

REPORT OF THE SUPERVISORY BOARD OF FACC AG FOR THE FISCAL YEAR 2015/2016

In the FY2015/16, the Supervisory Board of FACC AG took high responsibility to fulfill its duties strictly adhere to the articles of incorporation, rules of procedures for the Supervisory Board and related laws and regulations. The members of the Supervisory Board met regularly at quarterly meetings to discuss the company's business operation, analyzed the financial statements, studied the important programs, coordinated the customer relationship, promoted the market expansion and paid close attention to the compliance of laws and regulations in respect to the corporate governance.

For urgent issues, the extraordinary meetings were held in time, especially total three extraordinary meetings were held regarding the fake president incident. The committees of the Supervisory Board respectively held the meetings according to the requirements. At the same time, the Chairman of the Supervisory Board and the Chairman of the Management Board maintained close contact for the discussion of strategy and business development of FACC AG.

Meetings of the Supervisory Board

The Supervisory Board met eight times during the fiscal year 2015/16: four times at ordinary meetings and four times at extraordinary meetings. The attendance of the meetings is more than 90%.

A special meeting of the Audit Committee as well as the Supervisory Board was held on May 19, 2015 with the purpose of reviewing and approving the financial statements, the consolidated financial statements, the management report and the group management report of FACC AG for the fiscal year 2014/15.

In its first quarter meeting of the year held on May 22, 2015, the Supervisory Board listened to the business reporting presented by the Management Board and reviewed the budget plan for the fiscal year 2015/16.

On August 22, 2015, the Supervisory Board convoked the meeting for the second quarter to review the company's operation report presented by the Management Board and approve the budget plan for the fiscal year 2015/16.

The Supervisory Board meeting for the third quarter was held on November 3, 2015. Other than the normal topics, the Supervisory Board also analyzed the forecast of the fiscal year 2015/16 and discussed the five-year plan of FACC AG.

The Supervisory Board held a special conference call on January 20, 2016 to listen to the reporting in regard of fake president incident and took related immediate actions.

On February 1, 2016, the Supervisory Board had the meeting to specifically discuss the fake president incident. The SB resolved to engage Wolf Theiss legal firm as the leading lawyer responsible for the investigation and D&O insurance claim.

The Supervisory Board meeting for the fourth quarter was held on February 2, 2016. The Supervisory Board listened to the report of the business operation in the company and studied the business results for the whole year. The Supervisory Board also resolved to approve the capital increase of FACC Operation GmbH via FACC AG with certain conditions, remove the mandate of CFO Ms. Minfen Gu and appoint Mr. Wang Yongsheng as the interim Management Board member.

The extraordinary video conference of the Supervisory Board was held on February 25, 2016. At the meeting, the Supervisory Board discussed about the D&O insurance claim issues for fake president incident, resolved to approval of non-budgeted expenses in connection of the investigations regarding the fake president incident, capital increase of FACC Operations GmbH via FACC AG and supplement resolution on appointment of Mr. Wang Yongsheng as the interim MB member.

Audit Committee

The audit committee held three meeting during the FY2015/16. On May 19, 2015, the audit committee listened to the reporting of PwC regarding the annual audit of the company for the FY2014/15. The audit committee reviewed the management report of the company and group, the annual financial statements, the consolidated financial statements and the audit report.. On November 3, 2015, the audit committee and PwC auditor discussed the audit work and related legal requirements. The company was asked to adhere to the applicable legal rules and regulation in the course of corporate governance. Meanwhile, the auditor presented the sustainability development audit which will be required to do in the future. The audit committee had the meeting on February 2, 2016 to discuss the annual audit plan of the company and determine the timeline for the submission of the audit report to the audit committee and the SB as well as the approval time by the Supervisory Board. PwC auditor further explained the issues related to the audit of sustainability development. The enhancement of internal control system and risk management of FACC AG after the company suffered from the fake president incident was discussed.

Personnel and Compensation Committee

The personnel and compensation committee held total four meetings on May 22, August 22, November 3, 2015 and February 2, 2016 respectively in FY2015/16. In FY2015/16, the personnel and compensation committee listened to the report of the Management Board regarding the compensation management for the senior management of the company, work of HR remuneration system. The committee made the careful study and held the discussion of long-term incentive plan and three-year bonus plan. The meeting approved the adjustment of some senior management people in the Interiors division and reviewed other related business issues.

Strategy Committee

In FY2015/16, the strategy committee held three meetings on August 21, November 3, 2015 and February 2, 2016.

The strategy committee discussed the strategy of the company and five-year (mid-term planning) plan for the future at the meetings. The Management Board was required to continuously study the five-year plan in details.

Audit of FY2015/16

The PwC Austria AG Wirtschaftsprüfung was elected as the financial auditor for the FY2015/16 at the first AGM of FACC AG. PwC audited the annual financial statements, the consolidated financial statements, the management reports of the company and the group management reports. The auditor issued an unqualified audit opinion.

Audit of Annual Financial Statements and Consolidated Financial Statements

The audit committee reviewed the documents with the assistance of the auditor, which includes annual financial statements, the consolidated financial statements, the management report of the company and the group management report of FACC AG for FY2015/16. According to the management report and the analysis report on the risk management system, the audit committee discussed the effectiveness of the internal control and risk management system. The audit committee reported the work conclusion to the Supervisory Board afterwards.

Approval of Financial Statements

With the present of the auditor, the Supervisory Board resolved to approve the annual financial statements, the consolidated financial statements, the management reports of the company and the group of FACC AG for FY2015/16.

The Supervisory Board would like to extend the appreciation of the shareholders of FACC AG for their trust.

Ried Im Innkreis

Geng Ruguang

Chairman of the Supervisory Board