



**福耀玻璃工业集团股份有限公司**  
**FUYAO GLASS INDUSTRY GROUP CO., LTD.**

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
Stock Code: 3606

**2018**

INTERIM REPORT



## Important Notice

- I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management members of the Company warrant that the content of this interim report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.
- II. All the directors of the Company attended the meeting of the Board of Directors.
- III. This interim report has not been audited.
- IV. Cho Tak Wong, person-in-charge of the Company, Chen Xiangming, person-in-charge of accounting and Qiu Yongnian, head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this interim report.
- V. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during the Reporting Period

The net profit attributable to the shareholders of ordinary shares of the Company for the first half of 2018 recorded in the consolidated financial statements, which were prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, amounted to RMB1,868,620,621 and RMB1,868,354,794, respectively.

The net profit recorded in the financial statements of the Company for the first half of 2018, which were prepared in accordance with the China Accounting Standards for Business Enterprises, amounted to RMB3,480,416,819; adding the undistributed profits of RMB4,041,314,364 at the beginning of the year 2018, and deducting the RMB1,881,463,149 as profits distributed for the year 2017, the profits distributable to shareholders as at June 30, 2018 amounted to RMB5,640,268,034.

The interim profit distribution plan for the year 2018 proposed by the Company is as follows: cash dividends of RMB4 per 10 shares (tax inclusive) will be distributed based on total share capital of 2,508,617,532 shares of the Company as at June 30, 2018 for holders of A shares and holders of H shares whose names appear on the register of members on the record date of the distribution of interim cash dividends for the year 2018, with the total dividends amounting to RMB1,003,447,012.80 and the remaining undistributed profits to be reserved to the second half of 2018. The Company has no interim plans for issuing bonus shares or carrying out conversion of capital reserve into share capital for the year 2018. The cash dividends to be distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

## VI. Risks disclaimer of the forward-looking statements

The forward-looking statements in this report such as future plans and development strategies do not constitute an actual commitment of the Company to investors. Investors should be aware of the investment risks.

## VII. Any appropriation of fund by the controlling shareholder and its connected parties for non-operating purpose

No

## VIII. Any provision of external guarantee in violation of the stipulated decision making procedure

No

## IX. Material risk alert

The Company has described details of the possible risks and its countermeasures in this report. Investors are advised to refer to the section of "Section IV Management Discussion and Analysis" in this report for descriptions in respect of the risks we are exposed to.

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## Section I Definitions

In this report, unless the context otherwise requires, the following expressions shall have meanings as follows:

### DEFINITIONS OF COMMON TERMS

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and component business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made by two or more than two layers of automobile float glass sticking with a layer or various layers of PVB
tempered glass	automotive safety glass made by heating automotive grade float glass to certain temperature, then promptly cooling it down evenly after being shaped
float glass	the glass produced by applying float technology
Reporting Period	for the six months ended June 30, 2018

## Section II Corporate Profile and Principal Financial Indicators

### I. COMPANY INFORMATION

Name of the Company in Chinese	福耀玻璃工業集團股份有限公司
Chinese abbreviation	福耀玻璃
Name of the Company in English	Fuyao Glass Industry Group Co., Ltd.
English abbreviation	FYG, FUYAO GLASS
Legal representative of the Company	Cho Tak Wong

### II. CONTACT PERSON AND CONTACT METHODS

	Secretary to the Board of Directors	Representative of the Securities Affairs
Name	Li Xiaoxi	Zhang Wei
Contact Address	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Telephone	86-591-85383777	86-591-85383777
Fax	86-591-85363983	86-591-85363983
E-mail	600660@fuyaogroup.com	600660@fuyaogroup.com

### III. BASIC INFORMATION

Registered address of the Company	Fuyao Industrial Zone, Rongqiao Economic & Technological Development Zone, Fuqing City, Fujian Province
Postal code of the registered address of the Company	350301
Office address of the Company	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Postal code of the office address of the Company	350301
Website of the Company	<a href="http://www.fuyaogroup.com">http://www.fuyaogroup.com</a>
E-mail	600660@fuyaogroup.com
Principal place of business in Hong Kong	Room 1907, Shun Tak Centre, West Tower, 200 Connaught Road Central, Central, Hong Kong
Custodian of A shares	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Business address	Level 3, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited
Business address	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

### IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

Media selected by the Company for information disclosure	Shanghai Securities News, China Securities Journal and Securities Times
Website designated by CSRC for publishing the interim report of the Company	<a href="http://www.sse.com.cn">www.sse.com.cn</a>
Website designated by Hong Kong Stock Exchange for publishing the interim report of the Company	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Place of inspection of the interim report of the Company	Secretarial Office of the Board of Directors of the Company, District II of Fuyao Industrial Zone, Fuqing City

## Section II Corporate Profile and Principal Financial Indicators

### V. INFORMATION ON THE COMPANY'S SHARES

Class of shares	Stock Exchange on which shares are listed	Stock abbreviation	Stock code
A share	SSE	FUYAO GLASS	600660
H share	Hong Kong Stock Exchange	FUYAO GLASS	3606

### VI. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (I) Principal accounting data

Unit: '000 Currency: RMB

Principal accounting data	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)
Revenue	10,085,175	8,713,963	15.74
Profit for the Reporting Period attributable to equity holders of the Company	1,868,355	1,386,031	34.80
Profit for the Reporting Period attributable to equity holders of the Company, net of non-recurring profit or loss <i>(Note)</i>	1,829,704	1,347,937	35.74
Net cash generated from operating activities	2,490,758	1,649,377	51.01
	At the end of the Reporting Period (Unaudited)	At the end of last year	Increase/decrease at the end of the Reporting Period as compared with the end of the corresponding period last year (%)
Equity attributable to shareholders of the Company	19,013,034	19,014,191	-0.01
Total assets	35,420,077	31,717,365	11.67

*Note:* In particular, "Profit for the Reporting Period attributable to equity holders of the Company, net of non-recurring profit or loss" is prepared in accordance with the China Accounting Standards for Business Enterprises.

## Section II Corporate Profile and Principal Financial Indicators

### VI. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

#### (II) Principal financial indicators

Principal financial indicators	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.74	0.55	34.55
Diluted earnings per share (RMB/share)	0.74	0.55	34.55
Return on equity (%)	9.83	7.94	Increased by 1.89 percentage points

### VII. DISCREPANCIES IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

#### (I) Discrepancies between net profit and net assets attributable to shareholders of the Listed Company in the financial report disclosed under the International Accounting Standards and under the China Accounting Standards

Unit: '000 Currency: RMB

	Profit attributable to the equity holders of the Company		Equity attributable to the holders of the Company	
	Amount for the Reporting Period (Unaudited)	Amount for the corresponding period of previous year (Unaudited)	Amount at the end of the Reporting Period (Unaudited)	Amount at the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	1,868,621	1,386,187	18,999,945	19,000,836
Adjustments to items and amounts in accordance with the International Financial Reporting Standards: Reversal of impairment for buildings and land use rights and the discrepancies between corresponding depreciation and amortization	(266)	(156)	13,089	13,355
Prepared in accordance with the International Financial Reporting Standards	1,868,355	1,386,031	19,013,034	19,014,191

## Section II Corporate Profile and Principal Financial Indicators

### VII. DISCREPANCIES IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS (CONTINUED)

#### (II) Note to discrepancies between domestic and overseas accounting standards

In addition to preparing the financial statements for H shares in accordance with the International Financial Reporting Standards (“IFRSs”), the Company, as an A-shares company listed on the SSE, is also required to prepare financial statements in accordance with the China Accounting Standards for Business Enterprises (“CASBE”). There are discrepancies between the financial statements prepared by the Company in accordance with the IFRSs and those prepared by the Company in accordance with the CASBE: Yung Tak Investment Limited, a subsidiary of the Group, made provision for impairment in accordance with the discrepancies between recoverable amounts and carrying amounts of buildings and land use rights in the previous year. The provision for long-term asset impairment was subject to “Accounting Standards for Business Enterprises No. 8 – Assets Impairment” issued by the Ministry of Finance on February 15, 2006. Upon recognition of the loss on asset impairment of the Group, it shall not be reversed during the subsequent accounting periods. Under the IFRSs, various estimations for the recognition of the recoverable amount of assets applied by the Group have varied since the latest recognition of loss on impairment, and the loss on asset impairment, excluding goodwill, recognised in the previous period should be reversed. Such discrepancies will have an impact on the provision for (and loss on) asset impairment of the Group, operating results (depreciation/amortization) of buildings and land use rights within useful lives, thus resulting in the adjustment matters above.

### VIII. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS (PREPARED IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

*Unit: Yuan Currency: RMB*

Non-recurring profit or loss items	Amount
Profit or loss from disposal of non-current assets	(6,611,618)
Government subsidies recorded under current profit or loss, other than those closely related to the normal business operation of the Company and subject to a fixed amount or quantity under certain standard required by national policies	53,226,917
Profit or loss from changes in fair value of held-for-trading financial assets and trading financial liabilities, and investment gains from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, other than effective hedging activities related to normal business operations of the Company	(6,939,442)
Other non-recurring income and expenses other than the above items	8,500,395
Impact on non-controlling interests	22,160
Effects of income tax	(9,281,742)
Total	<u>38,916,670</u>



## Section III Summary of the Business of the Company

### I. DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW DURING THE REPORTING PERIOD

#### (I) Principal business and business model

The principal business of the Company is the provision of total solution of safety glass for various transportation vehicles, including the provision of design, manufacture, sale and service for automotive grade float glass, automotive glass and locomotive glass. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales service. The Company adheres to its brand development strategies of keeping technology leadership and fast responding to the market, so as to work with its customers on product design, manufacturing and service providing. The Company creates values for its customers through the concentration on improving industrial ecological chain and reacting to the ever-changing demand of customers systematically, professionally and rapidly.

#### (II) Industry overview

The automobile production volume in China increased from 18,264,700 units in 2010 to 29,015,400 units in 2017, with a compound annual growth rate of 6.84% and a year-on-year growth of 3.19%. It has ranked first in the world for nine consecutive years. From January to June in 2018, the automobile production volume and sales volume were 14,057,700 units and 14,066,500 units, representing a year-on-year growth of 4.15% and 5.57% respectively.

With the gradual popularization of automobiles in urban households, the automobile industry has basically ended the ten-year high-speed growth in 2000 to 2010 and entered a period of steady growth. Judging from the short-term market trend and taking into consideration the continuous decline of the macroeconomic growth rate, the ongoing transformation and upgrading of the automobile industry and the complete withdrawal of the preferential taxation policy on purchases of cars with displacement of 1.6L or lower and other factors, China's automobile market is in steady growth in 2018.

The average growth speed of the global automobile industry maintained at approximately 3.5% to 4.5%, as is evident from the average growth speed of automobile in the international market for years. However, the growth speed of the automobile industry in developing countries is higher than that in developed countries and their proportion in the global automobile industry is constantly increasing with an expanding impact.

In the long run, China's car ownership still has broad upside potential. At present, it lags far behind the developed countries. Data of the same periods revealed that the car ownership had reached over 80 units, over 35 units and approximately 15 units for every one hundred people in the US, Japan and Korea as a whole, and China, respectively. Along with the development of Chinese economy, the continuing urbanization, the growth of residents' income, the growth of spending power and the improvement of road infrastructure, the potential automobile consumption demand of China is still huge, and automobile consumption is still in the "first rigid demand-driven consumption" stage. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still much room for development in the Chinese automobile industry and the industry of provision of accessories for automobiles.

## Section III Summary of the Business of the Company

### I. DETAILS OF THE COMPANY'S PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW DURING THE REPORTING PERIOD (CONTINUED)

#### (II) Industry overview (Continued)

The promotion of new-energy, intelligent and energy-saving automobiles facilitates economic transformation and upgrading; along with the development of application technology, the automotive glass has developed towards "safety and comfort, energy conservation, environmental protection, beautiful appearance, intelligence and integration" with constantly increasing additional value. The leading position of Fuyao in the industry in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

Therefore, as a supporting industry of the automobile industry, there is still room for stable development for the industry in the medium and long run.

*Note:* The sources of the information above include the information from China Association of Automobile Manufacturers, Industrial Information of China and the International Organization of Motor Vehicle Manufacturers.

### II. DETAILS OF SUBSTANTIAL CHANGES OF THE PRINCIPAL ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

There were no substantial changes of the principal assets of the Company during the Reporting Period.

Including: overseas assets of RMB12,042 million, accounting for 34.00% of the total assets.

## Section III Summary of the Business of the Company

### III. ANALYSIS ON THE CORE COMPETITIVENESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company continued to strengthen its core competitiveness:

1. Fuyao, a company with strong sense of social responsibility and mission, has gained trust from global automobile manufacturers, users, suppliers and investors by fulfilling its supporting role in the world's automobile industry and contributing transparent and exquisite glass to the world. Brand is the core competitiveness of Fuyao.
2. Fuyao has developed a team with devotion, passion, unity and ambition which has competitive advantages in operation, management, technology, quality, technique, design and IT in the glass industry.
3. The standardized, transparent and international financial system and the ERP-based process optimization system of Fuyao lay a solid foundation for the digitalization and intelligentization of "Industry 4.0".
4. Fuyao has built a relatively comprehensive industrial ecology, such as sand mineral resources, quality float technology, research and development of process and equipment, global layout of R&D centers and supply chain network; unique staff training and related mechanism, all of which are the systematic industrial advantages like a "city moat".
5. Development strategy in a professional, devoted and concentrated manner enables the Company to react promptly to market changes and provide Total Solution of automotive glass for customers.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS

Being a worldwide leading enterprise of design, development, manufacturing, supply and service of automotive glass and automotive grade float glass, Fuyao adheres to its brand development strategies of keeping technology leadership and fast response to the market. During the Reporting Period, Fuyao continuously provided products and services of automotive safety glass which embodied the intelligence and care of all Fuyao staff to the world's automobile manufacturers and maintenance market, as well as provided global automobile users with intelligent, safe, comfortable, environmentally friendly and fancy Total Solutions relating to automotive safety glass, and in the meantime, improved the happiness of both drivers and passengers.

During the Reporting Period, the Company realized accumulated revenue of RMB10,085,175,000, representing an increase of 15.74% as compared with the corresponding period last year; realized a total profit before tax of RMB2,177,508,000 (of which the exchange gains were RMB60,839,000 for the Reporting Period as compared with an exchange loss of RMB171,155,000 for the corresponding period last year), representing an increase of 29.14% as compared with the corresponding period last year; realized profit attributable to equity holders of the Company for the period of RMB1,868,355,000, representing an increase of 34.80% as compared with the corresponding period last year; realised earnings per share of RMB0.74, representing an increase of 34.55% as compared with the corresponding period last year.

During the Reporting Period, the Company carried out the following work according to the Group's business strategy centered on "continuously creating values for customers" with the market-orientated approach, the support of technological innovation and the protection by standardized management, to ensure the steady improvement of the efficiency of the whole value chain:

- (1) The market share of the Company was further increased due to the substantive achievements arising from its market-oriented global business strategy. During the Reporting Period, the Company's domestic revenue from automotive glass represented an increase of 7.15% as compared with the corresponding period last year, higher than the growth rate of the output of the automobile industry (the output of the automobile industry experienced an increase of 4.15% from January to June 2018); its overseas revenue from automotive glass had an increase of 22.31% as compared with the corresponding period last year, substantially higher than the growth rate of the revenue from the domestic automotive glass.
- (2) The Company ensured high efficiency on the basis of high quality by implementing quality management for all its staff and through all processes, used Six Sigma and other improvement tools, and strictly executed the self-inspection system, thus creating quality and benefits for the Company.
- (3) During the Reporting Period, the Company made more efforts in lean operation of Obeya room. The cost deduction and better efficiency was achieved in all aspects and in the whole value chain through building five-star teams, leading by lean belt talents, and lean activities of departments. During the Reporting Period, the cost expense rate (the aggregate of cost of sales, distribution costs, administrative expenses, research and development expenses, net finance costs and exchange gains/(losses) of other gains/(losses) as a percentage of the revenue) was 79.14%, representing a year-on-year decrease of 1.94 percentage points.
- (4) During the Reporting Period, the Company continued to pursue innovation, leveraged on technology breakthroughs and developed new technology products from the perspective of "safety and comfort, energy conservation and environmental protection, beautiful appearance, and intelligence and integration". It also took advantage of "problem-solving measures (攻關令)" to seek for technology and equipment breakthroughs and thereby enhanced the added value and competitiveness of its products.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (5) During the Reporting Period, the Company deepened its management reform. Based on comprehensive budget, it strengthened the assessment and incentive mechanism as the driving force and perfected its benchmark management to give full play to the potential of each employee. Further efforts were exerted on innovation and reform to promote the realization of budget goals.
- (6) During the Reporting Period, the Company further improved the mechanism for cultivation and training of talents based on its internal Management Institute to strengthen employees' training for talents at different levels and of all kinds, thus ensuring that employees' growth and development laid a solid foundation for the transformation and upgrading of the Group.

#### (I) Analysis on principal business

##### 1. Table of analysis of changes in relevant items in the financial statements

Unit: '000 Currency: RMB

Items	For the Reporting Period (Unaudited)	For the same period last year (Unaudited)	Percentage Change (%)
Revenue	10,085,175	8,713,963	15.74
Cost of sales	5,951,399	5,066,724	17.46
Distribution costs and selling expenses	672,245	611,652	9.91
Administrative expenses	934,275	842,216	10.93
Finance costs – net	63,021	(15,661)	(502.41)
Net cash generated from operating activities	2,490,758	1,649,377	51.01
Net cash used in investing activities	(1,056,486)	(1,673,881)	(36.88)
Net cash generated from financing activities	803,398	48,898	1,543.01
Research and development expenses	421,543	389,069	8.35

Reason for change in revenue: the change was mainly due to more efforts being put in marketing, which made the growth in revenue greater than that in the industry, as well as product upgrade and structural optimization which resulted in further increase in revenue.

Reason for change in cost of sales: the change was mainly due to an increase in corresponding costs resulting from the increase in revenue.

Reason for change in distribution costs and selling expenses: the change was mainly due to an increase in distribution costs caused by the increase in revenue.

Reason for change in administrative expenses: the change was mainly due to a year-on-year increase in staff salaries and organisation costs by RMB65 million and RMB17 million, respectively.



## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (I) Analysis on principal business (Continued)

##### 1. Table of analysis of changes in relevant items in the financial statements (Continued)

Reason for change in finance costs-net: the change was mainly due to an increase in borrowings and their interest rates during the Reporting Period.

Reason for change in net cash generated from operating activities: the change was mainly due to an increase in revenue, speeding up of the collection of accounts receivable from sales and a decrease in inventory turnover days.

Reason for change in net cash used in investing activities: the decrease in net cash used for investing activities was mainly due to the partial payment of RMB663 million for the equity transfer received from the proposed disposal of Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司), a subsidiary of the Company, during the Reporting Period.

Reason for change in net cash generated from financing activities: the change was mainly due to an increase in demand for working capital, as well as an increase in borrowings and cash reserves.

Reason for change in research and development expenses: increase in investment of research and development projects, and continuous promotion of research and development innovation can strengthen the core competitiveness of the Company, facilitate its technology upgrade and increase the added value of its products.

##### 2. Others

###### (1) Details of material changes in profit composition or the source of profit of the Company

During the Reporting Period, there were no material changes in profit composition or the source of profit of the Company.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (II) Analysis on assets and liabilities

##### 1. Assets and Liabilities

Unit: '000 Currency: RMB

Items	Closing balance (Unaudited)	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Intangible assets	224,053	0.01	143,549	0.00	56.08	Mainly due to the consolidation of 78% equity interests in Sanqi (Xiamen) Precision Manufacture Company Ltd. (三騏(廈門)精密製造有限公司) and 100% equity interests in Fujian Triplex Holdings Group Company Limited (福建三鋒集團控股有限公司) not subject to common control of the Group and the difference between consolidation cost and net fair value of identifiable assets recognized as goodwill during the Reporting Period
Derivative financial instruments – current assets	14,665	0.00	3,561	0.00	311.82	Mainly due to the estimated unrealized gains incurred by the unsettled currency swap contracts as a result of movements in foreign exchange rates
Cash and cash equivalents	9,008,967	0.25	6,704,296	0.21	34.38	Mainly due to the increase in cash reserve to meet the growing demand for working capital
Assets of disposal groups classified as held-for-sale	420,736	0.01	–	0.00	100	Mainly due to the equity transfer agreement entered into between the Company and Taiyuan Jinnuo Investment Co., Ltd. (太原金諾投資有限公司) during the Reporting Period, pursuant to which, the Company transferred its 75% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司) to Taiyuan Jinnuo Investment Co., Ltd. in batches, hence recognition of assets of Beijing Futong under this item. As at the end of the Reporting Period, the equity transfer has not been completed

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (II) Analysis on assets and liabilities (Continued)

##### 1. Assets and Liabilities (Continued)

Items	Closing balance (Unaudited)	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Non-controlling interests	26,248	0.00	4,423	0.00	493.44	Mainly due to Sanqi (Xiamen) Precision Manufacture Company Ltd. acquired and Fujian Triplex Auto Services Co., Ltd. indirectly controlled through the acquisition of Fujian Triplex Holdings Group Company Limited during the Reporting Period being non-wholly-owned subsidiaries, whose interests relating to the remaining 22% and 40% equity interest were presented under this item
Borrowings – current liabilities	8,598,346	0.24	5,387,661	0.17	59.59	Mainly due to the increase in demand for working capital
Liabilities of disposal groups classified as held-for-sale	2,452	0.00	–	0.00	100	Mainly due to the equity transfer agreement entered into between the Company and Taiyuan Jinnuo Investment Co., Ltd. during the Reporting Period, pursuant to which the Company transferred its 75% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. to Taiyuan Jinnuo Investment Co., Ltd. in batches, hence recognition of liabilities of Beijing Futong under this item. As at the end of the Reporting Period, the equity transfer has not been completed

##### 2. Details of charge on assets

As at June 30, 2018, lands and buildings of the Group with book value of RMB21,418,000 were pledged as security for the credit facilities of HK\$30 million.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (II) Analysis on assets and liabilities (Continued)

##### 3. Details of number of employees, remuneration policy and training plans

- ① Number of employees: as of the end of the Reporting Period, the number of employees of the Company was 27,713, representing an increase of 1,532 employees as compared with that at the end of 2017, which was mainly attributable to the acquisition of Fujian Triplex Holdings Group Company Limited (福建三鋒控股集團有限公司) by Fuyao (Hong Kong) Limited (福耀(香港)有限公司), a wholly-owned subsidiary of the Company.
- ② Remuneration policy: based on the principles of fairness, competitiveness, incentives and legality, the Company formulated its remuneration policy. Remuneration of employees is mainly composed of various items including basic salaries, performance salaries, bonuses, subsidies and allowance; salaries are adjusted in accordance with the Company's performance, employees' performance and capability in a timely manner. In addition, the Company participated in "five social insurances and one housing fund" as required, and made contributions to social insurances and housing provident fund as scheduled.
- ③ Training plans: According to the Group's strategic plan and annual operating plan, the Company made an annual training plan. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products, production process, quality control and occupational safety. The on-the-job education covers environment, health and safety management systems and mandatory training required by the applicable laws and regulations as well as special training for personnel at various levels and in all professions. Meanwhile, in order to meet the needs of its globalization and strategic plan, the Group held various courses for middle and senior management, key technical staff and backbones, including courses for senior management reserve, core courses, main process technology training courses, lean belt talent training courses and quality engineering training courses. Through providing training and developing talents, the Company secured talents for enterprises transformation and upgrading, promoted the rapid development of the enterprises and improved operation efficiency of the enterprises.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (III) Liquidity and source of capital

##### 1. Cash flows

Unit: '000 Currency: RMB

Items	January to June, 2018 (Unaudited)	January to June, 2017 (Unaudited)
Net cash generated from operating activities	2,490,758	1,649,377
Net cash used in investing activities	(1,056,486)	(1,673,881)
Net cash generated from financing activities	803,398	48,898
Amount increased in liquidity	<u>2,305,269</u>	<u>(108,218)</u>

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB2,491 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB11,331 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB6,107 million, cash paid to and paid on behalf of employees amounted to RMB1,975 million, and payment for various taxes amounted to RMB870 million.

Daily capital needs of the Group can be financed by internal cash flows. The Group also had adequate credit facilities provided by banks.

- (2) During the Reporting Period, net cash generated from investing activities amounted to RMB-1,056 million. In particular, cash paid for purchase and construction of long-term assets like property, plant and equipment amounted to RMB1,678 million.
- (3) During the Reporting Period, net cash generated from financing activities amounted to RMB803 million, of which, cash received from borrowings amounted to RMB6,598 million, cash used for repayment of debts amounted to RMB3,751 million; cash payment for distribution of dividends and payment of interests amounted to RMB2,043 million.
- (4) The Company will further strengthen and promote management system with intensive capital and budget, strictly control the exchange risks and optimize the capital structure to enhance the security and effectiveness of capital management and ensure the maximization of capital efficiency.

##### 2. Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other transformation and upgrading expenditures. During the Reporting Period, RMB1,678 million in cash was paid for purchase and construction of long-term assets like property, plant and equipment. In particular, capital expenditure of Suzhou automotive glass project amounted to approximately RMB220 million; and while capital expenditure of Benxi float glass project amounted to approximately RMB377 million.



## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (III) Liquidity and source of capital (Continued)

##### 3. Borrowings

During the Reporting Period, the new bank borrowings amounted to approximately RMB6,598 million; repayment of bank borrowings amounted to approximately RMB3,751 million; in consideration of the impacts of the dividends, the funding demand in the first half year will increase accordingly. The Company did not utilize any financial instrument for hedging. As of June 30, 2018, interest-bearing debts are set out as follows:

*Unit: 100 million Currency: RMB*

Type	Amount
Short-term borrowings with fixed interest rates	73.67
Short-term borrowings with floating interest rates	7.74
Long-term borrowings with floating interest rates due within one year	4.58
Long-term borrowings with floating interest rates	16.25
Corporate bond	7.99
	<hr/>
Total	110.22
	<hr/>

##### 4. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is situated within the PRC and is denominated in Renminbi. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent; as such, the Group may avoid foreign exchange risks by ways of acquiring borrowings denominated in US dollars, entering into forward foreign exchange contracts or currency swap contracts, swap, option and other financial derivatives. During the Reporting Period, foreign exchange gains of the Group amounted to RMB61 million, as compared with foreign exchange losses of RMB171 million for the corresponding period of last year.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (IV) Capital efficiency

Inventory turnover period during the Reporting Period was 90 days as compared with 104 days of the corresponding period of last year: among which, inventory turnover period for automotive glass was 67 days as compared with 76 days of the corresponding period of last year; inventory turnover period for float glass was 139 days as compared with 179 days of the corresponding period of last year. The inventory turnover days declined significantly as compared with the corresponding period of last year.

The turnover period of the trade receivables during the Reporting Period was 83 days as compared with 90 days of the corresponding period of last year, representing a decrease of seven days, which was mainly due to the expedited recovery of trade receivables.

During the Reporting Period, the return on equity was 9.83% as compared with 7.94% of the corresponding period of last year, representing an increase of 1.89%, which was mainly due to the increase in gross profit and exchange gains.

Gearing ratio during the Reporting Period is set out as follows (as prepared in accordance with the IFRSs):

Unit: '000 Currency: RMB

	As at June 30, 2018 (Unaudited)	As at December 31, 2017
Total borrowings	11,022,231	7,897,266
Less: Cash and cash equivalents	(9,008,967)	(6,704,296)
Net debts	2,013,264	1,192,970
Total equity	19,039,282	19,018,614
Total capital	21,052,546	20,211,584
Gearing ratio (%)	9.56%	5.90%

*Note:* Gearing ratio: net debts at the end of the period divided by total capital. Net debts were the sum of current and non-current borrowings less cash and cash equivalents. Total capital was the sum of net debts and total equity.

#### (V) Commitments

For details, please refer to “24. Commitments” in the “Section IX Financial Report”.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (VI) Contingent liabilities

During the Reporting Period, the Company had no material contingent liabilities.

#### (VII) Prospects of the Company for the second half of 2018

Looking into the second half of 2018, Fuyao staff remain confident. Thanks to the sufficient knowledge on the expectation and the strategic arrangements in advance, despite various adverse factors such as the increasing crisis on market platforms and social credit defaults as well as the uncertainties on the Sino-U.S. relations, the policies implemented in the first half are objectively proved to be effective and sustainable, unless uncontrollable disasters occur.

The Company will carry out the following two key works in the second half of 2018: firstly, it will fully support and achieve the budget plans; secondly, it will make overall preparation for the budget capacity building and the budget for mid-2019.

#### (VIII) Analysis of Investment

##### 1. Overall analysis on external investment in equity interest

Fuyao (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, and Roring Investments Limited (來明投資有限公司) entered into the Agreement on Transfer of Equity Interests in Sanqi (Xiamen) Precision Manufacturing Co., Ltd. (三騏(廈門)精密製造有限公司) on May 18, 2018, pursuant to which Fuyao (Hong Kong) Co., Ltd. agreed to acquire the 78% equity interest in Sanqi (Xiamen) Precision Manufacturing Co., Ltd. held by Roring Investments Limited at a price of USD12,675,000. Sanqi (Xiamen) Precision Manufacturing Co., Ltd. is mainly engaged in the manufacturing of molds, auto parts, and accessories.

Fuyao (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, and Triplex Holdings Limited entered into the Agreement on Transfer of Equity Interests in Fujian Triplex Holdings Group Company Limited on June 25, 2018, pursuant to which Fuyao (Hong Kong) Co., Ltd. agreed to acquire 100% equity interests in Fujian Triplex Holdings Group Company Limited from Triplex Holdings Limited at a price of RMB223,765,000. Fujian Triplex Holdings Group Company Limited is mainly engaged in the manufacturing of key automotive parts and R&D of key technologies. Please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Acquisition of 100% Equity Interests in Fujian Triplex Holdings Group Company Limited by a Wholly-owned Subsidiary and Connected Transaction dated June 26, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) for details.

The Company did not make any external investment in equity interests during the corresponding period last year.

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (VIII) Analysis of Investment (Continued)

##### 1. Overall analysis on external investment in equity interest (Continued)

##### (1) Financial assets at fair value

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance (Unaudited)	Changes in the Reporting Period	Impacted amounts on current profits
Forward foreign exchange contracts	(332,708)	2,246,700	2,579,408	2,579,408
Currency swap contracts	(18,762,211)	9,498,296	28,260,507	28,260,507
Short call on foreign exchange	(534,000)	(18,240,330)	(17,706,330)	(13,690,330)
Principal-guaranteed wealth management products with the gains linked with J.P. Morgan MOZAIC WEEKLY Index	101,927,854	102,475,313	547,459	547,459
<b>Total</b>	<b>82,298,935</b>	<b>95,979,979</b>	<b>13,681,044</b>	<b>17,697,044</b>

*Note:* The positive balance in the above table represents that the net balance of the related item at the date of the balance sheet is assets, while negative as liabilities.

#### (IX) Material disposal of assets and equities

Based on the strategic development plan of the Company and to further optimise and adjust its asset structure to increase the liquidity of assets as well as improve the efficiency of the use of the Company's assets, the Company entered into the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司) with Taiyuan Jinnuo Investment Co., Ltd. (太原金諾投資有限公司) ("Taiyuan Jinnuo") on June 28, 2018, pursuant to which the Company agreed to transfer 75% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. ("Beijing Futong") to Taiyuan Jinnuo at a total consideration of RMB1,004.45 million. The total consideration of the Equity Transfer is RMB1,004.45 million (of which, 51% equity interest in Beijing Futong was priced at RMB683.05 million and 24% equity interest in Beijing Futong was priced at RMB321.40 million).

## Section IV Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

#### (IX) Material disposal of assets and equities (Continued)

As of the date of this report, the Company has received RMB683.05 million for the equity transfer from Taiyuan Jinno. The transfer of equity interests of Beijing Futong didn't constitute severe impacts on the financial conditions and operation results of the Company, impair the interests of the Company and its shareholders, especially the non-related shareholders, or cause adverse effects on its ability to continue as a going concern.

Please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Disposal of 75% Equity Interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated June 29, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) and the announcement on Discloseable Transaction-Disposal of 75% Equity Interest in Beijing Futong dated June 29, 2018 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.

#### (X) Analysis of major subsidiaries and investee companies

Unit: '0,000 Currency: RMB (unless otherwise specified)

Company	Business nature	Major products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Fujian Wanda Automobile Glass Industry Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	74,514.95	320,584.85	155,801.29	123,063.39	53,837.45	50,819.84
Fuyao Group (Shanghai) Automobile Glass Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	USD 68,048,800	393,663.22	120,258.31	147,860.79	52,695.56	49,281.08
Guangzhou Fuyao Glass Co., Ltd.	Manufacturing enterprise	Production of special glass made of inorganic non-metallic materials and products	USD 75,000,000	270,333.75	86,894.13	98,493.41	24,671.88	21,293.64
Fuyao Glass America Inc	Manufacturing enterprise	Production and sale of automotive glass products	USD 330,000,000	556,883.47	43,165.24	168,054.24	12,058.22	12,680.17

*Note:* Fuyao Glass America Inc. has 100% equity interest in each of Fuyao Illinois Inc. (福耀伊利諾伊有限公司) and Fuyao Asset Management C, LLC (福耀美國C資產公司). The financial figures of Fuyao Glass America Inc. as disclosed in the above table are the figures of the three companies after consolidation. Based on such statistics, the total assets and net assets of Fuyao Glass America Inc. as at June 30, 2017 were RMB5,460,896,100 and RMB258,842,800, respectively, and its operating revenue, operating profit and net profit for the period from January to June of 2017 were RMB906,950,100, RMB-75,546,600 and RMB-47,946,200, respectively.



## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE

#### (I) Potential risks

##### 1. Risks on economic, political and social conditions, and government policies

Most assets of the Company are located in the PRC and approximately 65% of the income is from the business in the PRC. Therefore, the operating results, financial status and prospects of the Company are influenced by the changes in economy, politics, policies and laws. As the Chinese economy is in the stage of transformation and upgrade, the business of the Company in the PRC might also be affected. Hence, the Company will enhance the innovation on technology while strengthening the aftersales maintenance market, and consolidate and ensure stable and healthy development of the PRC market while taking advantage of globalized operation.

##### 2. Risks of the industry development

The global automobile industry is in the process of transformation and upgrade. Competition in the automobile industry is stretching from a manufacturing field to a service field where intelligence, networking and digitalization will be the mainstream of the development of the automobile industry. As the scale of individual enterprises in the PRC automobile industry remains small, consolidation will be inevitable. If the Company fails to promptly react to the change in technologies, customers' demands might not be satisfied. If the demand of automobiles fluctuates, the demand of products of the Company would also fluctuate, which might result in an adverse impact on the financial status and operating results of the Company. The Company, therefore, will enrich product lines, optimize product structures, increase the added value of products, including encapsulated products, HUD glass, acoustic glass, hydrophobic glass, SPD light transmittance glass, coated glass and UV-cut glass, to provide more comprehensive product solutions and services to customers worldwide.

##### 3. Risks of the market competition

Intensified market competition may result in a decrease in the prices or demand of part of the Company's products. If the competitors of the Company successfully reduces their costs of products or launches new glass products or materials which could substitute glass, the sale and profit margin of the Company may be adversely affected. In this regard, the Company applies the strategy of differentiation to strengthen the strategic and cooperative relationship with customers, further satisfies market needs at home and abroad, and constantly improves the value and competitiveness of "Fuyao" brand.

## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (I) Potential risks (Continued)

##### 4. Risks of cost fluctuation

The costs of automotive glass of the Company mainly comprise raw materials of float glass, PVB raw materials, labor, electricity and manufacturing costs, while the costs of float glass mainly include costs of fuels such as sodium carbonate and natural gas, labor, electricity and manufacturing costs. Influenced by the fluctuation of the prices of international bulk commodities, changes in supply and demand in the natural gas market, changes in production capacity in the sodium carbonate industry and needs for sodium carbonate due to the prospect of the glass and aluminum oxide industries, the commencement of the pricing mechanism of natural gas and the linkage reform mechanism of crude oil, the commencement of coal power linkage pricing reform mechanism, the pressures of inflation arising from the Quantitative Easing happening to countries by turn all over the world, continuous rising of labor cost, the Company is exposed to the risk of cost fluctuation. Given the above, the Company will:

- (1) integrate key material suppliers to develop cooperative partnership relationship and build a sound mechanism in respect of the rating and incentive of suppliers, and appraise outstanding suppliers; build an iron triangle management mechanism on areas such as procurement, technology and quality by focusing on suppliers of key materials and import of materials.
- (2) enhance the research on the price trend of raw materials and make purchases in a timely manner; expand supply channel to ensure a stable and effective supply.
- (3) improve the utilization rate of materials, increase automation, optimize staff allocation, enhance efficiency, conserve energy and reduce consumption, strictly control costs throughout the process, integrate logistics, optimize packaging plans, increase transportation capacity of lorries and containers, reduce costs of packaging and logistics, enhance innovation in research and development and application of research accomplishments, increase productivity, improve management level and achieve overall efficiency.
- (4) strengthen customer loyalty and inspire their confidence in placing orders through building plants in the Europe and the US to conduct production and sale in those regions, and leverage certain of its strengths in the prices of materials, natural gas and electricity to avoid risks arising from cost fluctuations.
- (5) improve knowledge productivity and create value for the Company by devoting efforts to energy conservation in manufacturing and management, as well as product intelligence.

## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (I) Potential risks (Continued)

##### 5. Risks of fluctuations in exchange rates

Reforms have been made to the mechanism of the country's RMB exchange rate with regard to the principles of taking initiatives in the reforms of, pursuing gradual changes in and maintaining control over RMB exchange rates by turning the said mechanism into a managed floating rate system based on market supply and demand with reference of a basket of currencies. Although the underlying cause of imbalances in international trade lies in the issues behind the economic structure of certain countries, fluctuations in exchange rates will take place alongside the fluctuations in the global economy, turbulence in certain countries, growing tension in certain key areas, and the tightening and easing of monetary policies by different countries. Given that the export-oriented business has accounted for over one third and its scale expands per annum, the occurrence of significant fluctuations in exchange rates will affect the results of the Company. In this regard, (1) the finance department of the headquarters of the Group will strengthen the supervision on the scale of foreign currency transactions as well as foreign currency assets and liabilities of the Group, and may manage the potential fluctuations in exchange rates by optimizing the settlement currency of export trades and utilizing exchange rate financial instruments and other proactive preventive measures; (2) the Company will strengthen customer loyalty and inspire their confidence in placing orders through building plants in the Europe and the US to conduct production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates so as to keep the risks under control.

##### 6. Risks that the Company might not be able to respond quickly enough to rapid technological change and evolving standards in the automotive glass industry or in industries of the customers of the Company

The Company focuses on developing proprietary technologies and new automotive glass products. Long time periods may be required for the new product development process, potentially leading to mounting expenses. Substantial investment of capital and resources may be necessary before new products contribute to sales. Investment in the development of new products by the Company may not generate sufficient earnings in the event that competitors release new products to the market more rapidly than the Company does or if alternative technologies and products are preferred by the market. If the Company is unable to predict or respond in a timely manner to changes in technologies or does not succeed in developing new products suited to customer needs, the Company's business activities, business performance and financial condition may be adversely affected. In order to maintain the competitive edge, the Company will enlarge its investment in research and development, improve its independence and innovation capabilities, strengthen the management of research and development projects and establish the market-oriented research and development mechanism. The Company will also directly respond to the demand of the main manufacturers through the product center to establish a strategic cooperative relationship with the customers.

## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (I) Potential risks (Continued)

##### 7. Cyber risk and security

With the promotion of the smart manufacturing capacity of enterprises, operation and management of core business are all backed and realized through the information systems. In case of external attack, ransomware virus against the core information network of the Company, corruption of important files and failures in manufacturing execution system and other systems may occur, or production and delivery would be affected. Therefore, the Company will, in accordance with the guidance of the overall information security scheme, (1) implement strict control over the provision and port of external access, update patches in a timely manner for resources such as the server, the memory, etc., and install hardware firewalls to ward off the trespass of hackers into internal sources through protection vulnerabilities; (2) conduct attack and defense drills on a regular basis, track down underlying security risks promptly and take corresponding measures to control risks thereof; (3) continue the consistent cooperation with worldwide top-notch cyber security service providers which has lasted for years and establish a multilayered and tridimensional defense system so as to identify the abnormal situation as it's happening, carry out countermeasures automatically and ensure data security; (4) establish crisis awareness to guard against all kinds of cyber risks; and enhance the cyber security consciousness and sense of participation of the entire staff and regulate their online behaviors so as to help the staff learn techniques and methods for secure use of the Internet and improve the capability of resisting and avoiding harmful information on the Internet.

##### 8. Information swindle and theft

With the advancement of information-based construction of enterprises, core data in relation to sales, design, process and finance of enterprises are exposed to theft, which would result in impairment of the core competitiveness of enterprises. In order to avoid such risks, the Company has accelerated the progress of information encryption and desktop virtualization. On the one hand, the Company has the core information system encrypted such that copied files or data cannot be opened outside the enterprise network, which will in turn guarantee information security; it paces up in the construction of visualized desktop for R&D department, design department and other nucleus departments and carries out concentrated storage of core information assets so as to reduce the possibility of individual storage and information dissemination, on the other hand. In addition, the Company has also adopted the model that integrated software and hardware and formulated three-layered security measures for the avoidance of information leakage to regulate the download, copy and utilization of important files. Clear demarcation has been made among data, files, technical documents, intranet, outer net, and VPN, and corresponding protection measures are adopted.

## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (I) Potential risks (Continued)

##### 9. Environmental and social risks

As China's policies, plans and standards in respect of environmental government and management are becoming increasingly detailed and stringent both intensively and extensively, there may be risks that indicators in some aspects or a certain aspect of the Company are deviant from new policies and new standards promulgated by the government. First, the Company upholds the "resource conserving and eco-friendly" concept and has been implementing such a concept through innovations in technology, process and equipment, application of new materials and investment in environmental facilities. As a result, the industries of the Company satisfied the top-notch standards in the world in respect of materials, process, technology, equipment, energy saving and environmental protection and functional performance; second, the Company has set up the environmental, social and governance committee and has formulated the environmental, social and governance management systems and internal control handbook to provide stronger guarantee for the long-acting and sustainable development of the Company in respect of the environment, society and governance; third, it carries out propagation and training courses on environmental protection, energy saving and recycling economy with the view to improving the environmental consciousness of the entire staff on a continuous basis; fourth, the Company exerts strict internal monitoring and assessment on the comprehensive implementation of various measures and objectives for the environmental protection work.

#### (II) Dividend and Reduction and Exemption of Dividend Tax

The interim profit distribution plan for the year of 2018 proposed by the Company is as follows: cash dividends of RMB4 per 10 shares (tax inclusive) are distributed based on total share capital of 2,508,617,532 shares of the Company as at June 30, 2018 to holders of A shares and holders of H shares whose names appear on the register of members on the record date for distribution of interim cash dividends for the year of 2018 and dividends of RMB1,003,447,012.80 in total will be distributed. The remaining undistributed profit of the Company will be carried forward to the second half of 2018. The Company will not carry out bonus sharing and conversion of capital reserve into share capital for the first half of 2018. The cash dividends to be distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

After the interim profit distribution plan for the year 2018 of the Company is approved by the general meeting, the cash dividends will be paid out within two months from the closing of the general meeting in accordance with the Articles of Association. Based on the existing working schedule of the Company, the dividends are expected to be distributed by the Company on or before 30 November 30, 2018. In the case of any change in the distribution date for the dividends mentioned above, the Company will make relevant announcement in a timely manner. The Company will announce the details regarding the distribution date of and other specific matters on dividend distribution in due course.

## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (II) Dividend and Reduction and Exemption of Dividend Tax (Continued)

##### Holders of A shares

In accordance with the Notice of Ministry of Finance, State Administration of Taxation and CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for shares of listed companies obtained by individuals from public offerings or transfer of shares in the market, where the holding period exceeds one year, the dividends shall be temporarily exempted from individual income tax; where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income and where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For dividends distributed by listed companies, where the period of individual shareholding is within one year (inclusive), the listed companies shall not withhold the individual income tax temporarily. The tax payable, subject to individual transfer of shares, shall be calculated by China Securities Depository and Clearing Corporation Limited in accordance with duration of its holding period. Custodian of shares including securities companies will withhold the amount from individual accounts and transfer the tax to China Securities Depository and Clearing Corporation Limited. China Securities Depository and Clearing Corporation Limited shall transfer the tax to the listed companies within 5 working days of the next month, and the listed companies shall declare the tax to the competent tax authorities upon receiving the tax amount within the statutory reporting period in that month.

Resident enterprise shareholders of A shares shall report and pay the enterprise income tax of dividends by themselves.

For the shareholders who are Qualified Foreign Institutional Investor (QFII), the listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Notice of State Administration of Taxation Concerning the Relevant Questions on the Withholding and Payment of Enterprise Income Tax Relating to the Payment of Dividends, Bonus and Interest by PRC Resident Enterprises to QFII (Guo Shui Han [2009] No. 47) (《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函2009[47]號)). QFII shareholders entitled to preferential tax treatment shall apply to the competent taxation authority for tax rebates (arrangements) according to the relevant rules and regulations after they receive the dividends, and tax rebates will be executed under tax treaties upon verification carried out by competent tax authorities.

For non-resident enterprise shareholders of A shares except the abovementioned QFII, listed companies shall withhold and pay enterprise income tax at a rate of 10% pursuant to the requirements of the Tentative Measures for Administration of Withholding at the Source of Income Tax of Non-resident Enterprises (Guo Shui Fa [2009] No. 3) (《非居民企業所得稅源泉扣繳管理暫行辦法》(國稅發[2009]3號)) and the Response of the State Administration of Taxation Concerning Questions on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-resident Enterprises (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)). Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.



## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (II) Dividend and Reduction and Exemption of Dividend Tax (Continued)

##### Holders of A shares (Continued)

Pursuant to the requirements of the Notice of the Ministry of Finance, State Administration of Taxation and CSRC on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Cai Shui [2014] No. 81)(《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the SSE, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

Pursuant to the requirements of the Notice of the Ministry of Finance, State Administration of Taxation and CSRC on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127)(《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), listed companies shall withhold an income tax at the rate of 10% on dividends from the A shares of the company invested by Hong Kong investors (including enterprises and individuals) through the Shenzhen Stock Exchange, and apply for withholding via the competent tax authorities (before the Hong Kong Securities Clearing Company Limited is able to provide details such as investor identities and holding periods to China Securities Depository and Clearing Corporation Limited, the policy of differentiated rates of taxation based on holding periods will temporarily not be implemented). For investors who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authority of the listed company for the entitlement of the rate under such tax treaty. Upon approval by the competent tax authority, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

##### Holders of H shares

In accordance with the requirements of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020)(《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the dividends for the year ended June 30, 2018 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (II) Dividend and Reduction and Exemption of Dividend Tax (Continued)

##### Holder of H shares (Continued)

Pursuant to the requirements of the Notice of the State Administration of Taxation on Matters Concerning Withholding Enterprise Income Tax When China Resident Enterprises Distribute Dividends to Foreign Non-resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), distributing dividends to foreign non-resident enterprise shareholders of H shares for 2008 and for the years onwards shall be subject to the enterprise income tax withheld at a uniform rate of 10%. Upon receipt of such dividends, an overseas non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect published by the Ministry of Finance, State Administration of Taxation and CSRC (Cai Shui [2014] No. 81) (《財政部、國家稅務總局、中國證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through the Shanghai-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors through the Shanghai-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law.

According to the requirements of the Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect published by the Ministry of Finance, State Administration of Taxation and CSRC (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), H-share companies shall withhold an individual income tax at the rate of 20% on dividends from the H shares of the company invested by mainland individual investors on the Hong Kong Stock Exchange through the Shenzhen-Hong Kong Stock Connect. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland securities investment funds through the Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated in accordance with the above requirements. For dividends of the shares listed on the Hong Kong Stock Exchange received by mainland enterprise investors through the Shenzhen-Hong Kong Stock Connect, H-share companies shall not withhold income tax of dividends, and mainland enterprise investors shall report and pay the tax amount by themselves. In particular, the dividends received by resident enterprises in mainland which hold H shares for at least 12 consecutive months could be exempted from enterprise income tax according to law.

The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

## Section IV Management Discussion and Analysis

### II. OTHER DISCLOSURE (CONTINUED)

#### (III) Other disclosure

An incident occurred at the plant of Fuyao Glass America Inc., the Company's wholly-owned subsidiary, in Moraine, Ohio, the United States, at around 5:10 a.m. on March 20, 2018 local time, resulting in the death of a forklift driver during his night shift. The investigation is ongoing and Fuyao Glass America Inc. will be working closely with local Bureau of Worker's Compensation and the Occupational Safety and Health Administration. For more details, please refer to the "Announcement of Fuyao Glass Industry Group Co., Ltd. on Fatality at Fuyao Glass America Inc." published by the Company on March 21, 2018 on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>), and the "Voluntary Announcement – Fatality at Fuyao Glass America" dated March 21, 2018 published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

### III. CORPORATE GOVERNANCE

#### (I) Corporate Governance overview

##### 1. Corporate Governance Code

The Company is committed to maintaining a high level of corporate governance in order to increase the shareholders' value and safeguard the interests of the shareholders. The Company has formulated a modernized corporate governance structure and established general meetings, the Board of Directors, the Board of Supervisors, special committees of the Board of Directors and senior management with reference to the Company Law of the People's Republic of China, the Mandatory Clauses for Articles of Association of Companies Listed Overseas, the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and other provisions.

During the Reporting Period, the legal entity governance structure was sound and in compliance with the requirements under the Company Law and relevant regulations of the CSRC. The Company has adopted the principles and code provisions set out in the Corporate Governance Code and complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

The Board of Directors will examine the corporate governance and operations of the Company from time to time in order to comply with the relevant requirements under the Hong Kong Listing Rules and safeguard the interests of the shareholders.

##### 2. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the model code on trading the securities of the Company for all directors, supervisors and relevant employees (as defined in the Corporate Governance Code). According to the specific enquiries made to the directors and supervisors of the Company, all directors and supervisors have confirmed that they had strictly complied with the standards stipulated under the Model Code during the Reporting Period.

## Section IV Management Discussion and Analysis

### III. CORPORATE GOVERNANCE (CONTINUED)

#### (I) Corporate Governance overview (Continued)

##### 3. Independent non-executive directors

As at June 30, 2018, the Board of Directors comprised nine directors, three of whom are independent non-executive directors. Mr. Wu Yuhui, an independent non-executive director, possesses accounting and financial management qualifications. The composition of the Board of Directors is in line with the requirements that “every board of directors of a listed issuer must include at least three independent non-executive directors”, “an issuer must appoint independent non-executive directors representing at least one-third of the board” and “at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise” as stipulated in rules 3.10(1), 3.10A and 3.10(2) of the Hong Kong Listing Rules, respectively.

#### (II) Special committees of the Board of Directors

##### 1. Audit Committee

The Company has established an audit committee in accordance with rules 3.21 and 3.22 of the Hong Kong Listing Rules as well as the requirements of the CSRC and the SSE. The audit committee is responsible for conducting internal audit and supervision on the financial income and expenses and economic activities and shall report its work and be accountable to the Board of Directors. The audit committee comprises three members, all of whom are non-executive directors of the Company (including two independent non-executive directors). The chairman of the audit committee is Mr. Wu Yuhui, an independent non-executive director who possesses the professional qualifications as required under rule 3.10(2) of the Hong Kong Listing Rules. The other members of the audit committee are Ms. Cheung Kit Man Alison, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director. The terms of reference of the audit committee are available on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

##### 2. Remuneration and Assessment Committee

The Company has established a remuneration and assessment committee in accordance with rules 3.25 and 3.26 of the Hong Kong Listing Rules as well as the requirements of the CSRC and the SSE. The remuneration and assessment committee is mainly responsible for the formulation, management and assessment of the remuneration system of the directors and the senior management of the Company and making recommendations to the Board of Directors on the remuneration packages of individual executive directors and senior management. The remuneration and assessment committee shall report its work and be accountable to the Board of Directors. The remuneration and assessment committee comprises three members including one executive director and two independent non-executive directors. The chairperson of the remuneration and assessment committee is Ms. Liu Xiaozhi, an independent non-executive director, and the other members of the committee are Mr. Cho Tak Wong, the chairman of the Board of Directors and an executive director, and Mr. Wu Yuhui, an independent non-executive director. The terms of reference of the remuneration and assessment committee are available on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

## Section IV Management Discussion and Analysis

### III. CORPORATE GOVERNANCE (CONTINUED)

#### (II) Special committees of the Board of Directors (Continued)

##### 3. Nomination Committee

The Company has established a nomination committee in accordance with code provisions A.5.1 and A.5.2 under the Corporate Governance Code as well as the requirements of the CSRC and the SSE. The nomination committee is mainly responsible for providing opinions or suggestions on the changes and recommendation of candidates for directors and senior management to the Board of Directors. The nomination committee comprises three members with independent non-executive directors being the majority. The chairperson of the nomination committee is Ms. Cheung Kit Man Alison, an independent non-executive director, and the other members are Ms. Liu Xiaozhi, an independent non-executive director, and Mr. Tso Fai, the vice chairman of the Board of Directors and a non-executive director. The terms of reference of the nomination committee are available on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

##### 4. Strategy and Development Committee

The Company has established a strategy and development committee in accordance with the requirements of the Code of Corporate Governance for Listed Companies. The strategy and development committee is mainly responsible for feasibility research on the Company's long-term development and strategy plans as well as major strategic investments, and shall report its work to and be accountable for the Board of Directors. The strategy and development committee consists of three members; the chairman of the committee is Mr. Cho Tak Wong, the chairman of the Board of Directors and an executive director, and the other members are Mr. Tso Fai, the vice chairman of the Board of Directors and a non-executive director, and Ms. Cheung Kit Man Alison, an independent non-executive director. The terms of reference of the strategy and development committee are available on the websites of the Company and the SSE.

#### (III) Significant matters

##### Purchase, disposal or redemption of the listed securities of the Company

During the Reporting Period, neither did the Company nor any of its subsidiaries purchase, dispose or redeem any listed securities of the Company.

#### (IV) Review by the audit committee of the Board of Directors

The audit committee under the Board of Directors has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Company for the six months ended June 30, 2018 and has discussed with the senior management of the Company on such matters as the accounting policies and practices adopted by the Company.



## Section V Significant Events

### I. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of the publication of resolution	Date of disclosure of the publication of resolution
2018 first extraordinary general meeting	January 8, 2018	www.sse.com.cn www.hkexnews.hk	January 9, 2018
2017 annual general meeting	May 11, 2018	www.sse.com.cn www.hkexnews.hk	May 12, 2018

Information on the General meeting

The 2018 first extraordinary general meeting was convened on January 8, 2018 through a combination of physical meeting and online voting. For details, please refer to the "Announcement on Resolutions Passed at the 2018 First Extraordinary General Meeting of Fuyao Glass Industry Group Co., Ltd." dated January 9, 2018 published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the website of the SSE (www.sse.com.cn) and the "Poll Results of the 2018 First Extraordinary General Meeting" on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

The Company published the Notice on Convening the 2017 Annual General Meeting on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the website of the SSE (www.sse.com.cn) on March 24, 2018, pursuant to which the 2017 annual general meeting would be held on May 11, 2018. On April 23, 2018, the Board of the Company received the Letter on Increase of Resolutions to be Tabled at the 2017 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd. in writing from its controlling shareholder Sanyi Development Limited, pursuant to which the Sanyi Development Limited proposed to the Board of the Company to add the Resolution on the Grant of a General Mandate to the Board of Directors to Issue New Shares and the Resolution on the Grant of Authorization to the Board of Directors to Issue Debt Financing Instruments to the agenda of the Company's 2017 annual general meeting. Such resolutions have been considered and approved at the third meeting of the ninth session of the Board held on April 26, 2018. The 2017 annual general meeting was convened on May 11, 2018 through a combination of physical meeting and online voting. For details, please refer to the "Announcement on the Addition of Provisional Proposal at the 2017 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd." dated April 27, 2018 and the Announcement on Resolutions Approved at the 2017 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd. dated May 12, 2018 published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the website of the SSE (www.sse.com.cn), as well as the Supplemental Notice of the 2017 Annual General Meeting and the Poll Results of the 2017 Annual General Meeting on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

### II. PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

#### (I) Proposed interim profit distribution plan or plan to convert surplus reserves into share capital

The interim profit distribution plan for the year 2018 proposed by the Company is as follows: cash dividends of RMB4 per 10 shares (tax inclusive) will be distributed based on total share capital of 2,508,617,532 shares of the Company as at June 30, 2018 for holders of A shares and holders of H shares whose names appear on the register of members on the record date of the distribution of interim cash dividends for the year 2018, with the total dividends amounting to RMB1,003,447,012.80 and the remaining undistributed profits to be reserved to the second half of 2018. The Company has no interim plans for issuing bonus shares or carrying out conversion of capital reserve into share capital for the year 2018. The cash dividends to be distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.



## Section V Significant Events

### III. PERFORMANCE OF UNDERTAKINGS

- (I) Undertakings of the de facto controller of the Company, shareholders, related parties, Acquirer and the Company during or subsisting to the Reporting Period

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly
Other undertakings	Dividend distribution	Fuyao Glass Industry Group Co., Ltd.	The dividend distribution plan for the shareholders of the Company for the upcoming three years (2018-2020) is as follows: 1. Form of profit distribution: provided that the relevant stipulations and conditions under the relevant laws, regulations, normative documents, the Articles of Association and this plan are complied with and that the continuity and stability of the profit distribution plan is ensured, the Company may distribute dividends by way of cash, shares, the combination of cash and shares or any other distribution methods as permitted under relevant laws and regulations. The profit distribution of the Company shall neither exceed the accumulated distributable profit nor impair the Company's ability to continue as a going concern. Among the profit distribution methods, the Company shall preferentially distribute in the form of cash over shares. Where the Company fulfills the conditions for dividend distribution in the form of cash, the Company shall distribute dividends by way of cash. Where the Company distributes profit in the form of shares, the decision shall be made based on true and reasonable factors such as the growth of the Company and the dilution of net assets per share. 2. Interval of profit distribution: if the Company has generated profit and its accumulated undistributed profit is a positive figure in the year, the Company shall distribute profit at least once a year. The Company may make interim profit distribution by way of cash. In the upcoming three years, the Board of Directors of the Company may propose to the Company an interim dividend distribution in accordance with the profit scale, cash flow, development stage and demand for funds of the Company in the year. 3. Specific conditions for and the minimum proportion of dividend distribution by way of cash: in the event that the Company has no material investment plans or substantial capital expenditure (excluding investment projects for fundraising) and the Company has generated profit and its accumulated undistributed profit is a positive figure in the year, the Company shall distribute dividend in the form of cash and the profit distributed by way of cash for the year shall not be less than 20% of the distributable profit realized in the year, provided, however, that the sustainable operations and long-term development of the Company are ensured. The Board of Directors shall devise a proposal on the specific proportion of dividend distribution for each year in accordance with the profit of the Company for the year and plans for the utilization of future funds.	Date of announcement of the undertaking: May 12, 2018, Term of performance of the undertaking: January 1, 2018 to December 31, 2020	Yes	Yes

## Section V Significant Events

### III. PERFORMANCE OF UNDERTAKINGS (CONTINUED)

- (I) Undertakings of the de facto controller of the Company, shareholders, related parties, Acquirer and the Company during or subsisting to the Reporting Period (Continued)

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly
			<p>4. Specific conditions for dividend distribution by way of shares: provided that good conditions for operations and growth of the Company are ensured and that the Board of Directors considers there is a mismatch between the scale of the Company's share capital and, inter alia, the earnings per share, share price and net assets per share, and under the premise that the Company fulfills the requirements above for cash dividend distribution, the Company may distribute profit by way of shares. In determining the specific amount of profit distribution in the form of shares, the Company shall fully take into account whether the total share capital after the distribution of share dividends is in line with, inter alia, the current operational scale, pace of profit growth and dilution of net assets per share of the Company and consider its impact on future debt financing costs, in a bid to ensure that the profit distribution plan is in line with the overall and long term interests of the shareholders as a whole.</p> <p>5. Differentiated cash dividend policy: the Board of Directors of the Company shall distinguish the following circumstances having taken into account its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangements, and propose differentiated cash dividend policies in accordance with the procedures set out in the Articles of Association: (1) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution during the profit distribution; (2) Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution during the profit distribution; (3) Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution during the profit distribution; If it is difficult to determine the Company's stage of development while it has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the requirements in item(3) above. 6. In the event that the Company has realized profit in the previous financial year but the Board of Directors of the Company did not propose any cash dividend distribution plan at the end of the previous financial year, the Company shall seek advice from the independent directors and shall disclose in the periodic reports the reasons for not proposing the cash dividend plan, the use of undistributed funds accumulated in the Company, and the independent directors shall present independent opinions and disclose the same to the public. 7. The formulation and execution of the profit distribution plan: the Board of Directors shall propose a profit distribution plan and submit the same to the general meeting for consideration at the end of each financial year. The Company accepts the advice and supervision of all shareholders, independent directors and the Board of Supervisors on the Company's profit distribution plan. After the decision for the profit distribution plan has been reached at the general meeting of the Company, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within 2 months of the convening of the general meeting.</p>			

## Section V Significant Events

### IV. THE APPOINTMENT AND DISMISSAL OF ACCOUNTANTS

During the Reporting Period, there is no change of appointment or dismissal of the accountants.

### V. MATERIAL LITIGATION AND ARBITRATION

The Company has no material litigation or arbitration during the Reporting Period.

### VI. THE CREDIT STATUS OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, there has been no refusal to implement effective judgments of a court or failure to meet debt repayments in a relatively large amount by the Company or de facto controller of the Company.

### VII. SUBSTANTIAL CONNECTED TRANSACTIONS

#### (I) Connected transactions in relation to ordinary business operations

1. Matters that have been disclosed in temporary announcements and have no developments or changes in subsequent implementation

#### Description of the matter

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2018, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2018, the Resolution in Relation to the Lease of Properties by Fuyao Europe GmbH, a Wholly-Owned Subsidiary of the Company, from Global Cosmos German Limited were considered and approved at the sixteenth meeting of the eighth session of the Board of Directors convened on October 25, 2017.

#### Inquiry index

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. and the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Leasing of Property by Its Wholly-Owned Subsidiary dated October 26, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>), and the Announcement on Continuing Connected Transaction in Relation to Leasing of Production Plant by Fuyao Europe dated October 26, 2017 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

## Section V Significant Events

### VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected transactions in relation to ordinary business operations (Continued)

#### 2. Matters that have been disclosed in temporary announcements and have developments or changes in subsequent implementation

- (1) The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Fujian Triplex Automotive Decoration Co., Ltd. for the Year 2018, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Fujian Triplex Auto Services Co., Ltd. for the Year 2018, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Fuzhou Fuyao Mold Technology Co., Ltd. for the Year 2018 were considered and approved at the sixteenth meeting of the eighth session of the Board of Directors convened on October 25, 2017. For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 26, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>), and the Continuing Connected Transactions under the 2018 Supply of Goods Framework Agreements and the 2018 Distribution Agreements dated October 26, 2017 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

The Resolution in Relation to the Acquisition of 100% Equity Interests in Fujian Triplex Holdings Group Company Limited by a Wholly-owned Subsidiary and Connected Transaction was considered and approved at the fifth meeting of the ninth session of the Board of Directors of the Company convened on June 25, 2018, pursuant to which, Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Fujian Triplex Holdings Group Company Limited held by The Triplex Holdings Limited at a total consideration of RMB223,765,000 (or U.S. dollar equivalent, which was converted at the central parity rate of RMB against U.S. dollar as announced by the People's Bank of China on the date of remittance). Upon completion of the transaction, Fujian Triplex Holdings Group Company Limited will become a wholly-owned subsidiary of Fuyao (Hong Kong) Limited (a wholly-owned subsidiary of the Company), and the results of Fujian Triplex Holdings Group Company Limited and its four subsidiaries, namely Fujian Triplex Automotive Decoration Co., Ltd., Fujian Triplex Auto Services Co., Ltd., Fuzhou Fuyao Mold Technology Co., Ltd. and Fuzhou Triplex Culture and Media Co., Ltd. (福州三鋒文化傳媒有限公司) will be included in the consolidated financial statements of the Company. From June 1, 2018, the transactions to be conducted among the Company and Fujian Triplex Holdings Group Company Limited and its four subsidiaries will not constitute connected transactions. For details, please refer to the Announcement on Acquisition of 100% Equity Interests in Fujian Triplex Holdings Group Company Limited by a Wholly-owned Subsidiary and Connected Transaction dated June 26, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>), and the Connected Transactions in relation to Acquisition of 100% Equity Interests in Fujian Triplex by Fuyao Hong Kong and Leases under the Triplex Lease Contracts dated June 26, 2018 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

## Section V Significant Events

### VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions in relation to ordinary business operations  
(Continued)

2. Matters that have been disclosed in temporary announcements and have developments or changes in subsequent implementation (Continued)

- (2) The Resolution in Relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company was considered and approved at the sixth meeting of the eighth session of the Board of Directors of the Company convened on October 26, 2015, pursuant to which the Company has leased the warehouse on underground floor 1, staff cafeteria and club and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 138,281.86 m<sup>2</sup> from Fujian Yaohua Industrial Village Development Co., Ltd. at a monthly rent of RMB1,797,664.18, aggregating to an annual rent of RMB21,571,970.16. The term of the lease is three years from January 1, 2016 to December 31, 2018. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to the Lease of Properties dated October 27, 2015 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the Securities Daily, and on the website of the SSE (<http://www.sse.com.cn>) and the Announcement on Renewal of the Continuing Connected Transaction under the Lease Contract dated October 27, 2015 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

As the Company needed to increase leasing areas with the increasingly expanded production scale, it leased the standard plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province from September 1, 2017, with an area of 2,387 m<sup>2</sup> from Yaohua Industrial Village at the rent of RMB13 per square meter per month or RMB31,031 per month. Upon such increase, the total area leased by the Company from Yaohua Industrial Village for the period from September to December 2017 and the year 2018 is 140,668.86 m<sup>2</sup>, and the monthly rent is RMB1,828,695.18. For details, please refer to the Announcement on the Connected Transactions in Respect of Property Leases of Fuyao Glass Industry Group Co., Ltd. dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>), and the announcement on the Adjustments to the Annual Caps of the Continuing Connected Transactions in Relation to the Property Leases with Yaohua Industrial Village dated August 5, 2017 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

As Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Fujian Triplex Holdings Group Company Limited held by Triplex Holdings Limited. From June 1, 2018, the transactions to be conducted between Fujian Triplex Holdings Group Company Limited and its subsidiaries and the Company's connected persons will constitute connected transactions. Three subsidiaries of Fujian Triplex Holdings Group Company Limited, namely Fujian Triplex Auto Services Co., Ltd., Fujian Triplex Automotive Decoration Co., Ltd. and Fuzhou Fuyao Mold Technology Co., Ltd., entered into the Property Lease Contract with Fujian Yaohua Industrial Village Development Co., Ltd., respectively, on April 4, 2018, and signed the Confirmation Letter on Change of Contract with Yaohua Industrial Village, respectively, on May 31, 2018. The aggregate leasing area is 7,081.63m<sup>2</sup> and the monthly rent is RMB13 per m<sup>2</sup>. The rent for June 2018 is RMB92,100 and the aggregate rent from June 1, 2018 to December 31, 2018 was RMB644,400.

## Section V Significant Events

### VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (I) Connected transactions in relation to ordinary business operations (Continued)

##### 3. Matters not disclosed in temporary announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Nature of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Amounts of the connected transaction	Percentage of the amounts of same type of transactions (%)	Settlement method of the connected transaction
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of raw and auxiliary materials	Market price	43.60	0.30	Settled in current month
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflow	Revenue from management consultation	Market price	35.81	24.86	30 days upon invoice date
Fujian Triplex Automotive Decoration Co., Ltd.	Other connected person	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Electricity price of power supply company and water price under agreement	125.98	59.42	30 days upon invoice date
Fujian Triplex Automotive Decoration Co., Ltd.	Other connected person	Sale of goods	Sale of molds and gauges	Market price	3.86	18.06	30 days upon invoice date
Fuzhou Fuyao Mold Technology Co., Ltd.	Other connected person	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Electricity price of power supply company and water price under agreement	27.57	13.00	30 days upon invoice date
Fuzhou Fuyao Mold Technology Co., Ltd.	Other connected person	Sale of goods	Sale of molds and gauges	Market price	17.50	81.94	30 days upon invoice date
Total					<u>254.32</u>		



## Section V Significant Events

### VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Connected transactions in relation to ordinary business operations  
(Continued)

3. Matters not disclosed in temporary announcements (Continued)

- |                                    |  |
|------------------------------------|--|
| Notes to the connected transaction | <ol style="list-style-type: none"><li>1. Transactions conducted between the Company and Fujian Triplex Automotive Decoration Co., Ltd. and Fuzhou Fuyao Mold Technology Co., Ltd. represent data for the period from January to May in 2018. From June 1, 2018, the transactions between the Company and Fujian Triplex Automotive Decoration Co., Ltd. and Fuzhou Fuyao Mold Technology Co., Ltd. will not constitute connected transactions.</li><li>2. As the amounts of the transactions conducted between the Company and Jinken Glass Industry Shuangliao Co., Ltd., Fujian Triplex Automotive Decoration Co., Ltd. and Fuzhou Fuyao Mold Technology Co., Ltd. in relation to sale of finished products and raw and auxiliary materials were relatively small and one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) were less than 0.1%, such connected transactions are not required to be submitted to the Board of Directors of the Company for examination and approval according to the relevant provisions of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Articles of Association. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, such transactions are fully exempted from the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Hong Kong Listing Rules.</li></ol> |
|------------------------------------|--|

## Section V Significant Events

### VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

#### (II) Connected transactions in relation to acquisition and disposal of assets or equities

##### 1. Matters that have been disclosed in temporary announcements and have no developments or changes in subsequent implementation

###### Description of the matter

###### Inquiry index

To (i) penetrate deeper into the field of automotive parts, improve its industry chain, build up systematic industrial advantages like a “city moat”, and enhance added value; (ii) further improve the efficiency and display the business synergy; and (iii) reduce the number of connected transactions between the Company and Fujian Triplex and its subsidiaries and further enhance the corporate governance of the Company, Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Fujian Triplex Holdings Group Company Limited from Triplex Holdings Limited at a total consideration of RMB223,765,000 (or U.S. dollar equivalent, which was converted at the central parity rate of RMB against U.S. dollar as announced by the People’s Bank of China on the date of remittance).

Please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Acquisition of 100% Equity Interests in Fujian Triplex Holdings Group Company Limited by a Wholly-owned Subsidiary and Connected Transaction dated June 26, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the website of the SSE (<http://www.sse.com.cn>) and Connected Transactions in relation to Acquisition of 100% Equity Interests in Fujian Triplex by Fuyao Hong Kong and Leases under the Triplex Lease Contracts dated June 26, 2018 as published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for details.

#### (III) Amounts due to or from connected parties

##### 1. Matters that have been disclosed in temporary announcements and have no developments or changes in subsequent implementation

###### Description of the matter

###### Inquiry index

In order to speed up the progress of the project of Jinken Glass Industry Shuangliao Co., Ltd. and enable it to provide the steady supply of raw materials to the Company as soon as possible, the Company adjusted the amount of loans granted by the Company and its subsidiaries in the PRC to Jinken Glass Industry Shuangliao Co., Ltd. from not more than RMB90,000,000 to not more than RMB190,000,000 with a term of not more than 24 months and an interest rate no less than the benchmark interest rate of Renminbi loans offered by financial institutions as published by the People’s Bank of China for the corresponding period.

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loan to Connected Parties dated August 5, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## Section V Significant Events

### VIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

#### 1. Guarantee

Unit: '0,000 Currency: RMB

Total amount of the guarantees during the Reporting Period (excluding guarantees to subsidiaries)	0
Balance of the total amount of the guarantees at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	0

#### Guarantees of the Company to subsidiaries

Total amount of the guarantees to subsidiaries during the Reporting Period	20,000
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	157,332

#### Total amount of guarantees of the Company (including guarantees to subsidiaries)

Total amount of guarantees (A+B)	157,332
Total amount of guarantees as a percentage of the net assets of the Company (%)	8.26
Including:	
The amount of guarantees offered to the shareholders, de facto controller and connected parties (C)	0
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	0
The amount of guarantees in excess of 50% of net assets (E)	0
The sum of the three items above (C+D+E)	0

Explanation on guarantee

Foreign currencies are translated into RMB based on the exchange rates announced by the People's Bank of China as at June 29, 2018

## Section V Significant Events

### IX. POVERTY ALLEVIATION BY THE LISTED COMPANY

#### 1. Targeted poverty alleviation planning

Under the guidance of Core Cultural System of Fuyao Group and in accordance with the core corporate concept of “self-development while benefiting the world”, Fuyao Group has always been creating values for shareholders and wealth for customers while engaging in public services, caring for the lives of underprivileged groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, enterprises and the regional economy. Besides, the Articles of Association of Fuyao Glass Industry Group Co., Ltd. further specifies the authorization system of different amounts for external donation or sponsorship to ensure effective supervision in this regard.

#### 2. Summary of targeted poverty alleviation during the Reporting Period

During the Reporting Period, Heren Charitable Foundation established by Mr. Cho Tak Wong by way of donation of his 300 million shares in Fuyao Glass Industry Group Co. Ltd. made a donation of RMB87.23 million, of which RMB25,192,000 was used for targeted poverty alleviation, including:

- the donation of RMB10 million to Chongqing Productivity Development Center (重慶市生產力發展中心) for the intellectual assistance program in Chongqing;
- the donation of RMB10 million to Dingxi, Gansu for setting up the “Cho Tak Wong Encouragement Scholarship” program;
- the donation of RMB4 million to the Department of Education of Xinjiang Uygur Autonomous Region for the purchase of water purification equipment for 80 primary and middle schools in the poverty-stricken areas in southern Xinjiang to resolve the issue of healthy water for teachers and students;
- the donation of RMB892,000 to Guyuan, Ningxia for the purchase of dictionaries for impoverished students;
- the donation of RMB300,000 to Fujian Province Federation of Returned Overseas Chinese and Fujian Southeast Industrial Technology Development Institute (福建省東南產業科技開發研究院) for the assistantship programs in Fujian Province.

## Section V Significant Events

### IX. POVERTY ALLEVIATION BY THE LISTED COMPANY (CONTINUED)

#### 3. Achievements of targeted poverty alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. GENERAL INFORMATION	
Including: 1. Fund	2,519.20
2. Number of poor people registered who got help in successfully fighting against poverty ( <i>Person</i> )	89,705
II. ITEMIZED INPUT	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of poverty alleviation projects through industrial development	<input checked="" type="checkbox"/> Poverty alleviation through agriculture and forestry <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through E-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial projects of poverty alleviation through industrial development	4
1.3 Amount invested in projects of poverty alleviation through industrial development	920
1.4 Number of poor people registered who got help in successfully fighting against poverty ( <i>Person</i> )	59,679
2. Poverty alleviation through shift of occupation	
3. Poverty alleviation through relocation	
4. Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing poor students	1,199.20
4.2 Number of poor students receiving allowance ( <i>Person</i> )	30,026
4.3 Amount invested in improvement of education resources in poverty areas	400

*Note:* The above data relates to the targeted poverty alleviation activities by Heren Charitable Foundation established by Mr. Cho Tak Wong by way of donation of his 300 million shares in Fuyao Glass Industry Group Co. Ltd.. Heren Charitable Foundation is an independent charitable foundation that operates in accordance with the PRC laws and its articles of association. Mr. Cho Tak Wong and any person acting in concert with him, including Fujian Yaohua Industrial Village Development Co., Ltd., Sanyi Development Limited and Homekiu Overseas Holdings Limited (鴻橋海外控股有限公司), do not have any control over Heren Charitable Foundation, nor are they beneficiaries of Heren Charitable Foundation. Therefore, Heren Charitable Foundation is independent from Mr. Cho Tak Wong and his associates.

## Section V Significant Events

### IX. POVERTY ALLEVIATION BY THE LISTED COMPANY (CONTINUED)

4. Milestone in fulfilling the social responsibility of targeted poverty alleviation

At present, the intellectual assistance program in Chongqing is undergoing in an orderly manner. The scholarship, dictionaries and schoolbags for poverty-stricken students have all been released, and the installation of water purification equipment in southern Xinjiang has been completed 50%.

5. Subsequent targeted poverty alleviation plan

In accordance with the core corporate concept of “self-development while benefiting the world”, Fuyao Group will continue to create values for shareholders and wealth for customers while engaging in public services, caring for the lives of underprivileged groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, enterprises and the regional economy.

### X. ENVIRONMENTAL INFORMATION

- (I) Explanations on the environment protection by the Company and its key subsidiaries listed as key pollutant discharging companies published by the environmental protection authority

1. Pollutant discharge

Chongqing Wansheng Float Glass Co., Ltd. (a wholly-owned subsidiary of the Company, hereinafter referred to as “Chongqing Float Glass”) is listed as the “Polluting Enterprise under Key Supervision by the State” by the Ministry of Environmental Protection. Chongqing Float Glass mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons, taking the natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO<sub>2</sub> and NO<sub>x</sub>. Chongqing Float Glass implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

The waste gas produced by the two production lines of Chongqing Float Glass is discharged through two chimneys, among which No.WSFQG0010322 waste gas discharge outlet discharges special pollutants including smoke, SO<sub>2</sub> and NO<sub>x</sub> with the emission concentration of 15.5mg/m<sup>3</sup>, 296.5mg/m<sup>3</sup> and 612.5mg/m<sup>3</sup> respectively and the total permitted emission quantity of 44.658t/a, 325.872t/a and 523.452t/a respectively, and No. WSFQG0010336 discharge outlet discharges special pollutants including smoke, SO<sub>2</sub> and NO<sub>x</sub> with the emission concentration of 29.3mg/m<sup>3</sup>, 37.3mg/m<sup>3</sup> and 520mg/m<sup>3</sup>, respectively, and the total permitted emission quantity of 31.441t/a, 217.248t/a and 348.968t/a, respectively. The above emission concentrations are lower than the national emission standards, and the total emission quantity is lower than the total amount verified by the environmental protection authority.

The Company adheres to the equal emphasis on development and environment. In order to reduce the emission of air pollutants, and decrease the emission quantity of pollutants, Chongqing Float Glass has two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration with a designed treatment capacity of 100,000 m<sup>3</sup>/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 to 80,000 m<sup>3</sup>/hour.



## Section V Significant Events

### X. ENVIRONMENTAL INFORMATION (CONTINUED)

(I) Explanations on the environment protection by the Company and its key subsidiaries listed as key pollutant discharging companies published by the environmental protection authority (Continued)

#### 2. Construction and operation of pollution prevention and control facilities

The two production lines of Chongqing Float Glass use natural gas as the production fuel and are supported by two sets of dust removal and denitration environmental protection facilities. Both production lines are in normal operation. With an online flue monitoring system, real-time data is transmitted to the environmental protection authority.

#### 3. Environmental impact assessment of construction project and other administrative permissions for environmental protection

The project of Chongqing Float Glass has passed the EIA approval and the completion and environmental protection acceptance by the Environmental Protection Bureau of Wansheng Economic Development Zone of Chongqing. Chongqing Float Glass strictly implements national emission standards and is committed to improving environment to minimise the impact on the surrounding areas.

#### 4. Contingency plan for environmental emergencies

Chongqing Float Glass proposes measures and constructs facilities to reduce the probability of environmental emergencies in terms of technology, engineering and management, comprehensively evaluates the risk prevention and control capabilities for environmental emergencies, and accurately determines the environmental risk level of the Company's environmental emergencies. On the basis of environmental risk assessment, the Contingency Plan for Environmental Emergencies was revised and improved. The plan has been reviewed by environmental experts and filed with the local Environmental Protection Bureau to ensure environmental safety.

#### 5. Environmental self-monitoring program

Chongqing Float Glass carries out self-monitoring in combination of automatic monitoring and manual monitoring. In accordance with the pollutant discharge (control) standards of the state and Chongqing, and based on the characteristics of the flat glass manufacturing industry and the requirements on environmental assessment, acceptance data and sewage discharge permit, Chongqing Float Glass establishes standard discharge outlets, and uses automatic monitoring devices to continuously monitor real-time nitrogen oxides, sulfur dioxide, and smoke and dust data of the exhaust gas of glass furnace all day and transmits the same to the environmental protection authority. Manual monitoring is conducted in case of failure of the automatic monitoring facility. For the indicators that cannot be monitored by the online monitoring equipment, the Company mainly entrusts a qualified environmental monitoring agency for manual monitoring or evaluation and issue of monitoring reports.

## Section V Significant Events

### X. ENVIRONMENTAL INFORMATION (CONTINUED)

- (I) Explanations on the environment protection by the Company and its key subsidiaries listed as key pollutant discharging companies published by the environmental protection authority (Continued)

6. Other environmental information that should be disclosed

On the one hand, Chongqing Float Glass makes its environmental information publicly available on real time through the Integrated Management and Publicity Platform for Basic Information on Environmental Credit Evaluation of Enterprises in Chongqing; on the other hand, it publishes the annual environmental report on the Company's website (<http://www.fuyaogroup.com>) to consciously fulfill its corporate environmental responsibility.

- (II) Explanations on the environmental protection of the companies other than key pollutant discharging companies

(1) Float glass business division

In addition to Chongqing Wansheng Float Glass Co., Ltd. and Benxi Fuyao Float Glass Co., Ltd. (in preparation of establishment), another two float glass business divisions of the Company, i.e. Fuyao Glass Industry Group Co., Ltd. ("Fuqing Float") and Fuyao Group Tongliao Ltd. ("Tongliao Float"), have their emission concentration below national emission standards and their total emission amounts below the total amount verified by the environmental protection authority.

Fuqing Float mainly produces high-quality float glass with three production lines with a daily melting capacity of 600 tons and Tongliao Float mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons, both taking the natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO<sub>2</sub> and NO<sub>x</sub>. Fuqing Float implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

Fuqing Float has constructed three sets of dust removal and denitration facilities and Tongliao Float has built two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration with a designed treatment capacity of 100,000 m<sup>3</sup>/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 to 80,000 m<sup>3</sup>/hour.

## Section V Significant Events

### X. ENVIRONMENTAL INFORMATION (CONTINUED)

(II) Explanations on the environmental protection of the companies other than key pollutant discharging companies (Continued)

(2) Automotive glass business division

The production lines of the Company's automotive glass business division are mainly for production of laminated glass (windshield), tempered glass (for rear windows), tempered glass (for side windows) and encapsulated glass. The specific pollutants include printing waste gases including benzene, toluene and xylene; waste water generated from washing glass including COD, ammonia nitrogen, BOD5 and SS; waste liquid and waste residue, waste ink box, waste encapsulated glass barrel, used oil, oily waste cloth and other hazardous wastes.

For the abovementioned pollutants, the Company mainly adopts the following methods for treatment: discharge of printing and drying waste gas via the 15m exhaust funnel; installation of reclaimed water recycling and treatment system; the treatment process is sedimentation + flocculation and flotation + sand filtration and carbon filtration, which is used to treat and recycle waste water generated from washing glass; qualified companies are entrusted to treat hazardous wastes; general solid wastes including leftover glass materials are recycled by the group companies; and the public sanitation department is responsible for transportation and treatment of domestic wastes.

The verification and monitoring data of the environmental protection authority indicates that the emission concentrations of the specific pollutants including waste gases and waste water generated by the automotive glass business division of the Company are lower than national emission standards and the total emission amount thereof is also lower than that verified by the environmental protection authority.

### XI. DETAILS OF OTHER SIGNIFICANT MATTERS

(I) Details, reasons and impact from the changes to the accounting policies, accounting estimates and audit methods compared with the last accounting period

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" shall become effective for the years beginning on or after January, 1 2018. According to the above requirements, the Company started to apply the abovementioned revised accounting standards from the date specified in the above documents.

The adoption of the abovementioned revised and improved standards since January, 1 2018 has no material effects on the operating results and financial position of the Group for the six months ended June, 30 2018.

## Section VI Changes in Ordinary Shares and Information of Shareholders

### I. CHANGES IN SHARE CAPITAL

#### (I) Table of changes in shares

##### 1. Table of changes in shares

During the Reporting Period, there was no change in the total number of shares and the structure of share capital of the Company.

### II. PARTICULARS OF SHAREHOLDERS

#### (I) Total number of shareholders

As at June 30, 2018, total number of shareholders of the Company was 81,040, of which, 80,982 were holders of A shares and 58 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	81,040
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

#### (II) Particulars of shareholdings of the top ten shareholders and the top ten shareholders with tradable shares (or shareholders not subject to selling restrictions) as at the end of the Reporting Period

Unit: Share

##### Particulars of top 10 shareholders

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Pledged or moratorium Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED <i>(Note)</i>	(25,600)	491,709,200	19.60		Unknown	-	Unknown
Sanyi Development Limited	0	390,578,816	15.57		Nil	-	Overseas legal person
Hong Kong Securities Clearing Company Limited	28,922,246	303,097,804	12.08		Unknown	-	Unknown
Heren Charitable Foundation	0	290,000,000	11.56		Nil	-	Domestic non state-owned legal person
TEMASEK FULLERTON ALPHA PTE LTD	0	38,653,598	1.54		Unknown	-	Unknown
Bai Yongli	2,395,509	34,653,315	1.38		Unknown	-	Unknown
Fujian Yaohua Industrial Village Development Co., Ltd.	0	34,277,742	1.37		Pledged	14,000,000	Domestic non state-owned legal person
China Securities Finance Corporation Limited	30,129,860	30,129,870	1.20		Unknown	-	Unknown
Central Huijin Asset Management Ltd	0	24,598,300	0.98		Unknown	-	Unknown
Li Haiqing	0	21,942,159	0.87		Unknown	-	Unknown

## Section VI Changes in Ordinary Shares and Information of Shareholders

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

- (II) Particulars of shareholdings of the top ten shareholders and the top ten shareholders with tradable shares (or shareholders not subject to selling restrictions) as at the end of the Reporting Period (Continued)

#### Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED <i>(Note)</i>	491,709,200	Overseas listed foreign shares	491,709,200
Sanyi Development Limited	390,578,816	Ordinary shares dominated in RMB	390,578,816
Hong Kong Securities Clearing Company Limited	303,097,804	Ordinary shares dominated in RMB	303,097,804
Heren Charitable Foundation	290,000,000	Ordinary shares dominated in RMB	290,000,000
TEMASEK FULLERTON ALPHA PTE LTD	38,653,598	Ordinary shares dominated in RMB	38,653,598
Bai Yongli	34,653,315	Ordinary shares dominated in RMB	34,653,315
Fujian Yaohua Industrial Village Development Co., Ltd.	34,277,742	Ordinary shares dominated in RMB	34,277,742
China Securities Finance Corporation Limited	30,129,870	Ordinary shares dominated in RMB	30,129,870
Central Huijin Asset Management Ltd	24,598,300	Ordinary shares dominated in RMB	24,598,300
Li Haiqing	21,942,159	Ordinary shares dominated in RMB	21,942,159

Explanations on the connected relationship or parties acting in concert among the above shareholders

The de facto controllers of Sanyi Development Limited and Fujian Yaohua Industrial Village Development Co., Ltd. are members of the same family. Among the remaining 8 shareholders not subject to selling restrictions, it is uncertain whether there is any connected relationship among the shareholders and whether such shareholders are parties acting in concert which fall within the meaning under the "Measures for the Administration of Information Disclosure of Change of Shareholdings Held by Shareholders of Listed Companies"

*Note:* Shares held by HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司) are the total number of H shares of the Company held by shareholders which are traded on the trading platform of HKSCC NOMINEES LIMITED on behalf of shareholders.

## Section VI Changes in Ordinary Shares and Information of Shareholders

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (III) Interests and short positions of directors, supervisors and chief executives in shares, underlying shares and debentures

As at June 30, 2018, the interests and short positions of directors, supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Part XV of the SFO, (a) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 of the Hong Kong Listing Rules, were as follows:

Name	Capacity/nature of interest	Number of shares interested	Percentage of total issued share capital of the relevant class of shares <sup>(3)</sup> (%)	Percentage of total issued share capital of the Company <sup>(3)</sup> (%)	Class of shares
Cho Tak Wong (the chairman and an executive director) <sup>(1)</sup>	Beneficiary owner/interest of spouse/interest of controlled corporation	425,171,386 (L)	21.23 (L)	16.95 (L)	A share
Tso Fai (the vice chairman and non-executive director) <sup>(2)</sup>	Interest of controlled corporation	12,086,605 (L)	0.60 (L)	0.48 (L)	A share

*Notes:*

- (1) Mr. Cho Tak Wong directly holds 314,828 A shares (L) and indirectly holds 390,578,816 A shares (L) through Sanyi Development Limited. In addition, Mr. Cho Tak Wong is deemed to be interested in the 34,277,742 A shares (L) indirectly held by his spouse, Ms. Chan Fung Ying.
- (2) Mr. Tso Fai indirectly holds 12,086,605 A shares (L) through Homekiu Overseas Holdings Limited (鴻橋海外控股有限公司).
- (3) The percentage is calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2018.
- (4) (L) – long position.

Save as disclosed above, as at June 30, 2018, none of directors, supervisors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



## Section VI Changes in Ordinary Shares and Information of Shareholders

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (IV) Interests and short positions of substantial shareholders in shares and underlying shares

As at June 30, 2018, the Company was notified of the following persons other than directors, supervisors or chief executive of the Company who had 5% or more interests or short positions in the issued shares and underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of shares interested	Percentage of total issued share capital of the relevant class of shares <sup>(5)</sup> (%)	Percentage of total issued share capital of the Company <sup>(5)</sup> (%)	Class of shares
Chan Fung Ying <sup>(1)</sup>	Interest of spouse/ interest of controlled corporation	425,171,386 (L)	21.23 (L)	16.95 (L)	A share
Sanyi Development Limited	Beneficial owner	390,578,816 (L)	19.50 (L)	15.57 (L)	A share
Heren Charitable Foundation	Beneficial owner	290,000,000 (L)	14.48 (L)	11.56 (L)	A share
Matthews International Capital Management, LLC	Investment manager	61,650,000 (L)	12.19 (L)	2.46 (L)	H share
Commonwealth Bank of Australia <sup>(2)</sup>	Interest of controlled corporation	45,071,800 (L)	8.91 (L)	1.80 (L)	H share
Mawer Investment Management Ltd.	Investment manager	40,562,285 (L)	8.02 (L)	1.62 (L)	H share
Royal Bank of Canada <sup>(3)</sup>	Interest of controlled corporation	30,507,600 (L)	6.03 (L)	1.22 (L)	H share
JPMorgan Chase & Co. <sup>(4)</sup>	Beneficial owner/ investment manager/ Approved lending agent	30,495,078 (L) 1,059,599 (S) 9,955,568 (P)	6.03 (L) 0.20 (S) 1.96 (P)	1.22 (L) 0.04 (S) 0.40 (P)	H share

*Notes:*

- (1) Ms. Chan Fung Ying indirectly holds 34,277,742 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"), of which, 14,000,000 A shares (L) were pledged to China Merchants Securities Co., Ltd. by Yaohua. In addition, she was deemed to be interested in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) As ASB Group Investments Limited, Colonial First State Investments Limited and First State Investments (Hong Kong) Ltd., the entities controlled by Commonwealth Bank of Australia, held 45,071,800 H shares (L) of the Company in aggregate, Commonwealth Bank of Australia was deemed to be interested in the shares of the Company held by such entities.
- (3) As RBC Global Asset Management (U.S.) Inc. and RBC Global Asset Management Inc., the entities controlled by Royal Bank of Canada, held 30,507,600 H shares (L) of the Company in aggregate, Royal Bank of Canada was deemed to be interested in the shares of the Company held by such entities.

## Section VI Changes in Ordinary Shares and Information of Shareholders

### II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

#### (IV) Interests and short positions of substantial shareholders in shares and underlying shares (Continued)

*Notes: (Continued)*

- (4) JPMorgan Chase & Co. held 30,495,078 H shares (L), 1,059,599 H shares (S) and 9,955,568 H shares (P) of the Company through multiple entities under its control. In addition, 2,017,200 H shares (L) and 45,600 H shares (S) related to derivatives, namely the unlisted derivatives – physically settled.
- (5) The percentage is calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2018.
- (6) (L) – long position, (S) – short position, (P) – lending pool.

Save as disclosed above, as at June 30, 2018, no person had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## Section VII Directors, Supervisors and Senior Management

### I. CHANGES IN SHAREHOLDING

- (I) Changes in shareholding of current and resigned directors, supervisors and senior management

*Unit: Share*

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in shares held for the Reporting Period
Cho Tak Wong	Executive Director, Chairman of the Board of Directors	314,828	314,828	0
Tso Fai	Non-executive Director, Vice Chairman of the Board of Directors	–	–	–
Chen Xiangming	Executive Director, Joint Company Secretary, Chief Financial Officer	–	–	–
Sun Yiqun	Executive Director, Vice President	–	–	–
Wu Shinong	Non-executive Director	–	–	–
Zhu Dezhen	Non-executive Director	–	–	–
Cheung Kit Man Alison	Independent Non-executive Director	–	–	–
Liu Xiaozhi	Independent Non-executive Director	–	–	–
Wu Yuhui	Independent Non-executive Director	–	–	–
Bai Zhaohua	Chairman of the Board of Supervisors	–	–	–
Ni Shiyou	Supervisor	–	–	–
Chen Mingsen	Supervisor	–	–	–
Ye Shu	President	–	–	–
He Shimeng	Vice President	33,633	33,633	0
Chen Juli	Vice President	–	–	–
Huang Xianqian	Vice President	–	–	–
Lin Yong	Vice President	–	–	–
Wu Lide	Vice President	–	–	–
Li Xiaoxi	Secretary to the Board of Directors	365,600	365,600	0
Cheng Yan (Retired)	Independent Non-executive Director	–	–	–

*Note:* Ms. Li Xiaoxi holds H shares of the Company while the others hold A shares of the Company.

## Section VII Directors, Supervisors and Senior Management

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change
Cheung Kit Man Alison	Independent Non-executive Director	Elected
Cheng Yan	Independent Non-executive Director	Retired

Details of Changes in Directors, Supervisors and Senior Management of the Company

The terms of office of the members of the eighth session of the Board of Directors, the Board of Supervisors and senior management expired in November 2017, and on January 8, 2018, the Company held the 2018 first extraordinary general meeting to re-elect the members of a new session (i.e. the ninth session) of the Board of Directors. In particular, as Ms. Cheng Yan, an independent non-executive director, had been in her current position for consecutive six years, she retired from the position as an independent non-executive director after Ms. Cheung Kit Man Alison was elected as an independent non-executive director of the ninth session of the Board of Directors at the 2018 first extraordinary general meeting. Please refer to the announcement dated January 9, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.

### III. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

Pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in the information of directors of the Company are as follows:

1. Mr. Wu Shinong, a non-executive director of the Company, was appointed as an independent non-executive director of Industrial Securities Co., Ltd. (興業證券股份有限公司), a company listed on the SSE (Stock code: 601377) in November 2017.
2. Mr. Wu Yuhui, an independent non-executive director of the Company, resigned as an independent non-executive director of YOOZOO Games Co., Ltd. (遊族網絡股份有限公司) in February 2018.
3. Mr. Cho Tak Wong, an executive director of the Company, resigned as a director of Homekiu Overseas Holdings Limited (鴻僑海外控股有限公司) (formerly known as "Home Bridge Overseas Limited") in May 2018.
4. Mr. Tso Fai, a non-executive director of the Company, was appointed as a director of Homekiu Overseas Holdings Limited (鴻僑海外控股有限公司) (formerly known as "Home Bridge Overseas Limited") in May 2018.

Save as disclosed above, during the Reporting Period, the Company is not aware of any changes in information of directors or supervisors which need to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

## Section VIII Relevant Information of Corporate Bonds

### I. BASIC INFORMATION OF CORPORATE BONDS

Unit: Yuan Currency: RMB

Name of bonds	Stock short name	Code	Issue date	Maturity date	Balance of bonds	Interest rate (%)	Payment of interest and principal	Stock exchange
Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd.	16 FUYAO 01	136566	July 22, 2016	July 22, 2019	800,000,000	3%	Interest will be payable annually, and the principal will be repaid upon maturity	SSE

#### Interest Payment of Corporate Bonds

The first term for calculating interest of 16 FUYAO 01 is from July 22, 2016 to July 21, 2017 and the second term for calculation is from July 22, 2017 to July 21, 2018 with a coupon rate (annual interest rate) of 3.00%. As at the date of this report, the Company has completed the payment of interests on bonds for the aforementioned terms. For details, please refer to the Announcement on Interest Payment in 2017 Regarding the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. dated July 14, 2017 and the Announcement on Interest Payment in 2018 Regarding the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. dated July 14, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### II. CONTACT PERSON AND CONTACT METHODS OF CORPORATE BOND TRUSTEE AND CONTACT METHODS OF CREDIT RATING AGENCY

Bond Trustee	Name	Beijing Haiwen & Partners
	Office address	20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing
	Contact person	Gao Wei
Credit rating agency	Contact number	010-85606888
	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	21/F, Anji Building, No. 760, South Tibet Road, Shanghai

## Section VIII Relevant Information of Corporate Bonds

### III. THE USE OF PROCEEDS RAISED FROM CORPORATE BONDS

1. The proceeds raised from 16 FUYAO 01 (hereinafter referred to as the “Current Corporate Bonds”), after deducting the issuance costs, will be utilized to repay the debts due and to replenish the working capital. As at the end of the Reporting Period, the capital raised from the Current Corporate Bonds had been used up. The management and use of the capital raised from the above corporate bonds are consistent with the intended use, use plan and other commitments specified in the corporate bonds prospectus. Details of the specific use are as below:

#### Repayment of Bank Loans with Proceeds Raised from the Current Corporate Bonds

Unit: Yuan Currency: RMB

No.	Name of banks	Amount	Payment date
1	Sumitomo Mitsui Banking Corporation (China) Limited, Shanghai Branch	70,398,533.33	July 26, 2016
2	Sumitomo Mitsui Banking Corporation (China) Limited, Chongqing Branch	70,578,608.33	July 27, 2016
3	Sumitomo Mitsui Banking Corporation (China) Limited, Shenyang Branch	70,000,000.00	July 29, 2016
4	Citibank, N. A., Guangzhou Branch	<u>200,000,000.00</u>	August 1, 2016
Total		<u>410,977,141.66</u>	

#### Replenishment of Working Capital with Proceeds Raised from the Current Corporate Bonds

Unit: Yuan Currency: RMB

No.	Use	Amount
1	Payment of salaries	96,823,988.77
2	Payment of goods purchased	83,756,537.95
3	Payment of tax dues	79,783,748.94
4	Payment of electric charges	43,022,379.14
5	Payment of gas bills	40,965,215.94
6	Payment of due drafts issued	30,055,447.33
7	Payment of social insurance funds	6,587,168.20
8	Payment of delivery expenses	4,541,483.28
9	Payment of storage and transportation expenses	1,253,206.12
10	Payment of water rates	<u>155,557.10</u>
Total		<u>386,944,732.77</u>



## Section VIII Relevant Information of Corporate Bonds

### III. THE USE OF PROCEEDS RAISED FROM CORPORATE BONDS (CONTINUED)

#### 2. Procedures to the Use of Proceeds

The Company used the proceeds raised from the Current Corporate Bonds in strict compliance with the agreements in the “Prospectus of Fuyao Glass Industry Group Co., Ltd. in Relation to the Public Issuance of 2016 Corporate Bonds (First Tranche) (to Qualified Investors)” (hereinafter referred to as the “Prospectus”) and the requirements under the Articles of Association of the Company, the Administrative Measures for Investment and Raised Proceeds, and other relevant provisions. The Company established specific accounts to receive, place, transfer and repay interest and principal, and strictly implemented escalated approval procedures. Upon receipt, the proceeds raised from the Current Corporate Bonds was used in strict compliance with the requirements under approval authority management provisions of the Company.

#### 3. Operation of Specific Accounts of Proceeds from Bond Issuance

The Company, in strict compliance with relevant agreements in the Prospectus, established specific accounts to receive, place, transfer and repay interest and principal. As at the end of the Reporting Period, there is no operational anomaly in specific accounts of proceeds raised from the Current Corporate Bonds.

### IV. THE CORPORATE BONDS RATINGS

According to the comprehensive assessment by China Chengxin Securities Rating Co., Ltd. (中誠信證券評估有限公司), the Company's corporate credit rating is rated as AAA, and 16 FUYAO 01's credit rating is rated as AAA, indicating that the Company has a strong ability to repay debts and minimal risk of default, and is less likely to be impacted by adverse economic environment.

On April 19, 2017 and April 26, 2018, China Chengxin Securities Rating Co., Ltd. carried out follow-up credit assessment of the Current Corporate Bonds. According to the final determination of the Credit Rating Committee of China Chengxin Securities Rating, the corporate credit rating of the Company remains AAA. Due to stable prospects of the credit rating, the credit rating of the Current Corporate Bonds remains AAA.

For details of relevant follow-up rating report, please refer to the Follow-up Rating Report of the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. (2017) dated April 21, 2017 and the Follow-up Rating Report of the Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. (2018) dated April 27, 2018 as published on the websites of the SSE (<http://www.sse.com.cn>), the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the official website of China Chengxin Securities Rating Co., Ltd. (<http://www.ccxr.com.cn>).

## Section VIII Relevant Information of Corporate Bonds

### V. CORPORATE BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELEVANT INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD

#### 1. Credit enhancement mechanism of Current Corporate Bonds

There is no guarantee in connection with the Current Corporate Bonds.

#### 2. Implementation of the debt repayment plan of the Current Corporate Bonds

After the issuance of the Current Corporate Bonds, the Company further strengthened the operation management and fund management according to its debt structure, and secured the timely provision of sufficient funds for the payment of annual interest and matured principal, in order to fully protect the interests of Qualified Investors.

During the Reporting Period, the Company realized accumulated revenue of RMB10,085,175,000, representing an increase of 15.74% as compared with the corresponding period last year; realized a profit before tax of RMB2,177,508,000 (of which, the exchange gains were RMB60,839,000 for the Reporting Period as compared with an exchange loss of RMB171,155,000 for the corresponding period last year), representing an increase of 29.14% as compared with the corresponding period last year; and realized a profit attributable to equity holders of the Company for the period of RMB1,868,355,000, representing an increase of 34.80% as compared with the corresponding period last year; earnings per share was RMB0.74, representing an increase of 34.55% as compared with the corresponding period last year.

During the Reporting Period, net cash flow generated from operating activities of the Company amounted to RMB2,490,758,000, representing an increase of 51.01% as compared with the corresponding period last year.

#### 3. Implementation of emergency guarantee plan for debt repayment

In addition, in the case of significantly adverse changes in the operation conditions of the Company during the payment of principal and interest of the Current Corporate Bonds, the emergency guarantee plan for debt repayment shall include:

##### (1) Realization of current assets

As at June 30, 2018, the balance of current assets in the financial statements of the Company was RMB22,059,875,000, and the balance of current assets excluding inventories was RMB21,676,879,000.

##### (2) Utilization of external financing channels

The Company maintained good cooperation with financial institutions including banks for a long time and obtained a high line of credit from several banks with strong capability of indirect debt financing. As at June 30, 2018, the Company obtained a total credit of RMB28,587 million from several financial institutions, of which RMB11,092 million had been used, and RMB17,495 million had not been used. In addition, the Company could also make debt financing through other financing channels in domestic and overseas capital markets with strong financing capability.

## Section VIII Relevant Information of Corporate Bonds

### V. CORPORATE BOND CREDIT ENHANCEMENT MECHANISM, DEBT REPAYMENT PLAN AND OTHER RELEVANT INFORMATION OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

#### 4. Implementation of repayment assurance measures

The Company formulated five assurance measures for the repayment of the Current Corporate Bonds: strictly using the proceeds raised for the purpose of fundraising, designating special persons for the repayment of the Current Corporate Bonds, giving full play to the role of the bond trustee, formulating rules for the bondholders' meeting, and making strict information disclosure.

### VI. INFORMATION ON CORPORATE BONDHOLDERS' MEETING

There was no corporate bondholders' meeting during the Reporting Period.

### VII. INFORMATION ON PERFORMANCE OF DUTIES OF CORPORATE BONDS TRUSTEE

During the duration of the Current Corporate Bonds, Beijing Haiwen & Partners, the bond trustee, strictly complied with the stipulations in the Bond Trustee Management Agreement to continuously monitor the Company's credit status, management and use of proceeds, and supervise the Company to fulfill its obligations stipulated in the Corporate Bonds Prospectus. Beijing Haiwen & Partners has actively exercised the duties as a bond trustee to safeguard the legal rights and interests of bondholders.

On June 23, 2017, the bond trustee issued the 2016 Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd., details of which are set out in the announcement dated June 24, 2017 as published on the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

On June 28, 2018, the bond trustee issued the 2017 Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd., details of which are set out in the announcement dated June 29, 2018 as published on the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

## Section VIII Relevant Information of Corporate Bonds

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR FOR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD LAST YEAR) (PREPARED IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

Unit: '0,000 Currency: RMB

Main indicators	The end of the Reporting Period (Unaudited)	The end of last year	Increase/decrease at the end of the Reporting Period as compared with the corresponding period last year (%)		Reason for the changes
Current ratio (times) <sup>(1)</sup>	1.33	1.55	(14.19)		
Quick ratio (times) <sup>(2)</sup>	1.11	1.25	(11.20)		
Gearing ratio <sup>(3)</sup>	46.26%	40.05%	6.21%		
	The Reporting Period (January-June) (Unaudited)	The corresponding period last year (Unaudited)	Increase/decrease for the Reporting Period as compared with the corresponding period last year (%)		Reason for the changes
Earnings before interest, taxes, depreciation and amortization <sup>(4)</sup>	311,528.50	243,765.64	27.80		
Interest coverage ratio (times) <sup>(5)</sup>	12.74	18.13	(29.73)		
Cash interest coverage ratio (times) <sup>(6)</sup>	19.11	30.53	(37.41)		Mainly due to an increase in interest expenses as a result of an increase in borrowings and interest rate during the Reporting Period
EBITDA interest coverage ratio (times) <sup>(7)</sup>	16.92	25.22	(32.91)		Mainly due to an increase in interest expenses as a result of an increase in borrowings and interest rate during the Reporting Period
Total debt to EBITDA ratio <sup>(8)</sup>	0.26	0.24	8.33		
Loan repayment ratio <sup>(9)</sup>	100%	100%	0.00		
Interest repayment ratio <sup>(10)</sup>	100%	100%	0.00		

## Section VIII Relevant Information of Corporate Bonds

### VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS AS AT THE END OF THE REPORTING PERIOD AND THE END OF LAST YEAR (OR FOR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD LAST YEAR) (PREPARED IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES) (CONTINUED)

Notes:

- (1) Current ratio = current assets  $\div$  current liabilities
- (2) Quick ratio = (current assets – inventories)  $\div$  current liabilities
- (3) Gearing ratio = (total liabilities  $\div$  total assets)  $\times$  100%
- (4) Earnings before interest, taxes, depreciation and amortization (EBITDA) = total profit + interest expenses recognised in finance costs + depreciation + amortization of intangible assets + amortization of long-term deferred expenses
- (5) Interest coverage ratio = profit before interest and tax/(interest expenses recognised in finance costs + capitalized interest expenses)
- (6) Cash interest coverage ratio = (net cash flows from operating activities + cash interest expenses + income tax paid in cash)/cash interest expenses
- (7) EBITDA interest coverage ratio = EBITDA/(interest expenses recognised in finance costs + capitalized interest expenses)
- (8) Total debt to EBITDA ratio = EBITDA/total debts, in particular, total debts = long-term borrowings + bonds payable + short term borrowings + financial liabilities at fair value through profit or loss + notes payable + short-term bonds payable (other current liabilities) + non-current liabilities due within one year
- (9) Loan repayment ratio = actual amount of loan repayment/loan amount repayable
- (10) Interest repayment ratio = interests actually paid/interests payable

### IX. INTEREST PAYMENT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the Reporting Period, the interest payment of other bonds and debt financing instruments of the Company were made on time, and there was no circumstance involving the deferred payment of interest and principal and the inability to pay interest and principal.

### X. BANK CREDIT OF THE COMPANY DURING THE REPORTING PERIOD

As at June 30, 2018, the Company had a total bank credit of RMB28,587 million, of which RMB11,092 million had been used and RMB17,495 million had not been used.

### XI. IMPLEMENTATION OF THE RELEVANT AGREEMENTS OR COMMITMENTS SPECIFIED IN CORPORATE BONDS PROSPECTUS BY THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, the Company strictly fulfilled the relevant commitments specified in the Corporate Bonds Prospectus and there was no damage to the interests of bond investors.

## Section IX Financial Report

### I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### Condensed Consolidated Interim Balance Sheet

	<i>Note</i>	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	15,842,816	14,990,303
Leasehold land and land use rights	7	1,046,992	982,852
Intangible assets	8	224,053	143,549
Investments in joint ventures	9	38,595	43,381
Investments in an associate	9	50,739	52,139
Long-term prepaid rental expenses		23,492	26,840
Deferred income tax assets	10	277,484	280,596
Other non-current asset	11	190,553	191,212
		<u>17,694,724</u>	<u>16,710,872</u>
<b>Current assets</b>			
Inventories		2,885,954	2,974,677
Trade and other receivables	11	5,269,025	5,198,127
Financial assets at fair value through profit or loss		102,475	101,928
Derivative financial instruments		14,665	3,561
Restricted cash		23,531	23,904
Cash and cash equivalents		9,008,967	6,704,296
		<u>17,304,617</u>	<u>15,006,493</u>
Assets of disposal group classified as held-for-sale	12	420,736	–
		<u>17,725,353</u>	<u>15,006,493</u>
<b>Total assets</b>		<u>35,420,077</u>	<u>31,717,365</u>



## Section IX Financial Report

### I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### Condensed Consolidated Interim Balance Sheet (Continued)

	<i>Note</i>	As at June 30, 2018 RMB'000 (Unaudited)	As at December 31, 2017 RMB'000 (Audited)
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	13	2,508,618	2,508,618
Share premium	14	6,202,553	6,202,553
Other reserves	14	1,742,037	1,730,086
Retained earnings		8,559,826	8,572,934
		<b>19,013,034</b>	<b>19,014,191</b>
<b>Non-controlling interests</b>		<b>26,248</b>	<b>4,423</b>
<b>Total equity</b>		<b>19,039,282</b>	<b>19,018,614</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	15	2,423,885	2,509,605
Deferred income tax liabilities	10	91,608	75,790
Deferred income on government grants	16	505,191	434,604
		<b>3,020,684</b>	<b>3,019,999</b>
<b>Current liabilities</b>			
Trade and other payables	17	4,510,948	4,040,028
Current income tax liabilities		199,634	200,882
Borrowings	15	8,598,346	5,387,661
Derivative financial instruments		21,160	23,190
Current portion of deferred income on government grants	16	27,571	26,991
		<b>13,357,659</b>	<b>9,678,752</b>
Liabilities of disposal group classified as held-for-sale	12	2,452	-
		<b>13,360,111</b>	<b>9,678,752</b>
<b>Total liabilities</b>		<b>16,380,795</b>	<b>12,698,751</b>
<b>Total equity and liabilities</b>		<b>35,420,077</b>	<b>31,717,365</b>

## Section IX Financial Report

### I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### Condensed Consolidated Interim Income Statement

	<i>Note</i>	Accumulated in June 2018 RMB'000 (Unaudited)	Accumulated in June 2017 RMB'000 (Unaudited)
Revenue	18	10,085,175	8,713,963
Cost of sales	18	(5,951,399)	(5,066,724)
<b>Gross profit</b>		<b>4,133,776</b>	<b>3,647,239</b>
Distribution costs and selling expenses		(672,245)	(611,652)
Administrative expenses		(934,275)	(842,216)
Research and development expenses		(421,543)	(389,069)
Other income		53,227	60,889
Other gains/(losses) – net	19	80,425	(194,394)
<b>Operating profit</b>	<b>20</b>	<b>2,239,365</b>	<b>1,670,797</b>
Finance income		103,883	81,063
Finance costs		(166,904)	(65,402)
<b>Finance costs – net</b>		<b>(63,021)</b>	<b>15,661</b>
Share of profit after tax of joint ventures and associates		1,164	(245)
<b>Profit before tax</b>		<b>2,177,508</b>	<b>1,686,213</b>
Income tax expense	21	(308,680)	(301,697)
<b>Profit for the period</b>		<b>1,868,828</b>	<b>1,384,516</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		1,868,355	1,386,031
Non-controlling interests		473	(1,515)
<b>Profit for the period</b>		<b>1,868,828</b>	<b>1,384,516</b>
<b>Earnings per share attributable to equity holders of the Company during the period</b>			
– Basic and diluted earnings per share (expressed in RMB per share)	22	0.74	0.55

## Section IX Financial Report

### I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### Condensed Consolidated Interim Statement of Comprehensive Income

	Accumulated in June 2018 RMB'000 (Unaudited)	Accumulated in June 2017 RMB'000 (Unaudited)
Profit for the period	1,868,828	1,384,516
Other comprehensive income/(loss): <i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	11,951	(100,711)
Other comprehensive income/(loss) for the period, net of tax	11,951	(100,711)
Total comprehensive income for the period	<u>1,880,779</u>	<u>1,283,805</u>
Total comprehensive income attributable to:		
Equity holders of the Company	1,880,306	1,285,320
Non-controlling interests	<u>473</u>	<u>(1,515)</u>
Total comprehensive income for the period	<u>1,880,779</u>	<u>1,283,805</u>

## Section IX Financial Report

### I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to equity holders of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
As at January 1, 2018	2,508,618	6,202,553	1,730,086	8,572,934	19,014,191	4,423	19,018,614
Comprehensive income:							
Profit for the period	-	-	-	1,868,355	1,868,355	473	1,868,828
Other comprehensive income:							
Currency translation differences – the Group	-	-	11,951	-	11,951	-	11,951
Total comprehensive income	-	-	11,951	1,868,355	1,880,306	473	1,880,779
Total transaction with equity holders:							
Dividends declared for 2017	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Total transaction with equity holders, recognized directly in equity	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Appropriation to statutory reserve	-	-	-	-	-	-	-
Additions from business combinations	-	-	-	-	-	21,352	21,352
As at June 30, 2018	2,508,618	6,202,553	1,742,037	8,559,826	19,013,034	26,248	19,039,282

## Section IX Financial Report

### I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### Condensed Consolidated Interim Statement of Changes in Equity (Continued)

	Attributable to equity holders of the Company				Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000			
As at January 1, 2017	2,508,618	6,202,553	1,751,558	7,584,771	18,047,500	4,928	18,052,428
Comprehensive income:							
Profit for the period	-	-	-	1,386,031	1,386,031	(1,515)	1,384,516
Other comprehensive income:							
Currency translation differences – the Group	-	-	(100,711)	-	(100,711)	-	(100,711)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(100,711)</b>	<b>1,386,031</b>	<b>1,285,320</b>	<b>(1,515)</b>	<b>1,283,805</b>
Total transaction with equity holders:							
Dividends declared for 2016	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
<b>Total transaction with equity holders, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,881,463)</b>	<b>(1,881,463)</b>	<b>-</b>	<b>(1,881,463)</b>
Appropriation to statutory reserve	-	-	-	-	-	-	-
<b>As at June 30, 2017</b>	<b>2,508,618</b>	<b>6,202,553</b>	<b>1,650,847</b>	<b>7,089,339</b>	<b>17,451,357</b>	<b>3,413</b>	<b>17,454,770</b>

## Section IX Financial Report

### I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

#### Condensed Consolidated Interim Cash Flow Statement

<i>Note</i>	Accumulated in June 2018 RMB'000 (Unaudited)	Accumulated in June 2017 RMB'000 (Unaudited)
<b>Cash flow from operating activities</b>		
Cash generated from operations	2,829,609	2,205,426
Income taxes paid	(338,851)	(556,049)
<b>Net cash generated from operating activities</b>	<b>2,490,758</b>	<b>1,649,377</b>
<b>Cash flow from investing activities</b>		
Proceeds from disposal of subsidiaries	630,000	–
Proceeds from disposal of property, plant and equipment	35,883	42,971
Proceeds from disposal of leasehold land and land use rights	–	10,570
Purchases of property, plant and equipment	(1,596,059)	(1,498,197)
Purchases of leasehold land and land use rights	(66,716)	–
Purchase of intangible assets	(15,358)	(7,408)
Net cash paid for acquisition of subsidiaries	(240,131)	–
Interest received	103,883	81,064
Dividends received	7,350	–
Decrease/(increase) in restricted cash	373	(310,793)
Government grants received relating to property, plant and equipment	84,289	7,912
<b>Net cash used in investing activities</b>	<b>(1,056,486)</b>	<b>(1,673,881)</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	6,597,737	5,867,144
Repayments of borrowings	(3,750,871)	(3,859,726)
Dividends paid to the Company's shareholders	(1,881,463)	(1,881,463)
Interest paid	(162,005)	(77,057)
<b>Net cash generated from financing activities</b>	<b>803,398</b>	<b>48,898</b>
Exchange gains/(losses) on cash and cash equivalents	67,599	(132,612)
Net increase/(decrease) in cash and cash equivalents	2,305,269	(108,218)
Cash and cash equivalents at the beginning of the period	6,704,296	7,198,834
<b>Cash and cash equivalents at the end of the period</b>	<b>9,009,565</b>	<b>7,090,616</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and cash equivalents as stated in the consolidated balance sheets	9,008,967	7,090,616
Add: Cash and cash equivalents attributable to the disposal groups	598	–
Cash and cash equivalents as stated in the consolidated cash flow statement	<b>9,009,565</b>	<b>7,090,616</b>



## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

#### 1. General Information

The Company was formerly known as Fujian Yaohua Glass Industry Group Co., Ltd. (福建省耀華玻璃工業有限公司), which was established in the People's Republic of China (the "PRC") on April 14, 1987 as a sino-foreign equity joint venture. On June 21, 1992, the Company was converted into a sino-foreign joint stock company with limited liability under the PRC Company Law and was renamed as Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司).

The Company's shares have been listed on both the SSE ("A shares") and the Main Board of the Hong Kong Stock Exchange ("H shares"). As at June 30, 2017, the Company had 2,002,986,332 A shares and 505,631,200 H shares in total, among which, Mr. Cho Tak Wong (曹德旺), the largest shareholder, together with his spouse held 16.95% equity interests in the Company.

The address of the Company's registered office is Fuyao Industrial Zone, Rongqiao Economic & Technological Development Zone, Fuqing City, Fujian Province, the PRC. The Company and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and sale of automobile glass and float glass both at home and abroad.

Unless otherwise stated, the condensed consolidated interim financial statements are presented in thousands of Renminbi.

The condensed consolidated interim financial statements are unaudited, and were approved to be issued by the Board of Directors on August 20, 2018.

#### 2. Accounting Policies

Except as described below, the accounting policies adopted are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended December 31, 2017.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group has adopted the new and amended standards for the fiscal year beginning on 1 January 2018:

		Effective for years beginning on or after
IAS 9	Financial Instruments	January, 1 2018
IAS 15	Revenue from Contracts with Customers	January, 1 2018

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 2. Accounting Policies (Continued)

The Group has adopted the new and amended standards for the fiscal year beginning on 1 January 2018 (Continued):

The adoption of the above new amendments and improvements starting from January 1, 2018 did not give rise to any significant impact on the Group's results of operations and financial position for the six months ended June 30, 2018.

The Group has not early adopted any new accounting and financial reporting standards, amendments and improvements to existing standards which have been issued but are not yet effective for the financial year ending on December 31, 2018.

#### 3. Financial Risk Management

##### 3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Condensed Consolidated Interim Financial Statements do not include all the information on financial risk management and disclosure required to be disclosed in the annual financial statements. There have been no changes in the risk management department or in any risk management policies since year end 2017.

##### 3.2 Liquidity Risk

The Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. At the same time, the Group maintains sufficient cash and capital resources through the committed facilities, and maintains sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and issuing debt instruments, as necessary.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 3. Financial Risk Management (Continued)

##### 3.2 Liquidity Risk (Continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at June 30, 2018</b>				
Borrowings, including interest payables	8,850,820	2,148,968	348,183	11,347,971
Derivative financial instruments	21,160			21,160
Financial liabilities included in trade payables and other payables	<u>3,371,644</u>	–	–	<u>3,371,644</u>
	<u>12,243,624</u>	<u>2,148,968</u>	<u>348,183</u>	<u>14,740,775</u>
<b>As at December 31, 2017</b>				
Borrowings, including interest payables	5,544,660	2,386,197	198,524	8,129,381
Derivative financial instruments	23,190	–	–	23,190
Financial liabilities included in trade payables and other payables	<u>3,440,946</u>	–	–	<u>3,440,946</u>
	<u>9,008,796</u>	<u>2,386,197</u>	<u>198,524</u>	<u>11,593,517</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 3. Financial Risk Management (Continued)

##### 3.3 Fair Value Estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at December 31, 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices (Level 1) that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at June 30, 2018</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– structured wealth management products	–	102,475	–	102,475
Derivative financial instruments				
– currency swap contract	–	12,418	–	12,418
– forward foreign exchange contract	–	2,247	–	2,247
	–	117,140	–	117,140
<b>Liabilities</b>				
Derivative financial instruments				
– currency swap contract	–	2,920	–	2,920
– short call on foreign exchange	–	18,240	–	18,240
	–	21,160	–	21,160

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 3. Financial Risk Management (Continued)

##### 3.3 Fair Value Estimation (Continued)

- (a) The table below analyses the Group's financial instruments carried at fair value as at December 31, 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows: (Continued)

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at December 31, 2017</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– structured wealth management products	–	101,928	–	101,928
Derivative financial instruments				
– currency swap contract	–	3,561	–	3,561
	–	105,489	–	105,489
<b>Liabilities</b>				
Derivative financial instruments				
– forward foreign exchange contract	–	332	–	332
– currency swap contract	–	22,324	–	22,324
– short call on foreign exchange	–	534	–	534
	–	23,190	–	23,190

- (b) Valuation techniques used to derive Level 2 fair values

Level 2 derivative financial instruments forward foreign exchange contracts. These forward foreign exchange contracts and short call on foreign exchange have been fair valued using forward exchange rates that are quoted in an active market.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 3. Financial Risk Management (Continued)

##### 3.3 Fair Value Estimation (Continued)

- (c) Valuation techniques used to derive Level 2 fair values

Level 2 derivative financial instruments forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

- (d) Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Short-term borrowings;
- Trade and other receivables (excluding prepayments and prepaid current income tax or value-added tax recoverable);
- Cash and cash equivalents (including restricted cash);
- Trade and other payables (excluding advance and statutory liabilities).

#### 4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### (a) Estimated Useful Lives and Residual Values of Property, Plant and Equipment

The Group's management determines the estimated useful lives, residual values and the related depreciation charges of property, plant and equipment, mainly based on the historical experience of the actual useful lives of property, plant and equipment with similar nature and functions. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and estimated residual values and therefore depreciation expense in future periods.



## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 4. Critical Accounting Estimates and Judgements (Continued)

##### (b) Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

In the opinion of the directors of the Company, the recoverable amount of the CGU will not be lower than the carrying amount when a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount occurs.

##### (c) Net Realisable Value of Inventories

Net realisable value of inventory is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of technical innovations, and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

##### (d) Current and Deferred Income Tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and current income tax charges. Income tax charges should be recognised in the period in which such estimate is changed.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 4. Critical Accounting Estimates and Judgements (Continued)

##### (e) Impairment of Receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision for impairment at each balance sheet date.

##### (f) Impairment of Non-Financial Assets

Non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell, whichever is higher. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment review particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated comprehensive income statements.

#### 5. Segment Information

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

None of the revenue derived from any single external customer amounted for more than 10% of the Group's revenue during the period.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 6. Property, Plant and Equipment

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and office equipment <i>RMB'000</i>	Tools, dies, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the six-month period ended June 30, 2018</b>						
Opening net book amount as at January 1, 2018	4,465,817	5,729,458	953,176	475,069	3,366,783	14,990,303
Transfer	138,558	866,893	90,794	2,393	(1,098,638)	–
Other additions	20,101	43,001	102,178	164,357	1,233,117	1,562,754
Additions from business combinations	62,222	138,501	31,560	9,927	184,517	426,727
Disposals	(2,546)	(12,781)	(26,202)	(3,286)	–	(44,815)
Disposal group classified as held-for-sale	(125,965)	(156,383)	(39,512)	(14,666)	(37,745)	(374,271)
Depreciation	(130,792)	(373,661)	(121,557)	(118,215)	–	(744,225)
Currency translation difference	(1,240)	18,229	1,102	(1,244)	9,496	26,343
Closing net book amount as at June 30, 2018	4,426,155	6,253,257	991,539	514,335	3,657,530	15,842,816
<b>For the six-month period ended June 30, 2017</b>						
Opening net book amount as at January 1, 2017	3,238,884	5,290,054	730,941	334,634	3,821,964	13,416,477
Transfer	84,236	643,770	104,135	550	(832,691)	–
Other additions	31,813	52,834	138,132	152,912	1,183,144	1,558,835
Disposals	(24,160)	(107,020)	(23,905)	(3,392)	–	(158,477)
Depreciation	(99,898)	(365,097)	(103,155)	(91,867)	–	(660,017)
Currency translation difference	(16,284)	(39,118)	(992)	232	(60,973)	(117,135)
Closing net book amount as at June 30, 2017	3,214,591	5,475,423	845,156	393,069	4,111,444	14,039,683

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 7. Leasehold Land and Land Use Rights

Leasehold land and land use rights are mainly the consideration for obtaining the land use rights located in the PRC

	For the period ended June 30	
	2018 RMB'000	2017 RMB'000
Opening net book amount	982,852	1,026,359
Currency translation difference	121	(448)
Additions	66,716	–
Additions from business combinations	51,240	–
Disposals	–	(3,821)
Assets classified as held-for-sale	(41,913)	–
Amortisation charges	(12,024)	(11,824)
Closing net book value	<u>1,046,992</u>	<u>1,010,266</u>

#### 8. Intangible Assets

	Goodwill RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2018						
Opening net book amount as at January 1, 2018	<u>74,678</u>	<u>2,093</u>	<u>36,336</u>	<u>24,786</u>	<u>5,656</u>	<u>143,549</u>
Currency translation difference	–	–	404	66	(8)	462
Additions	–	295	–	14,247	816	15,358
Additions from business combinations	74,072	383	–	1,503	–	75,958
Disposals	–	–	–	–	–	–
Amortisation charges	–	(820)	(1,660)	(8,436)	(358)	(11,274)
Closing net book amount as at June 30, 2018	<u>148,750</u>	<u>1,951</u>	<u>35,080</u>	<u>32,166</u>	<u>6,106</u>	<u>224,053</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 8. Intangible Assets (Continued)

	Goodwill <i>RMB'000</i>	Patents <i>RMB'000</i>	License fee <i>RMB'000</i>	Computer software <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the six-month period ended June 30, 2017						
Opening net book amount as at January 1, 2017	74,678	3,858	41,805	27,154	9,608	157,103
Currency translation difference	-	-	(882)	701	27	(154)
Additions	-	-	-	7,020	388	7,408
Disposals	-	-	-	-	-	-
Amortisation charges	-	(956)	(1,702)	(7,059)	(1,134)	(10,851)
Closing net book amount as at June 30, 2017	74,678	2,902	39,221	27,816	8,889	153,506

#### 9. Investments Under The Equity Method

	For the period ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Joint Venture</b>		
Opening balance	43,381	40,065
Dividends received	(7,350)	-
Share of results	2,564	1,408
Closing balance	38,595	41,473
<b>Associate</b>		
Opening balance	52,139	61,472
Share of results	(1,400)	(1,655)
Closing balance	50,739	59,817

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 10. Deferred Income Tax Assets and Liabilities

Movement in deferred income tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Deferred income tax assets <i>RMB'000</i>	Deferred income tax liabilities <i>RMB'000</i>
As at January 1, 2018	744,674	539,868
Recognised in the consolidated income statement	62,900	71,616
Addition from business combination	—	10,214
Effect of movements in exchange rates	6,266	6,266
As at June 30, 2018	813,840	627,964
Offsetting deferred tax liabilities/ deferred tax assets	(536,356)	(536,356)
Net balance after offsetting as at June 30, 2018	277,484	91,608
As at January 1, 2017	666,532	553,536
Recognised in the consolidated income statement	143,868	149,525
Effect of movements in exchange rates	(12,811)	(12,811)
As at June 30, 2017	797,589	690,250
Offsetting deferred tax liabilities/ deferred tax assets	(605,491)	(605,491)
Net balance after offsetting as at June 30, 2017	192,098	84,759



## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 11. Trade and Other Receivables

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
<b>Trade receivables due from third parties (Note(a)):</b>		
Notes receivables	899,788	921,383
Trade receivables	3,694,890	3,661,632
Less: Provision for impairment	–	–
Trade receivables – net	4,594,678	4,583,015
<b>Other receivables due from third parties:</b>		
Other receivables	95,656	70,365
Less: Provision for impairment	–	–
Other receivables – net	95,656	70,365
<b>Amount due from related parties (Note 25(c)):</b>		
Trade receivables	–	54,629
Other receivables	262,204	197,970
	<u>262,204</u>	<u>252,599</u>
<b>Others:</b>		
Prepayments	289,695	195,521
Prepaid current income tax and value-added tax recoverable and refundable	217,345	287,839
	<u>507,040</u>	<u>483,360</u>
<b>Trade and other receivables</b>	<b>5,459,578</b>	<b>5,389,339</b>
Less: Non-current portion of prepaid income tax and value-added tax recoverable and refundable	(553)	(1,212)
Less: Non-current portion of amount due from related parties	(190,000)	(190,000)
	<u>(190,553)</u>	<u>(191,212)</u>
<b>Trade and other receivables – net</b>	<b>5,269,025</b>	<b>5,198,127</b>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 11. Trade and Other Receivables (Continued)

- (a) Trade receivables, including notes receivables and trade receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date before provision for impairment as at June 30, 2018 and December 31, 2017 was as follows:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Trade receivables – gross		
– Within 3 months	4,271,075	4,206,436
– 3 to 6 months	287,382	332,139
– 6 to 12 months	32,193	41,386
– Over 1 year	4,028	3,054
	<u>4,594,678</u>	<u>4,583,015</u>

#### 12. Assets and Liabilities of Disposal Groups Classified as Held-for-Sale

The Group held 100% controlling interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司) (“Beijing Futong”), a subsidiary, 75% and 25% of which was held by the Company and Fuyao (Hong Kong) Co., Ltd. (福耀(香港)有限公司), a subsidiary, respectively. During the Reporting Period, pursuant to the equity transfer agreement entered into between the Company and Taiyuan Jinnuo Investment Co., Ltd. (太原金諾投資有限公司) (“Taiyuan Jinnuo”), an independent third party, the Company intended to sell its 75% equity interests in Beijing Futong to Taiyuan Jinnuo at a total transaction price of RMB1,004,450,000. Therefore, the assets and liabilities on the account of Beijing Futong were classified as held-for-sale.

As the equity transfer procedures have not been completed as at the end of the Reporting Period, the part of the equity transfer payment of RMB663 million to be received by the Company was credited to advance receipt.

##### (a) Assets of disposal group classified as held-for-sale

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Land use rights ( <i>Note 7</i> )	41,913	–
Property, plant and equipment ( <i>Note 6</i> )	374,271	–
Intangible assets	–	–
Deferred income tax assets	–	–
Inventories	–	–
Trade and other receivables	3,954	–
Cash and cash equivalents	598	–
	<u>420,736</u>	<u>–</u>
<b>Total</b>	<b>420,736</b>	<b>–</b>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 12. Assets and Liabilities of Disposal Groups Classified as Held-for-Sale (Continued)

##### (b) Liabilities of disposal group classified as held-for-sale

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Trade and other payables	2,452	–
	<u>2,452</u>	<u>–</u>

#### 13. Share Capital

	Number of A shares Thousands	Number of H shares Thousands	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	Total share capital RMB'000
Ordinary shares, issued and fully paid:					
As at January 1, 2017 and June 30, 2017	2,002,986	505,632	2,002,986	505,632	2,508,618
As at January 1, 2018 and June 30, 2018	<u>2,002,986</u>	<u>505,632</u>	<u>2,002,986</u>	<u>505,632</u>	<u>2,508,618</u>

#### 14. Share Premium and Other Reserves

	Share premium RMB'000	Statutory reserves RMB'000	Other reserves	Capital reserve RMB'000	Total other reserves RMB'000
			Foreign currency translation differences RMB'000		
As at January 1, 2018	6,202,553	1,912,915	(204,409)	21,580	1,730,086
Foreign currency translation differences	–	–	11,951	–	11,951
As at June 30, 2018	<u>6,202,553</u>	<u>1,912,915</u>	<u>(192,458)</u>	<u>21,580</u>	<u>1,742,037</u>
As at January 1, 2017	6,202,553	1,634,320	91,038	26,200	1,751,558
Foreign currency translation differences	–	–	(100,711)	–	(100,711)
As at June 30, 2017	<u>6,202,553</u>	<u>1,634,320</u>	<u>(9,673)</u>	<u>26,200</u>	<u>1,650,847</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 15. Borrowings

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
Non-current	2,423,885	2,509,605
Current	8,598,346	5,387,661
Total borrowings	<u>11,022,231</u>	<u>7,897,266</u>

Movement in borrowings is analysed as follows:

	Six-month period ended June 30, 2018 <i>RMB'000</i>
Opening net book amount as at January 1, 2018	<u>7,897,266</u>
Additions	6,875,836
Deduction	(3,750,871)
Closing net book amount as at June 30, 2018	<u>11,022,231</u>
	Six-month period ended June 30, 2017 <i>RMB'000</i>
Opening net book amount as at January 1, 2017	<u>7,245,173</u>
Additions	5,859,132
Deduction	(3,859,726)
Closing net book amount as at June 30, 2017	<u>9,244,579</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 16. Deferred Income on Government Grants

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
Current portion	27,571	26,991
Non-current portion	505,191	434,604
	<hr/>	<hr/>
Total	<b>532,762</b>	<b>461,595</b>
	<hr/>	<hr/>
	For the period ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
At beginning of the period	461,595	481,828
Government grants received during the year <sup>(1)</sup>	84,289	7,912
Credited to the consolidated income statement	(13,416)	(11,177)
Currency translation differences	294	(674)
	<hr/>	<hr/>
At end of the period	<b>532,762</b>	<b>477,889</b>
	<hr/>	<hr/>

- (1) These mainly represented government grants received from certain municipal governments of the PRC as an incentive for the purchase of property, plant and equipment.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 17. Trade and Other Payables

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Payables to third parties	1,208,950	1,391,203
Notes payable	1,093,525	977,678
Payables for purchasing of property, plant and equipment	357,394	402,656
Staff salaries payables	303,190	439,505
Accrued taxes other than income tax	97,746	112,311
Amount due to related parties ( <i>Note 25(c)</i> )	49,455	38,283
Interest payables	48,957	29,257
Advance from customers	26,410	18,008
Equity transfer payment received in advance ( <i>Note 12</i> )	663,000	–
Other payables and accruals	662,321	631,127
Total	<u>4,510,948</u>	<u>4,040,028</u>

(1) Ageing analysis of the notes payable and payables to third parties based on invoice date at the respective balances sheet dates are as follows:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Within 3 months	1,726,869	1,946,279
3 to 6 months	526,356	392,335
6 to 12 months	31,267	19,324
Over 1 year	17,983	10,943
Total	<u>2,302,475</u>	<u>2,368,881</u>



## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 18. Revenue and cost of sales

	For the period ended June 30,			
	2018		2017	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automobile glasses	9,486,606	6,171,667	8,429,486	5,316,671
Float glasses	1,598,743	962,064	1,177,318	765,442
Others	376,163	194,005	256,539	133,991
<b>Sub-total</b>	<b>11,461,512</b>	<b>7,327,736</b>	<b>9,863,343</b>	<b>6,216,104</b>
Less: Intra-group sales	(1,376,337)	(1,376,337)	(1,149,380)	(1,149,380)
	<b>10,085,175</b>	<b>5,951,399</b>	<b>8,713,963</b>	<b>5,066,724</b>

#### 19. Other Gains/(Losses) – Net

	For the period ended June 30,	
	2018 RMB'000	2017 RMB'000
Exchange gains/(losses) – net	60,839	(171,155)
Donation	(126)	(139)
Loss on disposal of property, plant and equipment	(6,612)	(15,277)
Gains on disposal of land use rights	–	6,749
Changes in fair value of the derivative financial instruments	17,697	(28,985)
Others	8,627	14,413
	<b>80,425</b>	<b>(194,394)</b>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 20. Operating Profit

	For the period ended June 30,	
	2018	2017
	RMB'000	RMB'000
The following items have been charged to the operating profit during the period:		
Employee benefit expenses	1,838,547	1,593,011
Depreciation of property, plant and equipment (Note 6)	744,225	660,017
Transportation and storage expenses	329,963	300,640
Packing expenses	180,062	153,471
Amortisation of leasehold land and land use rights (Note 7)	12,024	11,824
Amortisation of intangible assets (Note 8)	11,274	10,851
Write-down inventories to net realisable value	(1,143)	2,389

#### 21. Income Tax Expense

The amounts of income tax expense charged to the consolidated income statement represent:

	For the period ended June 30,	
	2018	2017
	RMB'000	RMB'000
Current income tax	299,964	296,040
Deferred income tax (Note 10)	8,716	5,657
Income tax expense	308,680	301,697

##### (a) PRC corporate income tax

The corporate income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC and the applicable tax rate in accordance with the PRC tax laws and regulations, after adjustments on certain income and expense items, which are not assessable or deductible for income tax purposes.

In accordance with the PRC tax laws, the standard corporate income tax rate is 25%. Certain subsidiaries are qualified for new/high-tech technology enterprises status or Chinese western development enterprises status and enjoyed preferential income tax rate of 15% during the year.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 21. Income Tax Expense (Continued)

##### (b) Hong Kong profits tax

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits during the period.

##### (c) North American profits tax

Profit tax has been provided for at the rate of 24% for certain subsidiaries of the Group on the estimated assessable profit during the period. Applicable profit tax rates of the Group's other subsidiaries in North American are between 26% and 27%, but no profit tax has been provided for the period as these subsidiaries have been loss-making.

##### (d) Russian profits tax

Applicable profit tax rate of Russian is 20%. During the period, no profit tax has been provided due to accumulated losses.

##### (e) German profits tax

Applicable profit tax rate of Germany is 31%. During the period, no profit tax has been provided due to accumulated losses.

The tax on the Group's profit before income tax differs from the theoretical amount that could arise from using the statutory tax rates of 10% to 38% applicable as follows:

	For the period ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit before tax	2,177,508	1,686,213
Tax calculated at the applicable income tax rate	<u>571,635</u>	<u>405,049</u>
Tax effect of:		
Expenses not deductible for tax purpose	834	598
Income not subject to income tax	(641)	(79)
Preferential income tax rate	(209,102)	(195,473)
Unrecognised tax losses carried forward	30,807	121,994
Utilisation of previously unrecognised tax losses	(58,360)	(4,269)
Withholding taxation on unremitted earnings of certain subsidiaries	3,832	3,330
Others	<u>(30,325)</u>	<u>(29,453)</u>
Income tax expense	<u>308,680</u>	<u>301,697</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 22. Earnings per Share

- (1) Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the relevant years.

	For the period ended June 30,	
	2018	2017
Net profit attributable to the equity holders of the Company ( <i>RMB'000</i> )	1,868,355	1,386,031
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	2,508,618	2,508,618
Basic earnings per share ( <i>RMB</i> )	<u>0.74</u>	<u>0.55</u>

- (2) The diluted earnings per share are same as the basic earnings per share as there was no dilutive right shares existed during the Relevant Periods.

#### 23. Dividends

	For the period ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Dividends proposed by the Company	<u>1,003,447</u>	<u>–</u>

On August 20, 2018, the board of directors of the Company proposed to distribute a dividend of RMB1,003,447,012.80 at a retained earnings of RMB0.40 per share as at June 30, 2018. This dividend payable does not recognized in the financial statement as a liability. The resolution still need to be approved by the shareholders' meeting.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 24. Commitments

##### (a) Capital commitments

As at June 30, 2018 and December 31, 2017, capital expenditure contracted for but not yet performed is as follows:

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
Property, plant and equipment	<u>2,174,816</u>	<u>1,647,159</u>

##### (b) Operating lease

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
No later than 1 year	34,083	44,571
Later than 1 year and no later than 5 years	95,626	96,307
Later than 5 years	<u>176,927</u>	<u>193,214</u>
	<u>306,636</u>	<u>334,092</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercises significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business and balances arising from related party transactions during the period ended June 30, 2018 and 2017:

##### (a) Name of and relationship with related parties

Name of related parties	Relationship
Mr. Cho Tak Wong (曹德旺)	Single largest shareholder
Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司)	Controlled by Ms. Chan Fung Ying (the spouse of Mr. Cho Tak Wong)
Sanyi Development Ltd. (三益發展有限公司)	Shareholder of the Company, which is controlled by the single largest shareholder
Home Bridge Overseas Ltd (鴻僑海外控股有限公司)	Shareholder of the Company, which is controlled by a director of the Group
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly controlled entity of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金壘玻璃工業雙遼有限公司)	An entity over which the Group has significant influence
Fujian Triplex Auto Decoration Co., Ltd. (福建三鋒汽車飾件有限公司)	Controlled by a director of the Group, till May 2018
Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司)	Controlled by a director of the Group, till May 2018
Fujian Triplex Auto Services Co., Ltd. (福建三鋒汽車服務有限公司)	Controlled by a director of the Group, till May 2018
Chongqing Triplex Auto Decoration Co., Ltd. (重慶三鋒汽車飾件有限公司)	Controlled by a director of the Group
Triplex Holdings Management Co., Ltd. (三鋒控股管理有限公司)	Controlled by a director of the Group
Global Cosmos German Co., Ltd. (環創德國有限公司)	Controlled by the single largest shareholder



## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions (Continued)

(b) The following transactions were carried out with related parties:

Continuing transactions

i. Sales of goods

	For the period ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Fujian Triplex Auto Services Co., Ltd.*	136,951	178,322
Fujian Triplex Auto Decoration Co., Ltd.*	10,606	7,359
Tri-Wall Packaging (Fuzhou) Co., Ltd.	1,784	1,496
Jinken Glass Industry Shuangliao Co., Ltd.	794	–
Fuzhou Fuyao Mold Technology Co., Ltd.*	451	94
	<b>150,586</b>	<b>187,271</b>

ii. Purchase of goods

	For the period ended June 30,	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Fuzhou Fuyao Mold Technology Co., Ltd.*	57,396	74,484
Tri-Wall Packaging (Fuzhou) Co., Ltd.	47,476	42,768
Fujian Triplex Auto Decoration Co., Ltd.*	47,185	26,203
Jinken Glass Industry Shuangliao Co., Ltd.	43,360	1,675
	<b>195,417</b>	<b>145,130</b>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions (Continued)

(b) The following transactions were carried out with related parties: (Continued)

Continuing transactions (Continued)

iii. Rental income

	For the period ended June 30,	
	2018 RMB'000	2017 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	60	60

iv. Rental expenses

	For the period ended June 30,	
	2018 RMB'000	2017 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	10,998	10,486
Global Cosmos German Co., Ltd.*	9,415	-
	<u>20,413</u>	<u>10,486</u>

v. Disposal of assets

	For the period ended June 30,	
	2018 RMB'000	2017 RMB'000
Fujian Triplex Auto Decoration Co., Ltd. *	-	29,864

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions (Continued)

(b) The following transactions were carried out with related parties: (Continued)

Continuing transactions (Continued)

vi. Loan to an associate

	For the period ended June 30,	
	2018 RMB'000	2017 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	—	51,620

vii. Acquisition of equity interest

	For the period ended June 30,	
	2018 RMB'000	2017 RMB'000
Triplex Holdings Management Co., Ltd.*	223,765	—

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the term of the underlying agreements.

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions (Continued)

(b) The following transactions were carried out with related parties: (Continued)

Continuing transactions (Continued)

viii. Key management compensation

	For the period ended June 30,	
	2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	17,167	17,831
Pension, housing fund, medical insurance and other social insurance	384	443
Others	337	365
	<u>17,888</u>	<u>18,639</u>

Note: \*Concurrently the connected parties under Hong Kong Listing Rules, and all related transactions are in compliance with the disclosure requirements as set out in Chapter 14A of the Hong Kong Listing Rules.

(c) Balances with related parties

Amount due from related parties based on invoice date:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Trade receivables (i)	–	54,629
Other receivables (ii)	262,204	197,970
Prepayments (iii)	51,936	1,707
	<u>314,140</u>	<u>254,306</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions (Continued)

##### (c) Balances with related parties: (Continued)

Amount due from related parties based on invoice date: (Continued)

##### (i) Trade receivables:

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
Fujian Triplex Auto Services Co., Ltd.	–	53,732
Fujian Triplex Auto Decoration Co., Ltd.	–	897
	<u>–</u>	<u>54,629</u>

Ageing analysis of trade receivables due from related parties is as follows:

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
Within 3 months	<u>–</u>	<u>54,629</u>

##### (ii) Other receivables:

	As at June 30, 2018 <i>RMB'000</i>	As at December 31, 2017 <i>RMB'000</i>
Fujian Triplex Auto Decoration Co., Ltd.	–	5,524
Jinken Glass Industry Shuangliao Co., Ltd.	193,022	192,049
Tri-Wall Packaging (Fuzhou) Co., Ltd.	357	343
Fuzhou Fuyao Mold Technology Co., Ltd.	–	54
Chongqing Triplex Auto Decoration Co., Ltd.	718	–
Global Cosmos German Co., Ltd.	68,107	–
	<u>262,204</u>	<u>197,970</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions (Continued)

##### (c) Balances with related parties: (Continued)

Amount due to related parties: (Continued)

##### (iii) Prepayments:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Fuzhou Fuyao Mold Technology Co., Ltd.	–	1,370
Jinken Glass Industry Shuangliao Co., Ltd.	51,936	330
Fujian Triplex Auto Decoration Co., Ltd.	–	7
	<u>51,936</u>	<u>1,707</u>

Amount due to related parties:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Trade payables (iv)	19,337	32,216
Other payables (v)	30,118	6,067
	<u>49,455</u>	<u>38,283</u>

##### (iv) Trade payables:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Fujian Triplex Auto Decoration Co., Ltd.	–	19,415
Tri-Wall Packaging (Fuzhou) Co., Ltd.	10,444	9,011
Fuzhou Fuyao Mold Technology Co., Ltd.	–	1,928
Jinken Glass Industry Shuangliao Co., Ltd.	8,893	1,862
	<u>19,337</u>	<u>32,216</u>

## Section IX Financial Report

### II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)

#### 25. Related Party Transactions (Continued)

##### (c) Balances with related parties: (Continued)

Amount due to related parties: (Continued)

##### (iv) Trade payables: (Continued)

Ageing analysis of trade payables due to related parties based on invoice date is as follows:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Within 3 months	19,241	29,897
3 to 6 months	96	1,538
6 to 12 months	—	781
	<u>19,337</u>	<u>32,216</u>

##### (v) Other payables to related parties:

	As at June 30, 2018 RMB'000	As at December 31, 2017 RMB'000
Fuzhou Fuyao Mold Technology Co., Ltd.	—	5,155
Fujian Triplex Auto Decoration Co., Ltd.	—	912
Tri-Wall Packaging (Fuzhou) Co., Ltd.	343	—
Triplex Holdings Management Co., Ltd.	29,775	—
	<u>30,118</u>	<u>6,067</u>