

**FLAT GLASS GROUP COMPANY LTD:
WHEN IS A DUCK, A DUCK ?**

It is said that if it quacks like a duck, it waddles like a duck, and it looks like a duck, the chances are that it is a duck.

Only too often, however, things are not all that they appear to be.

Take the latest **Initial Public Offering (IPO)** to come to the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC): One would be tempted to presume that this company's senior management, in view of the Company's annual, multi-billion renminbi Turnover, would have been institutionalised by now, but, on close inspection of the Global Offering Prospectus, this is as far from the truth as one could imagine.

Because this Company is, still, in reality, a momma-and-papa enterprise – and, by all available intelligence, it will always be as such.

Flat Glass Group Company Ltd () (Code: 6865, Main Board, The Stock Exchange of Hongkong Ltd) pitched its Global Offering Prospectus on November 16, 2015 (last Monday).

This Company makes the claim of being '*the largest manufacturer of photovoltaic glass ... globally and in China*'.

Since the prospectus of a company, claiming the right, by virtue of its wealth, to wear the toga of a publicly listed company on the premier equity market of the HKSAR, is supposed to be a hand-on-the-heart declaration, there is no reason to doubt the veracity of every word, contained in the Global Offering Prospectus of Flat Glass Group.

Firstly, The IPO

Flat Glass Group is Offering 450 million, **Renminbi (RMB)**0.25 '*H*' Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK2.10 to a high of \$HK2.68.

HKSAR Investors are being Offered 45 million '*H*' Shares and the remaining 405 million '*H*' Shares are to be Offered to International Investors.

At Page 308 of the Global Offering Prospectus, it is stated that, at the midpoint of the Indicative Offer Price Per Share, being \$HK2.39, the Company expects to net about \$HK1,006.50 million.

Management of Flat Glass Group has gone on record, stating at Pages 308 and 309:

'We intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- 1. Approximately 46.0%, or HK\$463.0 million, is expected to be used to establish overseas PV (photovoltaic) glass production and processing facilities in Vietnam by the second quarter of 2017;*

2. *Approximately 17.2%, or HK\$173.1 million, is expected to be used to establish new Low-E and Low-E composite glass processing facilities by the end of 2016 with an annual processing capacity of approximately 5.8 million sq.m.(square metres) at our production facilities in Jiaxing, Zhejiang Province, the PRC;*
3. *Approximately 9.7%, or HK\$97.6 million, is expected to be used for costs relating to research and development of new products and purchase of new equipment for the next three years;*
4. *Approximately 9.7%, or HK\$97.6 million, is expected to be used for working capital and other general corporate purposes;*
5. *Approximately 9.1%, or HK\$91.6 million, is expected to be used for modifying and upgrading an existing PV glass furnace with a daily maximum production capacity of 490 tons, which is expected to commence in the first quarter of 2016; and,*
6. *Approximately 8.3%, or HK\$83.6 million, is expected to be used for the construction of new 15MW (megawatt) distributed PV systems for self-use, the construction of which is expected to commence in the second half of 2015 and to be completed in the first half of 2016.'*

Secondly, The Business

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