenses will be used as follows:

*Unit: RMB0'000*

No.	Project Name	Total investment amount	Proposed amount of proceeds to be applied
1	Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project	239,312.70	194,500.00
2	Distributed PV power generation construction project	66,515.96	65,800.00
3	Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project	20,697.75	19,700.00
4	Supplementary of working capital project	<u>120,000.00</u>	<u>120,000.00</u>
<b>Total</b>		<b><u>446,526.41</u></b>	<b><u>400,000.00</u></b>

The Board shall, without altering the proposed use of proceeds from the Issuance, adjust the amount of proceeds to be applied to one or more uses according to the authorization at the general meetings of the Company. In the event that the actual amount of proceeds from the Issuance after deducting issuance expenses is less than the total amount to be used for the projects above, the Company will, based on the actual amount of net proceeds, adjust the application arrangement such as the priority of the projects to be invested and the specific investment amount to each project in accordance with the importance and urgency of the projects. Any shortfall will be made up by the Company with its self-raised funds.

Before the receipt of the proceeds from the Public Issuance, the Company will invest with its own funds or self-raised funds as required based on the actual progress of the projects to be invested. When the proceeds are available, such funds used will be replaced by the proceeds so raised in accordance with relevant procedures required.

## II. INFORMATION ON THE PROCEEDS INVESTMENT PROJECTS

## (I) Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project

The Company intends to invest RMB2,393,127,000 for solar equipment ultra-thin and ultra-high-transparent panel manufacturing project, and build 2 new production lines with a kiln melting capacity of 1,200 tons/day. The implementation of the Project is conducive to the Company's accelerated presence in the ultra-thin and ultra-high-transparent PV glass sector, expansion of PV glass production capacity, optimization of product structure, and further consolidation of the Company's market position.

**1. Basic information of the Project**

Project name: Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project

Subject of project implementation: Flat Glass Group Co., Ltd. ("Flat")

Total investment: RMB2,393,127,000

Content of project construction: The Company proposes to invest in the construction of annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project, including two production lines with a kiln melting capacity of 1,200 tons/day.

Period of project implementation: The construction period of the Project is 18 months, and the Project will reach production capacity 6 months after completion and operation.

**2. Budgetary estimate of project investment**

Total planned investment amount of the Project is RMB2,393,127,000, of which RMB74,109,800 will be used for land acquisition, RMB697,879,700 for construction work, RMB1,287,958,100 for equipment acquisition, RMB244,010,200 for reserve, RMB89,169,200 for initial working capital, and RMB1,945,000,000 will be invested with raised funds.

**3. Economic benefits of the project**

Internal rate of return of the Project is 9.87% (after income tax), and the investment payback period (including 18 months of construction period) is 8.59 years. After the project is put into operation, the annual average gross sales to be achieved is RMB1,619,230,600 during the full production period, and the net profit is RMB175,384,900. The project has high economic benefits.

#### **4. Acquisition of project land**

We have obtained the ZHE (2020) Jia Xiu Bu Dong Chan Quan No. 0018958 Real Estate Certificate\* (浙(2020)嘉秀不動產權第0018958號《不動產權證書》) issued by Jiaying Natural Resources and Planning Bureau\* (嘉興市自然資源和規劃局) for the land used for the proceeds investment project on 22 July 2020, the owner of which is Flat Glass Group Co., Ltd. (which located in Xiuzhou National High-tech Zone, covering an area of 205,575.00 square meters), the nature of the right is transfer, and the purpose is industrial land.

#### **(II) Distributed PV power generation construction project**

The Company intends to invest RMB665,159,600 to build a 203.65Mwp distributed PV power station in four phases at Fengyang Silicon Industrial Park in Chuzhou City, Anhui Province. After completion, the project will be operated on a “self-consumption” basis, and the annual average power generation is expected to exceed 18,798KWh, with an average of 67,361 tons of standard coal savings, and reductions of emissions of sulfur dioxide, nitrogen oxides and carbon dioxide by 6,190 tons, 570.38 tons and 156,654 tons, respectively.

##### **1. Basic information of the project**

Project name: Distributed PV power generation construction project

Subject of project implementation: The Company intends to establish a new subsidiary to undertake the project

Total investment: RMB665,159,600

Content of project construction: A four-phase 203.65Mwp distributed PV power station will be built in Fengyang Silicon Industrial Park, Chuzhou City, Anhui Province. The installed capacity of the project in Phase I, Phase II, Phase III and Phase IV is 37.3Mwp, 49.2Mwp, 62.64Mwp and 54.49Mwp respectively, with an installation area of 1,099,714.97 square meters in total (or 201,408.77 square meters, 265,788.86 square meters, 338,266.37 square meters and 294,250.97 square meters respectively).

Period of project implementation: 3 years

##### **2. Budgetary estimate of project investment**

Total planned investment amount of the project is RMB665,159,600, of which RMB3.10 million will be used for architectural engineering, RMB620,083,300 for equipment acquisition, RMB27,770,600 for installation engineering, RMB7.62 million for construction work and other works, and RMB6,585,700 will be used as basic reserve funds.

### **3. *Economic benefits of the project***

The project will not generate direct economic benefits, and the annual power generation capacity is expected to be 18,798KWh after the commencement of the project. The project will be operated on a “self-consumption” basis. All the power generation will be used for the daily production and operation of the Company, which will help the Company to increase the proportion of clean energy use, reduce costs and increase efficiency, and enhance its corporate image.

#### **(III) Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project**

The Company proposes to invest RMB206,977,500 to renovate and upgrade its solar PV ultra-white glass production line with an annual production of 15 million square meters in Jiaying. The project, after completion, will effectively improve the production efficiency of the production line, reduce production energy consumption and promote the sustainable development of the Company.

#### **1. *Basic information of the project***

Project name: Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project

Subject of project implementation: Flat Glass Group Co., Ltd.

Total investment: RMB206,977,500

Content of project construction: Technical transformation of the existing solar PV ultra-white glass production line with an annual production of 15 million square meters by replacing new equipment and rebuilding the kiln.

Period of project implementation: 12 months

#### **2. *Budgetary estimate of project investment***

Total planned investment amount of the project is RMB206,977,500, of which RMB8.50 million will be used for architectural engineering, RMB188,621,400 for equipment acquisition and installation and commissioning, and RMB9,856,100 will be used as basic reserve funds.

### **3. *Economic benefits of the project***

This is a renovation project of the Company's original solar PV ultra-white glass production line with an annual production of 15 million square meters, which does not form new production capacity, so no benefit measurement has been made.

#### **(IV) Supplementary of working capital project**

To further optimize the capital structure of the Company and to meet the need for operating funds for the rapid growth of the Company's future business, the Company proposes to use the raised funds of RMB1,200 million to supplement the working capital, accounting for 30.00% of the total proceeds from the Issuance, taking into account internal and external conditions such as industry trend, financial status, business scale, financing environment and future strategic planning.

### **III. BACKGROUND OF THE ISSUANCE**

- (I) Vigorous development of PV and other new energy sources is an important way to promote the reform of China's energy structure, thereby achieving "emission peak and carbon neutrality"

Owing to the increasing global energy shortage, environmental pollution and climate

To achieve the goal of emission peak by 2030 and carbon neutrality by 2060, it is necessary for us to adjust the energy structure, put in place a clean, low-carbon, safe and efficient energy system, and implement alternative renewable energy actions. Solar PV power generation has become the fastest growing renewable energy source globally in terms of such advantages as cleanliness, safety, high popularity and wide application scenarios. According to the forecast of the Energy Research Institute of the National Development and Reform Commission (NDRC) and other institutions, nearly 40% of China's electricity consumption will by 2050 come from PV. Therefore, vigorously developing new energy sources such as PV is an important channel to promote the reform of China's energy structure, foster a clean, low-carbon, safe and efficient energy system, achieve the goal of "peak emission and carbon neutrality", and is of great significance in ecological progress.

## (II) PV sector sees great prospect and huge development potential

In today's world, on the one hand, energy shortage and environmental pollution have become obstacles to the sustainable development of human society; on the other hand, vigorous development of green renewable energy has become a development trend. PV power generation as a new means of power generation has received widespread attention and become the most potential alternative energy in the future thanks to such advantages as zero pollution and noise, ease of

### (III) Favorable national industrial policies benefit the rapid development of China's PV industry

As the core concept of green development gains popularity on a gradual basis, the focus of the global economy has shifted to a low-carbon economy, and renewable energy, especially PV power generation, has become an important field for energy structure reform in various countries. PV power generation has been in full swing over the recent years worldwide, and governments have developed favorable industrial policies to promote the development of the PV industry. Although not being a very late starter in PV, China saw rapid development. After more than a decade of efforts, China has steadfastly secured top rankings globally in terms of the market share in PV products, and it has also been a leading player in PV manufacturing technology. Encouraging and promoting the development of the PV industry has become China's long-term strategic planning. In recent years, the Central government has introduced a host of policies and measures to realize continuous promotion of the rapid development of China's PV industry. The main policies are detailed in the following table.

Time of release	Name	Issuing authority(ies)	Main principles
December 2016	13th Five-Year Plan for Solar Energy Development* (《太陽能發展「十三五」規劃》)	National Energy Administration (NEA)	By the end of 2020, the installed capacity of PV power generation will reach more than 105 million kilowatts, the cost of power generation will be reduced by more than 50%, and “grid parity” will be achieved on the electricity side; rooftop distributed PV power generation will be vigorously promoted, and the construction of demonstration areas for distributed PV power generation will continue; efforts will also be made to innovate the distributed PV application mode, carry out the market-oriented transaction of distributed PV power generation according to the power system reform, encourage PV power generation projects to be built close to the power load, and access the medium and low voltage distribution network to realize the nearby consumption of power



Time of release	Name	Issuing authority(ies)	Main principles
May 2018	Notice on Matters Relevant to 2018 Photovoltaic Power Generation* (《關於2018年光伏發電有關事項的通知》)	NDRC, Ministry of Finance (MOF) and NEA	The policy arrangements for 2018 have been adjusted and standardized from three aspects: optimizing the scale of new construction, cutting subsidies at a fast pace, reducing the intensity of subsidies and increasing the intensity of market allocation; reasonably set the development pace for ordinary power stations, support distributed and orderly development; for distributed PV power generation projects using a “feed-in everything that is generated to the grid” mode, they are subjected to the tariff of the PV power plant in the resource area. Distributed PV power generation projects on a self-consumption basis are exempt from all kinds of government funds and surcharges, system backup capacity fees and other related grid-connected service fees levied with the tariff
January 2019	Notice to Actively Promote the Work Concerning Subsidy-free Grid Parity for Wind Power and Photovoltaic Power Generation* (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》)	NDRC, NEA	Carry out the development of “grid parity” and “low feed-in tariff” pilot projects, and provide policy support by optimizing the investment environment, ensuring priority power generation and full guaranteed purchase, implementing the engineering construction responsibility of power grid enterprises, promoting market-oriented transactions of power generation, solidly advancing local consumption, and innovating financial support methods

Time of release	Name	Issuing authority(ies)	Main principles
April 2019	Notice of National Development and Reform Commission on Improving the Feed-In Tariff of Photovoltaic Power Generation* (《國家發展改革委關於完善光伏發電上網電價機制有關問題的通知》)	NDRC	Change the centralized PV power plant benchmark feed-in tariff to a guide price; appropriately reduce the subsidy standard for commercial and industrial distributed and household distributed PV projects; encourage localities to introduce targeted support policies to contribute to the development of the PV industry
April 2020	Notice on Matters Relevant to the 2020 Feed-In Tariff Policy for Photovoltaic Power Generation* (《關於2020年光伏發電上網電價政策有關事項的通知》)	NDRC	Continue to set a guide price for centralized PV power generation; reduce the subsidy standards for commercial and industrial distributed and household distributed PV
September 2020	Guiding Opinions on Expanding Investment in Strategic Emerging Industries and Cultivating Strengthened New Growth Points and Growth Poles* (《關於擴大戰略性新興產業投資 培育壯大新增長點增長極的指導意見》)	NDRC, Ministry of Industry and Information Technology (MIIT), MOF, Ministry of Science and Technology (MOST)	Put in place a wind-solar-water storage complementary power generation system on an accelerated effort in the field of new energy industry and develop an infrastructure network that includes distributed energy

Time of release	Name	Issuing authority(ies)	Main principles
February 2021	Guiding Opinions of (the State Council) on Accelerating the Establishment and Improvement of a Green and Low-Carbon Circular Development Economic System* (《關於加快建立健全綠色低碳迴圈發展經濟體系的指導意見》)	State Council	Establish and improve a green, low-carbon, recycling development economic system, promote the overall green transformation of economic and social development, enhance the proportion of renewable energy use, and vigorously promote the development of wind power and PV power generation
April 2021	Notice on Matters Relevant to the 2021 Feed-In- Tariff Policy for New Energy (Consultation Paper) *《關於2021年新能源上網電價政策有關事項的通知(徵求意見稿)》	NDRC	The Central Treasury from 2021 will no longer subsidize the newly filed centralized PV power plants, commercial and industrial distributed PV and newly approved onshore wind power projects; encourage local governments to introduce targeted support policies to benefit the healthy development of new energy industries such as PV power generation, wind power and solar thermal power generation

#### IV. NECESSARY ANALYSIS OF THE PROCEEDS INVESTMENT PROJECT

- (I) Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project and annual production of 15 million square meters of solar PV ultra-white glass technical transformation project

***1. Facilitate the Company to meet the fast-growing market demand of the PV glass industry and seize the development opportunities of the industry***

“Power-energized energy consumption and clean power production” is an inevitable trend of global energy development in the future. As the most economical clean energy, PV power generation, with the advent of the “grid parity” era, will accelerate the replacement of traditional fossil energy sources to shift its role from a supplementary energy source to the main body of global energy supply. In result, the industry will also usher in a faster development phase. According to the International Energy Agency (IEA), the global cumulative installed capacity of PV is expected to reach 1,721GW by 2030 and 4,670GW by 2050, with huge development potential.

As a necessary material for the production of crystalline silicon PV modules, PV glass is an integral part of solar power generators. Benefiting from the rapid development of the PV industry and the increasing penetration of double-glazed modules, the PV glass industry sees a stable growth trend. According to a research report by Global Industry Analysts, the global solar PV glass market value was estimated at USD7.6 billion in 2020 and is expected to reach USD44.7 billion by 2027, growing at a CAGR of 28.8%, with continued growth in market demand.

Construction of the Project will be beneficial to critical improvement of the Company's supply capacity, meet the increasing market demand, further increase the Company's market share, and be of great significance to the sustainable development of the Company.

**2. *Facilitate the Company to overcome the capacity bottleneck and further consolidate its position in the industry***

Over the years, the Company has always adhered to the development strategy of "long-term layout and reasonable planning", firmly seized the market development opportunity of the downstream industry. In the new industry environment, the Company as a leading PV glass supplier in China sees unanimous recognition for its quality products, increasing product orders, steady expansion of production and sales volume, and ever-growing capacity utilization rate year by year. Owing to the fact that capacity utilization rate of the existing product line has become saturated, the contradiction due to insufficient capacity of PV sheet glass has become increasingly prominent. If this situation remains unchanged, as China continues utilizing renewable resources such as solar energy and demands for low-cost, high-quality and large-scale production capacity in the PV glass market expand, the Company will miss a good opportunity for development, which will seriously affect its market share, thus affecting its sustainable development. Therefore, to alleviate the bottleneck of production capacity and improve the supply capacity, it is necessary for the Company to further expand production line construction for sustainable business development.

Implementation of the Project will be beneficial for the Company to follow the development trend of the industry, significantly improve its existing production capacity and production level, break through the bottleneck of production capacity, consolidate and improve its market presence, and promote the Company to form a rapid industrial scale development.

**3. *Facilitate the Company to follow the industry development trend and optimize the product structure***

PV glass is the upstream raw material of PV module, its strength and transmittance directly determine the life of PV module and power generation efficiency. At present, the PV industry has gradually formed a consensus, that is, by increasing the cell size or increasing the number of cells to significantly increase the power generation of individual PV module, the system power generation cost of power plants can be significantly reduced. Therefore, to obtain higher power to reduce the unit cost, domestic and foreign PV module manufacturers have begun to expand the cell size, and the packaged PV glass is no longer satisfied with the original small size. At present, the larger weight of PV modules hinders the reduction of PV power generation costs, and brings high installation and transportation costs, limited roof load-bearing and other problems. With the increasingly urgent demand for module cost reduction, the demand for ultra-thin glass in the PV field is rising.

In addition, considering that the solar cell photoelectric conversion efficiency can effectively reduce the cost of power generation, the key to improvement of the photoelectric conversion efficiency is to improve transmittance of PV glass. Therefore, high transmittance PV glass products will also meet the needs of module companies for the pursuit of “higher quality, higher efficiency and lower cost” of advanced PV products.

The Company has years of research experience in reducing the thickness of PV glass and producing large-size PV glass because of its early presence in the large-size thin glass sector. At the same time, the Company has also implemented state-of-the-art technology to improve transmittance of PV glass, such as anti-reflection high transmittance ultra white patterned glass and ultra-hard PV coated glass. The smooth implementation of the Project will help the Company meet the market demand for large size and ultra-thin ultra-high transmittance PV glass in accordance with the development trend of the industry and enhance the market share of the Company’s PV glass products, which is of great significance to the sustainable development of the Company.

**4. *Facilitate the Company to realize operation on a scale and enhance the Company’s profitability***

The production of PV glass has rigid characteristics, and the structural design of the kiln directly affects the production efficiency and production costs. Large kilns have higher melting and yield rates, higher production efficiency and lower production costs. Specifically, the energy consumption per ton is reduced, and the fuel and temperature inside the large kiln are more stable, so less raw materials and energy consumption are required; the yield rate is improved. The loss of yield rate includes side scrap and defective products, of which side scrap is the main source of loss. With the significant increase in the scale of the single line, the ratio of the scrap edge to be removed and the effective area coverage of the production line have been significantly optimized compared with the original capacity. Therefore, the only way to effectively reduce operating costs, resist the risk of market fluctuations and enhance the competitiveness of the product market is to continue to operate on a larger scale.

The Company is currently one of the few PV glass manufacturers in the industry with production lines with a daily melting capacity of over 1,000 tons, and has obvious competitive advantages in terms of production scale, production efficiency and production cost. Based on the previous successful operation experience, the annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project will continue to be equipped with one of the most advanced PV glass production lines in the world and adopt the new generation of Chinese PV module technology with independent intellectual property rights. In the future, the continuous release of the production capacity of the proceeds investment project will further consolidate and even enlarge the scale advantage of the Company, enhance the market competitiveness as well as the anti-risk ability of the Company, which is conducive to the long-term and stable development of the Company and consolidation and improvement of its leading position in the PV glass industry.

***5. Facilitate the Company to improve the production hardware infrastructure and raise the overall production level***

The Company has always been committed to the production and research and development of PV glass and has accumulated rich industry experience and formed strong technical strength. As a result, the quality and performance of the Company's products are ahead of the industry level. At present, the Company's solar PV ultra-white glass production line with an annual production capacity of 15 million square meters in Jiaying has been in operation for a long time, and the serious erosion of the wall of the melting section and the old equipment of the processing and tempering line have led to the increase of energy consumption per unit during the production process and the decrease of production efficiency and yield rate, which not only increase the overall comprehensive cost of the product, reduce the product competitiveness in the market and the economic efficiency of the production line, but also are not conducive to corporate energy saving and emission reduction.

The technical transformation project will help the Company improve the production hardware infrastructure, improve the efficiency of product production, reduce comprehensive energy consumption, and enhance the Company's market competitiveness and anti-risk capacity through comprehensive technical upgrading and transformation of the production line, including upgrading the hardware equipment of key processes such as melting kiln, annealing kiln, cold end and batching, and introducing advanced calendaring machine, processing tempering line and other production equipment with higher degree of automation and more convenient operation. It is a necessary foundation for the Company to achieve sustainable development.

(II) Distributed PV power generation construction project

*1. Facilitate the Company to respond to the call of “peak emission and carbon neutrality” and achieve win-win results in social and economic aspects*

In recent years, the United Nations has repeatedly convened climate change conferences focusing on promoting the collaborative management of low-carbon and emission reduction in countries around the world, and achieving emission reduction to address global climate change has become a global consensus. Since President Xi Jinping proposed China’s “peak emission and carbon neutrality” goal at the UN Climate Ambition Summit, China has set the tone of “peak emission and carbon neutrality” for economic and social development. To achieve the goal of “peak emission and carbon neutrality”, on the one hand, one of the critical efforts will be made to change the current fossil energy consumption structure of power generation from the supply side and increase the proportion of clean energy generation; on the other hand, promoting the optimization of the electricity consumption structure and improving the electricity consumption pattern on the customer side is also one of the important measures to achieve carbon reduction. Under this mode, customers can fully utilize the unused rooftops of their buildings to generate electricity, which not only reduces primary energy consumption and contributes to energy saving and consumptionwhic.N22247321\*(whtion.)-41tation;moon;moon;enonomic abnerf222473it.Iistributed

*2. Facilitate the Company to reduce costs and increase efficiency and achieve sustainable development*

With the decline of initial investment cost and kilowatt-hour cost of PV power plants and the promotion of the carbon emission reduction target, the construction of distributed PV power plants has ushered in a period of rapid development in recent years. As one of the leading companies in the domestic PV glass industry, the Company has been developing distributed PV power generation projects since 2014. At present, the Company's production site in Anhui Province has built and put into operation three PV kilns with a daily melting capacity of 1,000 tons and one PV kiln with a capacity of 1,200 tons per day, which have a large and continuous electricity load in daily production and operation, and almost all the electricity consumption in the site comes from the State Grid.

In the Project, a 203.65Mwp distributed PV power plant with an annual average power generation capacity of over 187.98 million KWh will be built, which will be operated on a self-consumption basis. The power generated will all be used for the Company's daily production and operation, which can effectively reduce the Company's energy costs, reduce electricity expenses, and achieve sustainable development.

(III) Supplementary of working capital project

The PV glass industry is capital-intensive, and the Company is currently experiencing rapid business development with operating revenues increasing year by year. In 2018, 2019, 2020 and Q1 2021, the Company's operating revenue was RMB3,063,802,700, RMB4,806,804,000, RMB6,260,417,800 and RMB2,056,716,800 respectively, with 2020 annual operating revenue and Q1 2021 operating revenue increased by 30.24% and 70.95% respectively year-on-year.

With the continuous growth of the Company's business scale, the demand for working capital such as monetary capital, accounts receivable and inventory required for the Company's main business operation during daily operation and market development will be further expanded. Therefore, the Company needs to supplement the working capital suitable for business operation to effectively relieve the Company's capital pressure, meet the Company's sustainable and healthy development of business, and provide guarantee for the Company's continuous business development, which will be conducive to enhancing the Company's competitiveness and reducing the Company's business risks.



## V. FEASIBILITY ANALYSIS REPORT ON THE USE OF THE PROCEEDS

- (I) Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project and annual production of 15 million square meters of solar PV ultra-white glass technical transformation project

***1. The Central government's support for the development of the PV industry provides a favorable policy environment for project implementation***

In response to climate change, energy security and other issues, the relevant state departments have introduced a series of relevant industrial policies to support the development of the PV industry by giving priorities to the following aspects: First, fully implement the competitive market allocation for the universal PV power generation state-subsidized projects; Second, replace benchmark tariff by feed-in tariff and market bidding and promote the construction of grid parity projects; Third, further promote project management and put in place a comprehensive classification pattern; Fourth, vigorously promote distributed PV market-oriented transactions; Fifth, fully implement renewable energy power ratio targets and secure power delivery and consumption conditions. The strong support of national industrial policy has greatly promoted the development of the industry and provided a favorable policy environment for the implementation of the Project.

***2. Leading technology and strong R&D capability provide technical guarantee for project implementation***

The Company has always been adhering to the fundamental principle of production process improvement and product innovation and development. Through independent research and development, continuous technical transformation and technological innovation, the Company has secured a strong capacity for product development and technological innovation. In 2006, the Company became the first domestic enterprise to break the technology and market monopoly of international giants on PV glass and successfully realized the localization of PV glass through independent research and development. As one of the first enterprises entered into PV glass industry in China, the Company is also one of the developers of PV glass industry standards in China, participating in the formulation of standards for Solar glass Part 1: Ultra-clear Patterned Glass (GB/T30984.1-2015), the Norm of Energy Consumption per Unit Product of Photovoltaic Rolled Glass (GB 30252-2013) and other standards.

As a leading PV glass manufacturer, the Company has obtained more than 100 patents related to PV glass, and is an industry forerunner in key technologies such as formulation, production engineering and spontaneous breakage control for PV glass. At the same time, the Company attaches great importance to technological innovation and product development, and has begun to form a virtuous cycle of “projects under research – mature projects – industrialization projects” on a layer-by-layer basis, and has accumulated some reserve products with market development prospects.



***4. High quality customer resources and well-established marketing network provide guarantee for project implementation***

There is a higher barrier to entry the industry, since large PV module manufacturers place a high premium on the evaluation of suppliers and their requirements for suppliers' comprehensive strength and industry experience are higher, and the process of getting PV panel products certified by authoritative bodies in export countries is time-consuming and expensive. Therefore, once a PV glass manufacturer successfully makes it onto the list of qualified suppliers of large PV module, the two sides will reach a more stable and lasting partnership.

Since its inception, the Company has been committed to PV glass production, research and development, and sales, and accumulated a wealth of industry experience and strong technical strength. Thanks to its industry-leading product quality and performance as well as overwhelming word-of-mouth and certain presence, "Flat" has also become a well-known brand recognized by customers. Through the development in recent years, the Company has established stable sales channels and long-term cooperative relationships with many world-renowned PV module manufacturers, such as Longi, JinkoSolar, Hanwha Group, JASOLAR, Trina Solar, etc., and has been highly recognized by customers.

In addition, the Company has established a more comprehensive sales network and channels. The Company's sales team directly contacts customers and potential customers in order to reach agreement on product sales. The Company increases product exposure and promotes its products by participating in domestic and international seminars, exhibitions or fairs; maintains awareness of industry needs and strengthens networking with customers and potential customers by joining in industry associations, etc.; and maintains close contact with existing customers to secure after-sales service.

In summary, a host of high-quality customer resources and comprehensive sales channels provide a reliable market guarantee for the implementation of the Project.

***5. Rich experience in technical transformation of production lines lays the foundation for the implementation of technical transformation projects***

With more than ten years' experience in the field of PV glass processing and manufacturing, the Company has gained rich expertise in the intelligent technological transformation of key processes such as grinding, cleaning, coating and tempering, and has achieved remarkable results in improving production efficiency and reducing labor costs. In addition, the Company has carried out technical transformation for several PV glass kilns to reduce comprehensive energy consumption and improve production efficiency, thus reducing the manufacturing cost of PV glass, and at the same time, it has accumulated abundant experience in technical transformation of PV glass kilns.

In summary, the Company's rich experience in the technical transformation of PV glass kilns and production lines can ensure that the production line after this technical transformation can meet the Company's requirements for production line operation efficiency, which has laid the foundation for the smooth implementation of this technical transformation project.

## (II) Distributed PV power generation construction project

### 1. *The “peak emission and carbon neutrality” orientation provides a sound policy environment for project implementation*

As a mainstream new energy variety, solar energy is one of the most abundant clean energy reserves available for human use, and one of the clean energy sources most likely to compete with traditional energy sources in terms of cost and scale of commercial applications. Since China's “peak emission and carbon neutrality” goal proposed in 2020, PV power generation sector again ushers in a slew of favorable policies, including related policies and guiding opinion issued by the National Energy Administration, the Ministry of Ecology and Environment (MEE) and other departments. Main policies are detailed as follows.

Time of release	Name of documents	Issuing authority	Main contents
March 2021	The Outline of the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035* (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》)	Two Sessions	Anchor efforts to achieve carbon neutrality by 2060, and adopt more vigorous policies and measures. It is necessary for us to build a modern energy system, accelerate the development of non-fossil energy, insist on development on a centralized and distributed basis, vigorously enhance the scale of wind power and PV power generation, and accelerate the development of distributed energy in east China and central China

Time of release	Name of documents	Issuing authority	Main contents
April 2021	Guiding Opinions on 2021 Energy Work* (《2021年能源工作指導意見》)	NEA	Accelerate clean and low-carbon transformation and development, thoroughly implement China's peak emission and carbon neutrality goal, promote the energy production and consumption revolution, develop quality renewable energy, greatly increase the proportion of non-fossil energy consumption, and continuously optimize the energy structure. By 2021, the utilization rate of renewable energy such as wind power and PV power generation will maintain a high level
May 2021	Notice of the National Energy Administration on the Development and Construction of Wind Power and Photovoltaic Power in 2021* (《國家能源局關於2021年風電、光伏發電開發建設有關事項的通知》)	NEA	Implement the goals of peak emission and carbon neutrality, adhere to the goal orientation, improve the development mechanism, release the consumption space, optimize the development environment, give play to the local leading role, mobilize the enthusiasm of investors, and promote the high-quality development of wind power and PV power generation. In 2021, the national wind power and PV power generation will account for about 11% of the total electricity consumption of the whole country, and then increase year by year to ensure that non-fossil energy consumption will account for about 20% of primary energy consumption in 2025

In summary, these policies are released to encourage the promotion of the sustainable and healthy development of China's PV industry and provide a sound policy environment for the implementation of the Project.

***2. The Company's rich experience in the construction and operation of distributed PV power plants lays the foundation for the construction of the project***

The Company began to engage in the construction, operation and sales of distributed PV power plants in 2014, providing efficient, quality and stable solar PV power generation systems for industrial and commercial buildings, agricultural facilities and municipal public buildings, etc. It is an EPC contractor for the construction of PV power plants. After years of development, the Company has gained rich experience in project construction and operation, and can effectively control all aspects of distributed PV power plant construction, including project initiation, construction and acceptance, etc. The Company provides customers with perfect project solutions through our mature operation mode, upstream and downstream industry chain price linkage advantages, and industry chain partners' leading advanced technology, product quality and cost advantages.

The Company has completed the construction of many projects such as 13MW distributed PV power generation project of Flat Group, 5.6MW distributed PV power generation project of Jiafu Glass, 780Kwp distributed PV power generation project of Sujia Medical. It has accumulated rich experience in power plant operation.

***3. The strong consumption capacity of the project provides a guarantee for the successful implementation of the project***

Local consumption is one of the principles followed by distributed PV power plants, which are located near users and close to the load side, effectively solving the problem of power loss in voltage boosting and long-distance transportation. Building self-consumption PV power plants for commercial and industrial use will do good to make use of idle rooftops and largely reduce the electricity consumption expenses of enterprises and save peak electricity bills. The Company's production base in Anhui currently consumes a total of about 1,142.88 million KWh of electricity annually, with a huge and continuous electricity load, and with the subsequent operation of large kilns, the electricity consumption of this base will continue to rise.

For the Project, a 203.65Mwp distributed PV power plant will be built in Fengyang Industrial Zone, Anhui Province. The Project is expected to generate 18,798KWh of electricity per year after completion and will be operated on a "self-consumption" basis, with all the electricity generated being used for the Company's daily operations, which will guarantee the successful implementation of the Project.

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

### (I) Impact of the Public Issuance on the Company's operation management

The proceeds investment projects conform to the national industrial policy and the overall strategic direction of the Company in the future, with good market development prospects and economic and social benefits. After the project is completed and put into operation, it will help the Company to consolidate its position in the field of PV glass, enhance its core competitiveness, reduce cost to increase benefit, and improve its profitability. The use of the raised fund from the Issuance is reasonable and feasible, which is in line with the interests of the Company and all shareholders.

### (II) Impact of the Public Issuance on financial position of the Company

After the completion of the issuance of Convertible Bonds, the Company's asset size will be significantly increased. After the completion of the issuance of Convertible Bonds and before the conversion, the Company is required, in accordance with the pre-agreed coupon rate, to pay interest on the Convertible Bonds that have not been converted, and under normal circumstances, the growth of the Company's earnings from the use of the funds raised by the Convertible Bonds will exceed the bond interest to be paid on the Convertible Bonds.

Due to the presence of the construction cycle of the proceeds investment projects, it may lead to a certain degree of dilution of the Company's return on net assets, earnings per share and other indicators in the short term. With the investment, construction and benefit realization of the above projects, the Company's profitability and ability to resist risks will be (y)-415ae8(v1)-363tmenO.6(wh(v1)-3oAe)

## 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. AMOUNT, ACCOUNTING DATE AND DEPOSIT STATUS OF THE PREVIOUS PROCEEDS

### (I) Proceeds from Public Issuance of A Shares

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《關於核准福萊特玻璃集團股份有限公司首次公開發行股票的批覆》) from the China Securities Regulatory Commission, Flat Glass Group Co., Ltd. (the “Company”) publicly issued 150,000,000 RMB ordinary Shares (A Shares) on the Shanghai Stock Exchange at an 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 (value-added tax exclusive) 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 Certified Public Accountants LLP.

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).

As of 31 May 2021, the Company used an accumulative proceeds of RMB255,917,471.78 from Public Issuance of A Shares, including, among others, the interest income on bank deposits of RMB32,625.64 and wealth management investment income of RMB1,499,895.14. These accounts for proceeds were closed accordingly.



## (II) Proceeds from Public Issuance of A Share Convertible Corporate Bonds

Upon the approval of the Reply on Approval of the Public Issuance of Convertible Corporate Bonds of Flat Glass Group Co., Ltd. (Zheng Jian Xu Ke [2020] No. 294)\* (證監許可[2020]294號文《關於核准福萊特玻璃集團股份有限公司公開發行可轉換公司債券的批覆》) from the China Securities Regulatory Commission, the Company publicly issued RMB1,450,000,000 A Share Convertible Corporate Bonds (“Convertible Bonds”) for a term of 6 years. As at 2 June 2020, Flat actually and publicly issued 14.50 million convertible bonds at a par value of RMB100 each. The subscription amount was RMB1,450,000,000.00. The actual amount was RMB1,444,025,000.00 after deducting the remaining underwriting and sponsor fee of RMB5,636,792.46 and the corresponding value-added tax of RMB338,207.54. The remaining underwriting fee was RMB7,523,584.91, the total value-added tax was RMB451,415.09. As at 2 June 2020, Flat paid a sponsor fee of RMB1,886,792.45 and value -added tax of RMB113,207.55 in advance. Such value-added tax will no be included in the issue cost. The total proceeds from the issuance were RMB8,578,301.90 after deducting the underwriting and sponsor fee and other issue cost (value-added tax exclusive). The net proceeds from Public Issuance of A Share Convertible Corporate Bonds were RMB1,441,421,698.10. The net proceeds above were verified and the capital verification report of De Shi Bao (Yan) Zi (20) No. 00225\* (德師報(驗)字(20)第00225號) was issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

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 Guotai Junan Securities Co., Ltd. (“Guotai Junan”) 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”), Industrial and Commercial Bank of China Limited, Jiaxing Branch (“ICBC Jiaxing Branch”) and Industrial and Commercial Bank of China Limited, Fengyang Branch (“ICBC Fengyang 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 (367577640767) and ICBC Jiaxing Branch (1204060029000024114), and the designated saving accounts of proceeds of Anhui Flat Glass including BOC Jiaxing Branch (384477642546), ICBC Jiaxing Branch (1204060029000024238) and ICBC Fengyang Branch (1313072129300256393).

As at 31 May 2021, the closing balance of the designated saving accounts of proceeds of the Company was RMB101,796,631.62 in total, including, among others, the accumulative interest income on bank deposits of RMB4,457,358.22 (bank handling fees exclusive) and wealth management investment income of RMB18,117,910.80. Such balance is expected to be fully utilized by the Company according to its use of proceeds plan for such proceeds by December 2021.

## (III) Proceeds from Non-public Issuance of A Shares

Upon the approval of the Reply on Approval of the Non-public Issuance of Shares of Flat Glass Group Co., Ltd. (Zheng Jian Xu Ke [2020] No. 2648)\* (證監許可[2020]2648號文《關於核准福萊特玻璃集團股份有限公司非公開發行股票的批覆》) from the China Securities Regulatory Commission, the Company was approved to non-publicly issue no more than 450,000,000 RMB ordinary Shares (A Shares). As at 7 January 2021, the Company actually and non-publicly issued 84,545,147 shares of RMB ordinary shares (A shares) with a par value of RMB0.25 and at an issue price of RMB29.57 each. The total amount of proceeds from the issuance was RMB2,499,999,996.79. The actual amount of proceeds the Company received was RMB2,482,499,996.81 after deducting the underwriting and sponsor fee of RMB16,509,433.94 and the corresponding value-added tax of RMB990,566.04. The net proceeds were RMB2,483,081,943.69 after deducting the issue cost (value-added tax exclusive) of RMB16,918,053.10. The net proceeds above were received on 7 January 2021, and the capital verification report of De Shi Bao (Yan) Zi (21) No. 00008\* (德師報(驗)字(19)第00008號) was issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

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 Guotai Junan Securities Co., Ltd. (“Guotai Junan”) 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”), Industrial and Commercial Bank of China Limited, Jiaxing Branch (“ICBC Jiaxing Branch”), and China Construction Bank Corporation, Zhejiang Branch (“CCB Zhejiang Branch”), respectively. The Company and Anhui Flat Glass, the commercial banks where the proceeds were placed and Guotai Junan should jointly supervise the designated saving accounts of proceeds, including the designated saving accounts of proceeds of the Company such as BOC Jiaxing Branch (400078999786) and ICBC Jiaxing Branch (1204060029000134455), and the designated saving accounts of proceeds of Anhui Flat Glass including BOC Jiaxing Branch (39747899669), ICBC Jiaxing Branch (1204060029000134579) and CCB Zhejiang Branch (33050163803509168168).

The Company and the sponsor Guotai Junan Securities Co., Ltd. (“Guotai Junan”) 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”) and Industrial and Commercial Bank of China Limited, Jiaxing Branch (“ICBC Jiaxing Branch”), respectively. The Company and the commercial banks where the proceeds were placed and Guotai Junan should jointly supervise the designated saving accounts of proceeds, including the designated saving accounts of proceeds of the Company such as BOC Jiaxing Branch (362378981198) and ICBC Jiaxing Branch (1204060029000134730).

As at 31 May 2021, the closing balance of the designated saving accounts of proceeds of the Company was RMB559,367,334.85 in total, including, among others, the accumulative interest income on bank deposits of RMB2,383,605.31 (bank handling fees exclusive) and wealth management investment income of RMB6,223,002.75. Such balance is expected to be fully utilized by the Company according to its use of proceeds plan for such proceeds by December 2022.

## III. USE OF PREVIOUS PROCEEDS

## (I) Use of Proceeds from Fundraising Projects

As at 31 May 2021, the details on the use of proceeds from Public Issuance of A Shares are set out in the APPENDIX I Comparison Table of Use of Proceeds from Public Issuance of A Shares.

As at 31 May 2021, the details on the use of proceeds from Public Issuance of A Share Convertible Corporate Bonds are set out in the APPENDIX II Comparison Table of Use of Proceeds from Public Issuance of A Share Convertible Corporate Bonds.

As at 31 May 2021, the details on the use of proceeds from Proceeds from Non-public Issuance of A Shares are set out in the APPENDIX III Comparison Table of Use of Proceeds from Non-public Issuance of A Shares.

## (II) Changes in the previous Proceeds Actual Investment Project

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

## (III) Initial Investment and Replacement of Proceeds Investment Project

*1. Proceeds from Public Issuance of A Shares*

On 26 April 2020, the Company convened the sixth meeting of the fifth session of the Board, at which the “Proposal on the Replacement of the Self-raised Funds Funded in Advance with Proceeds from the Issuance\* (《關於用募集資金置換預先投入的自籌資金的議案》)” was considered and approved. It was approved to replace the self-raised funds of RMB254,384,951.00 initially invested in the proceeds investment project “annual production of 900,000 tons of PV module cover glass project” with proceeds from the issuance. The above investment was audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, which issued the “Special Audit Report on the Status of Proceeds Investment Project Funded in Advance with Self-raised Funds of Flat Glass Group Co., Ltd. (De Shi Bao (He) Zi (19) No. E00193)\* (《關於福萊特玻璃集團股份有限公司以自籌資金預先投入募集資金投資項目情況的專項審核報告》)”(德師報(核)字(20)第E00370號)). As at 31 May 2021, the above replacement of the self-raised funds funded in advance with proceeds from the issuance was completed.

## **2. Proceeds from Public Issuance of A Share Convertible Corporate Bonds**

On 15 July 2020, the Company convened the twenty meeting of the fifth session of the Board, at which the “Proposal on the Replacement of the Self-raised Funds Invested in the Proceeds Investment Project in Advance with Proceeds from Convertible Corporate Bonds\* (《關於使用可轉債公司債券募集資金置換預先已投入募投項目的自籌資金的議案》)” was considered and approved. It was approved to replace the self-raised funds of RMB68,465,092.00 initially invested in the proceeds investment project “annual production of 750,000 tons of PV module cover glass project” with proceeds from Convertible Corporate Bonds. The above self-raised funds invested in the proceeds investment project in advance was audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, which issued the “Special Audit Report on the Status of Proceeds Investment Project Funded in Advance with Self-raised Funds of Flat Glass Group Co., Ltd. (De Shi Bao (He) Zi (20) No. E00370)\* (《關於福萊特玻璃集團股份有限公司以自籌資金預先投入募集資金投資項目情況的專項審核報告》(德師報(核)字(20)第E00370號))”. As at 31 May 2021, the above replacement of the self-raised funds funded in advance with proceeds from the issuance was completed.

### **(IV) Cash Management of Temporarily Idle Proceeds and Investment in Relevant Products**

#### **1. Proceeds from Public Issuance of A Shares**

Pursuant to the Proposal on Cash Management of Using Idle Proceeds\* (《關於使用閑置募集資金進行現金管理的議案》) 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 Company and Anhui Flat Glass earned an accumulated investment income of RMB1,499,895.14 through conducting cash management by using idle proceeds. As at 31 May 2021, the wealth management products purchased by the Company and Anhui Flat Glass using idle proceeds were redeemed. The funds from wealth management products and relevant investment income were returned to the designated account of proceeds and fully utilized.

#### **2. Proceeds from Public Issuance of A Share Convertible Corporate Bonds**

Pursuant to the Proposal on Cash Management of Using Idle Proceeds\* (《關於使用閑置募集資金進行現金管理的議案》) considered and approved at the nineteenth meeting of the fifth session of the Board and the fourteenth meeting of the fifth session of the Board of Supervisors held on 24 June 2020, 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 RMB1.35 billion, 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. As at 31 May 2021, the wealth management products purchased by the Company and Anhui Flat Glass using idle proceeds were redeemed. The accumulative investment income amounted to RMB18,117,910.80. The funds from wealth management products and relevant investment income were returned to the designated account of proceeds.

### 3. *Proceeds from Non-public Issuance of A Shares*

Pursuant to the Proposal on Cash Management of Using Idle Proceeds from Non-public Issuance of A Shares\* (《關於使用非公開發行A股股票閑置募集資金進行現金管理的議案》) considered and approved at the thirtieth meeting of the fifth session of the Board and the twenty-second meeting of the fifth session of the Board of Supervisors held on 19 January 2021, 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 RMB1.5 billion, 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. As at 31 May 2021, the principle protected wealth management products purchased by the Company and Anhui Flat Glass using idle proceeds amounted to RMB650,000,000.00 in total as follows:

						<i>RMB</i>
Trustee	Product name	Amount	Product value date	Product maturity date	Expected annualized yield	
Bank of China Limited, Jiaxing Branch	Structured deposits	150,000,000.00	29 April 2021	15 June 2021	1.5%-3.3%	
Industrial and Commercial Bank of China Limited, Jiaxing Branch	Structured deposits	200,000,000.00	28 April 2021	28 July 2021	3.25%	
Industrial and Commercial Bank of China Limited, Jiaxing Branch	Structured deposits	200,000,000.00	28 April 2021	1 June 2021	3.00%	
Industrial and Commercial Bank of China Limited, Jiaxing Branch	Structured deposits	100,000,000.00	28 April 2021	1 June 2021	3.00%	
<b>Total</b>		<b>650,000,000.00</b>				

#### IV. REALIZATION OF BENEFITS OF THE PREVIOUS PROCEEDS INVESTMENT PROJECTS

##### (I) Realization of Benefits of Previous Proceeds Investment Projects

###### *1. Proceeds from Public Issuance of A Shares*

The annual production of 900,000 tons of PV module cover glass project of the Company was constructed by three phases, of which the first and second phase projects were the proceeds from Public Issuance of A Shares committed investment projects, and were completed in December 2018 and reached the expected usable conditions. The annual committed benefits of the proceeds investment project derived from the annual average benefits when production capacity is fully reached, being sales income of RMB2,235,134,600 (tax inclusive) (sales income of RMB1,910,371,500, tax exclusive) in the “Feasibility Study Report on the Annual Production of 900,000 Tons of PV Module Cover Glass Project of Anhui Flat Solar Glass Co., Ltd.” In accordance with the report, the planned production capacity in the first year after the proceeds investment project is put into operation is 70% of the actual production capacity, therefore, the committed benefits in the first year after the after the proceeds investment project is put into operation is adjusted accordingly to the benefits corresponding to 70% of the average annual committed income when the production is fully reached. 2019 is the first year after the proceeds investment project is put into operation, with the committed benefits of achieving sales income of RMB1,337,260,000 (tax exclusive). In 2019, the actual sales income was RMB1,650,049,000, which realized the committed benefits. In 2020, the actual sales income was RMB1,970,983,700, which realized the committed benefits.

###### *2. Proceeds from Public Issuance of A Share Convertible Corporate Bonds*

As at 31 May 2021, the Company’s annual production of 750,000 tons of PV module cover glass project was under construction, and did not realize benefits at present.

###### *3. Proceeds from Non-public Issuance of A Shares*

As at 31 May 2021, the Company’s annual production of 750,000 tons of PV module cover glass phase II project and annual production capacity of 42 million square meters of PV backplane glass project were under construction, and did not realize benefits at present.

## (II) Explanation on previous Proceeds Investment Projects that the Benefits cannot be Calculated Separately

The Company had no previous proceeds investment projects that the benefits cannot be calculated separately.

## (III) Explanation on Reasons for the Accumulative Realized Benefits of the previous Proceeds Investment Projects are lower than 20% (20% inclusive) of the Committed Benefits

As at 31 May 2021, there was no accumulative realized benefits of the previous proceeds investment projects after completion that are lower than 20% (20% inclusive) of the committed benefits.

## V. COMPARISON OF THE USE OF PREVIOUS PROCEEDS WITH THE INFORMATION DISCLOSED IN THE ANNUAL REPORT OF THE COMPANY (AS AT 31 DECEMBER 2020)

RMB

Project name	Actual use of proceeds		Disclosure in the annual report	
	2019	2020	2019	2020
Proceeds from Public Issuance of A Shares:				
(1) Annual production of 900,000 tons of PV module cover glass project	25,591.75	–	25,591.75	–
Proceeds from Public Issuance of A Share Convertible Corporate Bonds:				
(1) Annual production of 750,000 tons of PV module cover glass project	–	84,480.45	–	84,480.45
Proceeds from Non-public Issuance of A Shares:				
(1) Annual production of 750,000 tons of PV module cover glass phase II project	N/A	N/A	N/A	N/A
(2) Annual production capacity of 42 million square meters of PV backplane glass project	N/A	N/A	N/A	N/A
(3) Supplementary of working capital	N/A	N/A	N/A	N/A
<b>Total</b>	<b>25,591.75</b>	<b>84,480.45</b>	<b>25,591.75</b>	<b>84,480.45</b>

## VI. UNUSED PROCEEDS

## (I) Proceeds from Public Issuance of A Shares

As at 31 May 2021, the Company did not have the unused proceeds from Initial Public Issuance of A Shares.

## (II) Proceeds from Public Issuance of A Share Convertible Corporate Bonds

As at 31 May 2021, the unused proceeds from Public Issuance of A Share Convertible Corporate Bonds of the Company were RMB76,618,060.70, representing 5.32% of net proceeds. The reason for non-utilization of all proceeds above was that the annual production of 750,000 tons of PV module cover glass project was under construction and partial amount of the project had yet to be occurred or paid.

## (III) Proceeds from Non-public Issuance of A Shares

As at 31 May 2021, the unused proceeds from Non-public Issuance of A Shares were RMB1,201,342,673.67, representing 48.38% of net proceeds. The reason for non-utilization of all proceeds above was that the annual production of 750,000 tons of PV module cover glass phase II project and annual production capacity of 42 million square meters of PV backplane glass project were under construction and partial amount of such projects had yet to be occurred or paid.

## VII. OTHER MATTERS

Pursuant to the Resolution on the Plan for the Issuance of H Shares by the Company\* (《關於公司發行H股股票方案的議案》) and Resolution on the Grant of Mandate to the Board of Directors of the Company and its Authorized Persons by the General Meeting to Handle Matters, at their Full Discretion, regarding the Issuance of H Shares\* (《關於提請股東大會授權公司董事會及其授權人士全權辦理本次發行H股股票具體事宜的議案》) considered and approved at the thirty-second meeting of the fifth session of the Board of Directions of the Company on 5 February 2021, the Company intended to issue not more than 76,000,000 new H Shares. The issuance of new H Shares by the Company is subject to the examination and/or approval of relevant government authorities and regulators including China Securities Regulatory Commission and The Stock Exchange of Hong Kong Limited.



## APPENDIX I

## Comparison Table of Use of Proceeds from Public Issuance of A Shares

RMB0'000

Net proceeds	25,438.50	Accumulated net proceeds invested	25,591.75
Net proceeds that changed its use during the reporting period	Nil	Net proceeds used as at 31 May 2021 (note 3)	25,591.75
Ratio of accumulative net proceeds that changed its use	Nil		

No.	Investment project	Investment project	Total proceeds investment		Accumulated proceeds investment amount as at 31 May 2021			Difference between actual investment amount and committed investment amount after fund-raising	The date when the project reached the expected usable conditions	
			Committed investment amount before fund-raising	Committed investment amount after fund-raising	Actual investment amount	Committed investment amount before fund-raising	Committed investment amount after fund-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	25,591.75	25,438.50	25,438.50	25,591.75	153.25 (note 1)	(note 2)

**Note 1:** The difference between the actual investment amount and the committed investment amount after fund-raising was the interest income of RMB32,600 generated during the period in which the proceeds were deposited in the special account, and the investment income of RMB1,499,900 earned through conducting the cash management by using idle proceeds.

**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. The proceeds investment projects were completed in December 2018 and reached the expected usable conditions.

**Note 3:** As at 31 May 2021, the Company used an accumulative proceeds of RMB255,917,500, including an amount of RMB254,385,000 from self-raised funds to be invested in the proceeds investment project before 11 February 2019, and an amount of RMB1,532,500 from proceeds to be invested in the proceeds investment project after such proceeds were in place.

## APPENDIX II

Comparison Table of Use of Proceeds from Public Issuance of  
A Share Convertible Corporate Bonds

*RMB0'000*

Net proceeds	144,142.17	Accumulated net proceeds invested	136,480.36
Net proceeds that changed its use during the reporting period	Nil	Net proceeds used as at 31 May 2021 ( <i>note 2</i> )	136,480.36
Ratio of accumulative net proceeds that changed its use	Nil		

No.	Investment project	Actual investment project	Total proceeds investment		Accumulated proceeds investment amount as at 31 May 2021			Difference between actual investment amount committed investment after fund-raising	The date when the project reached the expected usable conditions	
			Committed investment amount before fund-raising	Committed investment amount after fund-raising	Actual investment amount	Committed investment amount before fund-raising	Committed investment amount after fund-raising			
1	Annual production of 750,000 tons of PV module cover glass project	Annual production of 750,000 tons of PV module cover glass project	144,142.17	144,142.17	136,480.36	144,142.17	144,142.17	136,480.36	7,661.81	2021 <i>(note 1)</i>

*Note 1:* The annual production of 750,000 tons of PV module cover glass project was scheduled to be completed in 2021.

*Note 2:* In 2020, the Company used an accumulative proceeds of RMB844,804,500, including an amount of RMB68,465,100 from self-raised funds to be invested in the proceeds investment project before 2 June 2020, and an amount of RMB776,339,400 from proceeds to be invested in the proceeds investment project after such proceeds were in place. During the period from 1 January 2021 to 31 May 2021, the Company used an accumulative proceeds of RMB519,999,100.

## APPENDIX III

## Comparison Table of Use of Proceeds from Non-public Issuance of A Shares

RMB0'000

Net proceeds	248,308.19	Accumulated net proceeds invested	128,173.93
Net proceeds that changed its use during the reporting period	Nil	Net proceeds used as at 31 May 2021	128,173.93
Ratio of accumulative net proceeds that changed its use	Nil		

Investment project	Total proceeds investment	Accumulated proceeds investment amount as at 31 May 2021								Difference between actual investment amount and committed investment amount	The date when the project reached the usable conditions as scheduled
		Committed investment amount before fund-raising	Committed investment amount after fund-raising	Actual investment amount	Committed investment amount before fund-raising	Committed investment amount after fund-raising	Actual investment amount	Committed investment amount before fund-raising	Committed investment amount after fund-raising		
1	Annual production of 750,000 tons of PV module cover glass phase II project	Annual production of 750,000 tons of PV module cover glass phase II project	140,000.00	140,000.00	29,777.67	140,000.00	140,000.00	29,777.67	110,222.33	2022	
2	Annual production capacity of 42 million square meters of PV backplane glass project	Annual production capacity of 42 million square meters of PV backplane glass project	33,308.19	33,308.19	23,396.26	33,308.19	33,308.19	23,396.26	9,911.93	2022	
3	Supplementary of working capital	Supplementary of working capital	75,000.00	75,000.00	75,000.00	75,000.00	75,000.00	75,000.00	-	N/A	
Total			<u>248,308.19</u>	<u>248,308.19</u>	<u>128,173.93</u>	<u>248,308.19</u>	<u>248,308.19</u>	<u>128,173.93</u>	<u>120,134.26</u>		

## APPENDIX IV

Comparison Table of the Realized Benefits of the Investment Projects  
in relation to the Proceeds from Public Issuance of A Shares

RMB0'000

Actual investment project No.	Project name	Accumulated capacity utilization rate of investment project as at the closing date	Annual committed benefits (note 2)	Actual benefits of the last three years (note 1)			Accumulated benefits realized as at the closing date	Whether or not the committed benefits are achieved
				2018 (note 1)	2019 (note 1)	2020 (note 2)		
1	Annual production of 900,000 tons of PV module cover glass project	76%	Sales income of 191,037.15	N/A	Sales income of 165,004.90	Sales income of 197,098.37	Sales income of 362,103.27	Yes

*Note 1:* 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. The proceeds investment projects were completed in December 2018 and reached the expected usable conditions. Therefore, the actual benefits for 2018 are not applicable.

*Note 2:* The annual committed benefits derived from the annual average benefits when production capacity is fully reached, being sales income of RMB2,235,134,600 (tax inclusive) (sales income of RMB1,910,371,500, tax exclusive) in the "Feasibility Study Report on the Annual Production of 900,000 Tons of PV Module Cover Glass Project of Anhui Flat Solar Glass Co., Ltd." In accordance with the report, the planned production capacity in the first year after the proceeds investment project is put into operation is 70% of the actual production capacity, therefore, the committed benefits in the first year after the after the proceeds investment project is put into operation is adjusted accordingly to the benefits corresponding to 70% of the average annual committed income when the production is fully reached. 2019 is the first year after the proceeds investment project is put into operation, with the committed benefits of achieving sales income of RMB1,337,260,000 (tax exclusive). In 2019, the actual sales income was RMB1,650,049,000, which realized the committed benefits. In 2020, the actual sales income was RMB1,970,983,700, which realized the committed benefits.

## 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” or “Issuer”), 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, Administrative Measures for Convertible Bonds, Administrative Measures for the Issuance and Trading of Bonds 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 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.

Bondholders shall cooperate with the relevant work of the convener of the Issuer’s Board Meeting or the Trustee’s Meeting, actively participate in the Bondholders’ Meeting, considerate the resolutions at the meeting, exercise their voting rights, cooperate in promoting the implementation of the resolutions effective at the Bondholders’ Meeting, and safeguard their own legitimate rights and interests in accordance with laws and regulations. Bondholders attending the Meeting shall ensure that they still hold the convertible bonds at the time of voting at the Meeting and shall not use the relevant information obtained by attending the Meeting to engage in illegal and rule-breaking activities such as insider trading, market manipulation, tunneling and securities fraud to the detriment of the legitimate rights and interests of other bondholders. In case that the bondholders attending the Meeting violate the above commitments and cause losses to other bondholders, they shall bear the corresponding liability for compensation.

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, non-voting and holders to whom A Share Convertible Bonds are transferred after the adoption of the resolution).

The relevant provisions of these Rules shall not apply if the bondholders exercise their rights individually. The exercise of rights by bondholders individually shall not contradict the resolution adopted at the Bondholders’ Meeting.

The Bondholders at the Meeting may vote on matters related to the interests of all Bondholders, but shall not interfere with the normal business operations of the Company.

On matters within the terms of reference of the Bondholders' Meeting as stipulated in these Rules, Bondholders shall safeguard their own interests through the Bondholders' Meeting; on other matters, Bondholders shall exercise their rights and safeguard their own interests in accordance with laws, administrative regulations and the provisions of the Convertible Bonds Prospectus.

Article 5 By subscribing for, trading, receiving, inheriting 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) Participate or appoint a proxy to participate in the Bondholders' Meeting and exercise voting rights in accordance with relevant laws, administrative regulations and other provisions;
- (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.

### 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 During the life of the Convertible Bonds, the Bondholders' Meeting shall consider and decide on matters that are materially related to the interests of the Bondholders of the Convertible Bonds in accordance with the scope of authority agreed in Article 9 of these Rules.

Except for the matters agreed in Article 9 of these Rules, the Trustee's performance of the Trustee's duties in accordance with the Bond Trusteeship Agreement in order to safeguard the interests of the Bondholders of the Convertible Bonds does not require separate authorization from the Bondholders' Meeting.

Article 9 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 and repurchase and logout of part of restrictive incentive shares), merge, divide itself, taken over, close the business, 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 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;
- (5) It is proposed to change the bond trustee or the main contents of the Bond Trusteeship Agreement;
- (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 10 A Bondholders' meeting shall be called and presided over by the Board and Trustee. 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 and Trustee.

Article 11 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 and repurchase and logout of restrictive incentive shares), merges, divides itself, taken off, close the business, 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) It is proposed to change the bond trustee or the main contents of the Bond Trusteeship Agreement;
- (7) 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 12 The following bodies or persons may propose the holding of a Bondholders' meeting in writing:

- (1) Board;
- (2) Trustee;



- (3) Bondholders who individually or collectively represent 10% or more of the total face value of outstanding A Share Convertible Bonds;
- (4) Other bodies or persons specified by laws, administrative regulations and the CSRC.

Article 13 If the Board and Trustee fail to perform its duties pursuant to these Rules within 15 days from the date of occurrence of any event specified in Article 11 of these Rules, Bondholders who individually or collectively represent more than 10% 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 14 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 15 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 16 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 17 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 18 The body or person who gives notice of a Bondholders' meeting in accordance with these Rules shall be the convenor of the meeting.

Article 19 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 20 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 21 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 22 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

- (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 convener 24 hours before the Bondholders' meeting.

Article 25 The convener 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 convener free of charge.

## CHAPTER 6 HOLDING OF A BONDHOLDERS' MEETING

Article 26 A Bondholders' meeting is held either on-site or by means of internet, telecommunication.

Article 27 The Bondholders' Meeting shall be chaired and presided over by an authorized representative who is appointed by the convener to attend the Meeting.

If the convener fails to perform his/her duties, the bondholders (or bondholders' proxies) present at the Meeting shall elect a bondholder (or bondholders' proxy) by a majority of the voting rights to the bonds represented act as the presiding officer and preside over the Meeting; if the presiding officer cannot be jointly elected within one hour after the commencement of the Meeting as provided above, the bondholder (or bondholders' proxy) present at the Meeting holding the largest number of outstanding bonds shall act as the presiding officer 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 28 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 29 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 30 The following institutions and persons may attend the Bondholders' Meeting: the bond issuer (i.e. the Company) or its authorized representative, directors, supervisors and senior managers of the Company and other important related parties of the Convertible Bonds as agreed by the presiding officer of the Meeting. The above-mentioned persons or related parties are entitled to give explanations on relevant matters at the Bondholders' Meeting. Except in the case where such persons or related parties are entitled to vote by virtue of holding the Convertible Bonds of the Company, such persons or related parties shall not have the right to vote when they are present at the Bondholders' Meeting.

Article 31 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 32 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 33 Matters to be considered as set out in the notice of the meeting or the different elements

Article 35 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 36 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 37 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 38 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 39 Except as otherwise provided herein, a resolution is only validly passed at a

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 41** The convener of the Bondholders' Meeting shall announce the resolution in the media designated by the regulatory authority within 2 trading days after the date of the resolution of the Bondholders' Meeting.

**Article 42** 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 convener 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' inquiries 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 43** The convener 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 convener (or his or her representative), the minute taker and the

Article 44 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 45 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 46 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 47 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 48 The terms "no less than" and "within" herein shall be inclusive, while the terms "more than half", "below" and "exceeding" shall be exclusive.

Article 49 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 50 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 51 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”, “Listed Company” or “Flat”) intends to apply for a Public Issuance (the “Public Issuance”) of A Share Convertible Bonds (the “Convertible Bonds”) to raise no more than RMB4,000 million (inclusive). According to 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)), 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 relevant documents, the Company has analyzed the possible impact of the Public Issuance on the interests of ordinary shareholders and immediate return, and put forward specific remedial measures based on the actual situations. Relevant entities have committed themselves to the effective implementation of the Company's measures for remedial returns. The details 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) Key assumptions and preconditions

The following assumptions are only used for the measurement of the impact of the Public Issuance on the Company's key financial indicators and do not represent the Company's judgment about operating conditions in 2021 and 2022, 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, product market conditions and the Company's operating environment.
2. Assume that the Company completes the Public Issuance by the end of December 2021. The issuance time is only an estimate and the actual time when the Public Issuance 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 as at 30 June 2022 and that all the bonds remain outstanding as at 31 December 2022, 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. 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 is RMB1,628,783,787.63 and RMB1,619,338,682.64 in 2020, respectively. 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%, 10% and 20% in 2021 and 2022, 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 2021 and 2022, nor does it constitute a profit forecast for the Company.
5. Assume that the total amount of proceeds from the Public Issuance is RMB4,000 million, without considering the impact of issue costs. The actual amount of proceeds from the Public Issuance will be finally determined according to regulatory approval, subscriptions and issue costs.
6. Assume that the conversion price of the A Share Convertible Bonds is RMB32.58 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 the date of announcement of the Resolution of the Third Meeting of the Sixth Session of the Board of Directors, and the average price of the previous trading day as of the date of announcement of the Resolution of the Third Meeting of the Sixth Session of the Board of Directors, 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 the partial incentive under the Company's 2020 Equity Incentive Plan is completed in July 2021, no conversion into share capital and distribution of dividend in shares will take place in 2021 and 2022, no consideration is given to the impact of dividend payment on the conversion price, nor the impact of the issuance of new foreign shares offered and listed overseas (H shares) on the Company's share capital.

8. The Company's profit distribution plan for 2020 is as follows: The profit distribution is based on the Company's total share capital of 2,146,193,254 shares before the implementation of the plan, and a cash dividend of RMB1.50 (including tax) will be paid to all shareholders of the Company for every 10 shares, which makes a total cash dividend of RMB321,928,988.10 (including tax). The profit distribution plan was approved at the 2020 annual general meeting of the Company on 20 May 2021 and will be completed in June 2021.
9. The Company's 2020 non-public offering of 84,545,147 A shares will be listed on 18 January 2021. Consideration is given to the effect of the conversion and early redemption of the "Flat Convertible Bonds" in 2021 and the release of the 2020 Equity Incentive Shares.

Equity attributable to owners of the parent company as of 31 December 2021 = Equity attributable to owners of the parent company at the beginning of the period in 2021 + Increase in equity attributable to owners due to the non-public offering of A shares in 2020 + Increase in equity attributable to owners due to the equity incentive shares released in 2020 + Net profit attributable to owners of the parent company in 2021 + Increase in equity attributable to owners due to the conversion of the A Share Convertible Bonds – The amount of cash dividends in 2020.

Equity attributable to owners of the parent company as of 31 December 2022 = Equity attributable to owners of the parent company at the beginning of the period in 2022 + Net profit attributable to owners of the parent company in 2022 + Increase in owner's equity due to the release of equity incentive shares in 2020 and 2021.

10. Assume that the impact of proceeds from the Public Issuance on the Company's production, operation and financial position (e.g. operating income and investment income) shall not be considered.
11. The impacts of bank interest accrued on unused portions of proceeds and interest charges on convertible bonds shall not be considered.

APPENDIX VII      IMPACT OF THE DILUTION OF IMMEDIATE RETURNS CAUSED BY THE PUBLIC  
ISSUANCE OF A SHARE CONVERTIBLE BONDS ON THE COMPANY'S KEY  
FINANCIAL INDICATORS AND THE REMEDIAL MEASURES TAKEN BY THE COMPANY

(II) Impact on key financial indicators

Item	2021/ 31 December 2021	2022/31 December 2022	
		As at 31 December 2022 All the bonds remain outstanding	As at 30 June 2022 All the bonds have been converted into shares
Total share capital ( <i>'0,000 shares</i> )	214,689.33	214,689.33	226,966.80

Scenario 1: assume that annual increase rate of the net profit attributable to the owners of parent company and the corresponding net profit attributable to the owners of parent company after deduction of non-recurring gains and losses in 2011 and 2022 is 0%.

Net profit attributable to shareholders of the Listed Company ( <i>RMB'0,000</i> )	162,878.38	162,878.38	162,878.38
Net profit attributable to shareholders of the Listed Company after deduction of non-recurring gains/losses ( <i>RMB'0,000</i> )	161,933.87	161,933.87	161,933.87
Basic earnings per share ( <i>RMB/share</i> )	0.76	0.76	0.74
Diluted earnings per share ( <i>RMB/share</i> )	0.76	0.76	0.74
Basic earnings per share after deduction of non-recurring gains/losses ( <i>RMB/share</i> )	0.76	0.76	0.73
Diluted earnings per share after deduction of non-recurring gains/losses ( <i>RMB/share</i> )	0.76	0.75	0.73
Weighted average return on net assets (%)	15.39	12.74	11.29
Weighted average return on net assets after deduction of non-recurring gains/losses (%)	15.30	12.68	11.23

Item	2022/31 December 2022		
	2021/ 31 December 2021	As at 31 December 2022 All the bonds remain outstanding	As at 30 June 2022 All the bonds have been converted into shares
Scenario 2: assume that annual increase rate of the net profit attributable to the owners of parent company and the corresponding net profit attributable to the owners of parent company after deduction of non-recurring gains and losses in 2021 and 2022 is 10%.			
Net profit attributable to shareholders of the Listed Company ( <i>RMB'0,000</i> )	179,166.22	197,082.84	197,082.84
Net profit attributable to shareholders of the Listed Company after deduction of non-recurring gains/losses ( <i>RMB'0,000</i> )	178,127.26	195,939.98	195,939.98
Basic earnings per share ( <i>RMB/share</i> )	0.84	0.92	0.89
Diluted earnings per share ( <i>RMB/share</i> )	0.84	0.92	0.89
Basic earnings per share after deduction of non-recurring gains/losses ( <i>RMB/share</i> )	0.83	0.91	0.89
Diluted earnings per share after deduction of non-recurring gains/losses ( <i>RMB/share</i> )	0.83	0.91	0.89
Weighted average return on net assets (%)	16.79	15.02	13.35
Weighted average return on net assets after deduction of non-recurring gains/losses (%)	16.71	14.95	13.28

Item	2022/31 December 2022		
	2021/ 31 December 2021	As at 31 December 2022 All the bonds remain outstanding	As at 30 June 2022 All the bonds have been converted into shares
Scenario 3: assume that annual increase rate of the net profit attributable to the owners of parent company and the corresponding net profit attributable to the owners of parent company after deduction of non-recurring gains and losses in 2021 and 2022 is 20%.			
Net profit attributable to shareholders of the Listed Company ( <i>RMB'0,000</i> )	195,454.05	234,544.87	234,544.87
Net profit attributable to shareholders of the Listed Company after deduction of non-recurring gains/losses ( <i>RMB'0,000</i> )	194,320.64	233,184.77	233,184.77
Basic earnings per share ( <i>RMB/share</i> )	0.91	1.09	1.06
Diluted earnings per share ( <i>RMB/share</i> )	0.91	1.09	1.06
Basic earnings per share after deduction of non-recurring gains/losses ( <i>RMB/share</i> )	0.91	1.09	1.06
Diluted earnings per share after deduction of non-recurring gains/losses ( <i>RMB/share</i> )	0.91	1.09	1.06
Weighted average return on net assets (%)	18.18	17.41	15.52
Weighted average return on net assets after deduction of non-recurring gains/losses (%)	18.09	17.33	15.44

## II. RISK DISCLOSURE CONCERNING THE DILUTION OF IMMEDIATE RETURNS CAUSED BY THE ISSUANCE

After some or all of the Bonds held by investors have been converted into shares, the total share capital and the net asset of the Company will be increased accordingly, which will have a dilutive effect on the shareholding ratio of the Company's existing shareholders, the Company's net asset income ratio and the Company's earnings per share. 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 ON THE NECESSITY AND RATIONALITY OF THE PUBLIC ISSUANCE

For the necessity and rationality of the Public Issuance, please refer to "FEASIBILITY ANALYSIS REPORT OF FLAT ON THE USE OF THE PROCEEDS FROM PUBLIC ISSUANCE OF A SHARE CONVERTIBLE BONDS IN 2021".

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

### (i) Relationship between the proceeds investment projects and the Company's existing business

The proceeds from the Public Issuance after deducting issuance costs will be used for the annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project, distributed PV power generation construction project, annual production of 15 million square meters of solar PV ultra-white glass technical transformation project and supplementary of working capital project.

#### ***1. Annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project***

The Company is a leading glass manufacturing enterprise in China, mainly engaged in the research and development, production and sales of PV glass. The annual production of 750,000 tons of solar equipment ultra-thin and ultra-high-transparent panel manufacturing project is in line with the Company's main business, development objectives and industry development trend, and is an expansion of the Company's existing PV glass business, which is conducive to maintaining the Company's advantages in scale, further increasing the Company's market share, effectively enhancing the Company's competitiveness and sustainable operation, and facilitating the Company's long-term stable development.



**2. *Distributed PV power generation construction project***

In the Project, a 203.65Mwp distributed PV power station will be built at Anhui Flat Solar Glass Co., Ltd. Upon completion of the Project, the installed capacity of PV power generation will reach 203.65Mwp and the annual average power generation capacity is expected to exceed 18,798KWh, with all the power generated being used in the Company's production base in Anhui. The Project is an extension and expansion of the Company's existing main business based on consideration of national industrial policies, industry development trends and the Company's current operating conditions. The implementation of the Project is in line with the development direction of "peak emission and carbon neutrality" in China and is a positive response to the goal of "peak emission and carbon neutrality" in China, which is conducive to improving the existing energy consumption structure, reducing costs and increasing efficiency, realizing the unification of economic and social benefits, and promoting the sustainable development of the Company.

**3. *Annual production of 15 million square meters of solar PV ultra-white glass technical transformation project***

The technical reform project will be implemented with a focus on the Company's main business. By renovating the production line with an annual capacity of 15 million square meters of solar PV ultra-white glass, the production hardware base of the Company will be comprehensively improved. The completion of the technical reform will not only further improve the Company's production efficiency and reduce energy consumption, but also produce large size and ultra-thin ultra-high transparent PV glass to meet the market demand, enhance the Company's product market competitiveness and guarantee corporate sustainable development.

**4. *Supplementary of working capital project***

Supplementary of working capital project is conducive to relieving the Company's capital pressure, meet the Company's sustainable and healthy development of business, provide guarantee for the Company's continuous business development, enhance the Company's competitiveness, and reduce the Company's business risks.

(II) The Company's Personnel, Technical and Market Reserves for the Proceeds Investment Project

*1. Personnel reserve*

The Company is currently the leading PV glass manufacturing enterprise in China. After years of deep development in the industry, it has cultivated and formed a leadership team that is proficient in management and technology and has strategic vision. At the same time, it has developed a large number of professional and technical personnel and production and operation teams with solid theoretical knowledge and rich practical experience, laying a solid foundation for the sustainable development of the Company.

The Company has already reserved sufficient core technology and production personnel to meet the implementation of the proceeds investment projects. In the future, with the gradual construction and production of the projects, the Company will reserve sufficient human resources for the implementation of the proceeds investment projects by adhering to the principle of introduction and training of talents based on needs.

*2. Technical reserve*

After years of rapid development, the Company is currently an industrial leader in key technologies such as formula, process and self-explosion rate control of PV glass, and is one of the makers of China's PV glass industry standards.

As early as 2006, the Company became the first domestic enterprise to break the monopoly of international giants on PV glass technology and market through independent research and development, and successfully realized the localization of PV glass. In 2008, the Company's PV glass was tested and used by the Japanese company Sharp (a world-renowned photovoltaic cell module company), and its product quality reached the same level as that of the internationally renowned PV glass manufacturers including AGC, Pilkington and Saint-Gobain. At the same time, the Company is also the first in China and the fourth in the world to pass Switzerland's SPF certification.

At present, the Company has obtained more than 100 patents related to PV glass, and also won the National Key New Product Award issued by the Ministry of Science and Technology. The Company has the industry-leading technical strength and provides reliable technical guarantee for the implementation of the Issuance.

### 3. *Market reserve*

There is a higher barrier to entry the industry, since large PV module manufacturers place a high premium on the evaluation of suppliers and their requirements for suppliers' comprehensive strength and industry experience are higher, and the process of getting PV panel products certified by authoritative bodies in export countries is time-consuming and expensive. Therefore, once a PV glass manufacturer successfully makes it onto the list of qualified suppliers of large PV module, the two sides will reach a more stable and lasting partnership. Over the years, the Company has accumulated a wealth of industry experience and customer resources, and secured a leading position in the industry. In result, "Flat" has developed itself into a well-known brand recognized by the majority of customers.

Since its inception, the Company has been committed to PV glass production, research and development, and sales, and accumulated a wealth of industry experience and strong technical strength. Thanks to its industry-leading product quality and performance as well as overwhelming word-of-mouth and certain presence, "Flat" has also become a well-known brand recognized by customers. Through the development in recent years, the Company has established stable sales channels and long-term cooperative relationships with many world-renowned PV module manufacturers, such as Longi, JinkoSolar, Hanwha Group, Risen Energy, etc., and has been highly recognized by customers.

Abundant customer resources ensure the digestion of the Company's production capacity, which can help the Company's new products to quickly establish market advantages and reduce market risks. This is conducive to the Company's healthy and ongoing development, and provides a reliable guarantee for the proceeds investment projects under the Issuance.

## V. MEASURES TAKEN BY THE COMPANY IN RESPONSE TO THE DILUTION OF IMMEDIATE RETURNS CAUSED BY THE PUBLIC ISSUANCE

The Company intends to take the following remedial measures in order to protect the interests of investors, ensure the effective use of the Company's proceeds, prevent the risk that the immediate return will be diluted, and improve the return for the Company's shareholders:

### (i) Strengthening the supervision of proceeds to ensure the full use thereof

The implementation of the proceeds investment projects is conducive to enhancing the profitability of the Company and is in line with the long-term interests of shareholders of the Listed Company. After the Public Issuance, the proceeds in place can meet the Company's operating capital needs to a certain extent and enhance the Company's capital strength, profitability and core competitiveness. Upon completion of the Public Issuance, the Company will specifically deposit the proceeds, ensure the reasonable and standardized use of proceeds, actively cooperate with the inspection and supervision by sponsors and supervising banks on the use of proceeds, and guard against the risk of using proceeds in accordance with the requirements of laws and regulations including the Administrative Measures for the Issuance of Securities by Listed Companies, the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies, the Rules Governing the Listing of Securities on the Shanghai Stock Exchange.

### (ii) Accelerate the progress of proceeds investment projects and accelerate the realization of expected project benefits

The proceeds investment projects of the Company conform to the national industrial policy, industry trend and the Company's development strategy, has good market prospects, economic and social benefits, and helps to improve the Company's market competitiveness, profitability and anti-risk ability. After the proceeds of the Issuance are in place, the Company will speed up the implementation and construction of proceeds investment projects, and strive to reach production capacity as soon as possible and achieve the expected benefits. With the smooth implementation of the proceeds investment projects, the Company will enhance its profitability and make up for impact on the dilution of immediate returns caused by the Issuance.

- (iii) Ensure a sustainable and stable profit distribution system and strengthen the investment return mechanism

In order to improve and perfect the Company's scientific, continuous and stable dividend decision-making and supervision mechanism, increase the transparency and operability of profit distribution decision-making, actively provide return to investors, and guide investors to set up long-term and rational investment concepts, the Company has formulated the Shareholder Dividend Distribution Plan for the Next Three Years (2021–2023) of Flat Glass Group Co., Ltd. to establish a sound and effective shareholder return mechanism in accordance with the Notice on Further Implementation on Matters Related to Cash Dividends of Listed Companies\* (關於進一步落實上市公司現金分紅有關事項的通知) and Guidelines 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)) issued by CSRC. After the completion of the Issuance, the Company will actively promote the distribution of profits to shareholders in accordance with laws and regulations and on the premise of meeting the conditions for profit distribution, so as to effectively maintain and increase the returns to shareholders.

- (iv) Improve the corporate governance structure and provide institutional guarantee for the development of the Company

In accordance with the Company Law, the Securities Law and other laws and regulations, the Company will continuously improve the corporate governance structure and the operation standards, so as to ensure that shareholders can fully exercise their rights; that the board of directors and the general meeting can exercise their respective statutory functions and powers and make scientific, rapid and prudent decisions in accordance with the laws, regulations and the Articles of Association; that all special committees under the board of directors and independent directors can conscientiously perform their duties; and that the board of supervisors can effectively perform their supervisory duties, safeguard the overall interests of the Company, especially the legitimate rights and interests of small and medium shareholders; and that institutional guarantee is provided for the development of the Company.

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APPENDIX 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

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I. THE COMMITMENT OF THE DIRECTORS AND SENIOR MANAGEMENT

The directors and senior management of the Company promise to faithfully and diligently perform their duties, safeguard the legitimate rights and interests of the Company and all shareholders, and make the following commitments to ensure that the Company's remedial measures can be effectively implemented in accordance with the relevant provisions of CSRC:

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;
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

According to the relevant regulations of CSRC, the controlling shareholders and de facto controllers of the Company make the following commitments to ensure that the Company's remedial measures can be effectively implemented:

1. Promise to exercise shareholders' rights in accordance with relevant laws, regulations and the Articles of Association, and promise not to interfere in the Company's operation and management activities beyond its authority or usurp the Company's interests;

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APPENDIX 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

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2. 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.
3. Promise to earnestly implement the relevant remedial measures and any commitments they have made regarding the remedial measures, and they are willing to bear the compensation responsibility to the Company or investors according to laws in case of violation of these commitments which causes losses to the Company or investors.

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 ob4accoi006scomprempjng



- (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

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## APPENDIX X SHAREHOLDERS' RETURN PLAN FOR THE YEAR ENDING 31 DECEMBER 2021, 2022 AND 2023

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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 (2021-2023) 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 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

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APPENDIX X                      SHAREHOLDERS' RETURN PLAN FOR THE  
YEAR ENDING 31 DECEMBER 2021, 2022 AND 2023

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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 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.

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APPENDIX X                      SHAREHOLDERS' RETURN PLAN FOR THE  
YEAR ENDING 31 DECEMBER 2021, 2022 AND 2023

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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.

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## NOTICE OF THE 2021 SECOND EGM

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- (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 exiting 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 Board resolution.

- Special resolution 3.** To consider and approve the Preliminary Plan of the Proposed Issuance of A Share Convertible Bonds.
- Special resolution 4.** To consider and approve the Feasibility Report on the Proposed Issuance of A Share Convertible Bonds.
- Ordinary resolution 5.** To consider and approve the Report on Use of Previous Proceeds.
- Ordinary resolution 6.** To consider and approve the Rules for A Share Convertible Bondholders' Meetings.
- Ordinary resolution 7.** 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.
- Ordinary resolution 8.** 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.

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## NOTICE OF THE 2021 SECOND EGM

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- Special resolution 9. 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.
- Special resolution 10. To consider and approve the Shareholders' Dividend Distribution Plan for the Years Ending 31 December 2021, 2022 and 2023.
- Ordinary resolution 11. 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.

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

Jiaxing, Zhejiang Province, the PRC

28 July 2021

*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 Ms. Xu Pan, Ms. Hua Fulan and Ms. Ng Yau Kuen Carmen.*

*Notes:*

1. In order to ascertain shareholders' entitlement to attend and vote at the 2021 Second EGM, the register of members of the Company will be closed from Monday, 16 August 2021 to Friday, 20 August 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming the 2021 Second EGM, all transfer documents must be lodged with the Company's H share registrar in Hong Kong, Tricor Investor Services Limited, at 54th 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, 13 August 2021.

Shareholders whose names appear on the register of members of the Company on Friday, 13 August 2021 are entitled to attend and vote at the 2021 Second EGM.

2. Shareholders who are entitled to attend and vote at the 2021 Second EGM 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.



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## NOTICE OF THE 2021 SECOND EGM

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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 54, 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 2021 Second EGM (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 2021 Second EGM or any adjourned meetings should they so wish.
5. Shareholders or their proxies shall provide their identification documents when attending the 2021 Second EGM.
6. Shareholders attending the 2021 Second EGM shall be responsible for their own travel and accommodation expenses.
7. The address of the head office in the PRC of the Company is 1999 Yunhe Road, Xiuzhou District, Jiaying, Zhejiang Province, the PRC.

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# NOTICE OF THE 2021 SECOND H SHAREHOLDERS' CLASS MEETINGS

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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 2021 SECOND H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2021 Second H Shareholders' Class Meeting of Flat Glass Group Co., Ltd. will be held on Friday, 20 August 2021 at the Conference Room, 2nd Floor, Administrative Building, Flat Glass Group Co., Ltd., 959 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the People's Republic of China immediately after the conclusion of the 2021 Second 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 28 July 2021 (the "Circular").

Special resolution 1. To consider and approve the A Share Convertible Bonds Issuance Plan:

- (i) Type of securities to be issued;
- (ii) Issue size;
- (iii) Par value and issue price;
- (iv) Term;
- (v) Coupon rate;
- (vi) Method and timing of interest payment;
- (vii) Conversion period;
- (viii) Determination and adjustment of conversion price;
- (ix) Downward adjustment to the conversion price;

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## NOTICE OF THE 2021 SECOND H SHAREHOLDERS' CLASS MEETINGS

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- (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 exiting 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 Board resolution.

Special resolution 2. To consider and approve the Preliminary Plan of the Proposed Issuance of A Share Convertible Bonds.

Special resolution 3. 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

28 July 2021

*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 Ms. Xu Pan, Ms. Hua Fulan and Ms. Ng Yau Kuen Carmen.*

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## NOTICE OF THE 2021 SECOND H SHAREHOLDERS' CLASS MEETINGS

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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 Friday, 13 August 2021 are eligible to attend the 2021 Second H Shareholders' Class Meeting. To qualify for attendance and vote at the 2021 Second 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 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 13 August 2021.
2. A member eligible to attend and vote at the 2021 Second H Shareholders' Class Meeting is entitled to appoint, in written form, one or more proxies to attend and vote on his behalf. A proxy need 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time designated for holding of the 2021 Second 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 2021 Second 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 2021 Second 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 2021 Second 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. Shareholders who attend shall bear their own travelling and accommodation expenses.
7. The register of members of the Company will be closed from Monday, 16 August 2021 to Friday, 20 August 2021 (both days inclusive).
8. The address of the head office in the PRC of the Company is 1999 Yunhe Road, Xiuzhou District, Jiaxing, Zhejiang Province, the PRC.