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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF ENTIRE EQUITY INTEREST OF SANLI MINING AND
DAHUA DONGFANG MINING**

THE ACQUISITION

The Board is pleased to announce that on 27 October 2021 (after trading hours), the Company entered into the Equity Transfer Agreement pursuant to which the Company agreed to acquire the entire equity interest of the Target Companies from Fengsha Mining for a total consideration of not more than RMB3.65 billion. Upon completion of the Acquisition, the Target Companies will become wholly owned subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules for the transactions contemplated under the Equity Transfer Agreement is more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

Upon completion of the relevant audit and valuation of the Acquisition, the Board will further resolve to propose the Acquisition to be considered and approved at a shareholders' general meeting.

As the Acquisition is subject to the satisfaction of the conditions precedent as provided in the Equity Transfer Agreement which may or may not be fulfilled, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 27 October 2021 (after trading hours), the Company entered into the Equity Transfer Agreement pursuant to which the Company agreed to acquire the entire equity interest of the Target Companies from Fengsha Mining for a total consideration of not more than RMB3.65 billion. Upon completion of the Acquisition, the Target Companies will become wholly owned subsidiaries of the Company.

THE AGREEMENT

The principal terms of the Equity Transfer Agreement are summarised as follows.

- Date:** 27 October 2021
- Parties:**
- (1) the Company as the Purchaser;
 - (2) Fengsha Mining as the Seller; and
 - (3) Sanli Mining and Dahua Dongfang Mining as the Target Companies.
- Subject Matter:** Subject to the terms and conditions of the Equity Transfer Agreement, the Company agreed to acquire and the Seller agreed to sell the entire equity interest of the Target Companies for a total consideration of not more than RMB3.65 billion (the “**Consideration**”), the final amount of which shall be determined by a supplemental agreement to be entered into between the parties.
- Basis of the Consideration:** The total Consideration was determined based on the estimated valuation of the mineral resources of the Target Companies (the “**Valuation**”) which shall be determined with reference to an evaluation report to be dated 31 December 2021 and issued by a qualified mineral resources evaluator designated by the Company.
- The Consideration was arrived at after arm’s length negotiation on normal commercial terms between the Company and the Seller with reference to the Valuation, the quality, quantity and location of mineral resources owned by the Target Companies, the current market value of the Target Companies with similar operation size and the estimated saving on production cost for the Group to be achieved by utilizing the mineral resources owned by the Target Companies.

Payment Terms:

The Consideration shall be settled by the Company through bank transfer and issue of promissory notes in three instalments as follows.

- (a) 60% of the Consideration shall be settled within 10 business days from the date of the Equity Transfer Agreement;
- (b) 30% of the Consideration shall be settled within 10 business days from the Completion Date; and
- (c) the remaining 10% of the Consideration shall be settled within one year upon payment of the second instalment by the Company.

Deposit:

A deposit in an amount of RMB700 million (the “**Deposit**”) shall be paid by the Company to the Seller within 10 business days upon provision of certain pledges and guarantees by the Seller and the Target Companies to the Company or waiver by the Company in writing of such obligations. Details of such pledges and guarantees are as follows.

- (a) the Seller shall pledge the entire equity interest it holds in the Target Companies to the Company and shall complete all the share equity pledge registration procedures;
- (b) each of the Target Companies shall pledge its mining right under its mining license to the Company and shall complete all the mining right pledge registration procedures; and
- (c) the Target Companies shall be jointly liable for the Seller’s performance of its obligation under the Equity Transfer Agreement and its obligation to return the Deposit under the circumstances as provided therein.

The Deposit shall be returned in full by the Seller to the Company or used to partially offset the Consideration upon mutual agreement on or after the effective date of the Equity Transfer Agreement where all the conditions precedent as provided in this agreement are satisfied. In case one or more of the conditions precedent provided in the Equity Transfer Agreement are not satisfied within 12 months from the date of the agreement, the Company shall be entitled to serve a written notice to the Seller where the Seller shall return the Deposit in full to the Company within three business days upon receipt of such notice with interest accrued thereon upon Company’s request.

- Source of Funding:** The Acquisition will be funded by the Group's self-financing resources.
- Conditions Precedent:** The Equity Transfer Agreement shall take effect upon satisfaction of, among others, each of the following conditions:
- (a) the Company shall have paid the Deposit to the Seller according to the terms of the Equity Transfer Agreement;
 - (b) the Company shall have obtained all requisite board approvals and shareholders approvals in respect of the Acquisition;
 - (c) other parties to the Equity Transfer Agreement shall have completed the requisite internal approval procedures in respect of the Acquisition;
 - (d) all parties to the Equity Transfer Agreement shall have agreed upon the final amount of Consideration and entered into a supplemental agreement in record of such agreement;
 - (e) where applicable, all approvals from the Stock Exchange and the Shanghai Stock Exchange shall have been obtained by the Company; and
 - (f) where applicable, all government approvals in respect of the Acquisition shall have been obtained.
- Long Stop Date:** The Company shall be entitled to terminate the Equity Transfer Agreement after 12 months from the date of such agreement.
- Termination:** The Equity Transfer Agreement shall be terminated, among others, upon:
- (a) discussion among the parties;
 - (b) the occurrence of force majeure events as provided in the Equity Transfer Agreement;
 - (c) the entering into of new agreement among the parties in respect of the Acquisition which shall specify the termination of the Equity Transfer Agreement; or
 - (d) material breaches by the Seller or the Target Companies of their representation and warranties as provided in the Equity Transfer Agreement.

Upon completion of the Acquisition, the Target Companies will become wholly owned subsidiaries of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors believe that the Acquisition will bring the Group with long-term benefits for the following reasons:

Firstly, the Acquisition will largely enhance the Group's quartz reserves and safeguard the quality and supply of quartz sand, which is the major raw material for the Group's manufacturing of its core product photovoltaic glass. The quality and price of quartz sand is of utmost importance to the Group as the quality of quartz sand will have direct impact on the quality of photovoltaic glass while its price will largely determine the production cost of photovoltaic glass. The Target Companies own a total of two mining licenses for two quartz mines with abundant and quality reserves of quartz, covering a total area of 0.4297 km² in Fengyang, Anhui Province, the PRC. The Acquisition will help safeguard the stable supply of quality quartz sand to the Group, lowering the Group's reliance on sourcing quartz sand from third parties and strengthening the Group's anti-risk capacity and continuing business operation.

Secondly, the Acquisition is in line with the Group's business expansion strategy, providing strong support to its production capacity expansion and enhancing its profitability. As one of the largest photovoltaic glass manufacturers in the PRC and globally, the quality of photovoltaic glass manufactured by the Group has been highly and widely recognized by customers. On one hand, with the continuously increasing number of customer orders and expansion of production capacity, the Group's demand for quartz sand, the major raw materials for manufacturing of photovoltaic glass, has drastically increased. On the other hand, with the rapid growth of the photovoltaic glass manufacturing industry, quality reserves of quartz sand will become comparatively scarce resources where supply of quality quartz sand will play an important role in the business development of photovoltaic glass manufacturers.

In view of the abovementioned reasons, the Directors are of the view that the terms of the Acquisition are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES INVOLVED

Information of the Group

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

Information of the Seller

The Seller, Fengsha Mining, is a company established under the laws of the PRC with limited liability on 24 August 2015, and is principally engaged in mining, processing and sale of quartz sand. As of the date of this announcement, the Company confirms that, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Fengsha Mining was owned as to 50% by Chen Yong (陳勇) and 50% by Qi Qingliang (戚慶亮), both Independent Third Parties.

Information of the Target Companies

Dahua Dongfang Mining is a company established under the laws of the PRC with limited liability on 27 May 2011, and is principally engaged in mining and sale of quartzite. As of the date of this announcement, Dahua Dongfang Mining had one mining license (C3490002020037130149488) covering a total area of 0.2288 km².

Sanli Mining is a company established under the laws of the PRC with limited liability on 6 January 2003, and is principally engaged in mining and sale of quartzite. As of the date of this announcement, Sanli Mining had one mining license (C3400002010127140109771) covering a total area of 0.2009 km².

As of the date of this announcement, each of Dahua Dongfang Mining and Sanli Mining was a wholly owned subsidiary of the Seller.

Based on the unaudited consolidated financial statements of the Target Companies prepared in accordance with the PRC GAAP, the unaudited net profits (before and after taxation) of the Target Companies for the years ended 31 December 2019 and 31 December 2020 are as follows.

	Unaudited net profit (loss) (before taxation)	
	For the year ended 31 December 2019 <i>(RMB'000)</i>	For the year ended 31 December 2020 <i>(RMB'000)</i>
Dahua Dongfang Mining	-27,031.4	-3,976.9
Sanli Mining	-150,821.1	107,729.8

	Unaudited net profit (loss) (after taxation)	
	For the year ended 31 December 2019 <i>(RMB'000)</i>	For the year ended 31 December 2020 <i>(RMB'000)</i>
Dahua Dongfang Mining	20,274.2	-3,129.0
Sanli Mining	-146,434.7	74,589.3

As of 30 September 2021, the unaudited total assets value and the unaudited net assets value of the Target Companies were as follows.

	Unaudited total assets <i>(RMB'000)</i>	Unaudited net assets <i>(RMB'000)</i>
Dahua Dongfang Mining	534,842.4	48,421.1
Sanli Mining	340,219.2	-17,432.3

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated under Chapter 14 of the Listing Rules for the transactions contemplated under the Equity Transfer Agreement is more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the Equity Transfer Agreement or is required to abstain from voting at the Board meeting for considering and approving the same.

Pursuant to the requirements under Provision 21 of Measures for Listed Companies' Material Asset Reorganization (上市公司重大資產重組管理辦法) promulgated by the CSRC, a shareholders' general meeting will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the relevant resolutions in relation to the Equity Transfer Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, as of the date of this announcement, no Shareholder had a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Acquisition at the shareholders' general meeting.

GENERAL

Upon completion of the relevant audit and valuation of the Acquisition, the Board will further resolve to propose the Acquisition to be considered and approved at a shareholders' general meeting.

As the Acquisition is subject to the satisfaction of the conditions precedent as provided in the Equity Transfer Agreement which may or may not be fulfilled, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“A Share(s)”	RMB-denominated ordinary share(s) of the Company which are issued and subscribed for in RMB in the PRC and are listed on the Shanghai Stock Exchange
“Acquisition”	the acquisition of the entire equity interest of the Target Companies by the Purchaser from the Seller, as contemplated under the Equity Transfer Agreement
“AIC”	Administration for Industry and Commerce
“Board”	the board of Directors of 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 Stock Exchange and Shanghai Stock Exchange, respectively
“Completion”	the completion of the Acquisition
“Completion Date”	the date on which the entire equity interest of the Target Companies is transferred to the Company and the relevant AIC change registration is completed
“CSRC”	China Securities Regulation Commission

“Dahua Dongfang Mining”	安徽大華東方礦業有限公司(Anhui Dahua Dongfang Mining Company Limited*), a limited liability company established under the laws of the PRC on 27 May 2011 and an Independent Third Party as of the date of this announcement
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 27 October 2021 and entered into among the Seller, the Purchaser and the Target Companies in relation to the acquisition of the entire equity interest of the Target Companies by the Purchaser from the Seller
“Fengsha Mining”	安徽鳳砂礦業集團有限公司(Anhui Fengsha Mining Group Company Limited*), a limited liability company established on 24 August 2015 under the laws of the PRC and an Independent Third Party as of the date of this announcement
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary share(s) in the share capital of the Company with a 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)
“Independent Third Party”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of its Company, its subsidiaries or any of their respective associates
“km ² ”	square kilometers
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“Purchaser”	the Company
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	generally accepted accounting principles as in effect from time to time in the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“Sanli Mining”	安徽三力礦業有限責任公司(Anhui Sanli Mining Company Limited*), a limited liability company established under the laws of the PRC on 6 January 2003 and an Independent Third Party as of the date of this announcement
“Seller”	Fengsha Mining
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Dahua Dongfang Mining and Sanli Mining

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

Jiaxing, Zhejiang Province, PRC
27 October 2021

As at the date of this announcement, the executive Directors are Mr. Ruan Hongliang, Ms. Jiang Jinhua, Mr. Wei Yezhong and Mr. Shen Qifu, and the independent non-executive Directors are Ms. Xu Pan, Ms. Hua Fulan and Ms. Ng Yau Kuen Carmen.

* *If there is any inconsistency between the English name and the Chinese name, the Chinese name shall prevail.*