福耀玻璃工業集團股份有限公司
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

Annual Report

Important Notice

I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company warrant that the content of this annual 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. Directors absent

Position of absent director	Name of absent director	Reason for absence	Name of proxy
Director	Sun Yiqun	Other work commitments	Wu shinong

III. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) has issued standard unqualified audit report for the Company.

IV. Cho Tak Wong, the person-in-charge of the Company, Chen Xiangming, the person-in-charge of accounting affairs and Qiu Yongnian, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.

V. Plan for profit distribution or conversion of capital reserves into share capital as approved by the Board in the Reporting Period

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2018 as shown on the consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB4,120,487,402. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2018 as shown on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards amounted to RMB4,119,934,874.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit for the year of 2018 as shown on the Company's financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB4,375,399,432; adding the undistributed profits of RMB4,040,478,079 adjusted retroactively according to new revenue standards at the beginning of the year of 2018, deducting the distributed profits of RMB1,881,463,149 for the year of 2017 and the interim profits of RMB1,003,447,013 for the year of 2018, and after appropriating 10% of the net profit of the Company for the year of 2018 to the statutory surplus reserve amounting to RMB437,539,943, the profits distributable to shareholders of the Company as at December 31, 2018 amounted to RMB5,093,427,406.

The profit distribution plan for the year of 2018 as proposed by the Company is as follows: to distribute cash dividends of RMB7.5 per 10 shares (tax inclusive) based on the total share capital of 2,508,617,532 shares of the Company as at December 31, 2018 to holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of cash dividends for the year of 2018, with total dividends to be distributed amounting to RMB1,881,463,149 in total. The undistributed profits of the Company will be carried forward to the following year. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2018. Cash dividends 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 associated with forward-looking statements

The forward-looking statements contained in this annual report such as future plans and development strategies do not constitute any substantive 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 in details the potential risks it may face in this annual report. For further information, please refer to "(IV) Potential Risks" under "II. Discussion and Analysis on the Future Development of the Company" of "Section V Report of the Board of Directors".

Contents

Section I Chairman's Statement

Dear shareholders,

I am very grateful for your long-term support and care for Fuyao Glass. Entrusted by the Board of Directors, I am pleased to present the 2018 annual report for your review.

In 2018, the global economic growth slowed down amidst upheavals such as volatile world economy, Brexit and Sino-US trade frictions. In the global context, major economies showed signs of weakening recovery, and most countries experienced economic slowdown. Under heavy economic downturn pressure, China's automobile industry recorded its first negative growth in 28 years. Despite such grim market conditions, our Company, in virtue of the concerted efforts of our staff, managed to record growth in its operating results and obtained satisfactory effects, with much greater brand popularity, reputation and influence. In particular, the US projects saw improvement in operational efficiency and harvested fruitful results; the Benxi floating glass project was successfully put into operation and set a number of new records in respect of technological breakthroughs; and as part of our effort to create a whole industry chain, we acquired Triplex Decoration and Fuzhou Mold, established Tongliao Refined Aluminum, and planned to acquire the assets of SAM.

During the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB20,224,986,000, representing an increase of 8.06% as compared with the corresponding period last year; realized profit before tax of RMB4,961,808,000, representing an increase of 34.86% as compared with the corresponding period last year; realized profit for the year attributable to the equity holders of the Company of RMB4,119,935,000, representing an increase of 30.87% as compared with the corresponding period last year; and realized earnings per share of RMB1.64, representing an increase of 31.20% as compared with the corresponding period last year.

In particular, the exchange gains of the Company for the Reporting Period were RMB258,516,000 as compared with an exchange loss of RMB387,507,000 for the corresponding period last year. In addition, the Company recorded an investment gain of RMB664,033,000 for the Reporting Period from the disposal of 75% equity interests in Beijing Futong; whereas the Company realized an aggregate gain of RMB39,094,000 for the corresponding period last year from the sale of the land use rights of a state-owned land parcel, an industrial plant and the supporting facilities thereof, as well as from the sale of 100% equity interests in Fuzhou Floating Glass. Eliminating the effects of the above factors, the profit before tax of the Company for the Reporting Period increased by 0.29% year on year.

In 2019, risks and uncertainties will continue to loom both at home and abroad and the automobile sector is still likely to be confronted with the risk of negative growth. Despite facing greater challenges ahead, we will, as confident as always, leverage upon our expertise and in-depth understanding of expected changes and proactively respond to any possible crisis via early strategic involvement.

In 2019, we will give the leading role to sales, enhancing our market sensitivity, establishing a comprehensive sales management mechanism and levelling up our market competitiveness. We will map out a clear strategic route for product development, with a view to creating industry-leading products and thereby establishing differentiated market competitiveness. In addition, we will deepen our reforms from tiny aspects to improve management activities, strengthen team building, streamline organizational process and raise management efficiency and per capita effectiveness, thereby tapping further benefits from management.

As the saying goes, every cloud has a silver lining. We will ride out the economic downturns and capture the opportunities arising therefrom to remould and grow our Company into a number-one player in the glass sector globally by devoting great efforts to sales, technologies and management.

Chairman: **Cho Tak Wong**

Section II Definitions

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, we or our	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
SAM	SAM automotive production GmbH, a company incorporated in accordance with the laws of Germany, which is principally engaged in the production and sale of aluminum trim strip
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 components 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 of two or more than two layers of automobile float glass held in place by one or more interlayers of PVB
float glass	the glass produced by applying float technology
Reporting Period	for the twelve months ended December 31, 2018
Latest Practicable Date	March 15, 2019, being the latest practicable date for including certain information herein prior to the publication of this annual report

Section III 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 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	0591-85383777	0591-85383777
Fax	0591-85363983	0591-85363983
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	http://www.fuyaogroup.com
E-mail	600660@fuyaogroup.com
Principal place of business in Hong Kong	Room 1907, Shun Tak Centre, West Tower, 200 Connaught Road, 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

Section III Corporate Profile and Principal Financial Indicators

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 annual report of the Company	http://www.sse.com.cn
Website designated by Hong Kong Stock Exchange for publishing the annual report of the Company	http://www.hkexnews.hk
Place of inspection of the annual report of the Company	Secretarial Office of the Board of Directors of the Company, District II of Fuyao Industrial Zone, Fuqing City

V. INFORMATION ON THE COMPANY'S SHARES

Information on the Company's shares			
Class of shares	**Stock exchange on which shares are listed**	**Stock abbreviation**	**Stock code**
A shares	SSE	FUYAO GLASS	600660
H shares	Hong Kong Stock Exchange	FUYAO GLASS	3606

VI. OTHER RELEVANT INFORMATION

Auditors engaged by the Company (domestic)	Name	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
	Office address	11th Floor, PricewaterhouseCoopers Center, 202 Hu Bin Road, Shanghai
	Name of signing accountants	Qin Jie, Lu Qinyao
Auditors engaged by the Company (overseas)	Name	PricewaterhouseCoopers
	Office address	24th Floor, Prince's Building, Central, Hong Kong

Section III Corporate Profile and Principal Financial Indicators

VII. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST THREE YEARS

(I) Principal accounting data

Unit: '000 Currency: RMB

Principal accounting data	2018	2017	Increase/decrease for the Reporting Period as compared with the corresponding period last year (%)	2016
Revenue	**20,224,986**	18,715,609	8.06	16,621,336
Profit for the year attributable to the equity holders of the Company	**4,119,935**	3,148,221	30.87	3,143,449
Profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss	**3,467,788**	3,030,259	14.44	3,069,187
Net cash generated from operating activities	**5,451,390**	4,658,218	17.03	3,531,738

	At the end of 2018	At the end of 2017	Increase/decrease at the end of the Reporting Period as compared with the end of the corresponding period last year (%)	At the end of 2016
Equity attributable to shareholders of the Company	**20,203,708**	19,014,191	6.26	18,047,500
Total assets	**34,503,241**	31,717,365	8.78	29,879,729

Note: In particular, "Profit for the year attributable to the 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 III Corporate Profile and Principal Financial Indicators

(II) Principal financial indicators

Principal financial indicators	2018	2017	Increase/ decrease for the Reporting Period as compared with the corresponding period last year *(%)*	2016
Basic earnings per share *(RMB/share)*	**1.64**	1.25	31.20	1.25
Diluted earnings per share *(RMB/share)*	**1.64**	1.25	31.20	1.25
Return on equity *(%)*	**20.39**	16.56	Increased by 3.83 percentage points	17.42

For details of principal accounting data and financial indicators of the Company for the previous five years as at the end of the Reporting Period, please refer to "Section XIII Business Performance Highlights for the Previous Five Years".

Section III Corporate Profile and Principal Financial Indicators

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

(I) Differences in net profit and net assets attributable to shareholders of the Company in the financial statements prepared under the International Financial Reporting Standards and those under the China Accounting Standards for Business Enterprises

Unit: '000 Currency: RMB

	Net profit		Net assets attributable to the shareholders of the Company	
	For the Reporting Period	For the corresponding period of previous year	**At the end of the Reporting Period**	At the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	**4,120,487**	3,148,748	**20,190,906**	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 differences in corresponding depreciation and amortization	**-552**	-527	**12,802**	13,355
Prepared in accordance with the International Financial Reporting Standards	**4,119,935**	3,148,221	**20,203,708**	19,014,191

Section III Corporate Profile and Principal Financial Indicators

(II) Explanation on the differences under domestic and overseas accounting standards

In addition to preparing the financial statements for H shares in accordance with the International Financial Reporting Standards, the Company, with its A shares listed on the SSE, is also required to prepare financial statements in accordance with the China Accounting Standards for Business Enterprises. There are differences between the financial statements prepared by the Company in accordance with the International Financial Reporting Standards and those prepared by the Company in accordance with the China Accounting Standards for Business Enterprises: Yung Tak Investment Limited, a subsidiary of the Group, made provision for impairment in accordance with the differences between recoverable amounts and carrying amounts of buildings and lands in the previous year. The provision for long-term asset impairment was subject to the "Accounting Standards for Business Enterprises No. 8 – Assets Impairment" issued by the Ministry of Finance on February 15, 2006. Upon recognition, the loss on asset impairment of the Group shall not be reversed in subsequent accounting periods. Under the International Financial Reporting Standards, the loss on asset impairment, excluding goodwill, recognized in previous periods should be reversed as there have changes in the estimates used by the Group for determining the recoverable amounts of assets since the last recognition of loss on impairment. Such differences will have an impact on the provision for (and loss on) asset impairment of the Group, and operating results (depreciation/amortization) of buildings and land use rights within their useful lives, thus resulting in the adjustments above.

IX. PRINCIPAL FINANCIAL DATA FOR THE YEAR OF 2018 BY QUARTER

Unit: '000 Currency: RMB

	First Quarter (From January to March)	Second Quarter (From April to June)	Third Quarter (From July to September)	Fourth Quarter (From October to December)
Revenue	4,747,842	5,337,333	5,037,262	5,102,549
Profit for the year attributable to the equity holders of the Company	562,492	1,305,863	1,393,322	858,258
Profit for the year attributable to the equity holders of the Company, net of non-recurring profit or loss	594,857	1,234,847	985,070	653,014
Net cash generated from operating activities	1,083,084	1,407,674	1,771,788	1,188,844

Notes:

1. The financial data of each quarter in the above table has not been audited.

2. "Profit for the year attributable to the 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 III Corporate Profile and Principal Financial Indicators

X. 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 for the year of 2018	Amount for the year of 2017	Amount for the year of 2016
Profit or loss from disposal of non-current assets	**601,116,748**	-26,217,990	-17,315,990
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 standards required by national policies	**146,750,220**	188,280,808	89,542,263
Profit or loss from changes in fair value of held-for-trading financial assets and trading financial liabilities, and investment income 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	**46,249,132**	-33,267,704	9,194,672
Reversal of provision for impairment of receivables subject to individual impairment test		29,805	31,618
Other non-recurring income and expenses other than the above items	**50,778,706**	9,631,111	7,539,143
Effects of minority interests	**5,635,619**	9,265	2,750,393
Effects of income tax	**-197,830,893**	-19,975,837	-16,701,929
Total	**652,699,532**	118,489,458	75,040,170

XI. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance	Changes in the Reporting Period	Impact on profit for the Reporting Period
Forward foreign exchange contracts	-332,708	**239,690**	572,398	572,398
Currency swap contracts	-18,762,211	**44,224,931**	62,987,142	62,987,142
Short call on foreign exchange	-534,000		534,000	
Structured deposits		**385,860,411**	385,860,411	860,411
Principal-guaranteed wealth management products with the gains linked with J.P. Morgan MOZAIC WEEKLY Index	101,927,854	**1,401,366**	-100,526,488	-526,488
Total	82,298,935	**431,726,398**	349,427,463	63,893,463

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

Section IV Business Profile

I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW DURING THE REPORTING PERIOD

(I) Principal business and business model

The Company is principally engaged in providing total solutions of safety glass for various transportation vehicles, including design, manufacture and sale of automotive grade float glass, automotive glass and locomotive glass and provision of relevant services. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales services. Adhering to its brand development strategy of maintaining an industry-leading position in technology and quickly responding to market changes, the Company works with its customers on product design, manufacturing and rendering of services, focuses on improving business ecological chain and responds to the ever-changing demand of customers systematically, professionally and rapidly, thus creating value for its customers.

Set out below is a breakdown of revenue by products for the periods indicated:

Unit: '000 Currency: RMB

	2018		2017		2016	
Business	**Revenue**	**Percentage (%)**	Revenue	Percentage (%)	Revenue	Percentage (%)
Automotive glass	**19,351,889**	**95.68**	17,868,123	95.47	16,145,326	97.14
Float glass	**3,220,524**	**15.92**	2,899,054	15.49	2,729,026	16.42
Others	**573,463**	**2.84**	620,514	3.32	404,319	2.43
Less: Intragroup eliminations	**-2,920,890**	**-14.44**	-2,672,082	-14.28	-2,657,335	-15.99
Total	**20,224,986**	**100.00**	18,715,609	100.00	16,621,336	100.00

(II) Industry Overview

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production and sales volume in 2018 amounted to 27,809,200 units and 28,080,600 units, representing year-on-year decreases of 4.16% and 2.76%, respectively, marking negative growth for the first time since 1990. Nevertheless, China's automobile production volume increased from 18,264,700 units in 2010 to 27,809,200 units in 2018, with a compound annual growth rate of 5.40%, and China has ranked first in the world for ten consecutive years in terms of production and sales volume.

With the gradual popularization of automobiles in urban households, China's automobile industry has basically passed the ten-year period of rapid growth from 2000 to 2010 and entered a period of steady growth. Given the continued slowdown of macroeconomic growth, the ongoing transformation and upgrading of the automobile industry and the termination of the preferential tax policy on purchases of cars with engine displacement of 1.6L or less, China's automobile market will face more uncertainties in the short run.

The average growth rate of the global automobile industry maintained at approximately 3.5% to 4.5%, as is evident from the average growth rate of the international automobile 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 has been increasing with an expanding impact.

Section IV Business Profile

In the long run, China's automobile ownership still has broad upside potential. In 2017, the automobile ownership per 100 population reached over 80 units, approximately 60 units and approximately 15 units in the US, Japan, and China, respectively. China's automobile popularity still lags far behind the developed countries. Along with the development of China's economy, the ongoing urbanization, the growth of residents' income and spending power, and the improvement of road infrastructure, the potential automobile consumption demand in China is still huge. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still huge growth potential in China's automobile market and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The Chinese automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. In general, automobile consumers increasingly focus on quality rather than functionality. 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 and environmental friendliness, beautiful appearance, and intelligence and integration" with constantly increasing added value. The industry-leading position of Fuyao 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 Organization Internationale des Constructeurs d'Automobiles (OICA), the China Association of Automobile Manufacturers 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 RMB12,856 million, accounting for 37.26% of the total assets.

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, 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 development mechanism, all of which form the systematic business advantages of Fuyao and create barriers to competitors.

5. Development strategy that highlights specialism, devotion and concentration enables the Company to respond promptly to market changes and provide Total Solutions of automotive glass to customers.

Section V Report of the Board of Directors

I. BUSINESS REVIEW

(I) Review on the business of the Company

The Company is principally engaged in providing total solutions of safety glass for various transportation vehicles, including design, manufacture and sale of automotive grade float glass, automotive glass and locomotive glass and provision of relevant services. The business model of the Company is globalized research and development, design, manufacture, distribution and after-sales services. Adhering to its brand development strategy of maintaining an industry-leading position in technology and quickly responding to market changes, the Company works with its customers on product design, manufacturing and rendering of services, focuses on improving business ecological chain and responds to the ever-changing demand of customers systematically, professionally and rapidly, thus creating value for its customers. Fuyao is a green development enterprise with a strong sense of social responsibility, pursuing safety, eco-friendliness, integrity and win-win results.

During the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB20,224,986,000, representing an increase of 8.06% as compared with the corresponding period last year; realized profit before tax of RMB4,961,808,000, representing an increase of 34.86% as compared with the corresponding period last year; realized profit for the year attributable to the equity holders of the Company of RMB4,119,935,000, representing an increase of 30.87% as compared with the corresponding period last year; realized earnings per share of RMB1.64, representing an increase of 31.20% as compared with the corresponding period last year.

In particular, the exchange gains of the Company were RMB258,516,000 for the Reporting Period as compared with an exchange loss of RMB387,507,000 for the corresponding period last year. In addition, the Company recorded an investment gain of RMB664,033,000 for the Reporting Period from the disposal of 75% equity interests in Beijing Futong; whereas the Company realized an aggregate gain of RMB39,094,000 for the corresponding period last year from the sale of the land use rights of a state-owned land parcel, an industrial plant and the supporting facilities thereof, as well as from the sale of 100% equity interests in Fuzhou Floating Glass. Eliminating the effects of the above factors, the profit before tax of the Company for the Reporting Period increased by 0.29% year on year.

For details, please refer to relevant information in this section and subsection headed "I. Management Discussion and Analysis" in "Section VI Management Discussion and Analysis".

Section V Report of the Board of Directors

(II) Development, performance or status of the business of the Company

Most of the revenue of the Company is generated from design and supply of high quality automotive glass and provision of relevant services. The Company also produces and sells float glass which is the primary raw material for manufacturing automotive glass. The table below sets forth a summary of financial ratios for the periods and as at the dates indicated:

	Year ended December 31		
Financial indicators	**2018**	2017	2016
Revenue growth(1)	**8.06%**	12.60%	22.45%
Net profit growth(2)	**30.46%**	0.18%	20.53%
Gross profit margin(3)	**41.52%**	41.66%	41.95%
Net profit margin before interest and taxes(4)	**26.39%**	20.63%	24.53%
Net profit margin(5)	**20.30%**	16.82%	18.90%
Return on equity(6)	**20.39%**	16.56%	17.42%
Return on total assets(7)	**11.90%**	9.92%	10.52%
Gearing ratio(8)	**41.45%**	40.04%	39.58%
Turnover period of trade receivables(9)	**81**	89	86
Inventory turnover period(10)	**96**	97	100

Notes:

(1) Revenue growth = (revenue for the period ÷ revenue for the previous period–1) × 100%;

(2) Net profit growth = (net profit for the period ÷ net profit for the previous period–1) × 100%;

(3) Gross profit margin = (gross profit for the period ÷ revenue) × 100%;

(4) Net profit margin before interest and taxes = (sum of net profit before interest and income tax expenses for the period ÷ revenue) × 100%;

(5) Net profit margin = (net profit for the period ÷ revenue) × 100%;

(6) Return on equity = (profit for the year attributable to the equity holders of the Company for the period ÷ equity attributable to the equity holders of the Company as at the end of the period) × 100%;

(7) Return on total assets = (net profit for the period ÷ total assets as at the end of the period) × 100%;

(8) Gearing ratio = (total liabilities ÷ total assets) × 100%;

(9) Turnover period of trade receivables = [(trade receivables at the beginning of the period + trade receivables at the end of the period) ÷ 2]÷revenue × 365 days, trade receivables include trade and bills receivables;

(10) Inventory turnover period = [(balance of inventory at the beginning of the period + balance of inventory at the end of the period)÷2] ÷ sales costs × 365 days.

Section V Report of the Board of Directors

The Company uses representative financial indicators relating to its profitability, operation capacity and solvency to analyze its growth potential. The Company's financial indicators remained stable and its profitability indicators demonstrated a rising trend in the recent three years. In particular, the Company's revenue for 2018 increased by 8.06% year on year and profit before tax amounted to RMB4,961,808,000. Excluding exchange gains or losses and gains from disposal of equity, the Company's profit before tax for the Reporting Period increased by 0.29% year on year, indicating a growing profitability. The Company's gearing ratio as at December 31, 2018 was 41.45%, showing its solvency remained strong. The turnover period of trade receivables and inventory turnover period of the Company were 81 days and 96 days, respectively, in 2018, indicating the lowest level in the recent 3 years and a high turnover efficiency. In sum, the Company, with strong competitiveness and operation management capacity, is able to continuously create value for shareholders.

For details of other information, please refer to "Section IV Business Profile" and "Section VI Management Discussion and Analysis".

II. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry landscape and development trend

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production and sales volume in 2018 amounted to 27,809,200 units and 28,080,600 units, representing year-on-year decreases of 4.16% and 2.76%, respectively, marking negative growth for the first time since 1990. Nevertheless, China's automobile production volume increased from 18,264,700 units in 2010 to 27,809,200 units in 2018, with a compound annual growth rate of 5.40%, and China has ranked first in the world for ten consecutive years in terms of production and sales volume.

With the gradual popularization of automobiles in urban households, China's automobile industry has basically passed the ten-year period of rapid growth from 2000 to 2010 and entered a period of steady growth. Given the continued slowdown of macroeconomic growth, the ongoing transformation and upgrading of the automobile industry and the termination of the preferential tax policy on purchases of cars with engine displacement of 1.6L or less, China's automobile market will face more uncertainties in the short run.

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

In the long run, China's automobile ownership still has broad upside potential. In 2017, the automobile ownership per 100 population reached over 80 units, approximately 60 units and approximately 15 units in the US, Japan, and China, respectively. China's automobile popularity still lags far behind the developed countries. Along with the development of China's economy, the ongoing urbanization, the growth of residents' income and spending power, and the improvement of road infrastructure, the potential automobile consumption demand in China is still huge. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still huge growth potential in China's automobile market and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The Chinese automobile industry has now entered a new stage of development characterised by diversified demands and an optimised structure. In general, automobile consumers increasingly focus on quality rather than functionality. 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 and environmental friendliness, beautiful appearance, and intelligence and integration" with constantly increasing added value. The industry-leading position of Fuyao in terms of technology has brought structural opportunities to the sale of automotive glass of the Company.

Section V Report of the Board of Directors

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 Organization Internationale des Constructeurs d'Automobiles (OICA), the China Association of Automobile Manufacturers and the International Organization of Motor Vehicle Manufacturers.

(II) Development strategy of the Company

Development strategy of the Company:

Leveraging the culture and talent of techniques and innovation, the Company has systemically established sustainable competitive advantages and profitability for "Fuyao" to become a transparent and reliable company for customers, shareholders, employees, suppliers, government, distributors and the society in the long run.

The plan of the Company is:

(1) to extend the boundary of "a piece of glass", strengthen the study on the trend of glass integration and provide more comprehensive product solutions and services to automobile factories and ARG users.

(2) to operate globally. The Company is undergoing transformation and upgrading in respect of organizational structure, corporate culture, investment and talent recruitments to improve its ability to provide services and create value for customers worldwide.

(3) to build the customer-oriented quality management system of Fuyao following the idea of "combining moral standing, product, quality and taste" with the aim of zero defect.

(4) to invigorate staff and reinforce benchmarking management; and to carry forward the culture of continuous improvement to build the lean operation system of Fuyao.

(5) to further comprehensively promote the management model that emphasises on centralized management of capital and overall budgeting so as to maximize capital efficiency.

(6) to put more efforts on brand building and quality assurance to ensure that product quality matches with brand image, making "Fuyao" an international brand representing the standards of the industry; and to advance technological innovations to continue to create value.

(7) to promote in-depth application of IT technologies to facilitate inter-connection, so as to achieve information sharing and business collaboration, thus making Fuyao become a "smart enterprise".

(8) to build Fuyao into a learning organization, promote the growth of employees and improve their sense of happiness, so as to make Fuyao a great company.

Opportunities of the Company:

(1) Thanks to product consumption upgrading and technical progress, there is growing demand for high value-added automotive glass, which provides new development opportunities for Fuyao. Shifting away from product operation to brand operation, Fuyao focuses on providing integrated total solutions and its corporate value has been on the rise.

(2) The reasonable capital structure, sufficient cash flows, stable finance and exceptional operating capability of the Company have laid a good foundation for a leap-forward development of the Company.

Section V Report of the Board of Directors

(3) Benefiting from its solid IT foundation, the Company can quickly adapt to changes in external environment in the information age.

(4) With its reasonable overseas presence and relocation of production and operation bases to serve international customers, the Company has enhanced its ability to rapidly respond to customers, which can provide faster and more valuable services for the Company's development in overseas markets.

(5) The Company has established a global presence, which enables it to cope with challenges brought about by the changes in international situation.

Challenges faced by the Company:

(1) The world's major economies are plagued by weakening recovery. Affected by the structural changes on the demand side, the demand in the automobile industry remains weak, which will pose challenges to the operation and management of the Company.

(2) As China's economy is currently in a critical period of transformation and upgrading and is shifting from high-speed growth to high-quality development, there are many problems, conflicts and challenges needed to be resolved, which will pose challenges to the domestic development of the Company.

(3) In the information age, customers have growing requirements for response speed, which leads to higher requirements on the intelligence level and collaborative ability of the Company.

(4) Product consumption upgrading and technical progress pose new requirements on automotive glass and on automobile window solutions.

(5) The globalized operation and development of the Company brings challenges to the Company on, among others things, adapting to cultural differences, compliance with laws and arrangement of manpower in the countries it operates.

(III) Business plan

In 2019, risks and uncertainties will continue to loom both at home and abroad and the automobile sector is still likely to be confronted with the risk of negative growth. Despite facing greater challenges ahead, Fuyao will, as confident as always, leverage upon its expertise and in-depth understanding of expected changes and proactively respond to any possible crisis through early strategic involvement. The Company will strive to maintain steady growth in production and sales volume, and other principal operating indicators of automotive glass in 2019.

Major tasks of the Company to be carried out in 2019:

1. To give the leading role to sales, enhancing market sensitivity, establishing a comprehensive sales management mechanism and levelling up market competitiveness.

2. To increase efforts in technological development and innovation and kick off new projects to create value for the Company, and to map out a clear strategic route for product development for creating industry-leading products and thereby establishing differentiated market competitiveness.

3. To promote further application of simulation technology and improve the development of simulation platform, so as to provide better targeted design services and refine production schedules by applying data mining to product design and production.

4. To deepen reforms from tiny aspects to improve management activities, strengthen team building, streamline organizational process and raise management efficiency and per capita effectiveness.

Section V Report of the Board of Directors

5. To strengthen the application of information technology to promote inter-connection and communication through standardized management and technical support, to achieve information sharing and business collaboration and ensure information management is carried out in a strategic, holistic, normative, collaborative and secure manner.

6. To build a talent management system featuring internal development and external recruitment, reshape the leadership of cadres to establish a high-quality, professional management team to accommodate the requirements of Fuyao's global operations.

In order to accomplish its business plan and goals for the year of 2019, the Company expects its funding needs throughout 2019 will be RMB26,535 million, of which operating expenditure, capital expenditure and payments of cash dividends will be RMB20,500 million, RMB4,154 million and RMB1,881 million, respectively. The Company intends to satisfy the funding needs through collection of trade receivables, acceleration of inventory turnover and management of receivables, utilization of balance of funds and debt financing such as borrowings from financial institutions or issuance of debentures. In 2019, the Company will continue to enhance comprehensive budget management, accelerate the collection of trade receivables, strictly control exchange risks and optimize capital structure, thereby enhancing the security and effectiveness of capital management.

The above-mentioned business plan is mapped out based on the Company's understanding of the current economic and market conditions and the position of the Company and therefore does not constitute a performance guarantee or substantive commitment by the Company to investors. Investors should maintain sufficient risk awareness in this regard, and should gain an understanding of the differences between a business plan and a performance guarantee.

(IV) Potential risks

1. Risks associated with economic, political and social conditions, and government policies

Most assets of the Company are located in the PRC and approximately 60% of its revenue is derived from the operations in the PRC. Therefore, the operating results, financial status and prospects of the Company are susceptible to changes in economy, politics, policies and laws of China. As the Chinese economy is in the stage of transformation and upgrading, the operations of the Company in the PRC might be affected. In response, the Company will put more efforts in technological innovation, strengthen its position in aftersales service market, ensure stable and healthy development in the PRC market and exploit the advantages of its global presence.

2. Risks associated with industry development

The global automobile industry is in the process of transformation and upgrading. Competition in the automobile industry is stretching from the manufacturing field to the service field, and automobile consumers increasingly focus on quality rather than functionality. Intelligent, networking and digital elements will play key roles in the development of the automobile industry. As most private enterprises in the PRC automobile industry are small in scale, business consolidation will be inevitable. If the Company fails to promptly respond to technological changes, it may fail to cater for customers' demands. If the demand for automobiles fluctuates, the demand for products of the Company would also fluctuate, which might result in an adverse impact on the financial position and operating results of the Company. In light of the above, the Company will enrich product lines, optimize product structure and 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, as well as providing more comprehensive product solutions and services to customers worldwide.

Section V Report of the Board of Directors

3. Risks associated with market competition

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

4. Risks associated with cost fluctuations

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 fees. Due to fluctuations 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 the aluminum oxide industry, 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 pressure of inflation arising from quantitative easing measures adopted by many countries all over the world, continuous rising of labor cost, the Company is exposed to the risk of cost fluctuations. Given the above, the Company will:

(1) sort out key material suppliers and develop cooperative partnership with them; set up a sound mechanism for rating and incentives of suppliers, and give incentives to outstanding suppliers; set up an iron-triangle management mechanism for suppliers of key materials and import of materials, focusing on areas such as procurement, technique and quality.

(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 at the same time through setting up plants in the Europe and the US and conducting 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.

5. Risks associated with exchange rate fluctuations

China has reformed the RMB exchange rate mechanism on the principles of voluntarism, gradualism and controllability and pursues a managed floating exchange rate regime that is based on market supply and demand and with reference to 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

Section V Report of the Board of Directors

areas, and the tightening and easing of monetary policies by different countries. Given that the export-oriented business has accounted for over 40% and keeps growing every year, a significant fluctuation 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 manage the potential fluctuations in exchange rates possibly 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 and conducting production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates and keeping the risks under control.

6. 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 its customers operate

The Company focuses on developing proprietary technologies and new automotive glass products. A long time 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 increase its investment in research and development, improve its independent 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.

7. Cyber risk and security

With the growing smart manufacturing capacity of enterprises, operation and management of core business are all backed by and realized through 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.

Section V Report of the Board of Directors

8. Information swindle and theft

With the advancement of information-based construction of enterprises, core data in relation to sales, design, techniques and finance of enterprises are exposed to the risk of 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 so 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, internet, and VPN, and corresponding protection measures are adopted.

9. Environmental and social risks

As China's policies, plans and standards in respect of environmental governance 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 deviate 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 a 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 environmental protection work.

III. RESULTS

Please refer to "Consolidated Income Statements" of "Section XII Financial Report" for details of the annual results of the Company for the year ended December 31, 2018. Please refer to "Section XIII Business Performance Highlights for the Previous Five Years" for details of the summary of the results of the Company for the last five financial years.

IV. DIVIDEND AND REDUCTION AND EXEMPTION OF DIVIDEND TAX

The profit distribution plan for the year of 2018 as proposed by the Company is as follows: to distribute cash dividends of RMB7.5 per 10 shares (tax inclusive) based on the total share capital of 2,508,617,532 shares of the Company as at December 31, 2018 to holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of cash dividends for the year of 2018, with total dividends to be distributed amounting to RMB1,881,463,149 in total. The undistributed profits of the Company will be carried forward to the following year. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2018. Cash dividends 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 Report of the Board of Directors

After the 2018 profit distribution plan of the Company is approved by shareholders at the forthcoming general meeting, the cash dividends will be paid 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 paid on or before June 28, 2019. In the case of any change in the payment date mentioned above, the Company will make an announcement in a timely manner. The Company will announce the details regarding other specific matters on dividend distribution in due course.

For details of the formulation, implementation of, and adjustment to, the cash dividend policy of Company and the profit distribution plan or proposal of the Company for the last three years (including the Reporting Period), please refer to "I. Profit Distribution Plan for Ordinary Shares or Plan to Convert Capital Reserve into Share Capital" of "Section VII Significant Events".

Holders of A shares

In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《財政部、國家税務總局、中國證監會關於上市公司股息紅利差別化個人所得税政策有關問題的通知》(財税[2015]101號)), for shares of listed companies acquired 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 for 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 the 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) (《國家税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税有關問題的通知》(國税函2009[47]號)). QFII shareholders entitled to preferential tax treatment under tax treaties (arrangements) shall apply to the competent taxation authority for tax rebates 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 above-mentioned 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) (《非居民企業所得税源泉扣繳管理暫行辦法》(國税發[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) (《國家税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税問題的批覆》(國税函[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.

Pursuant to the requirements of the Notice of the Ministry of Finance, the State Administration of Taxation and the 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、國家税務總局、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税收政策的通知》(財税

Section V Report of the Board of Directors

[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, the State Administration of Taxation and the 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、國家税務總局、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税收政策的通知》(財税[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) (《關於個人所得税若干政策問題的通知》(財税字[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 December 31, 2018 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

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) (《國家税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税有關問題的通知》(國税函[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, the State Administration of Taxation and the CSRC (Cai Shui [2014] No. 81) (《財政部、國家税務總局、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税收政策的通知》(財税[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 from investment through the

Section V Report of the Board of Directors

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 from investment 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, the State Administration of Taxation and the 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 from investment 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 from investment 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.

V. CONNECTED TRANSACTIONS

Please refer to "VII. Substantial Connected Transactions" of "Section VII Significant Events" for the details of the connected transactions of the Company.

VI. DONATION

During the Reporting Period, the total external donations of the Group amounted to RMB1,562,800.

VII. PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 6 "Property, Plant and Equipment" of "Section XII Financial Report" for the details of the changes in property, plant and equipment of the Company.

VIII. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Please refer to Note 9 "Investments Accounted for Using the Equity Method" and Note 38 "Subsidiaries" of "Section XII Financial Report" for the details of the interests of the Company in major subsidiaries, joint ventures and associates as at December 31, 2018.

IX. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to "IV. Changes in Directors, Supervisors and Senior Management of the Company" of "Section IX Directors, Supervisors, Senior Management and Employees" for details.

X. PERMITTED INDEMNITY PROVISION

As at December 31, 2018, the Company maintained directors', supervisors' and senior management members' liability insurance for all of its directors, supervisors and senior management members.

Section V Report of the Board of Directors

XI. MANAGEMENT CONTRACTS

Except the service contracts entered into with management officers, the Company has not entered into any contract with any person or any corporate group concerning the management or operation of any department or any important parts of the business of the Company.

XII. DISCLOSURE OF INTERESTS

Please refer to “Section VIII Changes in Ordinary Shares and Information of Shareholders” for the details of the disclosure of interests of the Company.

XIII. PURCHASE, DISPOSAL OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, disposed or redeemed any listed securities of the Company.

XIV. MINIMUM PUBLIC FLOAT

As at the Latest Practicable Date, according to the publicly available information and to the best knowledge of the directors of the Company, the Company has maintained sufficient public float.

XV. ISSUANCE OF SHARES

Please refer to “Section VIII Changes in Ordinary Shares and Information of Shareholders” for the details of the issuance of shares by the Company.

XVI. RESERVES AND DISTRIBUTABLE RESERVE

Pursuant to the Company Law of the PRC, undistributed profit could be distributed as dividends after allocation is made to the statutory surplus reserve. According to the requirements of the Articles of Association, when the Company is to distribute its profit after tax in the relevant accounting year, the profit after tax shall be deemed to be the lesser of the amounts stated in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards. Under the International Financial Reporting Standards, the undistributed profit of the Company as at the end of 2018 amounted to RMB5,079 million.

XVII. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC. Meanwhile, the Company currently does not have any share option arrangements.

XVIII. BANK BORROWINGS AND OTHER LOANS

Please refer to Note 19 “Borrowings” of “Section XII Financial Report” for the details of the bank borrowings and other loans of the Company.

Section V Report of the Board of Directors

XIX. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE HONG KONG LISTING RULES

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules, except as otherwise explained in the Corporate Governance Report of this annual report. Please refer to "Section X Company Governance and Corporate Governance Report" for the details of the corporate governance of the Company.

XX. FULFILMENT OF SOCIAL RESPONSIBILITY

During the Reporting Period, the Company has prepared and disclosed the 2018 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements. The report will be published on the Hong Kong Stock Exchange and the SSE. Moreover, the Company will publish the 2018 Environmental, Social and Governance Report of Fuyao Glass Industry Group Co., Ltd. within 3 months from the publication of the 2018 annual report of the Company.

XXI. RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

(I) Employees

In line with the internationalization trend and according to the needs brought by technology upgrading and management upgrading, the Group recruits employees via various channels such as official website, official microblog and job-hunting websites at home and abroad, social media and on-campus recruitment programs at home and abroad. Our employees will serve Fuyao companies around the world upon completion of orientation training, operational training and job-specific training. The Group conducts quarterly performance coaching and annual performance review to provide its employees with feedbacks on their performance. Moreover, the Group also provides on-the-job training to its employees to enhance their skills and comprehensive quality. Please refer to "VII. Employees of the Company and Its Major Subsidiaries" of "Section IX Directors, Supervisors, Senior Management and Employees" for other information of employees.

(II) Customers

The Group sells automotive glass to OEM and ARG customers in various countries and regions, including the PRC, the United States, the United Kingdom, Hong Kong, Germany and Japan. The OEM customers include the world's top 20 automobile manufacturers by production volume, such as Toyota, Volkswagen, General Motors, Ford and Hyundai, and the top 10 passenger vehicle manufacturers in China by production volume, such as SAIC-GM, FAW-Volkswagen, Shanghai Volkswagen, Beijing Hyundai and Dongfeng Nissan, which are affiliates of or joint ventures operated by the world's top 20 automobile manufacturers.

In 2018, the top five customers of the Group, all of which are independent third-party automotive glass customers, accounted for 16.50% of the revenue of the Group, and the largest customer accounted for 4.73% of the revenue of the Group. The Group have maintained good relationship with its major customers, and have maintained partnership with its largest customer for more than 20 years. Nevertheless, the Group did not depend on any of its major customers. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five customers of the Group.

(III) Suppliers

The Group has adopted procedures for evaluating potential domestic and overseas suppliers based on product quality, price, ability to deliver products on time and technical capability. The Group has established procurement departments at the Russian and U.S. subsidiaries to purchase the raw materials

Section V Report of the Board of Directors

used in the overseas production from local suppliers through the same supply management system that has been adopted by the Group. The Group conducts periodic onsite reviews of the suppliers' production base according to ISO/TS16949 quality system. The Group generally enters into procurement contracts with major suppliers for one year. The agreements between the Group and suppliers typically set forth the quantity, price, quality specifications, payment terms and warranty for each type of raw materials.

In 2018, the top five suppliers of the Group accounted for 15.78% of the purchases of the Group and the largest supplier of the Group accounted for 3.65% of the purchases of the Group. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five suppliers of the Group.

XXII. ENVIRONMENTAL MATTERS

The Group complies with a broad range of environmental laws and regulations in countries in which it operates, including those governing waste gas emissions, wastewater discharge, noise control and the management and disposal of hazardous substances and waste.

The major pollutants from the production process of the Group include waste gas, wastewater, powder and dust, noise and solid waste, the emissions of which are in compliance with all applicable environmental laws, regulations and standards. The Group has implemented comprehensive environmental protection measures to minimize the impact of the production process on the environment, including (1) installation of fluorodenitration and dedusting equipment on float glass kilns for waste gas treatment; (2) use of clean energy by replacing heavy oil with natural gas as the production fuel for float glass; (3) installation of water recycle system for cyclical use of water in the production process of all subsidiaries; (4) installation of activated carbon in companies producing automotive glass to adsorb waste gas generated in the drying process of glass printing; (5) use of low-noise environmental equipment and keep them in good operation, as well as use of walls and acoustic materials to reduce noise effectively; (6) engagement of qualified third parties to dispose solid waste; (7) installation of online monitoring instruments for float glass flue gas emission to upload real time data to environmental authorities, while we engage qualified testing entities to conduct tests for other items which we are unable to monitor, four times per year. Noise monitoring of automotive glass shall be conducted by ourselves on a monthly basis, while we engage qualified testing entities to conduct tests for other items which we are unable to test, twice per year; (8) implementation of the approval of clean production; and (9) preparation of contingency plans for all subsidiaries and filing according to local environment protection requirements. In addition, the Group conducts environmental monitoring on factories according to the monitoring plan and accepts the supervision of the environmental protection authorities. The Group also engages qualified third parties to conduct environmental impact assessment prior to the construction of production factories. The Group has obtained ISO14001 certification for the environmental management system.

As at the end of the Reporting Period, the Group was not subject to any material claims, lawsuits, penalties or administrative punishments relating to environmental protection arising from environmental matters.

XXIII. OCCUPATIONAL HEALTH AND SAFETY MATTERS

The Group complies with labor safety laws and regulations imposed by the government authorities in China and other countries in which it operates. The Group has implemented various occupational health and safety procedures to maintain a safe working environment, including (1) providing guidelines for operational and safety control procedures for all employees; (2) adopting protective measures at our production bases; (3) inspecting equipment and facilities regularly to identify and eliminate potential safety hazard; and (4) providing regular training to the employees on safety awareness. The Group has established a labor safety committee to monitor and ensure the effective implementation of its health and safety procedures. The Group has established safety management departments at its subsidiaries in Russia and the US, which establish and monitor the implementation of safety management system at the production base in Russia and the US. The Group has also designated personnel in charge of safety management at the Russian and US production base. The Group has obtained GB/T28001 certification for the occupational health and safety management system. As the business of the Group expands, the Group will regularly review the occupational health and safety procedures to ensure they comply with industry practices and applicable laws and regulations.

Section V Report of the Board of Directors

On March 20, 2018, an incident occurred at the plant of Fuyao Glass America Inc., the Company's wholly-owned subsidiary, in Moraine, Ohio, the United States, resulting in the death of a forklift driver during his night shift. According to the investigation of the U.S. Occupational Safety and Health Administration (OSHA), the direct cause of the incident was the night shift forklift driver's non-compliance with the working procedures regarding safe devanning of the Company, resulting in his death after being wedged in between the glass and his forklift. The OSHA has decided to impose a penalty of USD7,000 on Fuyao Glass America and requested Fuyao Glass America to revise the relevant operation instructions for devanning for the ease of better understanding by the employees, reinforce safety inspections on the relevant procedures and intensify trainings for employees to guarantee the employees' compliance with secure working procedures. For details, please refer to the Announcement on the Fatality of Subsidiary Fuyao Glass America Inc. of Fuyao Glass Industry Group Co., Ltd. and the Announcement in Relation to the Settlement of the Fatality at Subsidiary Fuyao Glass America Inc. of Fuyao Glass Industry Group Co., Ltd. dated March 21, 2018 and September 13, 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), respectively, and the Voluntary Announcement on Fatality at Fuyao Glass America and the Voluntary Announcement on Settlement of the Fatality at Fuyao Glass America dated March 21, 2018 and September 13, 2018, respectively, as published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

As at the end of the Reporting Period, save as disclosed above, the Group did not encounter any material unexpected disruption in production due to health and safety issues, nor received any material claim in relation to health and safety.

XXIV. LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

The Company may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of the business. As at the Latest Practicable Date, Fuyao Glass America Inc., a wholly-owned subsidiary of the Company, was involved in a class action lawsuit in relation to payment of overtime wages. Currently, the lawsuit is in the evidence discovery stage. Fuyao Glass America Inc. challenged the accusations and has appointed lawyers to defend for it. The outcome of the lawsuit is unpredictable at the moment. Apart from the above, the Company was not a party to, and not aware of any threat of, any legal, arbitral or administrative proceedings, which, in the opinion of the Company, is likely to have a material adverse effect on the business, financial conditions or results of operations of the Company. Please refer to "Section X Company Governance and Corporate Governance Report" for the details on the on-going compliance with applicable laws and regulations by the Company and the directors and senior management of the Company.

XXV. REVIEW OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The financial statements for the year ended December 31, 2018 have been reviewed by the audit committee of the Company.

Section VI Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

As a worldwide leading enterprise engaged in integrated solutions for the design, development, manufacturing, supply and service of automotive glass and automotive grade float glass, Fuyao adheres to its brand development strategy of maintaining an industry-leading position in technology and quickly responding to market changes. During the Reporting Period, Fuyao, as always, provided automobile manufacturers and maintenance market worldwide with products and services of automotive safety glass crafted with wisdom and heart and provided global automobile users with intelligent, safe, comfortable, environment-friendly and trendy total solutions relating to automotive safety glass, aiming at making the in-vehicle experience of drivers and passengers more enjoyable.

In 2018, the global economic growth slowed down amidst upheavals such as volatile world economy, Brexit and Sino-US trade frictions. In the global context, major economies showed signs of weakening recovery, and most countries experienced economic slowdown. Under heavy economic downturn pressure, China's automobile industry recorded its first negative growth in 28 years. According to the statistics released by the China Association of Automobile Manufacturers, automobile production and sales volume in 2018 were 27,809,200 units and 28,080,600 units, respectively, down by 4.16% and 2.76% year on year.

Despite economic slowdown and the negative growth of the automobile industry in China, Fuyao managed to record growth in its operating results and obtained satisfactory effects. During the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB20,224,986,000, representing an increase of 8.06% as compared with the corresponding period last year; realized profit before tax of RMB4,961,808,000, representing an increase of 34.86% as compared with the corresponding period last year; realized profit for the year attributable to the equity holders of the Company of RMB4,119,935,000, representing an increase of 30.87% as compared with the corresponding period last year; realized earnings per share of RMB1.64, representing an increase of 31.20% as compared with the corresponding period last year.

In particular, the exchange gains of the Company for the Reporting Period were RMB258,516,000 as compared with an exchange loss of RMB387,507,000 for the corresponding period last year. In addition, the Company recorded an investment gain of RMB664,033,000 for the Reporting Period from the disposal of 75% equity interests in Beijing Futong; whereas the Company realized an aggregate gain of RMB39,094,000 for the corresponding period last year from the sale of the land use rights of a state-owned land parcel, an industrial plant and the supporting facilities thereof, as well as from the sale of 100% equity interests in Fuzhou Floating Glass. Eliminating the effects of the above factors, the profit before tax of the Company for the Reporting Period increased by 0.29% year on year.

Section VI Management Discussion and Analysis

During the Reporting Period, the Company strictly followed the Group's business strategy, centered on "continuously creating values for customers" with the market-orientated approach, the support of technological innovation and the safeguard by standardized management, to ensure the steady improvement of the efficiency of the whole value chain. In this regard, the Company has made the following efforts:

(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 revenue from domestic sales of automotive glass saw a year-on-year decrease of 0.64%, lower than the decrease rate in the output of the automobile industry (the output of the automobile industry decreased by 4.16% in 2018); while its revenue from overseas sales of automotive glass recorded a year-on-year increase of 24.42% thanks to its early strategic involvement and the collaboration between production bases at home and abroad.

(2) The Company ensured high efficiency with high quality by implementing quality management at every aspect throughout the whole process, used Six Sigma and other improvement tools and strictly executed self-inspection system and preventive management, thus creating quality and benefits for the Company.

(3) During the Reporting Period, the Company acquired Triplex Decoration and Fuzhou Mold, established Tongliao Refined Aluminium, further promoted collaboration between upstream and downstream of the industry chain and penetrated deeper into the field of automotive parts, thus creating a whole industry chain, forming the systematic business advantages of Fuyao and creating barriers to competitions.

(4) During the Reporting Period, the Company made more efforts in promoting Obeya management. The cost reduction and efficiency improvement were 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. The Company's 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) for the Reporting Period was 79.79%, representing a year-on-year decrease of 1.49 percentage points.

(5) During the Reporting Period, the Company accurately responded to market trends and continued to pursue innovation based on its well-defined product development strategy to develop new products featuring "safety and comfort, energy conservation and eco-friendliness, beautiful appearance, and intelligence and integration". It also assigned "key technology-tackling tasks (攻關令)" to seek for breakthroughs in technology and equipment and thereby enhanced the added value and competitiveness of its products.

(6) During the Reporting Period, the Company deepened its management reform. Based on overall budgets, it strengthened assessment and incentive mechanisms to improve benchmarking management and give full play to the potential of each employee. Further efforts were exerted on innovation and reform to promote the realization of budget goals.

(7) During the Reporting Period, the Company further improved its mechanism for talent cultivation and training by leveraging its internal management institute to strengthen trainings for talented employees of different types at various levels, thus ensuring that employees' growth and development laid a solid foundation for the transformation and upgrading of the Group.

Section VI Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

As at December 31, 2018, the total assets of the Company amounted to RMB34,503 million, representing an increase of 8.78% as compared with the beginning of the year; the total liabilities amounted to RMB14,301 million, representing an increase of 12.61% as compared with the beginning of the year; gearing ratio was 9.18%; equity attributable to the shareholders of the Company amounted to RMB20,204 million, representing an increase of 6.26% as compared with the beginning of the year.

During the Reporting Period, the revenue of the Company amounted to RMB20,224,986,000, representing a year-on-year increase of 8.06%; the profit for the year attributable to the equity holders of the Company amounted to RMB4,119,935,000, representing a year-on-year increase of 30.87%; the profit for the year (prepared in accordance with the China Accounting Standards for Business Enterprises) attributable to the equity holders of the Company, net of non-recurring profit or loss, amounted to RMB3,467,788,000, representing a year-on-year increase of 14.44%; basic earnings per share amounted to RMB1.64, representing a year-on-year increase of 31.20%.

(I) Analysis of principal business

1. Analysis of changes in relevant items in the income statement and cash flow statement

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Percentage of change (%)
Revenue	**20,224,986**	18,715,609	8.06
Sales costs	**11,828,463**	10,917,999	8.34
Distribution costs	**1,467,671**	1,274,309	15.17
Administrative expenses	**2,071,318**	1,803,411	14.86
Finance costs – net	**140,196**	25,714	445.21
Net cash from operating activities	**5,451,390**	4,658,218	17.03
Net cash used in investing activities	**-2,971,313**	-3,375,590	-11.98
Net cash used in financing activities	**-3,080,005**	-1,455,835	111.56
Research and development expenses	**887,722**	803,441	10.49

Section VI Management Discussion and Analysis

Changes in income statement and explanations thereof:

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/ decrease in amount	Percentage of increase/ decrease *(%)*	Reason for change
Other gains/(losses) - net	**1,009,830**	-393,640	1,403,470	-356.54	The change in other gains/(losses) - net was mainly due to the exchange gain of RMB259 million as a result of exchange rate fluctuation during the Reporting Period, as compared with the loss on foreign exchange of RMB388 million for the same period last year, as well as the investment gains recognized upon the disposal of 75% equity interest in Fuyao Group Beijing Futong Safety Glass Co.,Ltd. during the Reporting Period.
Net impairment losses on financial assets	**28,132**	0	28,132	100	The increase in the net impairment losses on financial assets was mainly due to the impairment losses on financial assets accrued in accordance with the new standards on financial instruments (IFRS 9) during the Reporting Period, which were accounted for and represented under the item. Pursuant to the transition requirements of the new standards, there is no need to adjust the comparable figures for the same period of the previous year in the financial statement for inconsistencies with the new standards.
Financial costs – net	**140,196**	25,714	114,482	445.21	The increase in financial costs – net was mainly due to the increase in borrowings and the borrowing rates during the Reporting Period.
Share of profit after tax of joint ventures and associates	**3,744**	-6,017	9,761	-162.22	The change of share of profit after tax of joint ventures and associates was mainly due to the profits recorded by Jinken Glass Industry Shuangliao Co., Ltd., an associate of the Company, during the year.
Income tax expense	**855,188**	531,479	323,709	60.91	The increase in income tax expenses was mainly due to income tax expenses provided for taxable income of the Company incurred during the Reporting Period.

Section VI Management Discussion and Analysis

Changes in cash flow statement and explanations thereof:

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/ decrease in amount	Percentage of increase/ decrease (%)	Reason for change
Proceeds from disposal of subsidiaries and joint ventures	**682,452**	148,151	534,301	360.65	Proceeds from disposal of subsidiaries and joint ventures were mainly the proceeds received from disposal of 51% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. during the Reporting Period, as compared with the proceeds mainly received from disposal of 100% equity interests in Fuzhou Fuyao Float Glass Co., Ltd. (a subsidiary of the Company) for the same period last year.
Proceeds from disposal of intangible assets and land use rights	**–**	10,570	-10,570	-100.00	The decrease in proceeds from disposal of intangible assets and land use rights was mainly due to the proceeds received by the Company during the same period of the previous year from transfer of land use rights to Fujian Triplex Automotive Decoration Co., Ltd.
Purchases of leasehold land and land use rights	**81,784**	173,973	-92,189	-52.99	The decrease in expenses for purchases of leasehold land and land use rights was mainly due to increase in expenses for purchase of land use rights by a new company for the same period last year.
Purchases of intangible assets	**80,273**	13,161	67,112	509.93	The increase in purchase of intangible assets was mainly due to the purchase of new computer software and mining rights during the Reporting Period.
Purchase of financial assets at fair value through profit or loss	**285,000**	100,000	185,000	185.00	The increase in purchase of financial assets at fair value through profit or loss was mainly due to net structured deposits placed and withdrawn which were represented in the item as a result of the implementation of the new financial instruments standards for this report. Pursuant to the transitional requirements of the new standards, no adjustment was made to the comparable figures for the same period of the previous year.

Section VI Management Discussion and Analysis

Items	For the Reporting Period	For the corresponding period last year	Increase/ decrease in amount	Percentage of increase/ decrease (%)	Reason for change
Funding to an associate	–	190,000	-190,000	-100.00	The year-on-year decrease in the funding to an associate was mainly due to the loan of RMB190 million granted to Jinken Glass Industry Shuangliao Co., Ltd. (an associate of the Company) whose long-term assets on its account and equity interests held by its shareholders have been charged or pledged to the Company for the same period of the previous year.
Interest received	**271,558**	156,659	114,899	73.34	The increase in interest received was mainly due to the increase in interest income arising from deposit.
Decrease/(Increase) in restricted cash	**15,587**	-11,559	27,146	-234.85	The change in restricted cash was mainly due to the withdrawal of the relevant guaranteed deposits for the letter of credit opened in the previous year as the letter of credit was settled upon expiry during the Reporting Period.
Repayment of borrowings	**13,341,533**	9,989,268	3,352,265	33.56	The year-on-year increase in repayment of borrowings was mainly due to the higher turnover rate of the financing as a result of the improved financing structure with more short-term borrowings at lower financing rates during the Reporting Period.
Dividends paid to the Company's shareholders	**2,884,910**	1,881,463	1,003,447	53.33	The increase in dividends paid to the Company's shareholders was mainly due to the interim dividend distributed during the Reporting Period.
Dividends paid to non-controlling interests in the subsidiaries	**12,096**	–	12,096	100	The increase in dividends paid to non-controlling interests in the subsidiaries was mainly due to the dividend distributed by Fujian Triplex Auto Services Co., Ltd., a non-wholly owned subsidiary acquired during the Reporting Period.
Interest paid	**406,065**	229,375	176,690	77.03	The increase in interest paid was mainly due to the higher frequency for interest payment and increase in interest payment for more borrowings as a result of the improved financing structure with more short-term borrowings at lower financing rates during the year.

Section VI Management Discussion and Analysis

2. Analysis of revenue and costs

During the Reporting Period, sales of automotive glass of the Company increased by RMB1,483,766,000, representing a year-on-year increase of 8.30%, in which overseas OEM sales increased by RMB1,100,627,000 and overseas ARG sales increased by RMB456,923,000. The cost of sales of automotive glass increased by RMB1,114,424,000, or 9.75%, year on year. The cost expense rate of the Company in 2018 was 79.79%, representing a year-on-year decrease of 1.49 percentage points.

The Company insisted on specialized operations, enhanced its marketing efforts, strengthened the development of new technologies and products, and increased the added value and competitiveness of its products. In the meantime, the Company pushed for cost reduction and efficiency improvement through the entire value chain in an all-round way and improved benchmarking management through overall budgeting, thereby ensuring steady growth of its profits.

(1) Principal business by product or by region

Unit: '000 Currency: RMB

Principal business by product

Product	Revenue	Cost of sales	Gross Profit margin (%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
Automotive glass	19,351,889	12,543,980	35.18	8.30	9.75	Decreased by 0.85 percentage point
Float glass	3,220,524	1,942,757	39.68	11.09	3.41	Increased by 4.48 percentage points
Others	573,463	262,616				
Less: Intragroup elimination	-2,920,890	-2,920,890				
Total	20,224,986	11,828,463	41.52	8.06	8.34	Decreased by 0.14 percentage point

Section VI Management Discussion and Analysis

Principal business by region

Region	Revenue	Cost of sales	Gross Profit margin (%)	Change in revenue as compared with last year (%)	Change in cost of sales as compared with last year (%)	Change in gross profit margin as compared with last year (%)
The PRC	11,825,655	6,651,699	43.75	-1.23	-3.08	Increased by 1.07 percentage points
Other countries	8,399,331	5,176,764	38.37	24.56	27.67	Decreased by 1.50 percentage points
Total	20,224,986	11,828,463	41.52	8.06	8.34	Decreased by 0.14 percentage point

(2) Analysis of production and sales volumes

Unit: (automotive glass) million square meters; (float glass) 0'000 tons (other than percentage)

Principal products	Production volume	Sales volume	Inventory	Change in production volume as compared with last year (%)	Change in sales volume as compared with last year (%)	Change in inventory as compared with last year (%)
Automotive glass	116.80	117.66	10.84	3.69	4.46	-8.75
Float glass	134.50	118.83	38.32	17.75	7.92	63.13

Note to production and sales volumes:

Production volume refers to that of finished goods.

Section VI Management Discussion and Analysis

(3) Costs analysis

Unit: '000 Currency: RMB

Product	Cost structure	By product Amount for the period	 Amount for the period accounting for total costs *(%)*	Amount for the corresponding period last year	Amount for the corresponding period last year accounting for total costs *(%)*	Change in the amount for the period as compared with the corresponding period last year *(%)*
Automotive glass	Raw and auxiliary materials	**7,919,526**	**63.13**	7,356,434	64.36	7.65
Automotive glass	Costs of energy	**893,389**	**7.12**	856,288	7.49	4.33
Automotive glass	Costs of labor	**2,015,927**	**16.07**	1,719,252	15.04	17.26
Automotive glass	Others[(1)]	**1,715,138**	**13.68**	1,497,582	13.11	14.53
Float glass	Raw and auxiliary materials	**653,238**	**33.62**	616,642	32.82	5.93
Float glass	Costs of energy	**607,631**	**31.28**	602,474	32.07	0.86
Float glass	Costs of labor	**167,522**	**8.62**	179,725	9.57	-6.79
Float glass	Others[(1)]	**514,366**	**26.48**	479,887	25.54	7.18

Note: (1) Others include manufacturing overhead, business tax and surcharge, and provision for impairment of inventories.

(4) Major customers and suppliers

Sales to the top five customers amounted to RMB3,337,680,900, accounting for 16.50% of the total sales for the year; of which related-party sales amounted to nil, accounting for 0% of the total sales for the year.

Purchases from the top five suppliers amounted to RMB1,214,136,400, accounting for 15.78% of the total purchases for the year; of which related-party purchases amounted to nil, accounting for 0% of the total purchases for the year.

3. Expenses

For details of changes in the Company's expenses during the Reporting Period, please refer to analysis on changes of relevant items in income statement and cash flow statement.

Section VI Management Discussion and Analysis

4. Research and development costs

Analysis of research and development (R&D) costs

Unit: '000 Currency: RMB

R&D costs expensed for the Reporting Period	887,722
R&D costs capitalized for the Reporting Period	0
Total R&D costs	887,722
Total R&D costs as a percentage of revenue *(%)*	4.39
Number of R&D staff of the Company	3,924
Number of R&D staff as a percentage of the total number of staff of the Company *(%)*	14.50
Capitalization percentage of R&D costs *(%)*	0

5. Details of charge on assets

As at December 31, 2018, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings thereon with a carrying amount of RMB22,011,350 as security for a credit line of HKD30 million.

6. Liquidity and capital sources

6.1 Cash flows

Unit: '000 Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period last year
Net cash generated from operating activities	5,451,390	4,658,218
Net cash used in investing activities	-2,971,313	-3,375,590
Net cash used by financing activities	-3,080,005	-1,455,835
Net decrease in cash and cash equivalents	-599,928	-173,207

(1) During the Reporting Period, net cash generated from operating activities amounted to RMB5,451 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB22,729 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB12,000 million, cash paid to and paid on behalf of employees amounted to RMB3,836 million, and payment for various taxes amounted to RMB1,664 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 used in investing activities amounted to RMB2,971 million. In particular, cash paid for purchase and construction of property, plant and equipment and other long-term assets amounted to RMB3,592 million.

(3) During the Reporting Period, net cash used in financing activities amounted to RMB3,080 million, of which, cash received from borrowings amounted to RMB13,565 million, cash used for repayment of debts amounted to RMB13,342 million; cash payment for distribution of dividends and payment of interests amounted to RMB3,303 million.

Section VI Management Discussion and Analysis

(4) The Company will further strengthen and promote the management model that emphasises on centralized management of capital and overall budgeting, strictly control exchange risks and optimize capital structure so as to enhance the security and effectiveness of capital management and maximise capital efficiency.

6.2 Cash flows

For details of cash flows during the Reporting Period, please refer to analysis on changes of relevant items in income statement and cash flow statement.

6.3 Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other transformation and upgrading. During the Reporting Period, RMB3,592 million in cash was paid for purchase and construction of property, plant and equipment and other long-term assets. In particular, capital expenditures of the Benxi float glass project and Suzhou automotive glass project amounted to approximately RMB587 million and RMB568 million, respectively.

6.4 Borrowings

During the Reporting Period, the newly-added bank borrowings amounted to approximately RMB13,265 million; ultra short-term financing bills amounted to RMB300 million; and repayment of bank borrowings amounted to approximately RMB13,342 million. The Company did not utilize any financial instrument for hedging. As at December 31, 2018, interest-bearing debts are set out as follows:

Unit: 100 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	41.74
Short-term borrowings with floating interest rates	13.75
Long-term borrowings with fixed interest rates due within one year	0
Long-term borrowings with floating interest rates due within one year	5.04
Long-term borrowings with floating interest rates	12.47
Corporate bonds	8.00
Ultra short-term financing bills	3.01
Total	84.01

7. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is carried out within the PRC and is denominated in RMB. 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 U.S. 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 to mitigate the foreign exchange risks to the largest extent. To this end, the Group may hedge foreign exchange risks by way of financial derivatives such as forward foreign exchange contract and currency swap contract. During the Reporting Period, foreign exchange gain of the Group amounted to RMB258,516,000 as compared with foreign exchange loss of RMB387,507,000 for the corresponding period last year.

Section VI Management Discussion and Analysis

8. Capital efficiency

Inventory turnover period during the Reporting Period was 96 days, representing a decrease of 1 day as compared with the 97 days of the corresponding period last year: among which, the inventory turnover period of automotive glass was 68 days, and 73 days for the corresponding period last year whereas the inventory turnover period of float glass was 162 days, and 132 days for the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 81 days, a decrease of 8 days as compared with 89 days for the corresponding period last year.

During the Reporting Period, the return on equity was 20.39%, as compared with 16.56% of the corresponding period last year.

Gearing ratio for the Reporting Period is set out as follows (as prepared in accordance with International Financial Reporting Standards):

Unit: '000 Currency: RMB

	December 31, 2018	December 31, 2017
Total borrowings	**8,400,201**	7,897,266
Less: Cash and cash equivalents	**-6,357,656**	-6,704,296
Net debts	**2,042,545**	1,192,970
Total equity	**20,202,674**	19,018,614
Total capital	**22,245,219**	20,211,584
Net liability to equity ratios (%)	**9.18%**	5.90%

Note: Net liability to equity 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.

9. Undertakings

For details, please refer to descriptions in Note 34 "Commitments" to the "Section XII Financial Report".

10. Contingent liabilities

During the Reporting Period, the Company did not have any material contingent liabilities.

Section VI Management Discussion and Analysis

(II) Analysis on assets and liabilities

1. Assets and Liabilities

Unit: '000 Currency: RMB (other than percentage)

Items	Closing balance	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	**277,372**	**0.80**	143,549	0.45	93.22	The increase in intangible assets was primarily due to the consolidation of 78% equity interest in Sanqi (Xiamen) Precision Manufacture Company Ltd. not subject to common control of the Group, and the recognition of the positive difference between consolidation costs and the fair value of identifiable net assets as goodwill as well as the purchase of new computer software and mining rights during the Reporting Period.
Investments in associates	**165,057**	**0.48**	52,139	0.16	216.57	The increase in investments in associates was primarily due to the reclassification of the remaining 25% equity interest in Beijing Futong held by Fuyao (Hong Kong) Co., Ltd. (a subsidiary of the Company) under this item as affected by the substantial influence of the termination of recognizing 75% equity interest and the consequential loss of control in Fuyao Group Beijing Futong Safety Glass Co., Ltd. by the Company.
Other non-current assets	**843**	**0.00**	191,212	0.60	-99.56	The decrease in other non-current asset was mainly due to the removal of the loan amounting to RMB190 million due from Jinken Glass Industry Shuangliao Co., Ltd. whose assets and equity interests held by its shareholders have been charged or pledged to the Company from this item as the loan would be repayable within one year.

Section VI Management Discussion and Analysis

Items	Closing balance	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
Financial assets at fair value through profit or loss	**387,262**	**1.12**	101,928	0.32	279.94	Changes in financial assets at fair value through profit or loss were mainly due to the reclassification of the structure deposits held as at the end of the Reporting Period, whose characteristics of contractual cash flow weren't aligned with the basic debt arrangements, into the said item upon the adoption of the new financial instruments standards (IFRS 9) during the Reporting Period.
Derivative financial instruments – current assets	**47,542**	**0.14**	3,561	0.01	1,235.07	Changes in derivative financial instruments – current assets were primarily due to the estimated financial assets arising from the unsettled CCS currency swap contracts as a result of movements in foreign exchanges rate during the Reporting Period.
Restricted cash	**8,317**	**0.02**	23,904	0.08	-65.21	The decrease in restricted cash was mainly due to the withdrawal of relevant guaranteed deposits for the letter of credit opened in the previous year as the letter of credit was settled upon expiry during the Reporting Period.
Other reserves	**2,329,412**	**6.75**	1,730,086	5.45	34.64	The increase in other reserves was mainly due to the increase in currency translation difference resulting from the depreciation of RMB and the provision for statutory reserves during the Reporting Period.
Non-controlling interests	**-1,034**	**-0.00**	4,423	0.01	-123.38	The variance in non-controlling interests was primarily because both Sanqi (Xiamen) Precision Manufacture Company Ltd., which was acquired by the Company during the Reporting Period, and Fujian Triplex Auto Services Co., Ltd., which was indirectly controlled by the Company through acquisition of Fujian Triplex Holdings Group Company Limited during the Reporting Period, were non-wholly owned subsidiaries of the Company, and the remaining 22% and 40% equity interest in these two companies, respectively,were presented under this item.

Section VI Management Discussion and Analysis

Items	Closing balance	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
Borrowings – non-current liabilities	**1,246,875**	**3.61**	2,509,605	7.91	-50.32	The decrease in borrowings – non-current liabilities was mainly due to the removal of corporate bonds and long-term borrowings repayable within one year from the item at the end of the Reporting Period.
Deferred income tax liabilities	**159,749**	**0.46**	75,790	0.24	110.78	The increase in deferred income tax liabilities was mainly due to the fact that the Company recognised investment income in respect of the disposal of 75% equity interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd. and the investment income concerning the 24% equity interests thereof was recognized as deferred income tax liabilities due to failure of completion of transfer.
Contract liabilities	**594,503**	**1.72**	–	–	100.00	The increase in contract liabilities was mainly due to the representation of contract consideration received before delivery of goods to the customers and the amount for which unconditional right to receive contract consideration was secured under contract liabilities in accordance with the accounting requirements under the new revenue standards for customer contracts (IFRS 15). The Group implemented the new standards during the Reporting Period, pursuant to which, molds and inspection devices developed for the customers and used in production of the Company were deemed as a distinct performance obligation and confirmed as contract liabilities when payment was done or right to receive consideration was secured by the Group and were confirmed as revenue when sold. Pursuant to the transition requirements of the new standards, no adjustment was made to the comparable figures for the same period of the previous year.

Section VI Management Discussion and Analysis

Items	Closing balance	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
Current income tax liabilities	**331,863**	**0.96**	200,882	0.63	65.20	The increase in current income tax liabilities was mainly due to income tax expenses provided for taxable income of the Company incurred during the Reporting Period.
Borrowings – current liabilities	**7,153,326**	**20.73**	5,387,661	16.99	32.77	The increase in borrowings – current liabilities was mainly due to the inclusion of corporate bonds and long-term borrowings repayable within one year in the item at the end of the Reporting Period.
Derivative financial instruments – current liabilities	**3,078**	**0.01**	23,190	0.07	-86.73	The decrease in derivative financial instruments – current liabilities was mainly due to the removal of certain currency swap contracts settled upon maturity from this item during the Reporting Period.

Section VI Management Discussion and Analysis

(III) Analysis on industry operating information

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production and sales volume in 2018 amounted to 27,809,200 units and 28,080,600 units, representing year-on-year decreases of 4.16% and 2.76%, respectively, marking negative growth for the first time since 1990. Nevertheless, China's automobile production volume increased from 18,264,700 units in 2010 to 27,809,200 units in 2018, with a compound annual growth rate of 5.40%, and China has ranked first in the world for ten consecutive years in terms of production and sales volume.

With the gradual popularization of automobiles in urban households, China's automobile industry has basically passed the ten-year period of rapid growth from 2000 to 2010 and entered a period of steady growth. Given the continued slowdown of macroeconomic growth, the ongoing transformation and upgrading of the automobile industry and the termination of the preferential tax policy on purchases of cars with engine displacement of 1.6L or less, China's automobile market will face more uncertainties in the short run.

The average growth rate of the global automobile industry maintained at approximately 3.5% to 4.5%, as is evident from the average growth rate of the international automobile 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 has been increasing with an expanding impact.

In the long run, China's automobile ownership still has broad upside potential. In 2017, the automobile ownership per 100 population reached over 80 units, approximately 60 units and approximately 15 units in the US, Japan, and China, respectively. China's automobile popularity still lags far behind the developed countries. Along with the development of China's economy, the ongoing urbanization, the growth of residents' income and spending power, and the improvement of road infrastructure, the potential automobile consumption demand in China is still huge. From the perspective of international horizontal comparison in terms of GDP per capita and automobile ownership, there is still huge growth potential in China's automobile market and great room for development in the industry that provides accessories for the automobile industry in the medium and long term.

The Chinese automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. In general, automobile consumers increasingly focus on quality rather than functionality. 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 and environmental friendliness, beautiful appearance, and intelligence and integration" with constantly increasing added value. The industry-leading position of Fuyao 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 Organization Internationale des Constructeurs d'Automobiles (OICA), the China Association of Automobile Manufacturers and the International Organization of Motor Vehicle Manufacturers.

Section VI Management Discussion and Analysis

Analysis on operating information of automobile manufacturing industry

By classification of components and parts

Unit: million square meters (other than percentage)

Classification of components and parts	Sales volume: Accumulation within the year	Sales volume: Accumulation of last year	Sales volume: Accumulative year-on-year increase/decrease (%)	Production volume: Accumulation within the year	Production volume: Accumulation of last year	Production volume: Accumulative year-on-year increase/decrease (%)
Automotive glass	**117.66**	112.64	4.46	**116.80**	112.64	3.69

By classification of markets

Unit: million square meters (other than percentage)

Classification of components and parts	Sales volume in components market for finished automobiles: Accumulation within the year	Sales volume in components market for finished automobiles: Accumulation of last year	Sales volume in components market for finished automobiles: Accumulative year-on-year increase/decrease (%)	Sales volume in after-sales service market: Accumulation within the year	Sales volume in after-sales service market: Accumulation of last year	Sales volume in after-sales service market: Accumulative year-on-year increase/decrease (%)
Automotive glass	**99.41**	96.81	2.69	**18.25**	15.83	15.29

(IV) Analysis on investments

1. Overall analysis on external equity investment

1. 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. 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.

2. 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) and the Connected Transactions – Acquisition of 100% Equity Interests in Fujian Triplex by Fuyao Hong Kong and Leases under the Triplex Lease Contracts dated June 26, 2018 published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) for details.

Section VI Management Discussion and Analysis

3. On November 29, 2018, the Company incorporated Fuyao (Tongliao) Refined Aluminium Co., Ltd. (福耀(通遼)精鋁有限責任公司) with a registered capital of RMB10 million. Fuyao (Tongliao) Refined Aluminium Co., Ltd. is owned as to 100% equity interests by the Company and it is principally engaged in the production and sale of refined aluminium and aluminium alloy decorations for automobiles.

4. External investments of the Company in 2017 include: (1) the establishment of Fuyao Glass (Suzhou) Co., Ltd. (福耀玻璃(蘇州)有限公司) on March 23, 2017 with a registered capital of RMB400 million, which is principally engaged in the production, design, technical research and development and sale of automotive glass and components and parts; (2) the establishment of Fuyao Group International Co.,Ltd. (福耀國際控股有限公司) on September 19, 2017 with a registered capital of RMB50 million, which is principally engaged in equity investment, management and consultancy services.

(1) Significant equity investments

For details, please refer to the acquisition of 100% equity interests in Fujian Triplex Holdings Group Company Limited by Fuyao (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, as disclosed in the "Overall analysis on external equity investment" above.

(2) Financial assets at fair value

Unit: Yuan Currency: RMB

Name of items	Opening balance	**Closing balance**	Changes in the Reporting Period	Impact on profit for the Reporting Period
Forward foreign exchange contracts	-332,708	**239,690**	572,398	572,398
Currency swap contracts	-18,762,211	**44,224,931**	62,987,142	62,987,142
Short call on foreign exchange	-534,000		534,000	
Structured deposits		**385,860,411**	385,860,411	860,411
Principal-guaranteed wealth management products with the gains linked with J.P.Morgan MOZAIC WEEKLY Index	101,927,854	**1,401,366**	-100,526,488	-526,488
Total	82,298,935	**431,726,398**	349,427,463	63,893,463

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

Section VI Management Discussion and Analysis

(V) Material disposal of assets and equities

In order to further optimise and adjust its asset structure, increase the liquidity of assets and improve the utilization efficiency of the Company's assets, the Company, based on its strategic development plan, 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) (now renamed as Taiyuan Jinnuo Industry Co., Ltd. (太原金諾實業有限公司), hereinafter referred to as "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 was RMB1,004.45 million (of which, 51% equity interest in Beijing Futong was priced at RMB683.05 million). The Company received the first tranche of transfer payment of RMB663 million and the second tranche of transfer payment of RMB20.05 million on June 28, 2018 and July 4, 2018, respectively. Meanwhile, it assisted Taiyuan Jinnuo in completing the registration procedures for the change of ownership of the above-mentioned 51% equity interest. Taiyuan Jinnuo shall make the transfer payment of RMB321.40 million for the remaining 24% equity interest in Beijing Futong to the bank amount designated by the Company in one lump through bank wire before December 31, 2018.

However, Taiyuan Jinnuo made a request to the Company for changing the payment date of the transfer payment for the remaining 24% equity interest in Beijing Futong due to its financial strain. As considered and approved at the eighth meeting of the ninth session of the Board of Directors of the Company on December 24, 2018, the Board of Directors of the Company agreed that Taiyuan Jinnuo shall pay the transfer payment for the remaining 24% equity interest in Beijing Futong before June 30, 2019. The Company and Taiyuan Jinnuo entered into the Supplementary Agreement to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. in Fuqing City, Fujian Province on the same day.

As at the end of the Reporting Period, the Company has recognized investment revenue of RMB664,032,500 from the transfer of the equity interests in Beijing Futong and recorded an increase of RMB682,452,200 in cash flow.

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 and the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated December 25, 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) as well as the announcements titled Discloseable Transaction – Disposal of 75% Equity Interest in Beijing Futong dated June 29, 2018 and Discloseable Transaction – Entering into the Supplemental Agreement on the Disposal of 75% Equity Interest in Beijing Futong dated December 25, 2018 as published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk) for details.

Section VI Management Discussion and Analysis

(VI) Analysis on principal holding 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	313,645.12	174,420.72	254,190.23	75,987.09	69,439.27
Fuyao Group (Shanghai) Automobile Glass Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	USD 68,048,800	444,718.97	135,683.80	282,722.13	79,793.60	72,227.49
Guangzhou Fuyao Glass Co., Ltd.	Manufacturing enterprise	Production of special glass made of inorganic nonmetallic materials and products	USD 75,000,000	310,528.22	114,820.80	220,632.99	60,775.30	51,622.49
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	USD 330,000,000	582,033.62	56,729.33	341,194.27	20,133.39	24,586.72

Note: Fuyao Glass America Inc. holds 100% equity interests 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.

Section VII Significant Events

I. PROFIT DISTRIBUTION PLAN FOR ORDINARY SHARES OR PLAN TO CONVERT CAPITAL RESERVE INTO SHARE CAPITAL

(I) Formulation, implementation of, or adjustments to cash dividend policy

1. Cash dividend policies of the Company:

   Dividends were distributed in accordance with cash dividend policy as required under the Articles of Association of the Company.

   The Profit Distribution Plan for Shareholders for the Coming Three Years (2018–2020) was announced in the announcement published by the Company on March 17, 2018 (For details such as the specific distribution policies, please refer to The Profit Distribution Plan for Shareholders for the Coming Three Years (2018–2020) dated March 17, 2018 as published on Shanghai Securities News, China Securities Journal and Securities Time and the website of the SSE (http://www.sse.com.cn)).

2. During the Reporting Period, the Company carried out annual profit distribution for 2017 and interim profit distribution for 2018.

   (1) The annual profit distribution plan for 2017: cash dividends of RMB7.50 per 10 shares (tax inclusive) were distributed based on the total issued share capital of 2,508,617,532 shares of the Company with the total dividends amounting to RMB1,881,463,149. The distribution date of cash dividends of A shares was May 29, 2018, and the distribution date of cash dividends of H shares was June 29, 2018.

   (2) The interim profit distribution plan for 2018: cash dividends of RMB4 per 10 shares (tax inclusive) were distributed based on the total issued share capital of 2,508,617,532 shares of the Company with the total dividends amounting to RMB1,003,447,012.80. The distribution date of cash dividends of A shares was October 24, 2018, and the distribution date of cash dividends of H shares was November 23, 2018.

(II) Plan or proposal for distribution of dividend on ordinary shares or for conversion of capital reserve into share capital of the Company for the last three years (including the Reporting Period)

Unit: '000 Currency: RMB

Year	Bonus share for every 10 shares *(share)*	Dividend for every 10 shares *(RMB) (tax inclusive)*	Conversion into share capital for every 10 shares *(share)*	Amount of cash dividends *(tax inclusive)*	Net profit attributable to shareholders of ordinary shares of the Company in the consolidated statements for the dividend year	Percentage of net profit attributable to shareholders of ordinary shares of the Company in the consolidated statements *(%)*
2018	0	11.5	0	2,884,910	4,119,935	70.02
2017	0	7.5	0	1,881,463	3,148,221	59.76
2016	0	7.5	0	1,881,463	3,143,449	59.85

Section VII Significant Events

II. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings of the de facto controller of the Company, shareholders, connected parties, acquirers 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 shareholders for the coming 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 operate 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 coming 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 financed with proceeds) 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 this way 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. 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. 5. Differentiated cash dividend policy: the Board of Directors 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 policy 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 above-mentioned rule (3). 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 proposal. 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 upon the convening of the general meeting.	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 VII Significant Events

1. Non-competition

In order to eliminate any future competition with the Company, each of Mr. Cho Tak Wong, Ms. Chan Fung Ying (Mr. Cho Tak Wong's spouse and the controlling shareholder of Yaohua), Sanyi Development Ltd. ("Sanyi"), Home Bridge Overseas Limited (which has been renamed as "Homekiu Overseas Holdings Limited", hereinafter referred to as "Homekiu") and Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua") undertook to the Company on February 8, 2002 that, so long as they remain substantial shareholders of the Company, they will not, and will procure all companies they control not to engage in or develop any business competing or potentially competing with the main business or key products of the Company, including investment in, mergers and acquisitions of any companies, entities or economic organizations engaged in the same or similar main business or primarily manufacturing the same or similar products ("Non-Competition Undertakings"). In addition, they acknowledged that the Company shall have priority to develop any new business in the future, and they will not, and will procure any companies controlled by him/her/it not to develop such new business. In addition to Mr. Cho Tak Wong, Sanyi, Homekiu and their respective associates, none of the other directors of the Company or their respective associates is interested in any business which is, whether directly or indirectly, in competition with the business of the Company.

For the purpose of compliance with the Non-Competition Undertakings, the Company requested each of the above-mentioned substantial shareholders to present a written confirmation ("the Written Confirmation"), confirming that they have adhered to such Non-Competition Undertakings for the year. Upon receiving such Written Confirmation, the Audit Committee of the Company has reviewed the same as part of the annual review process. In the annual review conducted to determine whether the above-mentioned substantial shareholders have fully complied with such Non-Competition Undertakings in 2018, the Audit Committee of the Company noted that (1) the substantial shareholders declared that they had fully complied with the Non-Competition Undertakings for the financial year ended December 31, 2018; (2) no new competing business was reported by such substantial shareholders in 2018; (3) there was no particular situation rendering the full compliance with the Non-Competition Undertakings being questionable.

In light of the above, the Company confirms that, the above-mentioned substantial shareholders have fully complied with their Non-Competition Undertakings for the year ended December 31, 2018.

Section VII Significant Events

III. ANALYSIS AND EXPLANATION ON THE REASONS AND IMPACTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR CORRECTION OF MATERIAL ACCOUNTING ERRORS OF THE COMPANY

(I) Analysis and explanation on changes in accounting policies and accounting estimates of the Company

For detailed information please refer to "2.2 Changes in accounting policies" under "2 Summary of Significant Accounting Policies" of "Section XII Financial Report".

IV. THE APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

	Current appointment
Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
Remuneration of the domestic accounting firm	398
Term of audit of the domestic accounting firm	17
Name of the overseas accounting firm	PricewaterhouseCoopers
Remuneration of the overseas accounting firm	107
Term of audit of the overseas accounting firm	4

	Name	Remuneration
Accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	75

Note: Save for the above, the Company also paid RMB5.34 million to PricewaterhouseCoopers as auditor's consultation fee, due diligence fee and other non-audit business expenses. All of the aforesaid data is tax inclusive.

Explanation for changes in the appointment of accounting firm during the audit period:

In the past three years (including the Reporting Period), there is no change in respect of the appointment or dismissal of the accounting firm.

Section VII Significant Events

V. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration in the year.

VI. THE CREDIT STANDING 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 repayment schedules in a relatively large amount by the Company, its controlling shareholders and de facto controller.

VII. SUBSTANTIAL CONNECTED TRANSACTIONS

(I) Non-exempt continuing connected transactions disclosed in accordance with the requirements of the Hong Kong Listing Rules

During the Reporting Period, the Company carried out connected transactions or entered into agreements in respect of relevant transactions with the following connected persons (as defined in the Hong Kong Listing Rules):

(1) Fuzhou Fuyao Mold Technology Co., Ltd.

(2) Fujian Triplex Automotive Decoration Co., Ltd. (which has been renamed as Fujian Fuyao Automotive Decoration Co., Ltd. (福建福耀汽車飾件有限公司, same as below)).

(3) Fujian Triplex Auto Services Co., Ltd.

(4) Global Cosmos German Limited

(5) Fujian Yaohua Industrial Village Development Co., Ltd.

Fuzhou Fuyao Mold Technology Co., Ltd., Fujian Triplex Automotive Decoration Co., Ltd. and Fujian Triplex Auto Services Co., Ltd. were all controlled by Mr. Tso Fai, the son of Mr. Cho Tak Wong (the chairman of the Board of Directors of the Company) and a non-executive director of the Company and therefore were associates of Mr. Tso Fai before the acquisition of these companies by the Company (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). Fujian Yaohua Industrial Village Development Co., Ltd. is indirectly wholly-owned by Mr. Cho Tak Wong, and his spouse, Ms. Chan Fung Ying. Global Cosmos German Limited is wholly-owned by Mr. Cho Tak Wong. Such two companies are associates of Mr. Cho Tak Wong and Mr. Tso Fai. In accordance with the rules under Chapter 14A of the Hong Kong Listing Rules, the above-mentioned companies are connected persons of the Company, and their transactions with the Company constituted connected transactions of the Company.

Section VII Significant Events

1. Continuing connected transactions

(1) On October 25, 2017, the Company entered into the supply of goods framework agreement with Fuzhou Fuyao Mold Technology Co., Ltd. and Fujian Triplex Automotive Decoration Co., Ltd. for the purchase of certain molding and testing equipment and certain raw and auxiliary materials for production; the Company entered into the products purchase framework agreement with Fujian Triplex Automotive Decoration Co., Ltd., pursuant to which the Group would supply certain finished products and raw and auxiliary materials to Fujian Triplex Automotive Decoration Co., Ltd.; the Company and Fujian Triplex Auto Services Co., Ltd. entered into a master distribution framework agreement, under which the Company had authorized Fujian Triplex Auto Services Co., Ltd. to use its trademark and brand name at nil consideration and supplied Fujian Triplex Auto Services Co., Ltd. with products. The term of the above-mentioned agreements was from January 1, 2018 to December 31, 2018. For details of the terms and conditions, please refer to the announcement titled "The Continuing Connected Transactions under the 2018 Supply of Goods Framework Agreements and the 2018 Distribution Agreements" disclosed on October 26, 2017 by the Company on the websites of the Hong Kong Stock Exchange and the SSE.

On June 25, 2018, Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, and Triplex Holdings Limited entered into the Equity Transfer Agreement in respect of Fujian Triplex Holdings Group Company Limited, pursuant to which Fuyao (Hong Kong) Limited acquired 100% equity interests in Fujian Triplex Holdings Group Company Limited from Triplex Holdings Limited at a 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 became 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 (i.e. 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.) were 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 no longer constituted connected transactions. For details, please refer to 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 websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the SSE (http://www.sse.com.cn).

Section VII Significant Events

For the year ended December 31, 2018, the approved annual caps and the amounts of transactions incurred in relation to non-exempt continuing connected transactions under the framework agreements between the Company and Fuzhou Fuyao Mold Technology Co., Ltd., Fujian Triplex Automotive Decoration Co., Ltd. and Fujian Triplex Auto Services Co., Ltd. and/or their respective associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2018	Consolidated transaction amount in 2018 Note 3
Expenses of the Company arising from purchasing molding and testing equipment supplied by Fuzhou Fuyao Mold Technology Co., Ltd. and/or its associates under the supply of goods framework agreements Note 1	RMB210,000,000	RMB57,395,600
Expenses of the Company arising from purchasing raw and auxiliary materials supplied by Fujian Triplex Automotive Decoration Co., Ltd. and/or its associates under the supply of goods framework agreements Note 1	RMB120,000,000	RMB47,185,100
Total	RMB330,000,000	RMB104,580,700
Revenue of the Company generated from supply of raw and auxiliary materials to Fujian Triplex Automotive Decoration Co., Ltd. and/or its associates under the products purchase framework agreement Note 2	RMB20,000,000	RMB9,307,800
Revenue of the Company generated from supply of products to Fujian Triplex Auto Services Co., Ltd. and/or its associates under the master distribution framework agreement Note 2	RMB780,000,000	RMB136,951,100
Total	RMB800,000,000	RMB146,258,900

Note 1: The above annual caps were determined in accordance with purchase and sales plans of the Company and market fair prices of the relevant products to be purchased.

Note 2: The above annual caps were determined in accordance with historical sales, future market demand projection and sales plans of Fujian Triplex Automotive Decoration Co., Ltd., Fujian Triplex Auto Services Co., Ltd. and the Company for 2018.

Note 3: "Consolidated transaction amount in 2018" represents statistics for the period from January 1, 2018 to May 31, 2018.

Section VII Significant Events

(2) On October 25, 2017, in order to satisfy the production needs of Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, and to secure the long-term and stable lease, Fuyao Europe GmbH entered into a lease agreement with Global Cosmos German Limited on October 25, 2017, pursuant to which Fuyao Europe GmbH shall lease the standard production plant located at Ohm Strasse 1, 73211 Leingarten, Germany with a total area of 57,809.95 square meters (including a road area of 29,518.30 square meters), which is owned by Global Cosmos German Limited, for a term from January 1, 2018 to December 31, 2029. The annual rent for the first year is €2.9 million (tax inclusive) and from the second year onwards, the annual rent shall increase progressively at 2.5% for each year.

The production plants leased by Fuyao Europe GmbH from Global Cosmos German Limited are constructed according to the existing production conditions of Fuyao Europe GmbH to satisfy the production needs of Fuyao Europe GmbH in virtue of its close proximity to the customers and secure the long-term and stable lease. To obtain and use the above-mentioned leased property by way of lease rather than construction is beneficial for Fuyao Europe GmbH to expand the production scale and improve the liquidity of its assets, thereby enabling it to invest more capital in its principal business and improve its core competitiveness. For details of the terms and conditions, please refer to the announcement titled "Continuing Connected Transaction in Relation to Leasing of Production Plant by Fuyao Europe" disclosed on October 26, 2017 by the Company on the websites of the Hong Kong Stock Exchange and the SSE.

For the year ended December 31, 2018, the approved annual caps and the amount of transactions incurred in relation to non-exempt continuing connected transactions under the lease agreement between Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, and Global Cosmos German Limited and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2018	Consolidated transaction amount in 2018
Expenses of Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, arising from leasing the properties of Global Cosmos German Limited and/or its associates under the lease contract	€2.9 million	€2,437,000
Total	€2.9 million	€2,437,000

Note: The rent was determined by both parties through negotiations with reference to the market price of the place where the leased properties are located; the consolidated transaction amount in 2018 was exclusive of tax of €463,000.

Section VII Significant Events

(3) Given that the previous lease contract expired on December 31, 2015, the Company entered into a new lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on October 26, 2015 to continue the lease of properties from Fujian Yaohua Industrial Village Development Co., Ltd. for the three years ended December 31, 2018.

In 2017, the Company expected that the original leasing areas for 2017 and 2018 under the existing lease contract would not be able to satisfy the needs of its business development. Therefore, on August 4, 2017, the Company entered into a new lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. to increase the property leasing area by 2,387 square meters located in District I of Fuyao Industrial Zone, Honglu Town, Fuqing, Fujian Province.

The leased properties of the Company from Fujian Yaohua Industrial Village Development Co., Ltd. are adjacent to the principal place of business and the production base of the Company in the PRC. Entering into the new lease contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and the carrying out of the continuing connected transactions contemplated thereunder are for the establishment of stable ancillary facilities of the Company and in favor of the expansion of the Company's manufacturing scale and the enhancement of the liquidity of the Company's assets, thus saving more fund for the Company to develop its main businesses and enhancing the core competitiveness of the Company.

Principal terms of the lease contract entered into between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. mainly include: (1) The Company will lease the warehouse on underground floor 1, the staff cafeteria and club and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province. (2) The annual rent shall be settled in two installments, which consist of the rent for the first half of the year payable prior to the 15th of January for each calendar year and the rent for the second half of the year payable prior to the 15th of July for each calendar year, respectively. For details of the terms and conditions, please refer to the announcement titled "Renewal of the Continuing Connected Transaction under the Lease Contract" and the announcement titled "Adjustment to the Annual Caps of the Continuing Connected Transactions in Relation to the Property Leases With Yaohua Industrial Village" disclosed on October 26, 2015 and August 5, 2017 by the Company on the websites of the Hong Kong Stock Exchange and the SSE, respectively.

Section VII Significant Events

For the year ended December 31, 2018, the approved annual caps and the transaction amount incurred in relation to the non-exempt continuing connected transactions contemplated under the contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2018	Consolidated transaction amount in 2018
Expenses of the Company arising from leasing the properties of Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates under the lease contract	Approximately RMB22,000,000	RMB21,812,700
Total	Approximately RMB22,000,000	RMB21,812,700

Note: The relevant annual caps were determined after taking into account the following factors: (i) the historical transaction amounts; (ii) the prevailing market price of the comparable properties in the place where the leased properties are located; and (iii) the increased leasing area due to the needs of the Company's business expansion.

(4) 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. Therefore, 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 7,081.63 m^2 and the monthly rent is RMB13 per square meter. The rent for June 2018 was RMB92,100 and the aggregate rent from June 1, 2018 to December 31, 2018 was RMB644,400. For details, please refer to 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 websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the SSE.

(5) Given that the previous lease contract expired on December 31, 2018, the Company entered into a new lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on October 25, 2018 to continue the lease of properties from Fujian Yaohua Industrial Village Development Co., Ltd. for the three years ending December 31, 2021.

Principal terms of the lease contract entered into between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. mainly include: (1) The Company will lease the warehouse on underground floor 1, the staff cafeteria and training center and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province; (2) The annual rent shall be settled prior to June 30 of each year. For details of the terms and conditions, please refer to the announcement titled Renewal of the Continuing Connected Transaction under the Lease Contract disclosed on October 26, 2018 by the Company on the websites of the Hong Kong Stock Exchange and the SSE.

Section VII Significant Events

The independent non-executive directors of the Company have reviewed the above Nos. (1) to (4) continuing connected transactions conducted in 2018 and confirmed that the connected transactions were:

1. entered into in the ordinary course of business of the Company;

2. on normal commercial terms or, if the comparable transactions are not sufficient for determining whether the terms of such transactions are on normal commercial terms, on terms no less favorable to the Group than the terms available to or from independent third parties (as the case may be); and

3. conducted in accordance with the terms of the agreements for relevant transactions and the terms of the transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board of Directors of the Company has received a confirmation letter in relation to the above Nos. (1) to (4) continuing connected transactions conducted in 2018 from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the continuing connected transactions as at December 31, 2018 that:

1. nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not been approved by the Board of Directors of the Company;

2. as for the transactions that involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditors to believe that the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not conducted, in all material respects, in accordance with the relevant agreements; and

4. nothing has come to the auditors' attention that causes the auditor to believe that the amounts of the transactions exceeded the annual caps set by the Company.

Section VII Significant Events

(II) Connected transactions in relation to ordinary business operations (disclosed in accordance with the requirements of the SSE)

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

Description of the matter	Inquiry index
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 of the Company convened on October 25, 2017.	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).
The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2019 and the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2019 were considered and approved at the seventh meeting of the ninth session of the Board of Directors of the Company convened on October 25, 2018.	For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 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).
Given that the original lease contract would expire on December 31, 2018, 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 seventh meeting of the ninth session of the Board of Directors of the Company convened on October 25, 2018. The Company has leased the warehouse on underground floor 1, staff cafeteria and training center and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 150,140.54 m^2 from Fujian Yaohua Industrial Village Development Co., Ltd. at a monthly rent of RMB2,402,248.64, aggregating to an annual rent of RMB28,826,983.68. The term of the lease is three years from January 1, 2019 to December 31, 2021.	For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to the Lease of Properties by the Company dated October 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 Announcement on Renewal of the Continuing Connected Transaction under the Lease Contract dated October 26, 2018 as published on the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk).

Section VII Significant Events

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 of the Company 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 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 became 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. were 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 no longer constituted connected transactions. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. 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 VII Significant Events

(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 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 manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 138,281.86 m^2 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 was 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 manufacturing 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^2 from Yaohua Industrial Village at the monthly rent of RMB13 per square meter or RMB31,031. 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 was 140,668.86 m^2, and the monthly rent was 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).

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. Therefore, 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 would 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 was 7,081.63 m^2 and the monthly rent was RMB13 per square meter. The rent for June 2018 was RMB92,100 and the aggregate rent from June 1, 2018 to December 31, 2018 was RMB644,400.

Section VII Significant Events

Connected transactions in relation to the daily operations in 2018 are as below (having been 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	Estimated amounts in 2018	Actual amounts in 2018	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Purchase of goods and equipment	Procurement of raw and auxiliary materials	Market price	14,000.00	9,417.33	30.90	30 days upon the invoice date
Fujian Triplex Automotive Decoration Co., Ltd.	Others	Purchase of goods and equipment	Procurement of raw and auxiliary materials	Market price	12,000.00	4,718.51	15.48	60 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Purchase of goods and equipment	Procurement of raw and auxiliary materials	Market price	17,000.00	16,338.24	53.62	60 days upon the invoice date
Fuzhou Fuyao Mold Technology Co., Ltd.	Others	Purchase of goods and equipment	Procurement molds and gauges	Market price	21,000.00	5,739.56	100	Prepaid 25% of the total amount upon signing the contract
Fujian Triplex Automotive Decoration Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	2,000.00	930.78	6.33	45 days upon the invoice date
Fujian Triplex Auto Services Co., Ltd.	Others	Sale of goods	Sale of finished goods and raw and auxiliary materials	Market price	78,000.00	13,695.11	93.20	Invoicing each month with a credit period of 2 months
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sale of goods	Sale of raw and auxiliary materials	Market price	20.00	21.73	0.15	60 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Water, electricity, gas and other utility expenses (sale)	Sale of water and electricity	Agreed price	130.00	119.10	43.68	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from property leasing	Market price	7.00	6.02	100	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from management consultation	Agreed price	300.00	218.09	72.27	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	2,200.00	2,181.27	52.53	Settlement semiannually
Fujian Yaohua Industrial Village Development Co., Ltd. (Note 2)	Others	Other outflows	Leasehold property	Market price		64.44	1.55	Settlement semiannually
Global Cosmos German Limited	Others	Other outflows	Leasehold property	Market price	2,269.19	1,906.88	45.92	Payment before June 30
Total					148,926.19	55,357.06		

Notes:

1. The "actual amounts in 2018" incurred between the Company and Fujian Triplex Automotive Decoration Co., Ltd., Fuzhou Fuyao Mold Technology Co., Ltd. and Fujian Triplex Auto Services Co., Ltd represent statistic data for the period from January 1, 2018 to May 31, 2018.

Section VII Significant Events

2. In June 2018, Fuyao (Hong Kong) Limited, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Fujian Triplex Holdings Group Company Limited and four of its subsidiaries, namely Fujian Triplex Automotive Decoration Co., Ltd., Fuzhou Fuyao Mold Technology Co., Ltd., Fujian Triplex Auto Services Co., Ltd. and Fuzhou Triplex Culture and Media Co., Ltd. Prior to the completion of the acquisition, Fujian Triplex Automotive Decoration Co., Ltd., Fuzhou Fuyao Mold Technology Co., Ltd. and Fujian Triplex Auto Services Co., Ltd. had entered into lease contracts with Fujian Yaohua Industrial Village Development Co., Ltd. for the term from April 1, 2018 to December 31, 2018 with aggregate rent of RMB644,400. From June 2018, the leases between Fujian Triplex Automotive Decoration Co., Ltd., Fuzhou Fuyao Mold Technology Co., Ltd., Fujian Triplex Auto Services Co., Ltd. and Fujian Yaohua Industrial Village Development Co., Ltd. constituted connected transactions of the Company.

3. The estimated amount in 2018 between the Company and Global Cosmos German Limited was €2,900,000 (tax inclusive, equivalent to RMB22,691,900), whereas the actual amount was €2,437,000 (equivalent to RMB19,068,800), exclusive of tax of €463,000 (equivalent to RMB3,623,100).

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	46.71	0.32	Settle in the current month
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from Management consultation	Market price	83.67	27.73	30 days upon invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of equipment	Market price	15.00	41.26	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	46.21	30 days upon invoice date

Section VII Significant Events

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
Fujian Triplex Automotive Decoration Co., Ltd.	Other connected person	Sale of goods	Sale of molds and gauges	Market price	3.86	10.61	30 days upon invoice date
Fuzhou Fuyao Mold Technology Co., Ltd.	Other connected person	Water, electricity, gas and other utility expenses (purchase)	Sale of water and electricity	Electricity price of power supply company and water price under agreement	27.57	10.11	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	48.13	30 days upon invoice date
Total				/	320.29	/	

Notes to the connected transaction

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 1, 2018 to May 31, 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.
2. As the amounts of the transactions conducted between the Company and Jinken Glass Industry Shuangliao Co., Ltd. are relatively small, according to the relevant provisions of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Articles of Association, such connected transaction is not required to be submitted to the Board of Directors of the Company for examination and approval.
3. As the amounts of the transactions conducted between the Company and Fujian Triplex Automotive Decoration Co., Ltd. and Fuzhou Fuyao Mold Technology Co., Ltd. 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%, 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. Further, 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.

Section VII Significant Events

(III) Connected transactions in relation to acquisition and disposal of assets or equity interests

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 penetrate deeper into the field of automotive parts, improve its industry chain, form the systematic business advantages of Fuyao and create barriers to competitors, and enhance added value; to further improve the efficiency and display the business synergy; and to reduce the number of connected transactions between the Company and Fujian Triplex Holdings Group Company Limited 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 (http://www.hkexnews.hk) for details.

(IV) 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 of 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) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Section VII Significant Events

VIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

(I) Guarantee

Unit: '0,000 Currency: RMB

External guarantees of the Company (excluding guarantees to subsidiaries)	
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 and its subsidiaries to subsidiaries	
Total amount of the guarantees to subsidiaries during the Reporting Period	25,000.00
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	177,264.00
Total amount of guarantees of the Company (including guarantees to subsidiaries)	
Total amount of guarantees (A+B)	177,264.00
Total amount of guarantees as a percentage of the net assets of the Company *(%)*	8.77
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 the contingent joint liability in connection with the settlement of unexpired guarantees	
Explanation on guarantee	Foreign currencies are translated based on the central parity rate of RMB announced by the People's Bank of China as at December 28, 2018

(II) Cash and Assets Management by Entrusting

1. Entrusted wealth management

(1) Overall status of entrusted wealth management

Unit: Yuan Currency: RMB

Type	Capital source	Amounts	Outstanding balance	Amounts overdue but not yet recovered
Bank financial products	Self-owned resources	680,000,000	0	0

Section VII Significant Events

(2) Individual entrusted wealth management

Unit: Yuan Currency: RMB

Trustee	Type of entrusted wealth management	Amount of entrusted wealth management	Beginning date of entrusted wealth management	Expiry date of entrusted wealth management	Capital source	Usage of funds	Method for determination of returns	Annualized returns	Actual gains or losses	Actual recovery	Involved in a litigation or not
Fuqing Branch of Industrial Bank	Principal and returns guaranteed	100,000,000.00	January 17, 2018	April 17, 2018	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other interbank and exchange financing instruments	Fixed returns	4.60%	1,134,246.58	Recovered	Yes
Fuqing Branch of Industrial Bank	Principal and returns guaranteed	80,000,000.00	February 2, 2018	May 2, 2018	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other interbank and exchange financing instruments	Fixed returns	4.80%	936,328.77	Recovered	Yes
Fuqing Branch of Industrial Bank	Principal and returns guaranteed	85,000,000.00	February 6, 2018	May 6, 2018	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other interbank and exchange financing instruments	Fixed returns	4.80%	994,849.32	Recovered	Yes
Fuqing Branch of Industrial Bank	Principal and returns guaranteed	70,000,000.00	February 8, 2018	May 8, 2018	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other interbank and exchange financing instruments	Fixed returns	4.80%	819,287.67	Recovered	Yes
Fuqing Branch of Industrial Bank	Principal and returns guaranteed	75,000,000.00	February 12, 2018	May 12, 2018	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other interbank and exchange financing instruments	Fixed returns	4.80%	877,808.22	Recovered	Yes
Fuqing Branch of Industrial Bank	Principal and returns guaranteed	100,000,000.00	February 13, 2018	May 13, 2018	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other interbank and exchange financing instruments	Fixed returns	4.80%	1,170,410.96	Recovered	Yes
Fuqing Branch of Industrial Bank	Principal and returns guaranteed	70,000,000.00	February 14, 2018	May 14, 2018	Self-owned resources	Money market instruments such as bank deposits, reverse repurchase of bonds and monetary funds and other interbank and exchange financing instruments	Fixed returns	4.80%	819,287.67	Recovered	Yes
Shanghai Branch of JPMorgan Chase Bank [Note]	Principal guarantee with floating returns	100,000,000.00	August 17, 2017	August 17, 2018	Self-owned resources	For investment in interbank borrowing market and bond market, etc.	Floating returns	0–5%		Principal recovered	Yes

Section VII Significant Events

Note: The Company engaged Shanghai Branch of JPMorgan Chase Bank for wealth management with its self-owned funds of RMB100 million. Such fund was used for investments in the interbank borrowing market and the bond market. The annualized return ranged from 0 to 5% and the interest accrued thereon shall be paid in a lump sum on August 17, 2019 as agreed. As of the publication date of the report, the Company has recovered the principal of RMB100 million.

IX. EXPLANATIONS OF OTHER SIGNIFICANT EVENTS

In order to better supply integrated products for automobile manufacturers with increased product added value, while further increasing the scale of our automobile accessories and expanding our reach in the field of automobile components, as well as to provide automobile manufacturers with high quality products and services, enhance the cooperation stickiness with them, and improve the comprehensive competitiveness of the Company, FYSAM Auto Decorative GmbH, a wholly-owned subsidiary of the Company acquired from Dr Holger Leichtle (an independent third party), the receiver of SAM, the assets of SAM including equipments, materials, finished products, semi-finished products and tooling apparatus for a consideration of EUR58,827,566.19. As at the disclosure date of this report, the acquisition of the assets was completed upon obtaining of the anti-monopoly approval from the German Government. For details, please refer to the announcements of the Company dated January 16, 2019 and March 1, 2019 published on the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).

X. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty Alleviation by the 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; meanwhile, engaging in public services, caring for the lives of vulnerable groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, business 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 monitoring.

2. Summary of Annual Targeted Poverty Alleviation

During the Reporting Period, Heren Charitable Foundation established via 300 million shares of Fuyao Glass Industry Group Co., Ltd. held by Mr. Cho Tak Wong has made a donation outlay of RMB249,450,000, of which, RMB117,662,000 was utilized in the targeted poverty alleviation projects, comprising:

- the donation of RMB20 million to Chongqing Productivity Development Center (重慶市生產力發展中心) for the intelligent poverty alleviation program in Chongqing;
- the donation of RMB10 million to Dingxi, Gansu for setting up the "Cho Tak Wong Encouragement Scholarship" program;
- the donation of RMB10 million to Fuzhou Poverty Alleviation Development foundation (福州市扶貧發展基金會) to support the ecological poverty alleviation project through comprehensive treatment of water loss and soil erosion;

Section VII Significant Events

- 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 RMB3,992,000 to Guyuan, Ningxia for the purchase of dictionaries for impoverished students of the city and winterizing staff for the poor households across five county-level cities;
- 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 educational aid programs in Fujian Province;
- the donation of RMB30 million to seven cities and counties including Hezhang of Guizhou, Hong'an, Changyang and Zhongxiang of Hubei, Yongtai, Pingnan and Changting of Fujian for the project of "Poverty Alleviation through Development and Production" program under the "Poverty Alleviation in Several Neighboring Villages" action in cooperation with the United Front Work Department of the Central Committee of the Communist Party of China;
- the donation of RMB7.7 million, RMB6 million, RMB2 million, RMB1.6 million and RMB1.5 million to each of Xiamen University, Nanjing University, Fujian Medical University, Fujian Agriculture and Forestry University and Northwest A&F University (in an aggregate of RMB18.8 million) for setting up sponsorship and scholarship programs to assist impoverished undergraduates to finish their courses;
- the donation of RMB3 million to Fuzhou Population Welfare Foundation for student sponsorship programs, and to support households under planned parenthood suffering serious illness and other adversities;
- the donation of RMB12.5 million to Fujian Provincial People's Government for the multi-layered subsidy in addition to basic medical insurances for registered poor households;
- the donation of RMB2 million to Fujian Provincial Foundation for Disabled Persons for the "Comfortable Housing for the Disabled" program in Nanping, Fujian;
- the donation of RMB2 million for Fuqing Charity Federation to provide relief for persons in Fuqing including "orphans, elderly people of no family, those who have lost family members and self-reliance ability, senior Party members, veteran specialists, aged teachers, veterans and old models";
- the donation of RMB1.07 million for other minor medical assistance and relief, targeted poverty alleviation researches and other programs.

Section VII Significant Events

3. Achievements of Targeted Poverty Alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	
Including: 1. Fund	11,766.20
2. Value of materials	0
3. Number of poor people helped to be removed from administrative record for poverty registering *(Person)*	120,598
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	☑ Poverty alleviation through agriculture and forestry ☐ Poverty alleviation through tourism ☐ Poverty alleviation through E-commerce ☐ Poverty alleviation through assets income ☐ Poverty alleviation through science and technology ☐ Others
1.2 Number of industrial poverty alleviation projects	98
1.3 Amount invested in industrial poverty alleviation projects	5,000
1.4 Number of poor people helped to be removed from administrative record for poverty registering *(Person)*	72,478
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	3,309.20
4.2 Number of students receiving allowance *(Person)*	42,700
5. Poverty alleviation through health enhancement	
Including: 5.1 Amount invested in medical and health resources in poverty areas	1,757
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of project	☑ Launching ecological protection and construction ☐ Establishing compensation for the ecological protection ☐ Creating ecological and public welfare positions ☐ Others
6.2 Amount invested	1,000

Section VII Significant Events

Index	Number and implementation information
7. Basic guarantee	
Including: 7.1 Amount invested in helping left-behind children, elderly and women	500
7.2 Number of left-behind children, elderly and women funded *(person)*	5,320
7.3 Amount invested in helping the poor disabled people	200
7.4 Number of poor disabled people funded *(person)*	100
8. Poverty alleviation in the society	
III. Awards (title & level)	
Mr. Cho Tak Wong, the chairman of the Board of Directors, was honoured with the tenth session of the "China Charity Award" by the Ministry of Civil Affairs	
Heren Charitable Foundation was selected as one of China's Top 10 Philanthropic Foundations (non-public) in the 15th China Charity Ranking published by China Philanthropy Times	
Mr. Cho Tak Wong, the chairman of the Board of Directors, was honoured with the Special Contribution Award (2013–2018) by Fujian Province Society for Promotion of the Guangcai Program	
The "Comfortable Housing Project" for the poor disabled people in the rural areas funded by Heren Charitable Foundation was awarded the tenth session of the "China Charity Award" by the Ministry of Civil Affairs	
The Xinjiang "Healthy Drinking Water" charity project funded by Heren Charitable Foundation was awarded the tenth session of the "China Charity Award" by the Ministry of Civil Affairs	

Note: The above data is related to targeted poverty alleviation activities carried out by Heren Charitable Foundation that was established via 300 million shares of Fuyao Glass Industry Group Co. Ltd. held by Mr. Cho Tak Wong. 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 his associates, including Fujian Yaohua Industrial Village Development Co., Ltd., Sanyi Development Limited and Homekiu Overseas Holdings Limited, do not have any control over Heren Charitable Foundation, nor are they beneficiaries of Heren Charitable Foundation. Based on the above, Heren Charitable Foundation is independent from Mr. Cho Tak Wong and his associates.

4 Subsequent Targeted Poverty Alleviation Plan

In accordance with the core corporate concept of "self-development while benefiting the world", in addition to creating values for shareholders and wealth for customers, Fuyao Group has always been engaging in public services, caring for the lives of vulnerable groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, business and the regional economy.

Heren Charitable Foundation, established via 300 million shares of Fuyao Glass Industry Group Co. Ltd. held by Mr. Cho Tak Wong, will contribute further to the three-year initiative for winning the anti-poverty battle in respect of health in the "three regions and three prefectures" launched by the State Council Poverty Alleviation Office and the National Health Commission. In the three years from 2018 to 2020, it will emphatically support areas in gripping poverty and special crowds with poverty problems in the "three regions and three prefectures", comprising Tibet Autonomous Region, four prefectures in southern Xinjiang (Hotan, Aksu, Kashi, Kizilsu Kirgiz Autonomous Prefecture) and the Tibetan regions covered by the four provinces (Sichuan, Yunnan, Gansu, Qinghai), as well as the Liangshan Yi Autonomous Prefecture in Sichuan Province, Nujiang Lisu Autonomous Prefecture in Yunnan Province, and Linxia Hui Autonomous Prefecture in Gansu Province (collectively referred to as the "three prefectures"). The anti-poverty battle in respect of health will mainly focus on the prevention of such infectious diseases as hydatid disease, Kashin-Beck disease, AIDS, tuberculosis, etc., as well as prevention and control of cataracts.

Section VII Significant Events

(II) Social Responsibility

For details, please refer to the 2018 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. as published on the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).

(III) Environmental Information

1. 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) Information on pollutant discharging

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 100 m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO_2 and NOx. 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_2 and NOx with the emission concentration of 15.69mg/m^3, 124.6mg/m^3 and 388.48mg/m^3 respectively, and No. WSFQG0010336 discharge outlet discharges special pollutants including smoke, SO_2 and NOx with the emission concentration of 15.91mg/m^3, 226.27mg/m^3 and 598.81mg/m^3 respectively, the total emission quantity of 18.15t/a, 98.98t/a and 221.29t/a respectively and the total permitted emission quantity of 81.321t/a, 650.62t/a and 1,138.59t/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^3/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 to 80,000 m^3/hour.

Section VII Significant Events

(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 under 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 exhaust gas, smoke and dust, sulfur dioxide, and nitrogen oxides data 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.

(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.

Section VII Significant Events

2. Explanations on the environmental protection efforts of the companies other than key pollutant discharging companies

(1) Float glass business division

In addition to Chongqing Wansheng Float Glass Co., Ltd., another three float glass business divisions of the Company, i.e. Fuyao Glass Industry Group Co., Ltd. ("Fuqing Float"), Fuyao Group Tongliao Ltd. ("Tongliao Float") and Benxi Fuyao Float Glass Co., Ltd. ("Benxi Float") have an emission concentration below national emission standards and a total emission amount 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, Tongliao Float mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons and Benxi Float mainly produces high-quality float glass with two production lines with a daily melting capacity of 600 tons, all taking the natural gas as the production fuel. The exhaust gas produced in the natural gas burning will be discharged through 100 m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO_2 and NOx. 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, Tongliao Float has built two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration and Benxi Float has built two sets of kiln gas dust removal and denitration facilities adopting an integrated facilities for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter), each with a designed treatment capacity of 100,000 m^3/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000~80,000 m^3/hour.

(2) Automotive glass business division

The production lines of the Company's automotive glass business division are mainly for production of laminated glass (for 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 in washing glass including COD, ammonia nitrogen, BOD_5 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 above-mentioned pollutants, the Company mainly adopts the following method for treatment: discharge of printing and drying waste gas via the 15 m 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 in 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.

Section VIII Changes in Ordinary Shares and Information of Shareholders

I. CHANGES IN ORDINARY SHARE CAPITAL

(I) Changes in ordinary shares

1. Changes in ordinary shares

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

II. ISSUE AND LISTING OF SECURITIES

(I) Issue of securities in the Reporting Period

Unit: Share Currency: RMB

Type of shares and derivative securities	Issue date	Issue price (or rate)	Issue amounts	Listing date	Amounts approved for listing	Ending date for transaction
Convertible corporate bonds, separably–traded convertible bonds, corporate bonds						
Corporate Bonds	July 22, 2016	3%	800,000,000	August 30, 2016	800,000,000	July 22, 2019

Explanations of the issue of securities during the Reporting Period (please make separate explanations on the bonds with different rates during the subsisting period):

Upon approval of the "Zheng Jian Xu Ke [2016] No. 1539" from the CSRC, the Company is approved to carry out the public issuance of corporate bonds to qualified investors by tranches with an aggregate nominal value of not more than RMB6 billion (the "Corporate Bonds"). On July 22, 2016, the Company successfully issued the 2016 corporate bonds (first tranche) (the "Bonds") of RMB800 million. The Bonds were unsecured with a par value of RMB100 each, issued at par value, and placed through off-line price consultations to the qualified investors. The coupon rate of the Bonds was 3%.

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

(I) Total number of shareholders

As at December 31, 2018, total number of shareholders of the Company was 79,826, of which, 79,770 were holders of A shares and 56 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	79,826
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	80,478
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0
Total number of shareholders of preference shares with voting rights restored as at the end of the month preceding the day when the annual report was disclosed	0

Section VIII Changes in Ordinary Shares and Information of Shareholders

(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	Pledged or moratorium Number	Nature of shareholders
HKSCC NOMINEES LIMITED *(Note)*	4,800	491,739,600	19.60		Unknown		Unknown
Sanyi Development Limited	0	390,578,816	15.57		Nil		Overseas legal person
Heren Charitable Foundation	0	290,000,000	11.56		Nil		Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited	9,295,578	283,471,136	11.30		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	28,093,495	28,095,495	1.12		Unknown		Unknown
National Social Security Fund 406	25,650,841	25,652,841	1.02		Unknown		Unknown
Central Huijin Asset Management Co., Ltd.	0	24,598,300	0.98		Unknown		Unknown
National Social Security Fund 103	21,999,643	21,999,643	0.88		Unknown		Unknown

Section VIII Changes in Ordinary Shares and Information of Shareholders

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 *(Note)*	491,739,600	Overseas listed foreign shares	491,739,600
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB	390,578,816
Heren Charitable Foundation	290,000,000	Ordinary shares denominated in RMB	290,000,000
Hong Kong Securities Clearing Company Limited	283,471,136	Ordinary shares denominated in RMB	283,471,136
Bai Yongli	34,653,315	Ordinary shares denominated in RMB	34,653,315
Fujian Yaohua Industrial Village Development Co., Ltd.	34,277,742	Ordinary shares denominated in RMB	34,277,742
China Securities Finance Corporation Limited	28,095,495	Ordinary shares denominated in RMB	28,095,495
National Social Security Fund 406	25,652,841	Ordinary shares denominated in RMB	25,652,841
Central Huijin Asset Management Co., Ltd.	24,598,300	Ordinary shares denominated in RMB	24,598,300
National Social Security Fund 103	21,999,643	Ordinary shares denominated in RMB	21,999,643
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: HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司) holds shares on behalf of various customers.

Section VIII Changes in Ordinary Shares and Information of Shareholders

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

As at December 31, 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[3] (%)	Percentage of total issued share capital of the Company[3] (%)	Class of shares
Cho Tak Wong (the chairman of Board of Directors and an executive director)[1]	Beneficiary owner/spouse interest/interest of controlled corporation	425,171,386(L)	21.23(L)	16.95(L)	A share
Tso Fai (Vice Chairman of the Board of Directors and non-executive director)[2]	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.

(3) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2018.

(4) (L) – long position.

Save as disclosed above, as at December 31, 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 VIII Changes in Ordinary Shares and Information of Shareholders

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

As at December 31, 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[5] (%)	Percentage of total issued share capital of the Company[5] (%)	Class of shares
Chan Fung Ying[1]	Spouse interest/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	65,912,800(L)	13.03(L)	2.63(L)	H share
Commonwealth Bank of Australia[2]	Interest of controlled corporation	45,071,800(L)	8.91(L)	1.80(L)	H share
Mawer Investment Management Ltd.	Investment manager	45,305,087(L)	8.96(L)	1.81(L)	H share
Royal Bank of Canada[3]	Interest of controlled corporation	41,406,800(L)	8.19(L)	1.65(L)	H share
Genesis Asset Managers, LLP	Investment manager	39,988,200(L)	7.91(L)	1.59(L)	H share
Black Rock, Inc.[4]	Interest of controlled corporation	26,443,935(L) 1,369,200(S)	5.23(L) 0.27(S)	1.05(L) 0.05(S)	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 have interests in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.

(2) Commonwealth Bank of Australia held 45,071,800 H shares (L) of the Company in aggregate through its controlled entities, and was deemed to have interests 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 41,406,800 H shares (L) of the Company in aggregate, Royal Bank of Canada was deemed to have interests in the shares of the Company held by such entities.

(4) Black Rock, Inc. held 26,443,935 H shares (L) and 1,369,200 H shares (S) of the Company through multiple entities under its control. In addition, 8,000 H shares (L) and 96,000 H shares (S) related to derivatives, namely the unlisted derivatives – settled in cash.

(5) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2018.

(6) (L) – long position, (S)－short position.

Save as disclosed above, as at December 31, 2018, there was no person having interest or short position 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 VIII Changes in Ordinary Shares and Information of Shareholders

IV. PARTICULARS OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling Shareholder

1 Legal person

Name	Sanyi Development Limited
Person-in-charge or legal representative	Cho Tak Wong
Date of establishment	April 4, 1991
Principal business	Non-business operation investment shareholding
Details of controlling interests and investments in other domestic and foreign-listed companies during the Reporting Period	Nil

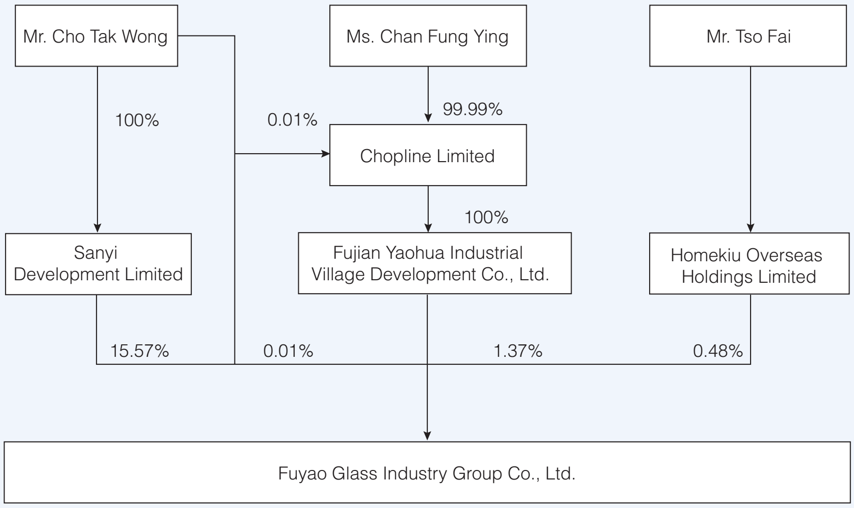
(II) De facto controller

1 Natural person

Name	Cho Tak Wong
Nationality	Hong Kong, China
Having acquired rights of residence in other countries or areas or not	No
Principal job and position	Mr. Cho Tak Wong has served as an executive director and the chairman of the Board of Directors since August 1999. Mr. Cho Tak Wong is also one of the major founders, operators and investors of the Company. Mr. Cho Tak Wong currently also serves as a director of a majority of subsidiaries of the Company and holds several positions in many organizations, including as a member of the National Committee of the 12th Chinese People's Political Consultative Conference, the executive vice president of the China Overseas Chinese Entrepreneurs Association, an honorary president of the China Society for Promotion of the Guangcai Program, a vice president of the Fujian Province Enterprise and Entrepreneurs Association and an honorary president of the Fujian Charity Federation. Mr. Cho Tak Wong also serves as a director of each of Sanyi Development Limited and Trade Commerce Limited.
Shareholding in companies listed domestically or overseas in the past 10 years	Nil

Section VIII Changes in Ordinary Shares and Information of Shareholders

2 Chart setting out the share interests and controlling relationships between the Company and the de facto controller



V. OTHER LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF OVER 10%

Unit: Yuan Currency: RMB

Name of legal person shareholder	Person-in-charge or legal representative	Date of establishment	Organization code	Registered capital	Principal business or management activities
Heren Charitable Foundation	Cao Degan	June 7, 2010	53100000500021799L	20,000,000	Helping the poor, infrastructure construction, disease prevention

Details: As at the end of the Reporting Period, except HKSCC NOMINEES LIMITED and Hong Kong Securities Clearing Company Limited, Heren Charitable Foundation is the only legal person shareholder that holds more than 10% of the issued share capital of the Company.

Section IX Directors, Supervisors, Senior Management and Employees

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period

Unit: Share

Name	Position	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year *(Note)*	Number of shares held at the end of the year *(Note)*	Changes in shares held for the year	Reason for changes	Total remunerations before tax received from the Company during the Reporting Period *(RMB0'000)*	Receiving remunerations from connected parties of the Company or not
Cho Tak Wong	Executive Director, Chairman of the Board of Directors	Male	72	January 8, 2018	January 7, 2021	314,828	314,828	0		284.90	No
Tso Fai	Non-executive Director, Vice Chairman of the Board of Directors	Male	48	January 8, 2018	January 7, 2021					92.07	No
Chen Xiangming	Executive Director, Chief Financial Officer	Male	48	January 8, 2018	January 7, 2021					198.66	No
	Joint Company Secretary			October 30, 2014							
Sun Yiqun	Executive Director, Vice President	Female	55	January 8, 2018	January 7, 2021					223.32	No
Wu Shinong	Non-executive Director	Male	62	January 8, 2018	January 7, 2021					9.00	No
Zhu Dezhen	Non-executive Director	Female	60	January 8, 2018	January 7, 2021					9.00	No
Cheung Kit Man Alison	Independent Non-executive Director	Female	61	January 8, 2018	January 7, 2021					25.29	No
Liu Xiaozhi	Independent Non-executive Director	Female	62	January 8, 2018	January 7, 2021					15.00	No
Wu Yuhui	Independent Non-executive Director	Male	40	January 8, 2018	January 7, 2021					15.00	No
Bai Zhaohua	Chairman of the Board of Supervisors	Male	67	January 8, 2018	January 7, 2021					61.24	No

Section IX Directors, Supervisors, Senior Management and Employees

Name	Position	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year *(Note)*	Number of shares held at the end of the year *(Note)*	Changes in shares held for the year	Reason for changes	Total remunerations before tax received from the Company during the Reporting Period *(RMB0'000)*	Receiving remunerations from connected parties of the Company or not
Ni Shiyou (deceased)	Supervisor	Male	72	January 8, 2018	January 7, 2021					15.00	No
Chen Mingsen	Supervisor	Male	71	January 8, 2018	January 7, 2021					15.00	No
Ye Shu	President	Male	46	January 8, 2018	January 7, 2021					252.37	No
He Shimeng	Vice President	Male	60	January 8, 2018	January 7, 2021	33,633	33,633	0		274.87	No
Chen Juli	Vice President	Male	52	January 8, 2018	January 7, 2021					366.86	No
Huang Xianqian	Vice President	Male	49	January 8, 2018	January 7, 2021					201.41	No
Lin Yong	Vice President	Male	48	January 8, 2018	January 7, 2021					165.20	No
Wu Lide	Vice President	Male	43	January 8, 2018	January 7, 2021					182.71	No
Li Xiaoxi	Secretary to the Board of Directors	Female	34	January 8, 2018	January 7, 2021	365,600	365,600	0		121.48	No
Cheng Yan (resigned)	Independent Non-executive Director	Female	54	November 27, 2014	January 8, 2018						
Total	/	/	/	/	/	714,061	714,061		/	2,528.38	/

Notes:

1. For information on shareholdings of Mr. Cho Tak Wong, please refer to "Interests and short positions of directors, supervisors and chief executives in shares, underlying shares and debentures" under "III. Particulars of Shareholders and De Facto Controllers" of "Section VIII Changes in Ordinary Shares and Information of Shareholders".

2. Ms. Li Xiaoxi holds H shares of the Company while the others hold A shares of the Company.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Cho Tak Wong	Mr. Cho Tak Wong has served as an executive director and the chairman of the Board of Directors of the Company since August 1999. Mr. Cho Tak Wong is also one of the major founders, operators and investors of the Company. Mr. Cho Tak Wong currently also serves as a director of a majority of the subsidiaries of the Company and holds positions in many organizations, including a member of the 12th National Committee of the Chinese People's Political Consultative Conference, the executive vice president of the China Overseas Chinese Entrepreneurs Association, an honorary president of the China Society for Promotion of the Guangcai Program, a vice president of the Fujian Province Enterprise and Entrepreneurs Association and an honorary president of the Fujian Charity Federation. Mr. Cho Tak Wong also serves as a director of Sanyi Development Limited, Global Cosmos German Limited and Trade Commerce Limited. Mr. Cho Tak Wong served as managing director of the Company from December 1994 to August 1999, vice chairman of the Board of Directors of the Company from May 1988 to December 1994 and president of the Company from June 1987 to September 2003. Mr. Cho Tak Wong worked at Fuqing County Gaoshan Special Shaped Glass Factory, a company primarily engaged in glass manufacturing business, from 1976 to June 1987.
Tso Fai	Mr. Tso Fai served as an executive director of the Company from August 1998 to August 2015 (has been reassigned as a non-executive director since August 2015), and the vice chairman of the Board of Directors of the Company since August 2015, and he served as the president of the Company from September 2006 to July 2015. Mr. Tso Fai is also a director of a majority of subsidiaries of the Company and holds positions in many organizations, including as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a vice president of the Chamber of Commerce of the Fujian Industry and Commerce Association, the president of the Chamber of Commerce of the Fujian Private Enterprises, a member of the 12th Executive Committee of the All-China Federation of Industry & Commerce, a member of the Central Committee of the China National Democratic Construction Association, a vice president of the Youth Committee of the China Overseas Chinese Entrepreneurs Association, an honorary vice president of the China Society for Promotion of the Guangcai Program and the Fujian Red Cross. Mr. Tso Fai currently also serves as a director of Fujian Yaohua Industrial Village Development Co., Ltd, Homekiu Overseas Holdings Limited, Chopline Limited, Trade Commerce Limited and Triplex Holdings Limited (三鋒控股管理有限公司), and an executive director and president of Fujian Triplex Investment Co., Ltd. (福建三鋒投資有限公司). Mr. Tso Fai served as the president of Fuyao North America Inc. from August 2001 to December 2009; general manager of Greenville Glass Industries Inc., a member of the Company engaged in glass trading which was subsequently deregistered, from January 2001 to December 2009, and its chief financial officer from July 1996 to December 2000; president of Fuyao Hong Kong from March 1994 to June 1996 and the president of Sanyi Development Limited from June 1992 to February 1994. Mr. Tso Fai joined the Company in November 1989. Mr. Tso Fai received a master's degree in business administration from Baker College in the United States in December 2005, and obtained the qualification of senior economist as approved by Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012. Mr. Tso Fai is the son of Mr. Cho Tak Wong, the chairman and a substantial shareholder of the Company, and the nephew of Mr. He Shimeng, a vice president of the Company.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Chen Xiangming	Mr. Chen Xiangming has served as an executive director of the Company since February 2003, the chief financial officer of the Company since August 2015, secretary to the Board of Directors from October 2012 to March 2016 and joint company secretary since October 2014. Mr. Chen Xiangming currently also serves as a director of a majority of the subsidiaries of the Company. Mr. Chen Xiangming served as the manager of the accounting department of the Company from February 2002 to December 2002. Mr. Chen Xiangming was the chief financial officer of the Company from August 1999 to January 2002 and from January 2003 to November 2014. Prior to that, Mr. Chen Xiangming was the manager of the finance department of the Company from October 1994 to June 1998. Mr. Chen Xiangming joined the Company in February 1994. Mr. Chen Xiangming graduated from Nanjing Forestry University in June 1991 with a college diploma in finance and accounting, and received a certificate of the comprehensive national uniform examination for staff of equivalent academic attainments to apply for a master's degree in business administration from Fujian Province Degree Committee in June 1999. Mr. Chen Xiangming obtained the qualification as an accountant as approved by the Ministry of Personnel of the PRC in December 1996 and the qualification as a senior economist as approved by the Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012.
Sun Yiqun	Ms. Sun Yiqun has served as the vice president of the Company since August 2016, chief relations officer of Fuyao Glass America Inc. since November 2016, and an executive director of the Company since April 2017. Ms. Sun Yiqun served as an assistant to the chairman of the Company from July 2014 to August 2016. Ms. Sun Yiqun served as the president of Shanghai International Automobile City Parts Assembly Industrial Zone Co., Ltd. (上海國際汽車城零部件配套工業園區有限公司) from August 2003 to June 2014, the manager of the administrative department of Shanghai headquarters of Jianqiao Securities Co., Ltd. (健橋證券股份有限公司) from April 2002 to August 2003, the director of Shanghai office of Henry Global Consulting Co., Ltd. (加拿大亨瑞國際諮詢有限公司) from March 2000 to April 2002, the manager of the merchandizing department of Shanghai International Automobile City Parts Assembly Industrial Zone Co., Ltd. from September 1998 to March 2000. Ms. Sun Yiqun graduated from National University of Defense Technology of the People's Liberation Army (中國人民解放軍國防科學技術大學) in July 1984 with a bachelor's degree, majoring in non-metallic matrix composite. Ms. Sun Yiqun was awarded the qualification of engineer as approved by the First Evaluation Committee for the Engineering (Intermediate level) of Jiading District, Shanghai in October 1993.
Wu Shinong	Mr. Wu Shinong has served as a non-executive director of the Company since December 2005. He joined the Company as an independent non-executive director from April 2000 to December 2005. Mr. Wu Shinong is currently a council member of Heren Charitable Foundation. He is also an independent non-executive director of Xiamen ITG Group Co., Ltd. (a company listed on the SSE, stock code: 600755) and Industrial Securities Co., Ltd. (興業證券股份有限公司) (a company listed on the SSE, stock code: 601377). Mr. Wu Shinong served as the vice principal of Xiamen University from December 2001 to November 2012. He served in School of Management of Xiamen University from September 1999 to April 2003 with his last role as a dean. Mr. Wu Shinong served as the dean of School of Business Administration of Xiamen University from May 1996 to September 1999, a Fulbright visiting professor in Stanford University from September 1994 to July 1995 and a director of the MBA Center of Xiamen University from May 1991 to April 1996. Mr. Wu Shinong obtained a master's degree in business administration from Dalhousie University in Canada in May 1986 and a doctorate in economics from Xiamen University in December 1992.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Zhu Dezhen	Ms. Zhu Dezhen has served as a non-executive director of the Company since November 2011. She currently also serves as a director of Heren Charitable Foundation, and has been the chairman of the board of directors and the president of Xiamen Deyi Equity Investment Management Co., Ltd. since July 2016. Ms. Zhu Dezhen has served as an independent non-executive director of Hunan TV & Broadcast Intermediary Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000917) since August 2016, Bright Dairy & Food Co., Ltd. (a company listed on the SSE, stock code: 600597) since April 2015, and China Yongda Automobiles Service Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3669) since May 2015. Ms. Zhu Dezhen served as the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. from December 2010 to June 2016, the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd., a PRC commercial bank, from July 2008 to December 2010 and president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.), a company primarily engaged in investment banking, securities investment consultation and stock brokerage services, from June 2003 to May 2008. Ms. Zhu Dezhen obtained a bachelor's degree in literature from Xiamen University in January 1982, a bachelor's degree in economics from College of Saint Elizabeth in May 1990, a master's degree in business administration from Pace University in the United States in June 1992 and a doctorate degree in economics from Xiamen University in September 2013.
Cheung Kit Man Alison	Ms. Cheung Kit Man Alison has served as an independent non-executive director of the Company since January 2018. She currently serves as a member of the Appraisal Committee of Hong Kong Securities and Investment Institute. Ms. Cheung Kit Man Alison served as the managing director of HSBC Private Bank from March 2010 to January 2017 and senior vice president and managing director of DBS Hong Kong from February 2001 to March 2010. Ms. Cheung Kit Man Alison graduated from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic College) with a diploma of secretary science in July 1979 and from University of Wolverhampton in the UK with an honorary degree in laws in September 2000. Ms. Cheung Kit Man Alison was accredited as a private finance manager by the Private Finance Management Association and admitted as a Fellow to Hong Kong Securities and Investment Institute upon approval thereof in November 2014.
Liu Xiaozhi	Ms. Liu Xiaozhi has served as an independent non-executive director of the Company since October 2013 and was the president, director and vice chairman of the Company from November 2005 to September 2006. Ms. Liu Xiaozhi worked for NeoTek China, a manufacturer of brake components and other automobile parts, as chairman from January 2008 to February 2012 and president and chief executive officer from September 2006 to December 2007. Ms. Liu Xiaozhi is the founder of and has served as president of ASL Automobile Science & Technology (Shanghai) Co., Ltd., a company that focuses on the development of advanced automobile technology in China, since June 2009. Ms. Liu Xiaozhi has also served as an independent non-executive director of Autoliv Inc. (an automobile safety equipment manufacturer listed on the New York Stock Exchange (stock code: ALV) and OMX Nordic Exchange (stock code: ALIV sdb), since November 2011. Prior to joining the Company, Ms. Liu Xiaozhi worked for General Motors Group, a top global automobile manufacturer, including the positions of chief officer of the electronic, control and software integration department of General Motors U.S.A. from March 2004 to September 2005, the chairman and president of General Motors Taiwan from March 2001 to March 2004. Ms. Liu Xiaozhi graduated with a bachelor's degree from the Faculty of Information and Control Engineering of Xi'an Jiaotong University in January 1982 majoring in radio technology. She graduated from Friedrich-Alexander-Universität Erlangen-Nürnberg in Germany with a master's degree in engineering in August 1988, followed by a doctorate degree in engineering in July 1992.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Wu Yuhui	Mr. Wu Yuhui has served as an independent non-executive director of the Company since October 2013. Mr. Wu Yuhui currently serves as a professor, a PHD supervisor and the director of the Finance Department of the School of Management of Xiamen University. Besides, he founded the Shanghai Borui Financial Management and Consultation Center. Currently, Mr. Wu Yuhui also serves as an independent non-executive director of Shenzhen Sunlord Electronics Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002138) and Shenzhen Huada Gene Ltd. (深圳華大基因股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 300676). Prior to joining the Company, Mr. Wu Yuhui served as the deputy director (person-in-charge) of the Finance Department of the School of Management of Xiamen University from January 2018 to October 2018, an associate professor of the Finance Department of the School of Management of Xiamen University from September 2011 to July 2017, an assistant professor of the Finance Department of the School of Management of Xiamen University from September 2010 to September 2011 and a senior staff member of the accounting and finance department of the People's Bank of China Shenzhen Center Sub-branch from July 2004 to August 2007. Mr. Wu Yuhui graduated from Xiamen University majoring in accounting with a bachelor's degree in management in July 2001 and received a master's degree and a doctorate degree in management from Xiamen University in July 2004 and in September 2010, respectively. Mr. Wu Yuhui obtained the qualification of non-practicing certified public accountant in China as approved by the Shenzhen Institute of Certified Public Accountants in December 2009.
Bai Zhaohua	Mr. Bai Zhaohua has served as the chairman of the Board of Supervisors of the Company since August 2015 and served as an executive director of the Company from December 2006 to July 2015 and vice president of the Company from August 1999 to July 2015. Mr. Bai Zhaohua joined the Company in November 1995, and was previously a director of the Company from August 1999 to July 2001. Mr. Bai Zhaohua served as the president of Fujian Yaohua Automotive Parts Co., Ltd. from June 1998 to August 1999, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from December 1996 to June 1998 and factory director of the laminated glass factory of the same company from November 1995 to December 1996.
Chen Mingsen	Mr. Chen Mingsen has served as a supervisor of the Company since March 2015. Mr. Chen Mingsen has been the dean and professor of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School since May 2005, a special expert of the Monetary Policy Committee of the People's Bank of China since February 2017, a consultant of the Fujian Provincial People's Government since March 2000, the president of the Fujian Province Institute of Economic Researches on Securities since June 1998, an adjunct professor of the School of Economics and Management of Fuzhou University since May 1995 as well as of the School of Economics and Finance of HuaQiao University since November 2005. Mr. Chen Mingsen has served as an independent non-executive director of Fujian Nanping Sun Cable Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002300) since May 2016. He is also an independent non-executive director of Guomai Technologies, Inc. (a company listed on the Shenzhen Stock Exchange, stock code: 002093). Mr. Chen Mingsen served as the director and associate professor of the Economic Research Office of Fujian Normal University, the head and researcher of the Institute of Economics of Fujian Academy of Social Sciences, the head and professor of the Institute of Economic Management of Xiamen National Accounting Institute, and the part-time professor and doctoral supervisor of the School of Economics of Xiamen University. Mr. Chen Mingsen obtained a master's degree in economics from Fujian Normal University in December 1981.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Ye Shu	Mr. Ye Shu joined the Company in July 2003. Mr. Ye Shu held various positions in the Company, including the president of the Company since March 2017 and the vice president of the Company from February 2017 to March 2017, director of the supply management department of the Company from June 2009 to February 2017, the vice president of the procurement department of the Company from March 2009 to June 2009, and the president of Fuyao Hainan Float Glass Co., Ltd. from May 2008 to November 2008. Mr. Ye Shu worked in the supporting department, the preparatory team and other departments, and successively served as deputy manager, vice president and other positions of the Company and its subsidiaries from July 2003 to May 2008. From November 2008 to March 2009, Mr. Ye Shu left the Company and served as the president of Fujian Yaohua Industrial Village Development Co., Ltd. Mr. Ye Shu graduated with a bachelor's degree in international trade from Xiamen University in July 1995, and a master's degree in economics from Xiamen University in July 1999. Mr. Ye Shu is the son-in-law of Mr. Cho Tak Wong, the de facto controller and the chairman of the Board of Directors of the Company, and the brother-in-law of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.
He Shimeng	Mr. He Shimeng has served as a vice president of the Company since August 1999. Mr. He Shimeng served as the president of the production department of the Company from March 1995 to November 1999, the vice president of the sales department of the Company from August 1994 to February 1995 and the manager of the production department of the Company from July 1988 to August 1994. Mr. He Shimeng joined the Company in July 1988. Mr. He Shimeng graduated from the Naval University of Engineering in the PRC in June 2001 with a college diploma, majoring in management engineering. Mr. He Shimeng is the brother-in-law of Mr. Cho Tak Wong, the de facto controller and the chairman of the Board of Directors of the Company, and the uncle of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.
Chen Juli	Mr. Chen Juli has served as a vice president of the Company since February 2002. Mr. Chen Juli joined the Company in July 1989. Mr. Chen Juli has also served as the president of Fuyao (Hong Kong) Co., Ltd. since September 1997 and president of Fuyao Group (Hong Kong) Co., Ltd. since March 2010. Prior to his current position, Mr. Chen Juli served various positions in the Company or its subsidiaries, including as vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 1995 to August 1997, the manager of the sales department of the Company from July 1994 to July 1995 and the manager of the export department of the Company from May 1992 to July 1994. Mr. Chen Juli also served as a director of the Company from December 1994 to July 2001. Mr. Chen Juli graduated from Beijing University of Aeronautics and Astronautics in July 1989, majoring in management information system and earning a bachelor's degree in engineering.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Huang Xianqian	Mr. Huang Xianqian joined the Company in September 1990. Mr. Huang Xianqian held various positions in the Company, including a vice president of the Company since August 2015, the director of the operation department of the Company and an assistant to the president from February 2011 to April 2016, and the general manager of Guangzhou Fuyao Glass Co., Ltd. from June 2008 to February 2011, vice president of the commerce department of the Company from May 2003 to June 2008. Since Mr. Huang Xianqian joined the Company in September 1990, he has worked for positions in connection with quality, engineering and factory. From January 1993 to May 2003, he successively served as the manager of the product development department, director of factory, manager of the sales department of the Company and its subsidiaries. Mr. Huang Xianqian graduated from Fuzhou University with a bachelor's degree majoring in mineral exploration in July 1990.
Lin Yong	Mr. Lin Yong joined the Company in February 1993. Mr. Lin Yong held various positions in the Company, including a vice president of the Company since October 2017, the chief operating officer of the Company from May 2016 to February 2017, the general manager of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from March 2010 to April 2016, the vice president (person-in-charge) of Fujian Wanda Automobile Glass Industry Co., Ltd. from September 2007 to March 2010, the vice president and factory manager of No. 5 Factory of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2007 to August 2007, the vice president of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from June 2005 to March 2007. Mr. Lin Yong worked in different positions in the craft department, workshop and other departments, and successively served as a workshop director, the chief of the process department, the director of the laminated glass factory and other positions in the Company and its subsidiaries from February 1993 to May 2005. Mr. Lin Yong graduated with a bachelor's degree in silicate engineering from Fuzhou University in July 1991.
Wu Lide	Mr. Wu Lide joined the Company in March 1997. Mr. Wu held various positions in the Company or its subsidiaries, including the vice president of the Company since August 2017, the president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 2015 to August 2017, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2015 to July 2015, the business manager of the sales department of Fuyao Glass Group (Chongqing) Co., Ltd. (福耀玻璃集團(重慶)有限公司) from March 2002 to April 2015. Since Mr. Wu Lide joined the Company in March 1997, he worked in different positions such as manufacturing, logistics and factory, and successively served as the manager of the logistics department and the director of a factory and other positions in the Company and its subsidiaries. Mr. Wu Lide obtained a Seminar Core Course Diploma in Business Administration (《工商管理核心課程研修班結業證書》) issued by the School of Management of Xiamen University in May 2012.

Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Li Xiaoxi	Ms. Li Xiaoxi joined the Company in August 2015, and she has served as the secretary to the Board of Directors of the Company since March 2016. She served as the brand manager of the branding department, vice president of the VIP department and vice president of the marketing department at Beijing Capital Airlines Co., Ltd. (Deer Jet) from February 2012 to August 2015, and the director of the integrated marketing department of Brighten Culture Media (Beijing) Co., Ltd. (formerly known as Beijing HNA Xinhua Cultural Communication Co., Ltd.) from May 2011 to February 2012. Ms. Li Xiaoxi graduated with a bachelor degree in marketing from the University of Ottawa in May 2006 and a M.A. degree in journalism from Sichuan University in June 2010. Ms. Li Xiaoxi has a qualification certificate for board secretaries of listed companies issued by the SSE.

II. POSITIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions in shareholder entities

Name	Name of shareholder entities	Position held in shareholder entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Sanyi Development Limited	Director	June 10, 2018	June 10, 2019
Tso Fai	Homekiu Overseas Holdings Limited	Director	July 21, 2018	July 21, 2019
Tso Fai	Fujian Yaohua Industrial Village Development Co., Ltd.	Director	September 1, 2016	September 1, 2020
Wu Shinong	Heren Charitable Foundation	Council member	December 9, 2015	December 9, 2020
Zhu Dezhen	Heren Charitable Foundation	Council member	December 9, 2015	December 9, 2020

Details of positions in shareholder entities	As at the end of the Reporting Period, the positions and concurrent positions of the directors, supervisors and senior management of the Company are in compliance with the relevant laws and regulations without dual position forbidden by laws.

Section IX Directors, Supervisors, Senior Management and Employees

(II) Positions in other entities

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Trade Commerce Limited	Director	October 28, 2018	October 28, 2019
Cho Tak Wong	Global Cosmos German Limited	Director	December 10, 2015	
Tso Fai	Chopline Limited	Director	August 25, 2018	August 25, 2019
Tso Fai	Trade Commerce Limited	Director	October 28, 2018	October 28, 2019
Tso Fai	Triplex Holdings Limited	Director	May 13, 2015	
Tso Fai	Fujian Triplex Investment Co., Ltd.	Executive Director and President	May 15, 2018	
Wu Shinong	Xiamen ITG Group Co., Ltd.	Independent non-executive Director	May 17, 2018	May 17, 2021
Wu Shinong	Industrial Securities Co., Ltd.	Independent non-executive Director	November 29, 2017	November 29, 2020
Zhu Dezhen	Xiamen Deyi Equity Investment Management Limited	Chairman of the Board of Directors and President	July 1, 2016	
Zhu Dezhen	Bright Dairy & Food Co., Ltd.	Independent non-executive Director	April 17, 2015	
Zhu Dezhen	China Yongda Automobiles Service Holdings Limited	Independent non-executive Director	May 8, 2015	
Zhu Dezhen	Hunan TV & Broadcast Intermediary Co., Ltd.	Independent non-executive Director	August 11, 2016	August 11, 2019
Liu Xiaozhi	ASL Automobile Science & Technology (Shanghai) Co., Ltd.	Founder and President	June 5, 2009	
Liu Xiaozhi	Autoliv Inc.	Independent non-executive Director	November 3, 2011	November 3, 2019
Wu Yuhui	Shanghai Borui Financial Management Consultation Center	Investor	August 10, 2018	
Wu Yuhui	Shenzhen Sunlord Electronics Co., Ltd.	Independent non-executive Director	October 13, 2017	October 13, 2020
Wu Yuhui	Shenzhen Huada Gene Ltd.	Independent non-executive Director	June 19, 2018	June 19, 2021
Chen Mingsen	Guomai Technologies, Inc.	Independent non-executive Director	February 19, 2016	February 19, 2019
Chen Mingsen	Fujian Nanping Sun Cable Co., Ltd.	Independent non-executive Director	May 6, 2016	May 6, 2019

Section IX Directors, Supervisors, Senior Management and Employees

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of remunerations of directors, supervisors and senior management	The implementation is subject to the approval of the Board of Directors and the general meeting of the Company.
Basis for determination of remunerations of directors, supervisors and senior management	Basic salaries are combined with year-end performance bonus.
Actual amount of remunerations paid to directors, supervisors and senior management	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB25,283,800 (before tax). Please refer to "Changes in shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period" in this section for details.
Total remunerations actually received by all directors, supervisors and senior management at the end of the Reporting Period	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB25,283,800 (before tax). Please refer to "Changes in shareholding of current and resigned directors, supervisors and senior management and their remunerations during the Reporting Period" in this section for details.

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

Name	Position	Change	Reason for the change
Cheng Yan	Independent non-executive Director	Retired	Had served for six consecutive years
Ni Shiyou	Supervisor	Resigned	Deceased due to illness

Notes:

1. 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 and the first meeting of the ninth session of the Board of Directors to re-elect/re-appoint the members of a new session (i.e. the ninth session) of the Board of Directors, the Board of Supervisors and senior management. In particular, as Ms. Cheng Yan, an independent non-executive director, had been holding office for six consecutive years, she retired from her position upon Ms. Cheung Kit Man Alison being elected as an independent non-executive director of the ninth session of the Board of Directors at the 2018 first extraordinary general meeting. For details, 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).

2. Mr. Ni Shiyou, a supervisor of the Company, passed away due to illness. The Company will appoint a new supervisor pursuant to the provisions of the relevant laws, regulations and the Articles of Association, and will make disclosure in due course. Please refer to the announcement dated January 3, 2019 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.

Section IX Directors, Supervisors, Senior Management and Employees

V. CORE TECHNICAL TEAM OR KEY TECHNICAL STAFF OF THE COMPANY

During the Reporting Period, there was no change in the core technical team or key technical staff of the Company.

VI. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

1. Mr. Cho Tak Wong, the chairman of the Company, resigned as a director of Homekiu Overseas Holdings Limited in May 2018.

2. Mr. Tso Fai, a non-executive director of the Company, currently serves as a director of Homekiu Overseas Holdings Limited and an executive director and the president of Fujian Triplex Investment Co., Ltd.

3. Mr. Wu Shinong, a non-executive director of the Company, resigned from Midea Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000333) in September 2018.

4. Mr. Wu Yuhui, an independent non-executive director of the Company, currently serves as the director of the Finance Department of the School of Management of Xiamen University and founded Shanghai Borui Financial Management Consultation Center. Mr. Wu Yuhui resigned from Holitech Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002217) in December 2018.

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

Section IX Directors, Supervisors, Senior Management and Employees

VII. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(I) Employees

Number of in-service employees of the Company	1,647
Number of in-service employees of the major subsidiaries	25,420
Total number of in-service employees	27,067
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	0

Composition of professions

Type of profession	Number of staff
Production staff	19,525
Sales staff	986
Technical staff	3,586
Finance staff	275
Administrative staff	916
Other staff	1,779
Total	27,067

Education level

Type of education level	Number of persons
University or above	4,144
Junior college	4,263
Specialized secondary school and high school	14,300
Below high school	4,360
Total	27,067

Section IX Directors, Supervisors, Senior Management and Employees

(II) Remuneration policy

The Company formulated a remuneration policy based on the principles of "fairness, competitiveness, incentives and legality". Remuneration of employees is mainly composed of various items including basic salaries, merit pay, bonuses, subsidies and allowance; salaries are adjusted in a timely manner in accordance with the Company's results, employees' performance and the competence of working. In addition, the Company participated in the programme of the "five social insurances and one housing fund" as stipulated, paying social insurance contributions and housing provident fund as scheduled.

(III) Training plan

According to the Group's strategic plan and annual operating policy and plan, the Company made training plans. 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 and business, 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 all professions. Meanwhile, in order to meet the needs of its strategic plan, the Group held various courses for junior, middle and senior management, key technical staff and business backbones of all functions and high potential talents, including training camp for junior managers, courses for middle management cadres, courses for middle management reserve, courses for senior management reserve, core courses, training courses for key technical personnel like manipulators, lean expert training courses. Through providing training and developing talents, the Company secured talents for enterprises transformation and upgrading and strategy implementation, promoted the high-quality development of the enterprises and improved operation efficiency of the enterprises.

Section X Company Governance and Corporate Governance Report

I. COMPANY GOVERNANCE

During the Reporting Period, the Company strictly followed the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, and the requirements promulgated by the CSRC, the SSE and the Hong Kong Stock Exchange in relation to company governance. The company governance structure was constantly optimized, company operation was regulated, management of insider information was improved, disclosure of company information was strengthened, and the interest of the Company and all the shareholders was solidly protected. There is no material difference between the actual condition of the Company's governance structure and the provisions and requirements prescribed in the prevalent documents by the CSRC. The Company is also in compliance with the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange (the "Corporate Governance Code"). The general condition of the Company's corporate governance is as follows:

1. Shareholders and General Meeting: The Company convened and held general meetings in accordance with the relevant requirements of the Articles of Association, the Rules of Procedure for General Meetings and the Implementation Rules for the Online Voting in General Meetings. During the Reporting Period, online voting was opened to shareholders to protect their legal rights and interests during the consideration of the relevant resolutions such as the Resolution on the Remuneration of the Directors of the Ninth Session of the Board of Directors of the Company, the Resolution on the Election of Non-independent Directors of the Ninth Session of the Board of Directors, the 2017 Profit Distribution Plan, the 2017 Annual Report and Summary of the Annual Report of the Company, the Interim Profit Distribution Plan for the Year 2018, the Resolution on the Amendments to the Articles of Association at the 2018 first extraordinary general meeting, the 2017 annual general meeting and the 2018 second extraordinary general meeting of the Company. The convention and the voting procedures in each of the general meetings were witnessed by lawyers in person and documents with legal opinions were delivered to ensure the resolutions were lawful and valid. During the Reporting Period, there was no occurrence of any insider trading among shareholders and people in possession of insider information, or any incident harming the interest of the shareholders and the Company.

2. Relations between the Controlling Shareholders and the Company: The Company stringently carried out the strategy of "Independence in Five Aspects" with respect to its personnel, assets, finance, organization and business from those of the controlling shareholder, with separate accounting systems and respective responsibilities and risks. The controlling shareholders exercised rights and assumed responsibilities as contributors of the Company, and standardize their acts in strict compliance with relevant provisions under the Company Law and the Articles of Association of the Company. There was no business competition between the controlling shareholders and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholders, no non-operational use of capital, and no request of being a guarantee for or by the controlling shareholders. The Board of Directors, the Board of Supervisors and internal management organizations all operated independently. The Company has established a long-term mechanism to avoid the controlling shareholders from non-operational use of assets and damage of interests of the Company, where the relevant terms of "freeze upon non-operational use" were clearly specified in the Articles of Association.

3. Directors and the Board of Directors: All directors made independent, objective and fair decisions on the resolutions brought to the Board of Directors for consideration with their professional knowledge and ability. They also exercised rights and bore responsibilities in accordance with the laws, and were in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. When considering resolutions in relation to connected transactions, the connected directors abstained from voting in order to ensure that the connected transactions were fair and reasonable.

Section X Company Governance and Corporate Governance Report

4. Supervisors and the Board of Supervisors: All supervisors were in strict compliance with the Articles of Association, Rules of Procedure for the Board of Supervisors and the requirements under relevant laws and regulations. The supervisors earnestly performed their duties for the best interests of all shareholders with the spirit of being responsible to the shareholders, supervised the legality of the Company's financial position, disposal of assets, daily connected transactions, performance of directors and senior management, and protected the legal rights of the Company and the shareholders.

5. Information Disclosure and Transparency: The Company strictly complied with the listing rules of the exchanges where its shares are listed, and fulfilled the obligation of information disclosure in a truthful, precise, complete and timely manner. Meanwhile, the Company also ensured the confidentiality before the disclosure of information to make sure the disclosure of the Company's information was in an open, fair and just manner so that each shareholder would have an equal chance to obtain such information.

6. Investor Relationship and Stakeholders: The Company emphasized the maintenance of the investor relationship. The Company appointed the Secretary to the Board of Directors and the representatives of the securities business to be responsible for the information disclosure and management of the investor relationship, and responded to the visits and enquiries of the shareholders and investors in an earnest manner. The Company adequately respected and protected the lawful rights and interests of the creditors, clients, suppliers and other stakeholders, established coordination and balance of interests among different parties such as shareholders, employees and the society, actively engaged in welfare activities, emphasized the Company's social responsibilities and enhanced the stable and sustainable development of the Company.

7. Registration and Management of People in Possession of Inside Information: During the Reporting Period, the Company implemented the System for the Registration and Management of People in Possession of Inside Information in strict compliance with the requirements of the regulators. According to the regulations of such system, the Company performed registration to record people associated with the inside information during the disclosure process of the Company's periodic reports. During the Reporting Period, no people possessing inside information traded the Company's shares in violation of the laws and regulations.

Corporate governance is a long-term commitment. The Company will enhance its internal control system, constantly raise the level of standardized operations and consistently optimize its corporate governance structure in accordance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies in China, and the requirements promulgated by the CSRC, the SSE and the Hong Kong Stock Exchange in relation to company governance.

As at the end of 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. During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code.

The general meeting, the Board of Directors and the Board of Supervisors all operated effectively in strict compliance with the Articles of Association and their respective rules of procedure. For the information required for disclosure in accordance with the Corporate Governance Report set out in the Appendix 14 to the Hong Kong Listing Rules, please refer to the relevant parts in this annual report and "Section V Report of the Board of Directors" and "Section IX Directors, Supervisors, Senior Management and Employees".

Section X Company Governance and Corporate Governance Report

II. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Hong Kong Listing Rules as the model code on trading 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. Meanwhile, to the knowledge of the Company, there's no incident of non-compliance of the Model Code by the employees.

III. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of resolution(s)	Date of the disclosure of the publication of resolution(s)
2018 first extraordinary general meeting	January 8, 2018	The website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	January 9, 2018
2017 annual general meeting	May 11, 2018	The website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	May 12, 2018
2018 second extraordinary general meeting	October 9, 2018	The website of the SSE (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (http://www.hkexnews.hk)	October 10, 2018

Information on the general meetings

1. The 2018 first extraordinary general meeting was convened on January 8, 2018 by way of physical meeting in combination with online voting. As Mr. Cho Tak Wong, the chairman of the Board was on business trip and unable to attend the meeting, the meeting was chaired by Mr. Tso Fai, the vice chairman of the Board. A total of 40 shareholders, either in person or by proxy, attending the on-site meeting of the meeting and voting on the internet. The resolutions including the Resolution on the Remuneration of the Directors of the Ninth Session of the Board of Directors of the Company and the Resolution on the Election of Non-independent Directors of the Ninth Session of the Board of Directors were considered at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated January 9, 2018 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).

2. On April 23, 2018, the Board of Directors of the Company received the Letter on Presenting Additional Resolutions at the 2017 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd. submitted in writing by Sanyi Development Limited, a shareholder of the Company which individually holds 15.57% shares of the Company, stating that Sanyi Development Limited proposed to the Board of Directors of the Company for including the Resolution on the Grant of a General Mandate to the Board of Directors to Issue Shares and the Resolution on the Grant of Authorization to the Board of Directors to Issue Debt Financing Instruments into the agenda of the 2017 annual general meeting of the Company. On April 26, 2018, at the third meeting of the ninth session of the Board of Directors of the Company, the above two temporary resolutions were considered and approved and it was agreed to present such two temporary resolutions at the 2017 annual general meeting of the Company for deliberation.

Section X Company Governance and Corporate Governance Report

The 2017 annual general meeting was convened on May 11, 2018 by way of physical meeting in combination with online voting. The meeting was presided by Mr. Cho Tak Wong, the chairman of the Board. A total of 92 shareholders attended either the physical meeting or online voting in person or by proxy. The resolutions including the Work Report of the Board of Directors for the Year 2017, the Work Report of the Board of Supervisors for the Year 2017, the Resolution on the Grant of a General Mandate to the Board of Directors to Issue Shares, and the Resolution on the Grant of Authorization to the Board of Directors to Issue Debt Financing Instruments were considered at the meeting. For the announcements related to the resolutions, please refer to relevant announcements dated May 12, 2018 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).

3. The 2018 second extraordinary general meeting was convened on October 9, 2018 by way of physical meeting in combination with online voting. As Mr. Cho Tak Wong, the chairman of the Board was on business trip and unable to attend the meeting, the meeting was chaired by Mr. Tso Fai, the vice chairman of the Board. A total of 155 shareholders, either in person or by proxy, attending the on-site meeting of the meeting and voting on the internet. The resolutions including the Interim Profit Distribution Plan for the Year 2018 and the Resolution on the Amendments to the Articles of Association were considered at the meeting. For the announcement related to the resolutions, please refer to relevant announcements dated October 10, 2018 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).

IV. THE RIGHTS OF SHAREHOLDERS

(I) Shareholders to Convene an Extraordinary General Meeting

According to the Articles of Association, the shareholders independently or jointly holding more than 10% shares of the Company may request the Board of Directors to hold an extraordinary general meeting. Such request shall be delivered in writing. The Board of Directors shall revert in writing whether to approve the holding of an extraordinary general meeting according to the applicable laws, administrative regulations and the Articles of Association within 10 days after the request is received. In case that the Board of Directors approves the holding of an extraordinary general meeting, it shall issue a corresponding notice of convening the general meeting within 5 days after the resolution is made, and changes to the original proposal shall be agreed by the relevant shareholders. In case the Board of Directors refuses the request of holding of an extraordinary general meeting, or makes no feedback within 10 days after receiving the proposal, the shareholders independently or jointly holding more than 10% shares of the Company may request the Board of Supervisors to hold an extraordinary general meeting in writing. In the case that the Board of Supervisors approves the holding of an extraordinary general meeting, it shall issue a notice convening the general meeting within 5 days after the request is received, and changes to the original proposal shall be agreed by the relevant shareholders. In the case that the Board of Supervisors fails to issue the notice of extraordinary general meeting within the prescribed period, the Board of Supervisors shall be deemed as refusing to convene and preside over such meeting. Shareholders independently or jointly holding more than 10% shares of the Company for more than 90 consecutive days may convene and preside over such meeting on their own initiative. In the case that the proposing shareholders convene and preside over such meeting on their own initiative due to the failure on the part of the Board of Directors and the Board of Supervisors to convene such meeting upon request, the reasonable expenses incurred from convening and holding of such meeting shall be borne by the Company and deducted from the remuneration that shall be paid to the derelict directors by the Company.

Section X Company Governance and Corporate Governance Report

(II) Shareholders to Convene a Meeting for a Certain Class of Shareholders

According to the Articles of Association, in the case that shareholders request the convening of a meeting for a certain class of shareholders, the following procedures shall be followed: 1. Two or more shareholders jointly holding more than 10% (including 10%) of the voting shares at a proposed meeting may sign one or several copies of written request with the same format and particulars to be submitted to the Board of Directors for convening a class meeting, and state the agenda of the meeting. The Board of Directors shall, after receipt of such written request, convene the class meeting as soon as possible. The number of shares held as referred to above shall be calculated on the basis of the date of making the written request by the shareholders. 2. In the event that the Board of Directors does not issue a notice to convene the meeting within 30 days of receiving such written request, the shareholders who have made such request may convene such meeting on their own initiative within four months after the Board of Directors' receipt of the request. The procedures for convening the meeting shall be as similar as possible to the Board of Directors' procedures for convening a general meeting.

(III) Procedures for Putting Forward Enquiries to the Board of Directors and Relevant Contact Details

According to the Articles of Association, in the case that a shareholder proposes to access or obtain relevant information provided for in the Articles of Association of the Company, written proof of the class and quantity of shares held by the shareholder shall be provided to the Company, and the Company shall provide relevant information according to the request after the Company checks and confirms the identity of the shareholder and the shareholder pays for the costs and expenses incurred.

The Company has disclosed its address, hotline for investor relationship, fax and email in the Company's website and the periodic reports, and arranges manpower specially for taking calls from investors, handling investors' emails, and timely reporting to the Company's management. Please see "II. Contact Person and Contact Methods" and "III. Basic Information" of "Section III Corporate Profile and Principal Financial Indicators" for contact information of the Company.

(IV) Procedures for Proposing a Resolution to the General Meeting and Relevant Contact Details

According to the Rules of Procedure for General Meetings, shareholders individually or jointly holding more than 3% of shares of the Company may bring forward provisional proposals and submit the same in writing to the convener ten days prior to the general meeting. The convener shall issue a supplementary notice of the general meeting within two days of receiving the proposals to publish particulars of the provisional proposals. The proposals shall be within the scope of power of the meeting, with clear agenda and resolutions, in compliance with relevant laws, administrative regulations, and the Articles of Association and shall be submitted or delivered in writing.

The notice of general meeting shall contain the following information: designated venue, date, time and duration of the meeting, time and place of serving a proxy form for the meeting, the record date on which shareholders have the right to attend the general meeting, and the names and telephone numbers of contact persons for the affairs of the meeting.

Please see the "II. Contact Person and Contact Methods" and "III. Basic Information" of "Section III Corporate Profile and Principal Financial Indicators" for contact information of the Company.

Section X Company Governance and Corporate Governance Report

V. THE BOARD OF DIRECTORS AND THE MANAGEMENT

(I) The Board of Directors

The Board of Directors is the permanent organization for the operation and decision-making of the Company, and shall report to the general meeting. The Board of Directors shall consist of nine directors, among whom three are independent non-executive directors. The Board of Directors shall have one chairman and one vice chairman.

Mr. Cho Tak Wong is the chairman of the Board of Directors, and Mr. Tso Fai is the vice chairman of the Board of Directors. The Board of Directors and the management have respective responsibilities and liabilities, and the division of power and duty is in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, the Code on Work for the President, and relevant laws and regulations.

The Board of Directors shall exercise the following powers: convening general meetings and presenting reports thereto; implementing the resolutions made at the general meetings; determining the Company's business and investment plans; working out the Company's annual financial budget plans and final account plans; working out the Company's profit distribution plans and loss recovery plans; working out the Company's plans on the increase or reduction of registered capital, as well as on the issuance of bonds or other securities and listing plans; formulating proposals for material acquisitions, purchase of shares of the Company, merger, split-up, dissolution and change of the Company form; deciding on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the scope authorized by the general meeting; making decisions on the establishment of the Company's internal management departments; appointing or dismissing the Company's president and the secretary to the Board of Directors and determining their remunerations, rewards and punishments; appointing or dismissing the Company's vice president, chief financial officer and other senior executives and determining their remunerations, rewards and punishments according to the suggestion of the president; working out the Company's basic management system; formulating the proposals for any amendment to the Articles of Association; managing the information disclosure of the Company; proposing the employment or replacement of the accounting firm which audits the Company's accounts to the general meeting; hearing the work report of the president of the Company and examining the president's work; exercising other powers conferred by laws, administrative regulations, departmental rules or the Articles of Association. At the same time, the Board of Directors shall timely formulate and review all types of corporate governance policies; encourage and supervise the training and continuing professional development of directors and senior management; review and monitor the compliance of the Company with applicable laws, regulations and all kinds of rules; formulate, review and examine the employees and directors of the Company in complying with all kinds of rules and regulations and employee manuals; supervise the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules; and ensure full disclosure of corporate governance in accordance with relevant regulatory requirements in the annual report.

Each of the Directors also acknowledged their responsibilities for preparation of financial statements of the Company for the year ended December 31, 2018.

During the Reporting Period, the Board has evaluated and confirmed that the internal control system is effective and adequate.

Section X Company Governance and Corporate Governance Report

The Board of Directors has established the Nomination Committee, the Strategy and Development Committee, the Remuneration and Assessment Committee and the Audit Committee. The Committees have respective terms of reference, report to the Board of Directors, and provide suggestions and consultations to the Board of Directors in decision-making under the leadership of the Board of Directors. The Committees may hire professional parties for independent opinions, and the expenses incurred shall be borne by the Company.

During the Reporting Period, in order to further enhance the scientificity of the decision-making procedure followed by the Board of Directors and to enhance the regulated and efficient operation of the Board of Directors, the Board of Directors actively developed channels of information communication, launched inspections and research over specific topics, strengthened the communication with the management, and timely addressed the critical issues.

During the Reporting Period, all the members of the Board of Directors worked in an earnest and diligent manner in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, and the terms of reference of respective committees.

As at the end of the Reporting Period, the ninth session of the Board of Directors of the Company consists of nine members: Mr. Cho Tak Wong, Mr. Chen Xiangming and Ms. Sun Yiqun as executive directors, Mr. Tso Fai, Mr. Wu Shinong and Ms. Zhu Dezhen as non-executive directors, and Ms. Cheung Kit Man Alison, Ms. Liu Xiaozhi and Mr. Wu Yuhui as independent non-executive directors. Mr. Cho Tak Wong is the chairman of the Board of Directors, and the term of his office is the same as that of the ninth session of the Board of Directors.

Except for the working relationship and (1) the relationship between Mr. Cho Tak Wong, the chairman of the Board of Directors, and Mr. Tso Fai, the vice chairman of the Board of Directors, as father and son; (2) Mr. Ye Shu, the president of the Company, being the son-in-law of Mr. Cho Tak Wong and the brother-in-law of Mr. Tso Fai; (3) Mr. He Shimeng, the vice president of the Company, being the brother-in-law of Mr. Cho Tak Wong and the uncle-in-law of Mr. Tso Fai, the members of the Board of Directors are not related in terms of finance, business and family. They also have no other material relationships.

During the Reporting Period, the Board of Directors convened eight meetings, and no directors voted against or abstained from voting on the resolutions considered and approved thereat.

(II) The Management

The president of the Company is responsible for the production, operation and management of the Company and the implementation of resolutions of the Board of Directors, and shall report his work to the Board of Directors. The Company shall have one president, several vice presidents and one chief financial officer. The president shall be appointed or dismissed by the Board of Directors, while the vice presidents, chief financial officer and other senior managers shall be appointed or dismissed by the Board of Directors upon the proposals submitted by the president.

Section X Company Governance and Corporate Governance Report

The president exercises the following powers: managing the production, operation and management of the Company, implementing resolutions of the Board of Directors, and reporting his work to the Board of Directors; organizing the Company's annual business plans and investment plans; preparing the plan for the establishment of internal management organizations of the Company; deciding on the basic management system of the Company; formulating the Company's specific rules; proposing to the Board of Directors to appoint or dismiss any vice president and chief financial officer; deciding to appoint or dismiss executives other than those appointed or dismissed by the Board of Directors and exercising other powers conferred by the Articles of Association or the Board of Directors.

In accordance with the requirements of the Board of Directors, the president shall timely provide to the Board of Directors important information including information of the Company relevant to the operating results, important transactions and contracts, financial position and the prospect of operations, regularly report to the Board of Directors on his work, and guarantee the reports are true, objective and complete.

VI. THE PERFORMANCE OF DUTIES OF THE DIRECTORS

(I) Directors' Attendance at the Meetings of the Board of Directors and General Meetings

		Attendance at meetings of the Board of Directors							Attendance at the General Meetings	
Name of Directors	Whether he/she is an independent non-executive director	Number of meetings of the Board of Directors required to attend	Number of times of attendance in person	Number of times of attendance through communications	Attendance rate (%)	Number of times of attendance by proxy	Number of absences	Absent for two consecutive meetings	Number of General Meetings attended	Attendance rate (%)
Cho Tak Wong	No	8	7	2	88	1	0	No	1	33
Tso Fai	No	8	8	2	100	0	0	No	3	100
Chen Xiangming	No	8	8	2	100	0	0	No	3	100
Sun Yiqun	No	8	5	3	63	3	0	No	0	0
Wu Shinong	No	8	7	2	88	1	0	No	2	67
Zhu Dezhen	No	8	7	2	88	1	0	No	2	67
Cheung Kit Man Alison	Yes	8	8	2	100	0	0	No	3	100
Liu Xiaozhi	Yes	8	8	2	100	0	0	No	3	100
Wu Yuhui	Yes	8	8	2	100	0	0	No	2	67

Number of meetings of the Board of Directors convened during the year	8
Among them: Physical meetings convened	5
Meetings convened through communications	2
Meetings convened in combination of physical meetings and meetings through communications	1

Section X Company Governance and Corporate Governance Report

(II) Training of the Directors

During the Reporting Period, all directors have participated in the continuous professional development programs to update their knowledge and skills, hence ensuring they could make relevant contributions with precise grasp of information, and to make sure they could fully understand their responsibilities, duties and obligations as a director of a company listed on two stock exchanges.

As at December 31, 2018, all directors have attended trainings in accordance with the code provisions of the Corporate Governance Code with respect to continuous professional development. Their records of training for the year ended December 31, 2018 are as follows:

	Duration of training (Hours)	
Director	**A**	**H**
Executive directors		
Cho Tak Wong	15	12
Chen Xiangming	27	29
Sun Yiqun	15	12
Non-executive directors		
Tso Fai	15	12
Wu Shinong	15	12
Zhu Dezhen	21	12
Independent non-executive directors		
Wu Yuhui	21	12
Liu Xiaozhi	15	12
Cheung Kit Man Alison	21	24

Notes:

A: Trainings on the rules issued by the SSE and directors' responsibilities

H: Trainings on the Hong Kong Listing Rules and directors' responsibilities

(III) The Performance of the Duty of Corporate Governance by the Board of Directors

According to the regulatory requirements of the place where shares of the Company are listed, the Board of Directors stringently discharged its duties of corporate governance specified in Article 7 of the Rules of Procedure for the Board of Directors. The relevant duties include but are not limited to:

- To develop and review the Company's policies and practices on corporate governance and make recommendations.
- To review and monitor the training and continuous professional development of directors and senior management. During the Reporting Period, the Board of Directors timely informed directors and senior management of the relevant regulatory regulations so as to enable them to continuously develop their professional skills and capabilities to discharge their duties.

Section X Company Governance and Corporate Governance Report

- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The Board of Directors constantly paid attention to the compliance of the operation of the Company. The Company established the legal department and hired counsels to ensure the compliance by the Company with the requirements of legal and regulatory requirements.

- To review the Company's compliance with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and its disclosure in the Corporate Governance Report. The Board of Directors required the Company to stringently follow the requirements on the corporate governance of the listing rules of the stock exchanges where the shares of the Company are listed, and to timely disclose information relevant to corporate governance.

VII. THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE PRESIDENT

To ensure the balanced distribution of power and to enhance independence and accountability, the role of the chairman of the Board of Directors and the president (equivalent to the chief executive mentioned in the Corporate Governance Code) are undertaken by Mr. Cho Tak Wong and Mr. Ye Shu, respectively.

The chairman of the Board of Directors is the legal representative of the Company, and shall exercise the following duties: presiding over and convening general meetings and presiding over meetings of the Board of Directors; supervising and reviewing the implementation of resolutions passed at the meetings of the Board of Directors; executing the securities issued by the Company; executing important documents of the Board of Directors and other documents that shall be signed by the legal representative of the Company; exercising the powers of legal representative, etc. The chairman of the Board of Directors shall be accountable to and report to the Board of Directors.

The president shall exercise the following powers: managing the production, operation and management of the Company, implementing the resolutions of the Board of Directors, and reporting his work to the Board of Directors; executing the Company's annual business plans and investment plans, etc. In accordance with the requirements of the Board of Directors, the president shall timely provide to the Board of Directors important information including the operating results, important transactions and contracts, financial position and the prospect of operations of the Company, regularly report to the Board of Directors on his work, and guarantee the reports are true, objective and complete.

The respective duties of the chairman of the Board of Directors and the president are clearly outlined and set forth in the Articles of Association.

VIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Rules of Procedure for the Board of Directors of the Company, the term of office of the directors shall be three years and may be reappointed upon re-election, but the consecutive terms of office of the independent non-executive directors shall not exceed six years. On December 31, 2018, the Board of Directors consisted of nine members, among whom there were three independent non-executive directors including Mr. Wu Yuhui, who possesses the qualifications of accounting and financial management. The composition of the Board of Directors of the Company was in compliance with the requirements of Rule 3.10(1) "The Board of Directors must consist of at least three independent non-executive directors", Rule 3.10A "independent non-executive directors must take up at least a proportion of one-third of the members of the Board of Directors", and Rule 3.10(2) "one of the independent non-executive directors must possess appropriate professional qualifications, or possess appropriate accounting and relevant financial management specialties" of the Hong Kong Listing Rules.

The Company received the letter of confirmation relating to their independence in accordance with Rule 3.13 of the Hong Kong Listing Rules from all the independent non-executive directors, and the Company considered and confirmed their independent status. All independent non-executive directors were able to express opinions objectively and independently, which ensured the independence and fairness of the Board of Directors' decisions.

Section X Company Governance and Corporate Governance Report

IX. KEY OPINIONS AND PROPOSALS BROUGHT FORWARD BY SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS IN DISCHARGING DUTIES DURING THE REPORTING PERIOD, AND DETAILS OF OBJECTIONS

Four special committees established by the Board of Directors of the Company, namely the Strategy and Development Committee, the Audit Committee, the Nomination Committee and the Remuneration and Assessment Committee, worked stringently in accordance with laws, regulations, the Articles of Association and the relevant requirements of their respective terms of reference. The committees fulfilled their duties, concretely exercised the duties and powers granted by the Board of Directors, positively affected the optimization of the corporate governance structure and the enhancement of the Company's development. During the Reporting Period, the Board of Directors has not raised any objections to the resolutions of the Board of Directors and other resolutions not made by the Board of Directors.

(I) The Strategy and Development Committee

The Company has established the 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 to and be accountable to the Board of Directors. The Strategy and Development Committee under the ninth session of the Board of Directors 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, a non-executive director and Ms. Cheung Kit Man Alison, an independent non-executive director. The chairman of the Strategy and Development Committee under the last session (eighth session) of the Board of Directors was Mr. Cho Tak Wong, the chairman of the Board of Directors and an executive director, and the other members were Mr. Tso Fai, a non-executive director and Ms. Cheng Yan, an independent non-executive director. On January 8, 2018, the Company convened the first meeting of the ninth session of the Board of Directors, at which the Resolution in relation to the Election of Members of the Strategy and Development Committee under the Board of Directors and the Appointment of the Chairman of the Strategy and Development Committee was considered and approved and it was approved that the Strategy and Development Committee under the ninth session of the Board of Directors shall consist of Mr. Cho Tak Wong, the chairman of the Board of Directors, Mr. Tso Fai, a non-executive Director and Ms. Cheung Kit Man Alison, an independent non-executive Director, with Mr. Cho Tak Wong, the chairman of the Board of Directors, acting as its chairman. The terms of reference of the Strategy and Development Committee was announced on the websites of the Company and the SSE.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Strategy and Development Committee earnestly performed its duties in accordance with the Company Law, the Articles of Association, the Terms of Reference of the Strategy and Development Committee and the requirements of relevant laws and regulations. Four meetings were convened and all resolutions were approved unanimously. The details are as follows:

Session of meeting	Date	Topic	Attendance
The first meeting of the ninth session (physical meeting)	March 16, 2018	1. Consideration of the Resolution in relation to the Company's Development Strategy; 2. Consideration of the Resolution in relation to the Company's 2018 Development Plan	Mr. Cho Tak Wong, Mr. Tso Fai and Ms. Cheung Kit Man Alison attended the meeting
The second meeting of the ninth session (physical meeting)	June 25, 2018	Consideration of the Resolution in relation to Acquisition of 100% Equity Interests in Fujian Triplex Holdings Group Company Limited by a Wholly-owned Subsidiary and Connected Transaction	Mr. Cho Tak Wong, Mr. Tso Fai and Ms. Cheung Kit Man Alison attended the meeting
The third meeting of the ninth session (meeting through communications)	June 28, 2018	Consideration of the Resolution in relation to the Disposal of 75% Equity Interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd.	Mr. Cho Tak Wong, Mr. Tso Fai and Ms. Cheung Kit Man Alison attended the meeting
The fourth meeting of the ninth session (meeting through communications)	December 24, 2018	Consideration of the Resolution in relation to the Entering into of the Supplemental Agreement between the Company and Taiyuan Jinnuo Industry Co., Ltd.	Mr. Cho Tak Wong, Mr. Tso Fai and Ms. Cheung Kit Man Alison attended the meeting

Note: As Ms. Cheng Yan, an independent non-executive director, had been holding the office for six consecutive years, she retired from her position after Ms. Cheung Kit Man Alison was elected by the Company as an independent non-executive director of the ninth session of the Board of Directors at the 2018 first extraordinary general meeting convened on January 8, 2018.

(II) 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 the economic activities of the Company and shall report its work and be accountable to the Board of Directors. The Audit Committee under the ninth session of the Board of Directors 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 provided in 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 chairman of the Audit Committee under the last session (eighth session) of the Board of Directors was Mr. Wu Yuhui, an independent non-executive director, and the other members were Ms. Cheng Yan, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director. On January 8, 2018, the Company convened the first meeting of the ninth session of the Board of Directors, at which the Resolution in relation to the Election of Members of the Audit Committee under the Board of Directors of the Company and the Resolution in relation to the Appointment of the Chairman of the Audit Committee under the Board of Directors were considered and approved and it was approved to elect Mr. Wu Yuhui, an independent non-executive director, Ms. Cheung Kit Man Alison, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director, as members of the Audit Committee under the Board of Directors, and appoint Mr. Wu Yuhui, an independent non-executive director, as the chairman of the Audit Committee under the ninth session of the Board of Directors. The terms of reference of the Audit Committee was announced on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Audit Committee convened meetings to jointly consider the financial position, accounting policy, internal control system and relevant financial issues; expressed opinions on issues relevant to the appointment of external audit institutions, listened to the audit and inspection reports on the financial reports by the external audit institution in order to ensure the financial statements, reports and other relevant information were complete, fair and accurate; guided the internal audit work and evaluated the work of the financial department and audit department (including the heads thereof); supervised the optimization of the Company's risk management and internal control system, evaluated the effectiveness of risk management and internal control, reviewed continuing connected transactions, implemented the management of conflict of interest, and audited the business of entrusted wealth management of the Company, etc. The Audit Committee further established a comprehensive, sound and effective internal control system.

During the Reporting Period, in accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of People's Republic of China, the Accounting Law of People's Republic of China, the Internal Control Guidelines for Listed Companies on the Shanghai Stock Exchange, the Basic Norms for Enterprise Internal Controls and its supporting guidelines, and other internal control regulatory rules, the Audit Committee collated, assessed and identified the risks faced by the Company and confirmed a list of key risks, and supervised and perfected the appropriate risk policies and risk management and control measures for the risks and set forth in such list, which ensured that there were rules and regulations on management and control of each of the key risks of the Company, the resources were well-allocated and the operations were well-regulated, and the risks were properly managed and controlled. Moreover, the Audit Committee provided relevant training on risks and compliance to all staff to strengthen their risk management consciousness and promoted the concept of "Risk Management and Control Lie in Prevention". The Company promoted the delineation of responsibilities and coordination across the three lines of defense, namely "the business and functional departments which would conduct self-assessment on effectiveness internal control, the internal audit departments which would conduct independent evaluation, and the external accounting firm which would conduct the internal control audit", so as to ensure effective operation of the internal control system and achieve routine operation mechanism of risk management and internal control which can be described as "Everyone has Risk Management Consciousness, Everyone is Involved in Internal Control, Everyone is Responsible for Compliance".

During the Reporting Period, the Audit Committee held three meetings with the auditors engaged by the Company.

During the Reporting Period, the Audit Committee earnestly performed its duties in accordance with the Company Law, the Articles of Association, the Terms of Reference of the Audit Committee, and the requirements of relevant laws and regulations. Five meetings were convened and all resolutions were approved unanimously. The details are as follows:

Session of meeting	Date	Topic	Attendance
The first meeting of the ninth session (physical meeting)	January 8, 2018	1. Consideration of the Resolution in relation to the Election of the Chairman of the Audit Committee under the Ninth Session of the Board of Directors; 2. Consideration of the Resolution in relation to the Appointment of Ms. Xue Xiumin as the Director of the Audit Department	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting

Section X Company Governance and Corporate Governance Report

Session of meeting	Date	Topic	Attendance
The second meeting of ninth session (physical meeting)	March 16, 2018	1. Consideration of the 2017 Final Financial Accounts; 2. Consideration of the 2017 Annual Report and Summary of Annual Report; 3. Consideration of the 2017 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers; 4. Consideration of the Resolution in relation to the reappointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Audit Institution of the internal control of the Company for 2018; 5. Consideration of the Resolution in relation to the reappointment of PricewaterhouseCoopers as the External Audit Institution of the Company for 2018; 6. Consideration of the "Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2017"; 7. Consideration of the Duty Performance Report of the Audit Committee of the Eighth Session of the Board of Directors of Fuyao Glass Industry Group Co., Ltd. for 2017; 8. Consideration of the Resolution in relation to the Change of Accounting Policies; 9. Consideration of the Work Summary of the Audit Department for 2017	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The third meeting of the ninth session (physical meeting)	April 26, 2018	Consideration of the Resolution in relation to the full text and main body of the 2018 First Quarter Report	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The fourth meeting of the ninth session (physical meeting)	August 20, 2018	1. Consideration of the Resolution in relation to the 2018 Interim Report and Summary of the Company; 2. Consideration of the Resolution in relation to the Change of the Director of the Audit Department of the Company	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The fifth meeting of the ninth session (physical meeting)	October 25, 2018	1. Consideration of the Resolution in relation to the full text and main body of the 2018 Third Quarter Report; 2. Consideration of the Resolution in relation to the Change of Accounting Policies	Mr. Wu Yuhui, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting

Note: As Ms. Cheng Yan, an independent non-executive director, had been holding office for six consecutive years, she retired from her position after Ms. Cheung Kit Man Alison was elected by the Company as an independent non-executive director of the ninth session of the Board of Directors at the 2018 first extraordinary general meeting convened on January 8, 2018.

Section X Company Governance and Corporate Governance Report

(III) 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 change and recommendation of candidates for directors and senior management to the Board of Directors. The Nomination Committee under the ninth session of the Board of Directors comprises three members with independent non-executive directors being the majority. The chairman 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, a non-executive director. The chairman of the Nomination Committee under the last session (eighth session) of the Board of Directors was Ms. Cheng Yan, an independent non-executive director and the other members were Ms. Liu Xiaozhi, an independent non-executive director, and Mr. Tso Fai, a non-executive director. On January 8 2018, the Company convened the first meeting of the ninth session of the Board of Directors, at which the Resolution in relation to the Election of Members of the Nomination Committee under the Board of Directors of the Company and the Resolution in relation to the Appointment of the Chairman of the Nomination Committee under the Board of Directors were considered and approved, and it was approved to elect Ms. Liu Xiaozhi, an independent non-executive director, Ms. Cheung Kit Man Alison, an independent non-executive director, Mr. Tso Fai, a non-executive director, as the members of the Nomination Committee of the ninth session of the Board of Directors and appoint Ms. Cheung Kit Man Alison, an independent non-executive director, as the chairman of the Nomination Committee of the ninth session of the Board of Directors. The terms of reference of the Nomination Committee was announced on the websites of the Company, the SSE and Hong Kong Stock Exchange.

The Nomination Committee provides consultation to the Board of Directors with respect to the nomination of directors. It will first consider and determine the candidates for nomination, then make recommendations to the Board of Directors. The Board of Directors will decide whether to propose such candidate to the general meeting for election. The Nomination Committee and the Board of Directors will mainly refer to the cultural and educational background, and professional experience when selecting candidates.

The Company has formulated the “Board Diversity Policy”, which covers: 1. Policy statement: In designing the composition of the Board of Directors, the Company will consider the diversity of the Board members from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, expertise, skills, know-how and term of service. All appointments will be made in accordance with the principle of meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board of Directors. 2. Measurable objectives: Selection of candidates by the Company will be based on a range of diversified criteria, including but not limited to gender, age, cultural and educational background, ethnicity, expertise, skills, know-how and term of service. The final decision will be made in accordance with the merits and possible contributions to the Board of Directors of the selected candidates. The analysis on the Board diversity is as follows:

Section X Company Governance and Corporate Governance Report

Item	Category	Number	Percentage in the members of the Board of Directors
Gender	Male	5	56%
	Female	4	44%
Age	Aged 40 to 50	3	33%
	Aged 51 to 60	2	22%
	Aged 61 to 70	3	33%
	Aged 71 to 80	1	12%
Post	Independent non-executive director	3	33%
	Non-executive director	3	33%
	Executive director	3	34%
Length of service as Board members	3 years or less	2	22%
	4—6 years	2	22%
	7—9 years	1	12%
	10 years or more	4	44%
Disciplines in finance and accounting		5	56%
Directorships in other listed companies (number of companies)	2 or less	8	88%
	3 or more	1	12%

The Company confirmed that the composition of the Board of Directors, the background of members and the selection procedures of new directors were in compliance with the requirements of the Hong Kong Listing Rules with respect to the diversity of directors and the Board Diversity Policy formulated by the Company.

During the Reporting Period, the Nomination Committee earnestly performed its duties in accordance with the Company Law, the Articles of Association, the Terms of Reference of the Nomination Committee, the Board Diversity Policy and the requirements of relevant laws and regulations. One meeting was convened and all resolutions were approved unanimously. The details are as follows:

Section X Company Governance and Corporate Governance Report

Session of meeting	Date	Topic	Attendance
The first meeting of the ninth session (physical meeting)	January 8, 2018	1. Consideration of the Resolution in relation to the Nomination of the Chairman of the Nomination Committee under the Ninth Session of the Board of Directors; 2. Consideration of the Resolution in relation to the Nomination of the Candidates for Senior Management Members of the Company	Mr. Tso Fai, Ms. Cheung Kit Man Alison and Ms. Liu Xiaozhi attended the meeting

Note: As Ms. Cheng Yan, an independent non-executive director, had been holding the office for six consecutive years, she retired from her position after Ms. Cheung Kit Man Alison was elected by the Company as an independent non-executive director of the ninth session of the Board of Directors at the 2018 first extraordinary general meeting convened on January 8, 2018.

(IV) 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 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 of the ninth session of the Board of Directors comprises three members including one executive director and two independent non-executive directors. The chairman of the Remuneration and Assessment Committee is Ms. Liu Xiaozhi, an independent non-executive director, and the other members 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 chairman and other members of the Remuneration and Assessment Committee of the last session (eighth session) of the Board of Directors were the same as those of the ninth session of the Board of Directors. On January 8, 2018, the Company convened the first meeting of the ninth session of the Board of Directors, at which the Resolution in relation to the Election of Members of the Remuneration and Assessment Committee under the Board of Directors of the Company and the Resolution in relation to the Appointment of the Chairman of the Remuneration and Assessment Committee under the Board of Directors were considered and approved, and it was approved to elect Mr. Cho Tak Wong, the chairman of the Board of Directors, Ms. Liu Xiaozhi, an independent non-executive director, and Mr. Wu Yuhui, an independent non-executive director, as the members of the Remuneration and Assessment Committee of the ninth session of the Board of Directors and appoint Ms. Liu Xiaozhi, an independent non-executive director, as the chairman of the Remuneration and Assessment Committee of the ninth session of the Board of Directors. The terms of reference of the Remuneration and Assessment Committee was announced on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

During the Reporting Period, after the Remuneration and Assessment Committee carefully examined the actual completed production and operating results in 2017, the Committee reviewed the remuneration of the Company's directors and senior management disclosed in the 2017 annual report, and considered that all the directors, supervisors and senior management achieved the annual operating results set by the Company with diligence and dedication. The remuneration paid by the Company to its directors, supervisors and senior management was fair, reasonable and in compliance with relevant remuneration rules and assessment criteria of the Company, without any occurrence of violation of the Company's remuneration system. In 2017, the Company did not implement any equity incentive scheme.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Remuneration and Assessment Committee earnestly performed its duties in accordance with the Company Law, the Articles of Association, and the Terms of Reference of the Remuneration and Assessment Committee and the requirements of relevant laws and regulations. Two meetings were convened and all resolutions were approved unanimously. The details are as follows:

Session of meeting	Date	Topic	Attendance
The first meeting of the ninth session (physical meeting)	January 8, 2018	Consideration of the Resolution in relation to the Election of the Chairman of the Remuneration and Assessment Committee under the Ninth Session of the Board of Directors	Mr. Wu Yuhui and Ms. Liu Xiaozhi attended the meeting; Mr. Cho Tak Wong entrusted Mr. Wu Yuhui to attend the meeting on his behalf due to business trip
The second meeting of the ninth session (physical meeting)	March 16, 2018	Consideration of the Summary Report of Duty Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2017	Mr. Cho Tak Wong, Mr. Wu Yuhui and Ms. Liu Xiaozhi attended the meeting

X. THE BOARD OF SUPERVISORS

The Board of Supervisors is the supervisory organization of the Company, and shall be accountable to the general meeting. The Board of Supervisors of the Company consists of three members, including one chairman. As at the disclosure date of this report, the Company has 2 supervisors and Mr. Ni Shiyou has died of disease. The Company will appoint a new supervisor in accordance with relevant laws, regulations and the Articles of Association and will discharge the information disclosure obligation in a timely manner. The Board of Supervisors shall exercise the following powers: to examine the periodic reports of the Company prepared by the Board of Directors and produce written examination opinions thereon; to examine financial operations of the Company; to supervise the work of directors and senior executives, and propose dismissal of directors and senior executives who have violated laws, administrative rules, the Articles of Association or the resolutions of general meetings; to require directors and senior executives to make corrections if their conduct has damaged the interests of the Company; to review financial reports, business reports and profit distribution plans to be submitted by the Board of Directors to the general meeting, and if there are any queries, to engage certified public accountants or practicing auditors in the name of the Company to assist in the review; to propose the convening of extraordinary general meetings and, in case the Board of Directors does not perform the obligations to convene and preside over the general meetings in accordance with the Company Law, to convene and preside over the general meetings; to present proposals to general meetings; to coordinate with directors on behalf of the Company or bring legal proceedings against the Company's directors and senior executives in accordance with the Company Law; to conduct investigation if it identifies any unusual circumstances in the Company's operation; if necessary, to engage an accounting firm, law firm or other professionals to assist in their work at the expenses of the Company; to exercise other powers specified by laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority at the location where the shares of the Company are listed and the Articles of Association or conferred by the general meetings.

Section X Company Governance and Corporate Governance Report

During the Reporting Period, the Board of Supervisors performed its duties in accordance with the Company Law, the Articles of Association, the Rules of Procedure for the Board of Supervisors and the requirements of relevant laws and regulations. Six meetings were convened and all resolutions were approved unanimously. The details are as follows:

Session of meeting	Date	Topic	Attendance
The first meeting of the ninth session (physical meeting)	January 8, 2018	Consideration of the Resolution in relation to the Election of the Chairman of the Ninth Session of the Board of Supervisors of the Company	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting
The second meeting of the ninth session (physical meeting)	March 16, 2018	1. Consideration of the 2017 Work Report of the Board of Supervisors; 2. Consideration of the 2017 Final Financial Accounts; 3. Consideration of the 2017 Annual Report and Annual Report Summary; 4. Consideration of the Resolution in relation to the Change of Accounting Policies	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting
The third meeting of the ninth session (physical meeting)	April 26, 2018	Consideration of the Resolution in relation to the full text and main body of the 2018 First Quarter Report	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting
The fourth meeting of the ninth session (physical meeting)	June 25, 2018	Consideration of 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	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting
The fifth meeting of the ninth session (physical meeting)	August 20, 2018	Consideration of the Resolution in relation to the 2018 Interim Report and Summary of the Company	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting
The sixth meeting of the ninth session (physical meeting)	October 25, 2018	1. Consideration of the Resolution in relation to the full text and main body of the 2018 Third Quarter Report; 2. Consideration of the Resolution in relation to the Change of Accounting Policies; 3. Consideration of the Resolution in relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company; 4. Consideration of the Resolution in relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year of 2019; 5. Consideration of the Resolution in relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd for the Year of 2019	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ni Shiyou attended the meeting

Section X Company Governance and Corporate Governance Report

XI. RISKS TO THE COMPANY DISCOVERED BY THE BOARD OF SUPERVISORS

The Board of Supervisors of the Company raised no objection to the issues supervised during the Reporting Period.

XII. THE ESTABLISHMENT AND IMPLEMENTATION OF ASSESSMENT SYSTEM AND INCENTIVE SYSTEM FOR THE SENIOR MANAGEMENT DURING THE REPORTING PERIOD

The Remuneration and Assessment Committee performed assessment concerning the performance and implementation of duty of the senior management according to the actual completed production and operating results of the Company in 2018, to ensure the remuneration of the senior management was closely linked to their management and operating results, and thus strengthen the incentive effect of the assessment. During the Reporting Period, the Company did not implement any equity incentive scheme.

XIII. INTEREST OF BUSINESS COMPETITION

No director or controlling shareholder of the Company holds any interest in any business in competition with or may compete with any business of the Company or its subsidiaries.

XIV. INTEREST OF TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF DIRECTORS, SUPERVISORS (AND CONNECTED ENTITIES)

During the Reporting Period and as at the end of the Reporting Period, except those already disclosed in relevant announcements or this report, no directors, supervisors (and connected entities) possess, directly or indirectly, substantial interest in the transactions, arrangements or contracts which are deemed by the Company important and were entered into by the Company, its subsidiaries or the subsidiaries of its holding companies.

XV. CONTRACT OF SERVICE OF DIRECTORS AND SUPERVISORS

None of the existing directors and supervisors of the ninth session of the Board of Directors and the Board of Supervisors entered into any contracts of services that could not be terminated until the payment of compensation (except legal compensation) within one year with the Company or any of its subsidiaries.

XVI. INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

The Company regards information disclosure and investor relationship as very important work. In 2018, in accordance with the relevant regulations of the regulatory authorities such as the CSRC, the SSE and the Hong Kong Stock Exchange, the Company well organized the work of information disclosure and disclosed relevant information in a true, accurate, complete, timely and fair manner. Meanwhile, the Company further strengthened communication with investors, analysts and financial media, and effectively protected the legitimate rights and interests of investors, especially small and medium investors. The Company communicated and exchanged ideas with investors through channels such as non-deal roadshows, earnings call, conference calls, visits reception, investor relations hotline, dedicated mailbox, the “Shanghai interactive e-platform”. The Company also set up the website at http://www.fuyaogroup.com, for public inspection of the Company’s business development and operation, financial information, corporate governance practices, and information and updates about other information.

Section X Company Governance and Corporate Governance Report

XVII. SIGNIFICANT CHANGE IN THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

On October 9, 2018, the Company convened the 2018 second extraordinary general meeting, at which the Resolution on Amendments to the Articles of Association of the Company was considered and approved. "Home Bridge Overseas Limited (鴻僑海外有限公司)" in Article 23 of the original Articles of Association was amended to "Homekiu Overseas Holdings Limited (鴻僑海外控股有限公司) (formerly known as "Home Bridge Overseas Limited (鴻僑海外有限公司)" and changed into the current name in June 2018)". Save for the foregoing, there was no change in other articles. For particulars, please refer to the Announcement on Proposed Amendments to the Articles of Association of Fuyao Glass Industry Group Co., Ltd. dated August 21, 2018 and the Announcement on Poll Results of the 2018 Second Extraordinary General Meeting of Fuyao Glass Industry Group Co., Ltd. dated October 10, 2018 published on Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk).

XVIII. REMUNERATION OF THE AUDITORS

The Company did not change or remove its accounting firms in the past three years (including the Reporting Period). Please refer to "IV. The Appointment and Dismissal of Accounting Firms" of "Section VII Significant Events" of this report for details of the remuneration of the auditors.

XIX. JOINT COMPANY SECRETARY

Mr. Chen Xiangming, an executive director, a joint company secretary and the chief financial officer of the Company, is responsible for providing opinions concerning corporate governance to the Board of Directors. In addition, in order to maintain good corporate governance and ensure compliance with the Hong Kong Listing Rules, the Company has engaged Ms. Kam Mei Ha, Wendy (an executive director of the Corporate Services Department of Tricor Services Limited, a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators) as a joint company secretary, to assist Mr. Chen Xiangming to fulfill his obligations and responsibilities. The primary contact person of Ms. Kam Mei Ha, Wendy is Mr. Chen Xiangming.

In 2018, Mr. Chen Xiangming and Ms. Kam Mei Ha, Wendy were in compliance with the training requirements as stipulated in Rule 3.29 of the Hong Kong Listing Rules.

XX. WHETHER TO DISCLOSE INTERNAL SELF-EVALUATION REPORT

Please refer to the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (http://www.sse.com.cn) and the Hong Kong Stock Exchange (http://www.hkexnews.hk) dated March 16, 2018 for the details of the Internal Control Evaluation Report.

Section X Company Governance and Corporate Governance Report

XXI. RELEVANT INFORMATION ON INTERNAL CONTROL AUDIT REPORT

(I) Statement of the Responsibilities for Internal Control

The Board of Directors is responsible for evaluation of the effectiveness of the establishment and implementation of internal controls, and the truthful disclosure of internal control evaluation report. In accordance with the relevant requirements of the Company Law, the Securities Law, the Accounting Law, the Basic Norms for Enterprise Internal Control and its supporting guidelines, the Internal Control Guidelines for Listed Companies, and other internal control regulatory requirements and regulations, the Board of Directors has established and improved the risk control measures in all aspects with a risk management oriented approach, which is known as the risk management internal control management system. The system is intended to manage rather than eliminate the risk of failure to achieve our business objectives, and the Board of Directors of the Company can only provide reasonable rather than absolute assurance against material misstatement or loss. In 2018, according to internal and external business environment changes, the Company's business development and amendments to regulations, revision of the internal control system evaluation criteria is organized to ensure that the annual internal risk management evaluation of this year was more realistic, scientific and efficient. Also, on-site assistance for tests on the effectiveness of the internal control system was concretely implemented, so as to ensure the deepening of risk management awareness among all employees and reasonable control of the Company, and to give reasonable guarantee for some regulations on risks and control for all operations and management of the Company, standardized operation, risk prevention, assets security, disclosure of financial reports and information in a true, accurate and complete manner and thus the effectiveness and efficiency were increased, enhancing the Company's implementation of development strategy.

(II) The Establishment of Risk Management and Internal Control System of the Company

1. Risk management and internal control of the Company

The Company has always been dedicated to the establishment of an internal control system in line with international standards and regulatory requirements, and keeps optimizing the internal control system based on its risk exposure and control conditions.

In the aspects of the risk management-oriented internal control system and structure, according to the requirements of relevant laws and regulations, regulatory requirements and internal systems, the Company has established an internal control system with sound organizational structure, clear responsibilities, and clear division of labor and sophisticated staffing. The Board of Directors is responsible for the establishment and effective implementation of the risk management-oriented internal control, and assesses its effectiveness at least once a year. The Audit Committee and audit department were set up under the Board of Directors. Under the leadership of the Board of Directors and the supervision and guidance of the Audit Committee, the audit department supervises, reviews and evaluates implementation of internal controls on the risk management of the Company and its subsidiaries, coordinates the internal control audit and other relevant issues. The management of the Company is responsible for leading an effective operation of the risk management -oriented internal control system. During the Reporting Period, the Board of Directors have reviewed the Group's internal controls and risk management system and considered that they are effective.

Section X Company Governance and Corporate Governance Report

2. Composition of the risk management and internal control system of the Company

The Company promoted the delineation of responsibilities and coordination across the three lines of defense, namely "the business and functional departments which would conduct self-assessment on effectiveness internal control, the internal audit departments which would conduct independent evaluation, and the external accounting firm which would conduct the internal control audit". The three lines of defense supplement and promote each other, which guaranteed the effective operation of the internal control system, strengthened the business departments' ability to directly assume the responsibilities of risk management and control, and achieved the routine operation mechanism of risk management and internal control which can be described as "Everyone has Risk Management Consciousness, Everyone is Involved in Internal Control, Everyone is Responsible for Compliance", safeguarding the Company in its journey to the achieve its great strategic objectives.

3. Procedures for identifying, evaluating and managing significant risks of the Company

The Company established the internal control system of material information, and the procedures and internal supervisory measures addressing and disseminating price-sensitive information. Meanwhile, it established the Internal Reporting System on Significant Information, which explicitly defined the scope of significant information and significant risks. It also established an effective communication mechanism and the obligor on information reporting shall be responsible for providing materials to the secretary to the Board of Directors in a timely, accurate, truthful and complete manner. The secretary to the Board of Directors will analyze and judge significant information after receiving the materials and report to the chairman and president of the Company. Where such information is subject to the obligation of information disclosure to the public, it shall be reported to the Board of Directors and the Board of Supervisors of the Company and disclosed to the public according to relevant regulations.

In terms of information disclosure, the Company established the Information Disclosure Management System, the Sensitive Information Verification Management System, the Registration and Management of Inside Information and other systems to prevent any improper use and circulation of price-sensitive information. Meanwhile, the Company carried out information disclosure in a true, accurate, complete, and timely manner pursuant to the laws and regulations including the Hong Kong Listing Rules, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, and the Articles of Association, so as to ensure equal opportunities of all investors to timely access relevant information of the Company.

4. Measures adopted by the Company for material internal control deficiency

Based on major work objectives for the year and areas susceptible to material business risks, in respect of the material risks assessed for the year, the Company has adopted detailed measures for controlling the material risks, tracked the effectiveness of the risk control in a timely manner, and determined the subject responsible for material risk control and its terms of references. As for the significant control deficiency that has been identified during the period and the unforeseen outcomes or contingencies resulted therefrom, the management, the Audit Committee and the Board of Directors shall be informed in a timely manner so as to make risk management emergency plans in a timely manner. The Audit Committee and the Board of Directors will supervise the implementation of such emergency plans, analyze and assess again the impact of such matter on the Company, and fully assess, study and judge the feasibility of the emergency plans.

Section X Company Governance and Corporate Governance Report

(III) Review of Risk Management and Internal Control System

During the Reporting Period, the Board of Directors and the Audit Committee conducted the annual review of the list of risk management, the supporting internal control system and evaluation system, and carefully reviewed the risk management and internal control system and internal audit functions of the Company, covering all significant control. They also studied the risk management and internal control system and discussed with the management of the Company in this regard so as to ensure the operation and development risks of the Company are under control. The Board of Directors and the Audit Committee were of the view that the internal control and risk management system of the Group are effective.

(IV) Internal Audit

According to the identification of significant deficiency in internal control in respect of financial report of the Company, during the Reporting Period, the Company had no significant deficiency in internal control in respect of financial report. The Board of Directors was of the view that the Company had maintained, in all material respects, effective internal control in respect of financial report in accordance with the requirements of the internal control regulatory system and relevant regulations.

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) issued an audit report on the internal control of the Company and was of the view that the Company has maintained effective internal control in respect of financial report in all significant aspects in accordance with the Basic Norms for Enterprise Internal Control and relevant regulations as at December 31, 2018.

Whether to disclose the internal control audit report: Yes

Section XI 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

16 FUYAO 01 operates with the interest payable annually and the principal to be repaid upon maturity in one lump sum and the interest together with the principal to be paid at the same time for the last tranche. The coupon rate of such bonds was 3.00% (annualised interest rate). The Company has completed the payment of bond interests for the first two tranches, the details of which are as follows:

1. The first interest bearing period commenced from July 22, 2016 to July 21, 2017. 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 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the websites of the SSE (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

2. The second interest bearing period commenced from July 22, 2017 to July 21, 2018. For details, please refer to 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) and the Hong Kong Stock Exchange (www.hkexnews.hk).

II. CONTACT PERSON AND CONTACT METHODS OF 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
	Contact number	010–85606888
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	21/F, Anji Building, No. 760, South Tibet Road, Shanghai

Section XI Relevant Information of Corporate Bonds

III. USE OF CAPITAL RAISED FROM CORPORATE BONDS

1. The capital 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 supplement 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 Capital Raised from 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	200,000,000.00	August 1, 2016
Total		410,977,141.66	

Replenishment to Liquidity with Capital Raised from Current Corporate Bonds

Unit: Yuan Currency: RMB

No.	Use	Amount
1	Payment of salaries	96,823,988.77
2	Payment of loans	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	155,557.10
Total		386,944,732.77

Section XI Relevant Information of Corporate Bonds

2. Procedures for the Use of Proceeds

The Company used the capital raised from Current Corporate Bonds in strict accordance with the arrangements in "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, Administrative Measures for Investment and Raised Capital, 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 capital raised from Current Corporate Bonds was used in strict accordance with the requirements under approval authority management provisions of the Company.

3. Operations of Specific Accounts of Bond Issuance Proceeds

The Company, in strict accordance 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 was no operational anomaly in specific accounts of proceeds raised from 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 was rated as AAA, and 16 FUYAO 01's credit rating was rated as AAA, indicating that the Company had a strong ability to repay debts and minimal risk of default, and was less likely to be impacted by adverse economic environment.

On April 19, 2017, China Chengxin Securities Rating Co., Ltd. carried out a follow-up credit assessment of 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 remained as AAA. Due to stable prospects of the credit rating, the credit rating of Current Corporate Bonds remained as AAA.

On April 26, 2018, China Chengxin Securities Rating Co., Ltd. carried out a follow-up credit assessment of 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 remained as AAA. Due to stable prospects of the credit rating, the credit rating of Current Corporate Bonds remained as AAA.

For details of relevant follow-up rating reports, 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) 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 21, 2017 and 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/).

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 was no guarantee in connection with Current Corporate Bonds.

Section XI Relevant Information of Corporate Bonds

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

After the issuance of 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 eligible investors.

During the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB20,224,986,000, representing an increase of 8.06% as compared with the corresponding period last year; realized profit before tax of RMB4,961,808,000, representing an increase of 34.86% as compared with the corresponding period last year; realized profit for the year attributable to the equity holders of the Company of RMB4,119,935,000, representing an increase of 30.87% as compared with the corresponding period last year; realized earnings per share of RMB1.64, representing an increase of 31.20% as compared with the corresponding period last year.

In particular, the exchange gains of the Company for the Reporting Period were RMB258,516,000 as compared with an exchange loss of RMB387,507,000 for the corresponding period last year. In addition, the Company recorded an investment gain of RMB664,033,000 for the Reporting Period from the disposal of 75% equity interests in Beijing Futong; whereas the Company realized an aggregate gain of RMB39,094,000 for the corresponding period last year from the sale of the land use rights of a state-owned land parcel, an industrial plant and the supporting facilities thereof, as well as from the sale of 100% equity interests in Fuzhou Floating Glass. Eliminating the effects of the above factors, the profit before tax of the Company for the Reporting Period increased by 0.29% year on year.

During the Reporting Period, net cash generated from operating activities of the Company amounted to RMB5,451,390,000, representing an increase of 17.03% 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 Current Corporate Bonds, the emergency guarantee plan shall include:

(1) Realization of current assets

As at December 31, 2018, the balance of current assets in the financial statements of the Company was RMB21,146,696,000 and the balance of current assets excluding inventories was RMB20,721,221,000.

(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 December 31, 2018, the Company obtained a total line of credit of RMB30,436 million from several financial institutions including Industrial and Commercial Bank of China Co., Ltd. and Bank of China Limited, of which RMB8,325 million had been used, and RMB22,111 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.

4. Implementation of repayment assurance measures

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

Section XI Relevant Information of Corporate Bonds

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 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 and June 28, 2018, 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. and the 2017 Bond Trustee Management Services Report of Public Issuance of 2016 Corporate Bonds (First Tranche) of Fuyao Glass Industry Group Co., Ltd. respectively, details of which are set out in the announcements dated June 24, 2017 and 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).

VIII. ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE LAST TWO YEARS OF THE COMPANY AS AT THE END OF THE REPORTING PERIOD (PREPARED IN ACCORDANCE WITH THE CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES)

Unit: 0'000 Currency: RMB

Main indicators	**2018**	2017	Increase/ decrease as compared with the corresponding period last year *(%)*	Reason for the changes
Earnings before interest, taxes, depreciation and amortization(1)	**702,575.84**	526,048.73	33.56	Mainly due to the influence of the exchange gains and the gains from disposal of Beijing Futong equity interest.
Current ratio *(times)*(2)	**1.26**	1.55	-18.71	
Quick ratio *(times)*(3)	**1.00**	1.25	-20.00	
Gearing ratio (%)(4)	**41.46%**	40.05%	1.41%	
Total debt to EBITDA ratio(5)	**0.73**	0.59	23.73	
Interest coverage ratio *(times)*(6)	**13.11**	16.34	-19.77	
Cash interest coverage ratio *(times)*(7)	**16.81**	25.63	-34.41	Mainly due to the increase in borrowings, interest rate and interest expenses during the Reporting Period.
EBITDA interest coverage ratio *(times)*(8)	**17.25**	22.26	-22.51	
Loan repayment ratio(9)	**100%**	100	0	
Interest repayment ratio(10)	**100%**	100	0	

Section XI Relevant Information of Corporate Bonds

Notes:

(1) 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

(2) Current ratio = current assets ÷ current liabilities

(3) Quick ratio = (current assets – inventories) ÷ current liabilities

(4) Gearing ratio = (total liabilities ÷ total assets) × 100%

(5) 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

(6) Interest coverage ratio = profit before interest and tax/(interest expenses recognised in finance costs + capitalized interest expenses)

(7) Cash interest coverage ratio = (net cash flows from operating activities + cash interest expenses + income tax paid in cash)/cash interest expenses

(8) EBITDA interest coverage ratio = EBITDA/(interest expenses recognised in finance costs + capitalized interest expenses)

(9) Loan repayment ratio = actual amount of loan repayment/loan amount repayable × 100%

(10) Interest repayment ratio = interests actually paid/interests payable × 100%

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

During the Reporting Period, other bonds and debt financing instruments of the Company were paid on time, and there was no 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 December 31, 2018, the Company had a total bank credit of RMB30,436 million, of which RMB8,325 million had been used and RMB22,111 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 XII Financial Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fuyao Glass Industry Group Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

We were engaged to audit the consolidated financial statements of Fuyao Glass Industry Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 132 to 231, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Section XII Financial Report

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is as follows.

Key Audit Matter

Revenue recognition

The Group's revenue mainly comprises of sales of automotive glasses to original equipment manufacturer ("OEM") customers and aftermarket repairing glass ("ARG") customers in China and overseas markets. For the year ended 31 December 2018, revenue from sales to China OEM customers amounted to RMB11,027,088,000, which represented approximately 55% of total revenue.

Refer to note 2.28 to the consolidated financial statements. Revenue will be recognised when the products are shipped to the agreed delivery locations in accordance with the contracts, and customers confirm the acceptance. Among the Group's total revenue, revenue from sales to China OEM customers is recognised when the China OEM customers confirmed the acceptance of the products in accordance with the sales contract terms. Revenue from sales to other customers, including overseas OEM customers and ARG customers, is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance.

We focused on the proper cut-off of sales to China OEM customers due to the fact that the documents of confirming the acceptance of the products were provided by numerous OEM customers based in different locations. There is a risk of differences between the timing of acceptance of the products by China OEM customers and that when revenue was recorded. Accordingly, there could be potential misstatements that these revenue transactions are not recognised in the proper reporting periods.

How our audit addressed the Key Audit Matter

We understood, evaluated and validated management's key controls around the Group's sales transactions from customer order's approval to sales recording. In addition, we tested the general information technology control environment and the related automated controls of the Group's revenue related systems.

We understood and evaluated the revenue recognition policy of the Group by reviewing the sales contracts entered into with the customers and discussing with management.

We conducted testing of revenue related to sales to China OEM customers, using sampling techniques, by examining the relevant supporting documents including control terms of the sales contracts and customers' acceptance documents. In addition, we confirmed the balance of trade receivables with selected customers on a targeted basis, considering the nature and characteristics of those customers.

Furthermore, we also tested sales transactions recorded before and after the balance sheet date, using sampling techniques, by tracing to the relevant customers' acceptance documents to assess whether revenue was recognised in the correct reporting periods.

Based on our work performed, we did not note any significant exceptions related to cut-off of revenue recognition which would impact the consolidated financial statements.

Section XII Financial Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Section XII Financial Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Wong Kam Chin.*

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 March 2019

Section XII Financial Report

CONSOLIDATED BALANCE SHEET

As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**17,115,147**	14,990,303
Leasehold land and land use rights	7	**1,050,397**	982,852
Intangible assets	8	**277,372**	143,549
Investments in a joint venture	9	**40,680**	43,381
Investments in associates	9	**165,057**	52,139
Long-term prepaid rental expenses	10	**20,144**	26,840
Deferred income tax assets	11	**252,461**	280,596
Other non-current assets	13	**843**	191,212
		18,922,101	16,710,872
Current assets			
Inventories	12	**3,241,740**	2,974,677
Trade and other receivables	13	**5,538,623**	5,198,127
Financial assets at fair value through profit or loss	15	**387,262**	101,928
Derivative financial instruments	15	**47,542**	3,561
Restricted cash	14	**8,317**	23,904
Cash and cash equivalents	14	**6,357,656**	6,704,296
		15,581,140	15,006,493
Total assets		**34,503,241**	31,717,365
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	16	**2,508,618**	2,508,618
Share premium	17	**6,202,553**	6,202,553
Other reserves	17	**2,329,412**	1,730,086
Retained earnings	18	**9,163,125**	8,572,934
		20,203,708	19,014,191
Non-controlling interests		**(1,034)**	4,423
Total equity		**20,202,674**	19,018,614

Section XII Financial Report

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 31 December 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**1,246,875**	2,509,605
Deferred income tax liabilities	11	**159,749**	75,790
Deferred income on government grants	20	**489,112**	434,604
		1,895,736	3,019,999
Current liabilities			
Trade and other payables	21	**4,274,338**	4,040,028
Contract liabilities	22	**594,503**	–
Current income tax liabilities		**331,863**	200,882
Borrowings	19	**7,153,326**	5,387,661
Derivative financial instruments	15	**3,078**	23,190
Current portion of deferred income on government grants	20	**47,723**	26,991
		12,404,831	9,678,752
Total liabilities		**14,300,567**	12,698,751
Total equity and liabilities		**34,503,241**	31,717,365

The notes on pages 138 to 231 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 132 to 231 were approved by the Board of Directors on 15 March 2019 and were signed on behalf.

Cho Tak Wong
Director

Chen Xiangming
Director

Section XII Financial Report

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

		Year ended 31 December	
	Note	**2018 RMB'000**	2017 RMB'000
Revenue	23	**20,224,986**	18,715,609
Cost of sales	23,26	**(11,828,463)**	(10,917,999)
Gross profit		**8,396,523**	7,797,610
Distribution costs and selling expenses	26	**(1,467,671)**	(1,274,309)
Administrative expenses	26	**(2,071,318)**	(1,803,411)
Research and development expenses	26	**(887,722)**	(803,441)
Other income	24	**146,750**	188,117
Other gains/(losses) – net	25	**1,009,830**	(393,640)
Net impairment losses on financial assets	13	**(28,132)**	–
Operating profit		**5,098,260**	3,710,926
Finance income	28	**236,034**	156,659
Finance costs	28	**(376,230)**	(182,373)
Finance costs – net		**(140,196)**	(25,714)
Share of results of joint venture and associate	9	**3,744**	(6,017)
Profit before income tax		**4,961,808**	3,679,195
Income tax expense	29	**(855,188)**	(531,479)
Profit for the year		**4,106,620**	3,147,716
Profit attributable to:			
Equity holders of the Company		**4,119,935**	3,148,221
Non-controlling interests		**(13,315)**	(505)
Profit for the year		**4,106,620**	3,147,716
Earnings per share for profit attributable to equity holders of the Company during the year			
– Basic and diluted earnings per share *(expressed in RMB per share)*	30(a)	**1.64**	1.25

The notes on pages 138 to 231 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Profit for the year		**4,106,620**	3,147,716
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	17	**162,934**	(295,447)
Other comprehensive income for the year, net of tax		**162,934**	(295,447)
Total comprehensive income for the year		**4,269,554**	2,852,269
Total comprehensive income attributable to:			
Equity holders of the Company		**4,282,869**	2,852,774
Non-controlling interests		**(13,315)**	(505)
Total comprehensive income for the year		**4,269,554**	2,852,269

The notes on pages 138 to 231 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to equity holders of the Company						
	Note	Share capital RMB'000 (Note 16)	Share premium RMB'000 (Note 17)	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000 (Note 18)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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 year		–	–	–	3,148,221	3,148,221	(505)	3,147,716
Other comprehensive income:								
Currency translation differences-Group		–	–	(295,447)	–	(295,447)	–	(295,447)
Total comprehensive income		–	–	(295,447)	3,148,221	2,852,774	(505)	2,852,269
Total transaction with equity holders:								
Dividends relating to 2016	31	–	–	–	(1,881,463)	(1,881,463)	–	(1,881,463)
Others		–	–	(4,620)	–	(4,620)	–	(4,620)
Total transaction with equity holders, recognised directly in equity		–	–	(4,620)	(1,881,463)	(1,886,083)	–	(1,886,083)
Appropriation to statutory reserve	18	–	–	278,595	(278,595)	–	–	–
Balance at 31 December 2017		2,508,618	6,202,553	1,730,086	8,572,934	19,014,191	4,423	19,018,614
Balance at 31 December 2017 as originally presented		2,508,618	6,202,553	1,730,086	8,572,934	19,014,191	4,423	19,018,614
Change in accounting policy	2.2	–	–	(93)	(207,294)	(207,387)	–	(207,387)
Restated total equity at 1 January 2018		**2,508,618**	**6,202,553**	**1,729,993**	**8,365,640**	**18,806,804**	**4,423**	**18,811,227**
Comprehensive income:								
Profit for the year		**–**	**–**	**–**	**4,119,935**	**4,119,935**	**(13,315)**	**4,106,620**
Other comprehensive income:								
Currency translation differences-Group		**–**	**–**	**162,934**	**–**	**162,934**	**–**	**162,934**
Total comprehensive income				**162,934**	**4,119,935**	**4,282,869**	**(13,315)**	**4,269,554**
Total transaction with equity holders:								
Dividends relating to 2017 and 2018	31	**–**	**–**	**–**	**(2,884,910)**	**(2,884,910)**	**(12,096)**	**(2,897,006)**
Total transaction with equity holders, recognised directly in equity		**–**	**–**	**–**	**(2,884,910)**	**(2,884,910)**	**(12,096)**	**(2,897,006)**
Appropriation to statutory reserve	18	**–**	**–**	**437,540**	**(437,540)**	**–**	**–**	**–**
Others		**–**	**–**	**(1,055)**	**–**	**(1,055)**	**19,954**	**18,899**
Balance at 31 December 2018		**2,508,618**	**6,202,553**	**2,329,412**	**9,163,125**	**20,203,708**	**(1,034)**	**20,202,674**

The notes on pages 138 to 231 are an integral part of these consolidated financial statements.

Section XII Financial Report

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cash flow from operating activities			
Cash generated from operations	32(a)	**6,063,456**	5,511,569
Income tax paid		**(612,066)**	(853,351)
Net cash generated from operating activities		**5,451,390**	4,658,218
Cash flow from investing activities			
Proceeds from disposal of subsidiaries and joint ventures	36	**682,452**	148,151
Proceeds from disposal of property, plant and equipment	32(b)	**63,762**	72,934
Proceeds from disposal of intangible assets and land use rights	32(b)	**–**	10,570
Acquisition of subsidiaries, net of cash acquired	35	**(240,131)**	–
Purchases of property, plant and equipment		**(3,429,684)**	(3,402,861)
Purchases of leasehold land and land use rights		**(81,784)**	(173,973)
Purchases of intangible assets		**(80,273)**	(13,161)
Purchase of financial assets at fair value through profit or loss		**(285,000)**	(100,000)
Funding to an associate		**–**	(190,000)
Interest received		**271,558**	156,659
Dividends received	9	**7,350**	–
Decrease/(Increase) in restricted cash		**15,587**	(11,559)
Government grants received relating to property, plant and equipments	20	**104,850**	127,650
Net cash used in investing activities		**(2,971,313)**	(3,375,590)
Cash flows from financing activities			
Proceeds from borrowings		**13,564,599**	10,648,891
Repayments of borrowings		**(13,341,533)**	(9,989,268)
Dividends paid to Company's shareholders	18	**(2,884,910)**	(1,881,463)
Dividends paid to non-controlling interests in subsidiaries		**(12,096)**	–
Interest paid		**(406,065)**	(229,375)
Transaction with non-controlling interest		**–**	(4,620)
Net cash used in from financing activities		**(3,080,005)**	(1,455,835)
Net decrease in cash and cash equivalents		**(599,928)**	(173,207)
Cash and cash equivalents at beginning of the year		**6,704,296**	7,198,834
Exchange differences on cash and cash equivalents		**253,288**	(321,331)
Cash and cash equivalents at end of the year		**6,357,656**	6,704,296

The notes on pages 138 to 231 are an integral part of these consolidated financial statements.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Corporate 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 14 April 1987 as a sino-foreign equity joint venture. On 21 June 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 Shanghai Stock Exchange ("A shares") and the Stock Exchange of Hong Kong Limited ("H shares"). As at 31 December 2018, 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) and 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.

These financial statements are presented in RMB, unless otherwise stated.

2 Summary Of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and requirements of the Hong Kong Companies ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets or liabilities (including derivative instruments) at fair value through profit or loss, at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments that are relevant to the Group for the first time for their annual reporting period commencing 1 January 2018:

– IFRS 9 Financial Instruments

– IFRS 15 Revenue from Contracts with Customers

– Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

– Annual Improvements 2014–2016 cycle

– Interpretation 22 Foreign Currency Transactions and Advance Consideration

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019 or when apply IFRS 15

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(b) New standards and interpretations not yet adopted (Continued)

Impact

The Group is the lessee of several buildings which are currently classified as operating lease. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately RMB395,186,000, see note 34. For the above-mentioned lease commitment, the Group expects to recognise right-of-use assets of approximately RMB330,252,000 on 1 January 2019, lease liabilities of approximately RMB350,070,000 and deferred tax assets of approximately RMB5,489,000. Overall net assets will be approximately RMB14,328,000 lower, and net current assets will be approximately RMB40,249,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately RMB4,057,000 for 2019 as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately RMB56,667,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements.

(a) Impact on the financial statements

As explained in note 2.2(b) and 2.2(c) below, IFRS 9 and 15 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new standards are therefore not restated as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 Dec 2017 As originally presented	IFRS 15	IFRS 9	1 January 2018 Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Deferred income tax assets	280,596	36,153	–	316,749
Property, plant and equipment	14,990,303	180,735	–	15,171,038
Total assets	15,270,899	216,888	–	15,487,787
Current liabilities				
Trade and other payables	4,040,028	(18,008)	–	4,022,020
Contract liabilities	–	442,283	–	442,283
Total liabilities	4,040,028	424,275	–	4,464,303
Net assets	11,230,871	(207,387)	–	11,023,484
Other reserves	1,730,086	(93)	–	1,729,993
Retained earnings	8,572,934	(207,294)	–	8,365,640
Total equity	10,303,020	(207,387)	–	10,095,633

The adoption of its new standards does not have any impact to the balance sheet as at 31 December or 1 January 2017. It does not affect the income statement for the year ended 31 December 2017 either.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in notes 2.13 below. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated. The impact on the Group's retained earning as at 1 January 2018 and 2017 is nil.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. There is no need to reclassify the Group's financial statements in this regard.

(ii) Derivatives and hedging activities

The adoption of IFRS 9 does not have any impact to the Group's foreign currency swap contracts, its foreign currency option contracts and forward foreign exchange contracts in current or prior period.

(iii) Impairment of financial assets

The Group has trade receivables for sales of inventory, other receivables and cash and cash equivalents that are subject to IFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets, the impact of the change in impairment methodology on the Group's financial statements was immaterial. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was also immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance increased from RMB1,816,000 to RMB2,679,000 for trade receivables during the current reporting period, note 3.1(b) provides for details about the calculation of the allowance.

(iv) Refinancing

Under IFRS 9, the cash flows of the refinanced borrowings must be discounted at the original effective interest rate. There is no impact to the Group's financial statements in this regard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(c) IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an approach of transfer of risk and rewards to an approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied.

The Group elected to use a modified retrospective approach for transition which allows the Group to recognise the cumulative effects of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

IFRS 15 replaces the provisions of IAS 18 "Revenue" ("IAS 18") that relate to the recognition, classification and measurement of revenue and costs. The effects of the adoption of IFRS 15 are as follows:

Presentation of contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under IFRS 15: Contract liabilities for which previously presented as advanced proceeds received from customers, including consideration received in relation to tooling sales.

Accounting for tooling

In previous reporting period, the revenue from tooling was considered as a separate component from sales of products. It is recognised as revenue when the risks and rewards are transferred to the Group's customers independently from sales of the related products..

Under IFRS 15, tooling is not defined as a distinct performance obligation and its related consideration is allocated to the sales of the products. Accumulated tooling costs are capitalised as fix assets and are depreciated on a systematic basis that is consistent with the transfer to the customer of its products to which the tooling relates. The contract liabilities recognised in relation to the tooling on 1 January 2018 were RMB424,275,000. The net book value of property, plant and equipment has increased by RMB180,735,000 (cost: RMB226,655,000, accumulated depreciation RMB45,920,000) accordingly.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(c) IFRS 15 Revenue from Contracts with Customers (Continued)

The impact on the Group's financial position by the application of IFRS 15 is as follows:

	IAS 18 carrying amount 31 Dec 2017	Reclassification	Remeasurements	IFRS 15 carrying amount 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	14,990,303	–	180,735	15,171,038
Contract liabilities	–	18,008	424,275	442,283
Trade and other payables	4,040,028	(18,008)	–	4,022,020
Deferred income tax assets	280,596	–	36,153	316,749
Other reserves	1,730,086	–	(93)	1,729,993
Retained earnings	8,572,934	–	(207,294)	8,365,640

The impact on the Group's retained earnings as at 1 January 2018 is as follows:

	2018
	RMB'000
Retained earnings	8,572,934
Restatement of sales of tooling	(243,540)
Increase in deferred tax assets	36,153
Decrease in other reserves	93
Adjustment to retained earnings from adoption of IFRS 15	(207,294)
Opening retained earnings 1 January – IFRS 15	8,365,640

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.2 Changes in accounting policies (Continued)

(c) IFRS 15 Revenue from Contracts with Customers (Continued)

The amount by each financial statements line items affected in the current year the application of IFRS 15 as compared to IAS 18 that were previously in effect before the adoption of IFRS 15 is as follows:

	As at 31 December 2018		
	Amounts without the adoption of IFRS 15 *RMB'000*	**Effects of the adoption of IFRS 15** *RMB'000*	**Amounts as reported** *RMB'000*
Consolidated statement of financial position (extract)			
Property, plant and equipment	16,823,950	291,197	17,115,147
Trade and other payables	4,309,395	(35,057)	4,274,338
Contract liabilities	–	594,503	594,503
Deferred income tax assets	213,272	39,189	252,461
Other reserves	2,329,848	(436)	2,329,412
Retained earnings	9,391,749	(228,624)	9,163,125

	Year ended 31 December 2018		
	Amounts without the adoption of IFRS 15 *RMB'000*	**Effects of the adoption of IFRS 15** *RMB'000*	**Amounts as reported** *RMB'000*
Consolidated statement of comprehensive income (extract)			
Revenue	20,360,157	(135,171)	20,224,986
Cost of sales	11,938,925	(110,462)	11,828,463
Income tax expenses	858,223	(3,035)	855,188
Profit for the year	4,128,294	(21,674)	4,106,620
Consolidated cash flow statement (extract)			
Cash generated from operations– Profit for the year	4,128,294	(21,674)	4,106,620
Adjustment for– Depreciation of property, plant and equipment	1,573,086	56,951	1,630,757
Changes in working capital– Contract liabilities	–	594,503	594,503

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.3 Subsidiaries

2.3.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2.3.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.3 Subsidiaries (Continued)

2.3.2 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.3.3 Separate financial statement

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 49% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit of investments accounted for using equity method' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.5 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method in the Group's consolidated financial statements.

Under the equity method of accounting, investments in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investments in the joint venture are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint ventures and their carrying value and recognises the amount adjacent to share of results of joint ventures, in the consolidated income statements.

Investments in joint ventures are accounted for at cost less impairment in the Company's separate financial statements.

2.6 Segment reporting

Operating segments are 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 segments, has been identified as the executive directors that make strategic decisions.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statements.

Foreign exchange gains and losses are presented in the consolidated income statements within "other gains/(losses) – net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as net investment, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the subsidiaries exchange differences are reclassified to consolidated income statements, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 to 20 years
Machinery and equipment	10 to 12 years
Electronic and office equipment	5 years
Tools, dies, vehicles and others	3 to 5 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposal are determined as the difference between the proceeds and the carrying amount and are recognized under "other gain/(losses) -net" in the consolidated income statement.

2.9 Leasehold land and land use rights

Leasehold land and land use rights represent upfront payments made for the land use rights. It is stated at cost less accumulated amortisation and impairment losses, if any (Note 2.11). Amortisation is calculated using the straight-line method to allocate the cost of leasehold land and land use rights over the remaining period of the lease.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Patents

Acquired patents are shown at historical cost. Patents have a finite life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives.

(c) Licenses

Acquired licenses are shown at historical cost. Licenses have a finite life and are carried at cost less accumulated amortisation and impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

(d) Computer software

Acquired computer software license are capitalised on the basis of the costs incurred to acquire the specific software. Computer software is carried at cost less accumulated amortisation and impairment, if any. These costs are amortised over their estimated useful lives.

(e) Other intangible assets

Other intangible assets acquired are initially recognised at cost and amortised on a straight-line method over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, expect for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carrying at fair value which are special exempt from this requirement.

2.13 Financial assets

2.13.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.13.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.13 Financial assets (Continued)

2.13.2 Recognition and measurement (Continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statements within 'other gains/(losses) – net' in the period in which they arise.

2.13.3 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its trade receivables and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1 for further details.

2.13.4 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.13 Financial assets (Continued)

2.13.4 Accounting policies applied until 31 December 2017 (Continued)

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "restricted cash" and "cash and cash equivalents", in the consolidated balance sheets (Note 13 and 14).

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statements. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statements within 'other gains/(losses) – net' in the period in which they arise.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.13 Financial assets (Continued)

2.13.4 Accounting policies applied until 31 December 2017 (Continued)

(c) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within a year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 13 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the Group's impairment policies.

2.17 Cash and cash equivalents

In the consolidated cash flows statements, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 Restricted cash

Restricted cash represents guaranteed deposits pledged to the bank for issuance of trade facilities, such as security deposits for borrowing and guaranteed deposits for issuance of letter of credit. Such restricted cash will be released when the Group repays the related trade facilities or bank loans.

2.19 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Borrowings cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 Derivative financial instruments

Derivative financial instruments refer to the forward foreign exchange contracts, foreign currency swap contracts and foreign currency option contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The Group uses these currency forward contracts to mitigate exposure to changes in foreign exchange rate. These forward foreign exchange contracts are held for "economic hedge", which do not qualify for hedge accounting.

Changes in the fair value of all derivative instruments are recognised immediately in the consolidated income statements within 'other gains/(losses) -net'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.24 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the consolidated income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the areas where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for joint ventures and associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the joint ventures and associates' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, joint ventures and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.24 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term obligations

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, short-term paid absences, labour union running costs and employee education costs, etc. The short-term employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Non-monetary benefits are measured at fair value.

(b) Pension obligations

The Group has participated in various pension plans and other post-retirement benefits in various countries where its subsidiaries operate. The Group contributes on a monthly basis to these pension plans and has no obligation for post-retirement benefits beyond the contributions made.

China

The employees of companies in mainland china participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

United States of America

The Group pays fixed contributions into a local separate fund, which is responsible for paying pensions and other post-retirement benefits to the retired employees. The amounts based on the defined contribution plans are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.25 Employee benefits (Continued)

(c) Termination benefits

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognises a liability arising from compensation for termination of the employment relationship with employees, with a corresponding charge to profit or loss at the earlier of the following dates: 1) when the Group cannot unilaterally withdraw an employment termination plan or a curtailment proposal; 2) when the Group recognises costs or expenses related to the restructuring that involves the payment of termination benefits.

2.26 Provision and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.27 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statements on a straight-line basis over the period of the lease.

Rental income from operating lease is recognised in the consolidated income statements on a straight-line basis over the term of the lease.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.28 Revenue recognition

Sales of products

Revenue will be recognised when the products are shipped to the agreed delivery locations in accordance with the contracts, and customers confirm the acceptance. Among the Group's total revenue, revenue from sales to China OEM customers is recognised when the China OEM customers confirmed the acceptance of the products in accordance with the sales contract terms. Revenue from sales to other customers, including overseas OEM customers and ARG customers, is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance.

2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI (2017 – available-for-sale securities, held-to-maturity investments and loans and receivables) calculated using the effective interest method is recognised in the statement of profit or loss.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 28 below.

2.30 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.31 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

2 Summary Of Significant Accounting Policies (Continued)

2.32 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets which are credited to the consolidated income statements on a straight-line basis over the expected useful lives of the related asset are included in non-current liabilities as deferred income, among which those are credited to the consolidated income statements in the upcoming 12 months are classified as current liabilities.

For those cash injection received from government with clear instruction as capital injection from government authorities, they have been recorded as "other reserve".

2.33 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders, where appropriate.

2.34 Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects relating to design and testing of new or improved products are recognised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 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, 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 minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The primary economic environment in which the Group operates in the PRC and their functional currency is RMB. However, the Group's certain subsidiaries operate in the United States and Russia and their functional currencies are the United States Dollar ("USD") and Russian Ruble ("RBL"), respectively. Also, the Group exports the products to overseas customers and the sales are usually carried out in USD and Euro ("EUR"). Moreover, certain cash and cash equivalents, trade and other receivables and trade and other payables are denominated in foreign currencies which expose the Group to foreign currency risk, primarily with respect to USD, EUR and RBL. The Group currently uses forward foreign exchange contracts to partially reduce the risk of changes in foreign exchange rates.

The Group uses a combination of foreign currency option, foreign currency swap contracts and forward foreign exchange contracts to hedge its exposure to foreign currency risk.

The foreign currency options, foreign currency swap contracts and forward foreign exchange contracts are accounted for as held for trading with gains (losses) recognised in profit or loss and the carrying amount is determined by discounted cash flow model based on future rate.

As at 31 December 2018 and 2017, if RMB had strengthened/weakened by 10% against the foreign currencies while all other variables had been held constant, the Group's net profit for the year would have changed as follows, mainly as a result of exchange gains/losses on translation of various financial assets and liabilities denominated in foreign currencies and the derivative instruments held by the Group:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net profit increase/(decrease)		
USD		
– Strengthened 10%	**(226,213)**	(269,481)
– Weakened 10%	**226,213**	269,481
EUR		
– Strengthened 10%	**(25,703)**	(19,754)
– Weakened 10%	**25,703**	19,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings.

Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The Group does not hedge its cash flow and fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 19.

As at 31 December 2018 and 2017, if interest rates on bank borrowings had risen/fallen by 50 basis points with all other variables held constant, the Group's net profit for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net profit increase/(decrease)		
– risen 50 basis points	**(5,131)**	(7,319)
– fallen 50 basis points	**5,131**	7,319

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, financial assets at fair value through profit or loss (FVPL), favourable derivative financial instruments and other receivables, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. Cash and cash equivalents, including restricted cash, were deposited in the major financial institutions. For derivative financial instruments and financial assets at fair value through profit and loss, the Group also chose to deal with these financial institutions which the directors believe are of high credit quality.

For trade receivables and other receivables, the Group made policies to control credit risk exposure. The Group assesses the credit risk of customers and sets the corresponding credit period based on their financial status, the possibility of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Group monitored customer credit records regularly. For customers with poor credit history, the Group will apply written reminders, cancel credit terms or terminate business with customers to ensure that the Group's overall credit risk is within the controllable range.

(ii) Impairment of financial assets

Trade receivables for sales of inventory and other receivables are subject to the expected credit loss model. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables and other receivables have been grouped based on shared credit risk characteristics and the ageing.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The expected loss rates are based on the payment profiles of sales over a period of 60 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2018 (on adoption of IFRS 9) was determined as follows for trade receivables:

At 31 December 2018	Current	1 to 2 years	2 to 3 years	over 3 years	Total
Expected loss rate	0.02%	5.43%	33.35%		
Gross carrying amount – trade receivables	3,591,955	1,745	171	2,515	3,596,386
Loss allowance – IFRS 9	711	95	57	–	863
Individually impaired receivables	–	–	–	1,816	1,816
Total loss allowance	**711**	**95**	**57**	**1,816**	**2,679**

The loss allowance under IFRS 9 as at 1 January 2018 was immaterial.

The closing loss allowances for trade receivables and other receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
At 31 December – calculated under IAS 39	–	–	–	–
Amounts restated through opening retained earnings	–	–	–	–
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	–	–	–	–
Increase in loss allowance recognised in profit or loss during the year	4,388	17	23,744	–
Currency translation difference	–	–	68	–
Write-off against uncollectible receivables	(1,709)	(17)	–	–
At 31 December 2018	**2,679**	–	**23,812**	–

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statements. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Other receivables

Other receivables includes consideration receivable from disposal of a subsidiary. compensation, receivables due from related parties and others.

The loss allowance for other receivables as at 31 December 2017 reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	Related parties	Consideration of subsidiary disposal	Compensation	Others	Total
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)	–	–	–	–	–
Amounts restated through opening retained earnings	–	–	–	–	–
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	–	–	–	–	–
Increase in the allowance recognised in profit or loss during the period	–	–	23,812	–	23,812
Closing loss allowance as at 31 December 2018	–	–	23,812	–	23,812

(iii) Financial assets at fair value through profit or loss and derivative financial instruments

The Group is also exposed to credit risk in relation to financial assets at fair value through profit or loss and derivative financial instruments. The maximum exposure at the end of reporting period is the carrying amount of these financial assets of RMB434,804,000 (2017: RMB105,489,000).

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) 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.

The Group had access to the following undrawn borrowing facilities as at 31 December 2018 and 2017:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Bank credit		
Expiring within one year	**13,358,244**	14,202,164
Expiring beyond one year	**8,752,893**	5,290,890
	22,111,137	19,493,054

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 ***RMB'000***	**Between 1 and 2 years** ***RMB'000***	**Between 2 and 5 years** ***RMB'000***	**Total** ***RMB'000***
As at 31 December 2018				
Borrowings, including interest payables	**7,296,444**	**1,068,308**	**220,457**	**8,585,209**
Derivative financial instruments *(Note 15)*	**3,078**	**–**	**–**	**3,078**
Financial liabilities included in trade and other payables	**3,642,550**	**–**	**–**	**3,642,550**
	10,942,072	**1,068,308**	**220,457**	**12,230,837**

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
As at 31 December 2017				
Borrowings, including interest payables	5,544,660	2,386,197	198,524	8,129,381
Derivative financial instruments *(Note 15)*	23,190	–	–	23,190
Financial liabilities included in trade and other payables	3,440,946	–	–	3,440,946
	9,008,796	2,386,197	198,524	11,593,517

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.2 Capital risk management

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital and capital reserves) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with industry, the Group monitors capital on basis of the net liability to equity ratio. This ratio is calculated as net liability divided by total capital. Net liability are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the financial statements plus net debts.

The net liability to equity ratios as at 31 December 2018 and 2017 are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Total borrowings *(Note 19)*	**8,400,201**	7,897,266
Less: Cash and cash equivalents *(Note 14)*	**(6,357,656)**	(6,704,296)
Net liability	**2,042,545**	1,192,970
Total equity	**20,202,674**	19,018,614
Total capital	**22,245,219**	20,211,584
Net liability to equity ratio	**9.18%**	5.90%

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

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 31 December 2018 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 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 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
As at 31 December 2018				
Assets				
Financial assets at fair value through profit or loss				
– structure financial product	**–**	**1,401**	**–**	**1,401**
– structure deposits	**–**	**385,861**	**–**	**385,861**
Derivative financial instruments				
– foreign currency swap contracts	**–**	**44,662**	**–**	**44,662**
– forward foreign exchange contract	**–**	**2,880**	**–**	**2,880**
	–	**434,804**	**–**	**434,804**
Liabilities				
Derivative financial instruments				
– forward foreign exchange contract	**–**	**2,641**	**–**	**2,641**
– foreign currency swap contracts	**–**	**437**	**–**	**437**
	–	**3,078**	**–**	**3,078**
As at 31 December 2017				
Assets				
Derivative financial instruments				
– structure financial product	–	101,928	–	101,928
– foreign currency swap contracts	–	3,561	–	3,561
	–	**105,489**	**–**	**105,489**
Liabilities				
Derivative financial instruments				
– forward foreign exchange contract	–	332	–	332
– foreign currency swap contracts	–	22,324	–	22,324
– foreign currency option contracts	–	534	–	534
	–	**23,190**	**–**	**23,190**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

3 Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

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

Level 2 financial assets includes derivative financial instruments, structure financial product and structure deposits. The derivative financial instruments represent forward foreign exchange contracts, forward currency option contract and swap contracts. These financial assets have been fair valued using present value of cash flows based on forward exchange rate that are quoted in the active market.

(c) 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 to suppliers and prepaid current income tax or value-added tax recoverable);
- Cash and cash equivalents (including restricted cash);
- Trade and other payables (excluding advance from customers and statutory liabilities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4 Critical Accounting Estimates And Judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Estimates 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.

(a) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values 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 residual values and therefore depreciation expense in future periods.

(b) 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.

(c) 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 taxation charges in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

4 Critical Accounting Estimates And Judgements (Continued)

(d) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in note 3.

(e) Impairment of non-financial assets

The Group's management judgement is required on the balance sheet date in the area of asset impairment particularly in assessing long-term assets which include fixed asset, construction in progress, intangible assets and goodwill etc. The recoverable amount is 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. The recoverable amount is estimated based on best available information in order to reflect the payment (or the disposal cost to be deducted) of fair trade between informed voluntary parties at the balance sheet date or continuous cash generated by the use of the assets. The revalued recoverable amount may be adjusted on each impairment test.

5 Segment Information

The Group operates as a single operating segment. The single 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 year.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6 Property, Plant And Equipment

	Buildings and freehold land RMB'000	Machinery and equipment RMB'000	Electronic and office equipment RMB'000	Tools, dies, vehicles and others RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2017						
Opening net book amount	3,238,884	5,290,054	730,941	334,634	3,821,964	13,416,477
Currency translation difference	(38,902)	(96,728)	(3,659)	(195)	(151,596)	(291,080)
Transfer	1,349,483	1,358,021	233,838	2,602	(2,943,944)	–
Other additions	168,204	94,852	234,298	335,786	2,485,653	3,318,793
Disposals *(Note 32(b))*	(16,140)	(62,848)	(22,578)	(4,335)	–	(105,901)
Disposal of a subsidiary	–	(216)	(11)	–	–	(227)
Reconstruction of certain product lines	(19,114)	(126,489)	(9,103)	–	154,706	–
Depreciation *(Note 26)*	(216,598)	(727,188)	(210,550)	(193,423)	–	(1,347,759)
Closing net book amount	4,465,817	5,729,458	953,176	475,069	3,366,783	14,990,303
At 31 December 2017						
Cost	5,848,939	9,974,394	1,845,901	1,322,682	3,366,783	22,358,699
Accumulated depreciation	(1,383,122)	(4,244,936)	(892,725)	(847,613)	–	(7,368,396)
Net book amount	4,465,817	5,729,458	953,176	475,069	3,366,783	14,990,303
At 31 December 2017 as originally presented	4,465,817	5,729,458	953,176	475,069	3,366,783	14,990,303
Change in accounting policy *(Note 2.2)*	–	–	180,735	–	–	180,735
Restated at 1 January 2018	**4,465,817**	**5,729,458**	**1,133,911**	**475,069**	**3,366,783**	**15,171,038**
Currency translation difference	**40,087**	**87,958**	**5,060**	**208**	**52,162**	**185,475**
Transfer	**660,136**	**2,132,603**	**313,479**	**3,546**	**(3,109,764)**	**–**
Acquisition of subsidiaries	**62,828**	**138,630**	**31,664**	**9,927**	**184,517**	**427,566**
Other additions	**85,198**	**179,449**	**355,937**	**358,297**	**2,480,860**	**3,459,741**
Disposals *(Note 32(b))*	**(12,009)**	**(53,238)**	**(50,764)**	**(7,634)**	**–**	**(123,645)**
Disposal of a subsidiary	**(125,965)**	**(156,383)**	**(39,512)**	**(14,666)**	**(37,745)**	**(374,271)**
Depreciation *(Note 26)*	**(270,754)**	**(794,782)**	**(312,861)**	**(252,360)**	**–**	**(1,630,757)**
Closing net book amount	**4,905,338**	**7,263,695**	**1,436,914**	**572,387**	**2,936,813**	**17,115,147**
At 31 December 2018						
Cost	**6,456,778**	**11,921,913**	**2,566,480**	**1,552,743**	**2,936,813**	**25,434,727**
Accumulated depreciation	**(1,551,440)**	**(4,658,218)**	**(1,129,566)**	**(980,356)**	**–**	**(8,319,580)**
Net book amount	**4,905,338**	**7,263,695**	**1,436,914**	**572,387**	**2,936,813**	**17,115,147**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

6 Property, Plant And Equipment (Continued)

(a) As at 31 December 2018, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB1,172,970,000 (31 December 2017: RMB989,882,000). The Directors of the Group consider that these buildings pending ownership certificates do not affect the daily operation of the Group.

(b) During the year, the Group has capitalised borrowing costs of RMB31,104,000 (2017: RMB53,976,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 3.66% (2017: 3.14 %).

(c) At 31 December 2018, the Group's land and above-ground buildings with the carrying amount RMB22,011,000 (2017: RMB21,602,000) were pledged as security for bank credit of HKD30,000,000 (2017: HKD30,000,000).

7 Leasehold Land And Land Use Rights

Leasehold land and land use rights represent prepaid operating lease payments for land mainly located in the PRC which are held on leases between 20 to 49 years.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Opening net book value	**982,852**	1,026,359
Currency translation difference	**677**	(991)
Additions	**81,784**	173,973
Acquisition of business unit	**51,240**	–
Disposal	**–**	(3,821)
Disposal of subsidiaries	**(41,913)**	(189,092)
Amortisation charges *(Note 26)*	**(24,243)**	(23,576)
Closing net book value	**1,050,397**	982,852

(a) At December 31, 2018, the Group's land and above-ground buildings with the carrying amount RMB22,011,000 (2017: RMB21,602,000) were pledged as security for bank credit of HKD30,000,000(2017: HKD30,000,000).

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

8 Intangible Assets

	Goodwill	Patents	License fee	Computer software	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017						
Opening net book amount	74,678	7,984	37,905	27,154	9,382	157,103
Currency translation difference	–	–	(2,184)	(514)	30	(2,668)
Additions	–	–	–	12,231	930	13,161
Disposal of a subsidiary	–	–	–	–	(3,160)	(3,160)
Amortisation *(Note 26)*	–	(1,765)	(3,285)	(14,085)	(1,752)	(20,887)
Closing net book amount	74,678	6,219	32,436	24,786	5,430	143,549
At 31 December 2017						
Cost	74,678	32,609	68,714	80,065	21,986	278,052
Accumulated amortisation	–	(26,390)	(36,278)	(55,279)	(16,556)	(134,503)
Net book amount	74,678	6,219	32,436	24,786	5,430	143,549
Year ended 31 December 2018						
Opening net book amount	**74,678**	**6,219**	**32,436**	**24,786**	**5,430**	**143,549**
Acquisition of business unit	**–**	**–**	**–**	**1,503**	**383**	**1,886**
Currency translation difference	**–**	**–**	**1,619**	**454**	**2**	**2,075**
Additions	**79,029**	**295**	**–**	**45,730**	**34,248**	**159,302**
Disposal	**–**	**–**	**–**	**(3,415)**	**–**	**(3,415)**
Amortisation *(Note 26)*	**–**	**(1,634)**	**(3,449)**	**(19,570)**	**(1,372)**	**(26,025)**
Closing net book amount	**153,707**	**4,880**	**30,606**	**49,488**	**38,691**	**277,372**
At 31 December 2018						
Cost	**153,707**	**32,904**	**70,688**	**124,231**	**56,624**	**438,154**
Accumulated amortisation	**–**	**(28,024)**	**(40,082)**	**(74,743)**	**(17,933)**	**(160,782)**
Net book amount	**153,707**	**4,880**	**30,606**	**49,488**	**38,691**	**277,372**

During the year, the Group had research and development cost amounted to RMB887,722,000 which was all expensed (2017: RMB803,441,000).

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

8 Intangible Assets (Continued)

(a) Impairment tests for goodwill

The goodwill is monitored by the management at cash generating units ("CGU") level. The following is a summary of goodwill allocation for each CGU:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fuyao (Xiamen) Precision Corp. *(Note (i))*	**74,942**	–
Fujian Wanda Automobile Glass Industry Co., Ltd. *(Note (ii))*	**62,744**	62,744
Hainan Wenchang Fuyao Silica Sand Co., Ltd. *(Note (iii))*	**11,934**	11,934
Fujian Triplex Group Holdings Co., Ltd. *(Note (iv))*	**4,087**	–
	153,707	74,678

For the purpose of impairment test, goodwill has been allocated to the smallest individual of CGU identified. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on the financial budget made by managements, with reference to the prevailing market condition, covering a period of five years and assuming the cash flow beyond the five years period would be stable. The key assumptions used for value-in-use are as follows:

(i) Fuyao (Xiamen) Precision Corp.

	Year ended 31 December	
	2018	2017
Gross profit margin	**25%–31%**	–
Pre-tax discount rate	**13%**	–
Budgeted growth rate	**14%–36%**	–
Long-term growth rate	**2%**	–

(ii) Fujian Wanda Automobile Glass Industry Co., Ltd.

	Year ended 31 December	
	2018	2017
Gross profit margin	**38%**	39%
Pre-tax discount rate	**13%**	11%
Budgeted growth rate	**3%**	3%
Long-term growth rate	**2%**	3%

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

8 Intangible Assets (Continued)

(a) Impairment tests for goodwill (Continued)

(iii) Hainan Wenchang Fuyao Silica Sand Co., Ltd.

	Year ended 31 December	
	2018	2017
Gross profit margin	**68%**	61%
Pre-tax discount rate	**13%**	9%
Budgeted growth rate	**5%**	5%
Long-term growth rate	**2%**	3%

(iv) Fujian Triplex Group Holdings Co., Ltd.

	Year ended 31 December	
	2018	2017
Gross profit margin	**37%**	–
Pre-tax discount rate	**13%**	–
Budgeted growth rate	**5%**	–
Long-term growth rate	**2%**	–

As at 31 December 2018 and 2017, management performed the value-to-use calculation and no impairment is identified.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determining values**
Gross profit margin	Based on historical experience and market development expectations.
Pre-tax discount rates	Reflects the specific risk of the relevant asset group and asset group combination.
Budgeted growth rate	Based on historical experience and market development expectations.
Long-term growth rate	The weighted average growth rate used by the Group to forecast cash flows after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each product.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

9 Investments Accounted For Using The Equity Method

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Share of net assets, unlisted		
– Joint venture	**40,680**	43,381
– Associates	**165,057**	52,139
	205,737	95,520
Associates and joint venture		
Beginning of the year	**95,520**	101,537
– Addition *(Note 36)*	**113,823**	–
– Dividends received	**(7,350)**	–
– Share of results	**3,744**	(6,017)
End of the year	**205,737**	95,520

(a) Joint venture

(i) The Group's investments in joint venture during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December 2018 RMB'000	2017 RMB'000	Principle activities
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Fuzhou, the PRC, 2005	49%	**40,680**	43,381	Production and processing of paper articles and printed matter, especially corrugated paper

(ii) The Group's share of the results of its joint venture, and the aggregated assets and liabilities, are as follows:

	Assets *RMB'000*	**Liabilities** *RMB'000*	**Revenues** *RMB'000*	**Profit** *RMB'000*	**Net assets** *RMB'000*
Year ended 31 December 2018	**49,771**	**9,091**	**73,431**	**4,649**	**40,680**
Year ended 31 December 2017	52,292	8,911	64,226	3,316	43,381

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

9 Investments Accounted For Using The Equity Method (Continued)

(b) Associates

(i) The Group's investments in associates during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December 2018 RMB'000	2017 RMB'000	Principle activities
Jinken Glass Industry Shuangliao Co., Ltd.(金壟玻璃工業雙遼有限公司)	Shuangliao, the PRC, 2003	25%	**52,838**	52,139	Production and sales of float glass
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, the PRC, 2003	25%	**112,219**	–	Holding of the land and plant

(ii) The Group's share of the results of its associates, and the aggregated assets and liabilities, are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/ (Loss) RMB'000	Net assets RMB'000
Year ended 31 December 2018					
Jinken Glass Industry Shuangliao Co., Ltd.	**122,850**	**74,671**	**49,230**	**699**	**48,179**
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	**112,446**	**227**	**–**	**(1,604)**	**112,219**
Year ended 31 December 2017					
Jinken Glass Industry Shuangliao Co., Ltd.	98,482	51,002	2,219	(9,333)	47,480

10 Long-Term Prepaid Rental Expenses

	As at 31 December 2018 RMB'000	2017 RMB'000
Cost	**78,795**	78,795
Accumulated amortisation	**(58,651)**	(51,955)
Net book amount	**20,144**	26,840

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

11 Deferred Income Tax Assets And Liabilities

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered within 12 months	**138,488**	144,428
– to be recovered after more than 12 months	**600,708**	600,246
	739,196	744,674
Offset against deferred income tax liabilities	**(486,735)**	(464,078)
Net deferred income tax assets	**252,461**	280,596
Deferred income tax liabilities:		
– to be recovered within 12 months	**20,665**	1,882
– to be recovered after more than 12 months	**625,819**	537,986
	646,484	539,868
Offset against deferred income tax assets	**(486,735)**	(464,078)
Net deferred income tax liabilities	**159,749**	75,790

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

Deferred income tax assets	Tax losses carried forward(a)	Impairment provision	Accruals	Unrealised profit (b)	Government grants	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 as originally presented	465,485	1,157	7,963	130,050	43,568	96,451	744,674
Changes in accounting policy *(Note 2.2)*	–	–	–	36,153	–	–	36,153
Restated at 1 January 2018	**465,485**	**1,157**	**7,963**	**166,203**	**43,568**	**96,451**	**780,827**
Recognized in the consolidated income statements	**(58,861)**	**3,690**	**(2,295)**	**25,136**	**(744)**	**(31,906)**	**(64,980)**
Impact in exchange rate change	**19,179**	**30**	**6**	**–**	**297**	**3,837**	**23,349**
At 31 December 2018	**425,803**	**4,877**	**5,674**	**191,339**	**43,121**	**68,382**	**739,196**

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

11 Deferred Income Tax Assets And Liabilities (Continued)

(a) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of related tax benefits through future taxable profits is probable. As at 31 December 2018, the Group did not recognise deferred income tax assets of RMB472,291,000 (2017: RMB581,643,000) in respect of the accumulated losses of RMB1,953,848,000 (2017: RMB2,326,294,000), loss amounting to RMB1,328,244,000will be expired during the year 2019 to year 2038, loss amounting to RMB625,604,000 will be continued to be deducted after the year 2038.

(b) Unrealised profit mainly attributed to the unrealised profit from intra-Group sales and tooling sales.

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

Deferred income tax liabilities	Withholding taxation on unremitted earnings of certain subsidiaries *RMB'000*	Depreciation of property, plant and equipment *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 31 December 2017	43,475	477,126	19,267	539,868
Recognised in the consolidated income statements	7,286	(3,532)	62,104	65,858
Business combination *(Note 35)*	–	–	17,408	17,408
Impact in exchange rate change	–	23,196	154	23,350
At 31 December 2018	**50,761**	**496,790**	**98,933**	**646,484**

12 Inventories

	As at 31 December	
	2018 ***RMB'000***	2017 *RMB'000*
Raw materials	**1,288,788**	1,226,005
Work in process	**172,090**	115,678
Finished goods	**1,792,978**	1,630,799
Low value consumables	**16,634**	10,299
	3,270,490	2,982,781
Less: write-down to net realisable value	**(28,750)**	(8,104)
	3,241,740	2,974,677

The cost of inventory recognised as expense and included in 'cost of sales' amounted to approximately RMB6,067,205,000 for the year ended 31 December 2018 (2017: RMB5,776,462,000) *(Note 26)*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

12 Inventories (Continued)

Inventories are valued at the lower of cost and estimated net realisable value. Write-down of inventories to net realisable value recognised in the consolidated income statements during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**8,104**	9,313
Write-down to net realisable value *(Note 26)*	**22,336**	5,124
Acquisition of subsidiaries	**1,429**	–
Write-off of inventory provision	**(3,119)**	(6,333)
At end of the year	**28,750**	8,104

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

13 Trade And Other Receivables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables due from third parties *(a)*:		
Notes receivables	**710,400**	921,383
Accounts receivables	**3,596,387**	3,661,632
Less: loss allowance	**(2,679)**	–
Trade receivables – net	**4,304,108**	4,583,015
Other receivables due from third parties *(b)*:		
Other receivables	**452,784**	70,365
Less: loss allowance	**(23,812)**	–
Other receivables – net	**428,972**	70,365
Amount due from related parties *(Note 37(c))*:		
Accounts receivables	**–**	54,629
Other receivables *(i)*	**253,297**	197,970
	253,297	252,599
Others:		
Prepayments to suppliers	**220,127**	195,521
Prepaid income tax and value-added tax recoverable and refundable	**332,962**	287,839
	553,089	483,360
Trade and other receivables	**5,539,466**	5,389,339
Less: non-current portion of prepaid income tax and value-added tax recoverable and refundable	**(843)**	(1,212)
Less: non-current portion of amount due from related parties *(i)*	**–**	(190,000)
	(843)	(191,212)
Trade and other receivables – net	**5,538,623**	5,198,127

(i) As at 31 December 2018, the current portion of other receivables due from related party includes a loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd. The loan will be due in 2019. The interest rate is at 5.225% per annum. The loan to associate is secured by 75% of share of the associate held by third parties and all assets, plants and equipments(including but not limited to buildings, land use rights, etc) owned by the associate are unconditionally pledged to the Group as security for the loan. As at 31 December 2018, the book value of the associate is RMB310,542,000.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

13 Trade And Other Receivables (Continued)

As at 31 December 2018 and 2017, the carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**3,888,107**	4,040,828
USD	**1,202,724**	962,382
EUR	**383,103**	295,030
Others	**92,023**	91,099
	5,565,957	5,389,339

(a) Trade receivables, including notes receivables and account 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 31 December 2018 and 2017 was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables – gross		
Within 3 months	**4,037,994**	4,206,436
3 to 6 months	**240,638**	332,139
6 to 12 months	**23,723**	41,386
Over 1 year	**4,432**	3,054
	4,306,787	4,583,015

(b) Details of other receivables are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Quality and performance guarantee deposits to customers	**16,752**	14,649
Payments on behalf of others	**14,318**	18,379
Consideration receivable from disposal of a subsidiary *(Note 36)*	**321,400**	–
Compensation receivable	**23,812**	–
Others	**76,502**	37,337
	452,784	70,365

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

13 Trade And Other Receivables (Continued)

(c) As at 31 December 2018 and 2017, the fair value of trade and other receivables of the Group, except for the pre-payments to suppliers, prepaid current income tax and value-added tax recoverable and refundable, which are not financial assets, approximated to their carrying amounts.

(d) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The loss allowance under IFRS 9 as at 1 January 2018 was immaterial.

Other receivables are subject to the expected credit loss model and have been grouped based on shared credit risk characteristics.

Note 3.1 provides for details about the calculation of the allowance.

14 Cash And Cash Equivalents And Restricted Cash

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash at bank and on hand	**6,365,973**	6,728,200
Less: restricted cash *(b)*	**(8,317)**	(23,904)
Cash and cash equivalents *(a)*	**6,357,656**	6,704,296

(a) Cash and cash equivalents are denominated in:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**1,331,955**	1,615,010
USD	**4,880,279**	4,988,889
EUR	**111,048**	56,496
RBL	**23,394**	6,041
Others	**10,980**	37,860
	6,357,656	6,704,296

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

14 Cash And Cash Equivalents And Restricted Cash (Continued)

(b) Details of restricted cash are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deposits pledged for letter of credit and notes	**4,200**	18,571
Others	**4,117**	5,333
	8,317	23,904

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Restricted cash is denominated in:		
RMB	**1,296**	521
USD	**4,845**	8,340
EUR	**2,176**	15,043
	8,317	23,904

15 Financial Assets At Fair Value Through Profit Or Loss And Derivative Financial Instruments

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss		
Current assets		
Structure deposits *(a)*	**385,861**	–
Structure financial product *(b)*	**1,401**	101,928
	387,262	101,928
Derivative financial instruments		
Current assets		
Foreign currency swap contracts – held for trading *(c)*	**44,662**	3,561
Forward foreign exchange contracts – held for trading *(d)*	**2,880**	–
	47,542	3,561
Current Liabilities		
Foreign currency swap contracts – held for trading *(c)*	**437**	22,324
Foreign currency option contracts – held for trading *(e)*	**–**	534
Forward foreign exchange contracts – held for trading *(d)*	**2,641**	332
	3,078	23,190

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

15 Financial Assets At Fair Value Through Profit Or Loss And Derivative Financial Instruments (Continued)

(a) As at 31 December 2018, the Group has 100% principal protected structue deposits of RMB200,000,000 at a floating rate linked to USD-HKD exchange rate, RMB185,000,000 at a floating rate linked to USD3M-LIBOR, respectively. The structure deposits will mature from 13 May 2019 till 21 June 2019.

(b) The Group has 100% principal protected structure investment with earnings linked to JP Morgan Mozaic Weekly index. The balance as at 31 December 2018 represents the estimated fair value of interests of the structure investment (As at 31 December 2017: principal RMB100,000,000 and estimated fair value of structure investment interests RMB1,928,000).

(c) As at 31 December 2018, the Group has outstanding currency swap contracts to buy USD198,000,000 for RMB1,323,982,000 (As at 31 December 2017: buy USD20,000,000 for EUR18,518,000 and buy USD23,647,000 for RMB157,000,000 and settled in 2018).

(d) As at 31 December 2018, the Group has outstanding forward foreign currency exchange contracts to buy RMB617,386,000 for USD90,000,000 (As at 31 December 2017: buy USD5,875,000 for EUR4,896,000 and settled in 2018).

(e) As at 31 December 2018, there's no selling of foreign exchange call options that have not due yet (As at 31 December 2017: contractrual principal amounted to USD60,000,000 and settled in 2018).

Derivatives are classified as held for trading for accounting purpose above and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are excepted to settle with in 12 months after the end of the reporting period.

For information about the methods and assumptions used in determining the fair value of financial assets at fair value through profit or loss and derivatives please refer to note 3.3.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

16 Share Capital

Ordinary shares, issued and fully paid:

	As at 31 December				
	Number of A shares	Number of H shares	A shares of RMB1 each	H shares of RMB1 each	Total share capital
	Thousands	*Thousands*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 and 31 December 2018	2,002,986	505,632	2,002,986	505,632	2,508,618

17 Share Premium And Other Reserves

		Other reserves			
	Share premium	Statutory reserves	Currency translation differences	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	6,202,553	1,634,320	91,038	26,200	1,751,558
Transaction with non-controlling interest	–	–	–	(4,620)	(4,620)
Appropriate to statutory reserves *(a)*	–	278,595	–	–	278,595
Currency translation differences	–	–	(295,447)	–	(295,447)
At 31 December 2017	6,202,553	1,912,915	(204,409)	21,580	1,730,086
Balance at 31 December 2017 as originally presented	6,202,553	1,912,915	(204,409)	21,580	1,730,086
Change in accounting policy *(Note 2.2)*	–	(93)	–	–	(93)
Restated at 1 January 2018	6,202,553	1,912,822	(204,409)	21,580	1,729,993
Appropriate to statutory reserves *(a)*	**–**	**437,540**	**–**	**–**	**437,540**
Currency translation differences	**–**	**–**	**162,934**	**–**	**162,934**
Others	**–**	**–**	**–**	**(1,055)**	**(1,055)**
At 31 December 2018	**6,202,553**	**2,350,362**	**(41,475)**	**20,525**	**2,329,412**

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

17 Share Premium And Other Reserves (Continued)

(a) In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

18 Retained Earnings

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At 31 December as originally presented	**8,572,934**	7,584,771
Change in accounting policy *(Note 2.2)*	**(207,294)**	–
Restated at 1 January	**8,365,640**	7,584,771
Profit for the year	**4,119,935**	3,148,221
Dividends	**(2,884,910)**	(1,881,463)
Appropriation to statutory reserves *(Note 17)*	**(437,540)**	(278,595)
At 31 December	**9,163,125**	8,572,934

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

19 Borrowings

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Non-current:		
– Bank borrowings – unsecured	**1,750,875**	1,719,500
– Corporate bond *(b)*	**799,515**	798,605
Less: current portion of non-current borrowings	**(1,303,515)**	(8,500)
	1,246,875	2,509,605
Current:		
– Bank borrowings – unsecured	**5,218,706**	4,823,754
– Bank borrowings – guaranteed *(a)*	**330,120**	555,407
– Commercial papers *(c)*	**300,985**	–
Add: current portion of non-current borrowings	**1,303,515**	8,500
	7,153,326	5,387,661
Total borrowings	**8,400,201**	7,897,266

(a) As at 31 December 2018, the Group subsidiaries' bank borrowings of RMB330,120,000 (2017: RMB555,407,000) were guaranteed by the Company.

(b) Corporate Bond

On 22 July 2016, the Group issued a corporate bond in Shanghai Stock Exchange. Details of the terms of corporate bonds is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount *(RMB'000)*
Note-16 Fuyao 01	2016-7-22	3 years	3.00%	800,000

(c) Commercial paper

On 22 November 2018, the Group issued commercial paper in the PRC. Details of the terms of the commercial paper is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount *(RMB'000)*
Note-18 Fuyao Glass SCP001	2018-11-22	270 days	3.80%	300,000

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

19 Borrowings (Continued)

(d) The borrowings are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Borrowings:		
RMB	**7,756,591**	6,904,605
EUR	**–**	50,715
USD	**643,610**	941,946
	8,400,201	7,897,266

(e) The exposure of the borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
6 months or less	**6,559,701**	6,558,661
Between 6 and 12 months	**1,840,500**	1,338,605
	8,400,201	7,897,266

(f) The maturity of borrowings is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**7,153,326**	5,387,661
Between 1 and 2 years	**788,000**	2,322,605
Between 2 and 5 years	**458,875**	187,000
	8,400,201	7,897,266

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

19 Borrowings (Continued)

(g) The weighted average effective interest rates per annum for the year ended 31 December 2018 were as follows:

	As at 31 December	
	2018	2017
Borrowings:		
RMB	**3.70%**	3.28%
USD	**2.87%**	2.06%
EUR	**0.48%**	0.47%

Interest rates of bank borrowings are reset periodically according to the benchmark rates announced by the People's Bank of China and are denominated in RMB.

(h) The fair values of current borrowings approximate their carrying amounts as the impact of discounting is not significant. The carrying amount and fair value of non-current borrowings as at each balance sheet date are set out as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Carrying amount	**1,246,875**	2,509,605
Fair value	**1,210,477**	2,441,112

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates and are within level 2 of the fair value hierarchy.

(i) The Group has complied with the financial covenants of its borrowing during the year ended 31 December 2018 and 31 December 2017.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

20 Deferred Income On Government Grants

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current portion	**47,723**	26,991
Non-current portion	**489,112**	434,604
	536,835	461,595

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**461,595**	481,828
Government grants received during the year *(a)*	**104,850**	127,650
Disposals of a subsidiary	**–**	(122,413)
Credited to the consolidated income statements *(Note 24)*	**(30,745)**	(23,895)
Currency translation difference	**1,135**	(1,575)
At end of the year	**536,835**	461,595

(a) These mainly represented government grants received from certain municipal governments of the PRC as an incentive related to property, plant equipment and land use rights.

21 Trade And Other Payables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables to third parties	**1,272,386**	1,391,203
Notes payable	**1,164,569**	977,678
Staff salaries and welfare payables	**483,016**	439,505
Payables for purchasing of property, plant and equipment	**427,374**	402,656
Accrued taxes other than income tax	**117,853**	112,311
Amount due to related parties *(Note 37(c))*	**57,672**	38,283
Advance from customers	**–**	18,008
Interests payable	**30,919**	29,257
Other payables and accruals	**720,549**	631,127
	4,274,338	4,040,028

As at 31 December 2018 and 2017, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables, the advance from customers and accrued taxes other than income tax which are not financial liabilities, approximate to their carrying amounts due to short maturities.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

21 Trade And Other Payables (Continued)

(a) The Group's trade and other payables are denominated in the following currencies:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
RMB	**3,653,493**	3,448,696
USD	**494,109**	455,061
EUR	**71,838**	81,309
RBL	**44,515**	45,801
Other	**10,383**	9,161
	4,274,338	4,040,028

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**1,846,402**	1,946,279
3 to 6 months	**558,563**	392,335
6 to 12 months	**12,918**	19,324
Over 1 year	**19,072**	10,943
	2,436,955	2,368,881

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

22 Contract Liabilities

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contract liabilities – Automotive glasses sales contracts	**594,503**	–

(a) Significant changes in contract liabilities

Contract liabilities have increased by RMB594,503,000 due to the receipt of the consideration of tooling after adoption of IFRS 15 (note 2.2(c)).

(b) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	As at 31 December 2018
	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period—Automotive glasses sales contracts	**134,438**
Revenue recognised from performance obligations satisfied in previous periods	**–**

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

23 Revenue And Cost Of Sales

(a) Revenue and cost of sales by product

	Year ended 31 December			
	2018		2017	
	Revenue	**Cost of sales**	Revenue	Cost of sales
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Automobile glasses	**19,351,889**	**12,543,980**	17,868,123	11,429,556
Float glasses	**3,220,524**	**1,942,757**	2,899,054	1,878,728
Others	**573,463**	**262,616**	620,514	281,797
	23,145,876	**14,749,353**	21,387,691	13,590,081
Less: Intra-Group sales	**(2,920,890)**	**(2,920,890)**	(2,672,082)	(2,672,082)
	20,224,986	**11,828,463**	18,715,609	10,917,999

(b) Revenue by geographical areas

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
The PRC	**11,825,655**	11,972,483
Other countries	**8,399,331**	6,743,126
	20,224,986	18,715,609

(c) As at 31 December 2018, the Group had no other assets recognised in relation to costs to fulfil contracts.

(d) The Group derives revenue from the transfer of goods at a point in time.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

24 Other Income

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Government grants		
– relating to income *(a)*	**116,005**	164,222
– relating to assets *(Note 20)*	**30,745**	23,895
	146,750	188,117

(a) Governments grants received during the year primarily comprised the financial subsidies received from various local government authorities in the PRC. There are no unfulfilled conditions or contingencies relating to these governments grants.

25 Other Gains/(Losses) – Net

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net foreign exchange gains/(loss)	**258,516**	(387,507)
Gains on disposals of subsidiaries *(Note 36)*	**664,033**	29,407
Loss on disposals of intangible assets *(Note 32(b))*	**(3,415)**	–
Gains on financial assets at fair value through profit or loss	**35,254**	–
Changes in fair value of financial assets	**63,893**	(19,118)
Loss on disposal of property, plant and equipment *(Note 32(b))*	**(59,883)**	(32,967)
Donation	**(1,563)**	(14,137)
Loss on disposals of land-use-right	**–**	6,749
Others	**52,995**	23,933
	1,009,830	(393,640)

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

26 Expenses By Nature

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Raw materials and consumables used	**6,279,849**	5,924,822
Changes in inventories of finished goods and work in progress	**(212,644)**	(148,360)
Employee benefit expenses *(Note 27)*	**3,879,206**	3,392,760
Utilities	**1,567,158**	1,514,601
Depreciation of property, plant and equipment *(Note 6)*	**1,630,757**	1,347,759
Transportation and storage expenses	**661,881**	611,450
Packing expenses	**398,627**	331,389
Taxes and levies	**216,552**	211,083
Repair and maintenance fee	**248,796**	246,156
Travel expenses	**82,522**	84,044
Inventory scrap loss	**99,643**	71,951
Operating lease expenses	**77,634**	77,098
Insurance expenses	**77,782**	63,659
Fire safety and environmental protection expenses	**78,807**	64,053
After-sale service costs	**97,841**	54,088
Amortisation of leasehold land and land use rights *(Note 7)*	**24,243**	23,576
Amortisation of intangible assets *(Note 8)*	**26,025**	20,887
Amortisation of long-term prepaid rental expenses *(Note 10)*	**6,696**	6,697
Write-down of inventories to the net realisable value *(Note 12)*	**22,336**	5,124
Auditor's remuneration		
– Audit services	**5,472**	4,953
– Non-audit services	**5,034**	–
Provision of impairment of trade and other receivables *(Note 13)*	**—**	17
Receipt of previously written-off trade receivables	**–**	(30)
Others	**980,957**	891,383
	16,255,174	14,799,160

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

27 Employee Benefit Expenses (Including Directors, Supervisors And Senior Management's Emoluments)

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**3,189,170**	2,828,940
Pension, housing fund, medical insurance and other social insurance	**577,997**	500,429
Others	**112,039**	63,391
	3,879,206	3,392,760

(a) Pensions – defined contribution plans

Contributions totalling RMB4,724,000 (2017: RMB6,178,000) were payable to the fund at the year-end.

(b) Five highest paid individual

The five individuals whose emoluments were the highest in the Group for the year include two (2017: two) directors and supervisors whose emoluments are reflected in the analysis shown in Note 41. The emoluments payable to the remaining three (2017: three) individuals during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**8,200**	7,843
Pension, housing fund, medical insurance and other social insurance	**318**	335
Others	**423**	430
	8,941	8,608

The emoluments fell within the following bands:

	Year ended 31 December	
	2018	2017
Emoluments bands		
HKD2,500,001 to HKD3,000,000	**1**	2
HKD3,000,001 to HKD3,500,000	**1**	–
HKD3,500,001 to HKD4,000,000	**–**	–
HKD4,000,001 to HKD4,500,000	**1**	–
HKD4,500,001 to HKD5,000,000	**–**	1
	3	3

During the year, no director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

28 Finance Costs – Net

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance income:		
Interest income	**(236,034)**	(156,659)
Finance cost:		
Interest on borrowings	**406,564**	235,077
Less: borrowing costs capitalised *(Note 6)*	**(31,104)**	(53,976)
Interest expense on borrowings	**375,460**	181,101
Amortisation of transaction costs in respect of issuance of corporate bond, medium note and commercial papers	**770**	1,272
	376,230	182,373
Finance costs – net	**140,196**	25,714

29 Income Tax Expense

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax	**724,349**	623,289
Deferred income tax *(Note 11)*	**130,839**	(91,810)
Income tax expense	**855,188**	531,479

(a) PRC corporate income tax

The corporate income tax ("CIT") 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, 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 XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

29 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 year.

(c) United States of America profits tax

Profit tax has been provided for at the rates of 24% for the certain subsidiary of the Group in the United State of America on the estimated assessable profit during the year. Applicable profit tax rates of the Group's other subsidiaries in the United States are between 25% and 27%. During the year ended 31 December 2018, no profit tax has been provided due to the unutilised tax losses (2017:Nil).

(d) Russia profits tax

Applicable profit tax rate of Russia is 20%. During the year ended 31 December 2018, no profit tax has been provided due to accumulated losses (2017:Nil).

(e) Germany profits tax

Applicable profit tax rate of Germany is 29%. During the year ended 31 December 2018, no profit tax has been provided due to accumulated losses (2017:Nil).

The tax on the Group’s profit before income tax differs from the theoretical amount that could arise using the statutory tax rates of 10% to 40% applicable as follows:

	Year ended 31 December	
	2018	2017
	RMB’000	*RMB’000*
Profit before tax	**4,961,808**	3,679,195
Tax calculated at the applicable income tax rate	**1,339,184**	936,297
Tax effect of:		
Preferential income tax rate	**(461,043)**	(482,045)
Expenses not deductible for tax purpose	**1,410**	1,440
Income not subject to income tax	**(1,013)**	(1,002)
Unrecognised tax losses carried forward	**110,478**	113,442
Utilisation of previously unrecognised tax losses	**(106,431)**	(16,262)
Withholding taxation on unremitted earnings of certain subsidiaries	**7,286**	4,402
Others	**(34,683)**	(24,793)
Income tax expense	**855,188**	531,479

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

30 Earnings Per Share

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

	Year ended 31 December	
	2018	2017
Net profit attributable to the equity holders of the Company *(RMB'000)*	**4,119,935**	3,148,221
Weighted average number of ordinary shares in issue *(thousand)*	**2,508,618**	2,508,618
Basic earnings per share *(RMB)*	**1.64**	1.25

(b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the year.

31 Dividends

The dividends paid in 2018 and 2017 were RMB2,884,910,000 (RMB1,881,463,000 of 2017 final and RMB1,003,447,000 of 2018 interim) and RMB1,881,463,000 (RMB1,881,463,000 of 2016 final) respectively. On 15 March 2019, the board of directors of the Company proposed to distribute a dividend of RMB1,881,463,000 at a retained earnings of RMB7.5 per 10 shares (tax inclusive) as at 31 December 2018. This dividend payable does not recognized in the financial statement as a liability, The resolution still need to be approved by the shareholder's meeting.

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Final dividend of RMB7.5 (2017: RMB7.5) per 10 ordinary shares (tax inclusive)	**1,881,463**	1,881,463
Interim dividend of RMB4.0 (2017: nil) per 10 ordinary shares (tax inclusive)	**1,003,447**	–
	2,884,910	1,881,463

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

32 Cash Generated From Operations

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year before income tax	**4,961,808**	3,679,195
Adjustments for:		
Depreciation of property, plant and equipment *(Note 6)*	**1,630,757**	1,347,759
Amortisation of leasehold land and land use rights *(Note 7)*	**24,243**	23,576
Amortisation of intangible assets *(Note 8)*	**26,025**	20,887
Losses on disposals of property, plant and equipment *(Note 25)*	**(59,883)**	(32,967)
Gains on disposals of intangible assets *(Note 25)*	**(3,415)**	–
Gain on disposals of land-use-right *(Note 25)*	**–**	6,749
Gains on disposals of a subsidiary *(Note 25)*	**(664,033)**	(29,407)
Amortisation of deferred income on government grants *(Note 20 and 24)*	**(30,745)**	(23,895)
Amortisation of long-term prepaid rental expense *(Note 10)*	**6,696**	6,697
Interest income *(Note 28)*	**(236,034)**	(156,659)
Interest expenses *(Note 28)*	**376,230**	182,373
Exchange loss/(gain) on cash and cash equivalents	**(253,288)**	321,331
Share of results of a joint venture and an associate *(Note 9)*	**(3,744)**	6,017
Loss allowance for trade and other receivables *(Note 3.1)*	**28,132**	17
Receipt of previously written-off trade receivables	**–**	(30)
Provision for impairment of inventories *(Note 12)*	**22,336**	5,124
Change in fair value of financial assets *(Note 25)*	**63,893**	19,118
	5,888,978	5,375,885
Changes in working capital:		
Increase in inventories	**(237,854)**	(187,603)
Increase in trade and other receivables	**(340,496)**	(246,100)
Increase in trade and other payables	**752,828**	569,387
Cash generated from operations	**6,063,456**	5,511,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

32 Cash Generated From Operations (Continued)

(b) In the consolidated cash flow statements, proceeds from disposal of properties, plant and equipment, intangible assets and land-use-right comprise:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net book amount *(Note 6 and 8)*	**127,060**	109,722
Loss on disposal *(Note 25)*	**(63,298)**	(26,218)
Proceeds from disposal	**63,762**	83,504

(c) The major non-cash investing and financing activity in current year is the remaining consideration receivable from disposal of a subsidiary included in other receivables (note 36).

(d) Net debt reconciliation

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cash and cash equivalents	**6,357,656**	6,704,296
Financial assets at fair value through profit or loss	**387,262**	101,928
Borrowings – repayable within one year	**(7,153,326)**	(5,387,661)
Borrowings – repayable after one year	**(1,246,875)**	(2,509,605)
Net debt	**(1,655,283)**	(1,091,042)
Cash and cash equivalents	**6,357,656**	6,704,296
Financial assets at fair value through profit or loss	**387,262**	101,928
Gross debt – fixed interest rates	**(5,274,326)**	(4,761,766)
Gross debt – variable interest rates	**(3,125,875)**	(3,135,500)
Net debt	**(1,655,283)**	(1,091,042)

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

32 Cash Generated From Operations (Continued)

(d) Net debt reconciliation (Continued)

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Borrow due within one year	Borrow due after one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net debt as at 1 January 2018	6,704,296	101,928	(5,387,661)	(2,509,605)	(1,091,042)
Cash flows	(599,928)	285,000	(461,165)	(40,785)	(816,878)
Reclassification	–	–	(1,303,515)	1,303,515	–
Foreign exchange adjustments	253,288	334	(985)	–	(252,637)
Net debt as at 31 December 2018	6,357,656	387,262	(7,153,326)	(1,246,875)	(1,655,283)

33 Contingencies

As at 31 December 2018, the Group did not have any significant contingent liabilities.

34 Commitments

(a) Capital commitments

As at 31 December 2018,capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Authorised and contracted for:		
– Property, plant and equipment	**1,330,914**	1,647,159
Authorised but not contracted for:		
– Property, plant and equipment	**1,802,956**	2,308,390

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

34 Commitments (Continued)

(b) Operating lease commitments

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 31 December	
	2018	2017
	RMB'000	*RMB'000*
No later than 1 year	**45,363**	58,499
Later than 1 year and no later than 5 year	**127,778**	104,505
Later than 5 year	**222,045**	221,082
	395,186	384,086

35 Business Combination

(a) Fuyao (Xiamen) Precision Corp.

On 18 May 2018, Fuyao (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, acquired 78% of the equity interests in Fuyao (Xiamen) Precision Corp., a manufacturer of mold, automotive parts and plastic products. The acquisition has improved the Group's industry chain and build up systematic industrial advantage.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration (refer to (iv) below):	
Cash paid	80,901

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

35 Business Combination (Continued)

(a) Fuyao (Xiamen) Precision Corp. (Continued)

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value *RMB'000*
Cash and cash equivalents	439
Trade and other receivables	7,523
Inventories	7,382
Land use rights	5,096
Property, plant and equipment	85,251
Borrowings	(60,625)
Trade and other payables	(24,095)
Deferred tax liability	(13,331)
Net identifiable assets acquired	7,640
Less: non-controlling interests	(1,681)
Add: goodwill	74,942
Net assets acquired	80,901

The goodwill is attributable to the expected synergies after the acquisition. It will not be deductible for tax purposes.

(i) Acquired receivables

The fair value of acquired trade and other receivables is RMB7,523,000 and all expected to be collectible.

(ii) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Fuyao (Xiamen) Precision Corp., the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 2.3.2 for the Group's accounting policies for business combinations.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

35 Business Combination (Continued)

(a) Fuyao (Xiamen) Precision Corp. (Continued)

(iii) Revenue and profit contribution

The acquired business contributed revenues of RMB6,389,000 and net loss of RMB48,576,000 to the Group for the period from 18 May to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and profit for the year ended 31 December 2018 would have been RMB20,227,623,000 and RMB4,105,119,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

– differences in the accounting policies between the Group and the subsidiary, and

– the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2018, together with the consequential tax effects.

(iv) Purchase consideration – cash outflow

	2018 *RMB'000*	2017 *RMB'000*
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**80,901**	–
Less: Balances acquired – Cash	**(439)**	–
Net outflow of cash – investing activities	**80,462**	–

(v) Acquisition-related costs

Acquisition-related costs were mainly appraiser and audit fee that are included in administrative expenses in profit or loss and in operating cash flows in the statement of cash flows which is not material.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

35 Business Combination (Continued)

(b) Fujian Triplex Group Holdings Co., Ltd.

On 25 June 2018, Fuyao (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company, acquired 100% of the equity interests in Fujian Triplex Group Holdings Co., Ltd., a manufacturer engaged in research, development and production of automotive decoration and mold. The acquisition has improved the Group's industry chain and build up systematic industrial advantage.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration (refer to (iv) below):	
Cash paid	223,765

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value *RMB'000*
Cash and cash equivalents	64,096
Trade and other receivables	210,595
Inventories	89,367
Land use rights	46,144
Property, plant and equipment	305,001
Intangible assets	1,887
Borrowings	(217,050)
Trade and other payables	(253,624)
Deferred tax liability	(4,077)
Other liabilities	(4,388)
Net identifiable assets acquired	237,951
Less: non-controlling interests	(18,273)
Add: goodwill	4,087
Net assets acquired	223,765

The goodwill is attributable to the expected synergies after the acquisition. It will not be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

35 Business Combination (Continued)

(b) Fujian Triplex Group Holdings Co., Ltd. (Continued)

(i) Acquired receivables

The fair value of acquired trade and other receivables is RMB210,595,000 and all expected to be collectible.

(ii) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Fujian Triplex Group Holdings Co., Ltd., the Group elected to recognise the non-controlling interests in at its proportionate share of the acquired net identifiable assets. See note 2.3.2 for the Group's accounting policies for business combinations.

(iii) Revenue and profit contribution

The acquired business contributed revenues of RMB46,508,000 and net loss of RMB19,795,000 to the Group for the period from 25 June to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and profit for the year ended 31 December 2018 would have been RMB20,227,660,000 and RMB4,109,565,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

– differences in the accounting policies between the Group and the subsidiary, and

– the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2018, together with the consequential tax effects.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

35 Business Combination (Continued)

(b) Fujian Triplex Group Holdings Co., Ltd. (Continued)

(iv) Purchase consideration – cash outflow

	2018 RMB'000	2017 RMB'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	223,765	–
Less: Balances acquired – Cash	(64,096)	–
Net outflow of cash – investing activities	159,669	–

(v) Acquisition-related costs

Acquisition-related costs were mainly appraiser and audit fee that are included in administrative expenses in profit or loss and in operating cash flows in the statement of cash flows which is not material.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

36 Disposal Of A Subsidiary

(a) Fuyao Group Beijing Futong Safety Glass Co., Ltd.

(i) On 28 June 2018, the Group entered into a Share Purchase Agreement with Taiyuan Jinnuo Investment Co., Ltd. (renamed as "Taiyuan Jinnuo Industrial Co., Ltd."), an independent third party, to dispose 75% of the equity interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd., a then wholly-owned subsidiary of the Group at a consideration of RMB1,004,450,000. The first payment of the consideration of RMB683,050,000 has been received by July 2018. The remaining consideration of RMB321,400,000 is included in other receivables (note 13).

	RMB'000
Disposal consideration:	
– Cash received	683,050
– Included in other receivables	321,400
	1,004,450
Less: Attributable equity interests to the Group	
– Cash and cash equivalents	(449)
– Trade and other receivables	(31,025)
– Property, plant and equipment	(280,702)
– Land use rights	(31,435)
– Total liabilities	2,139
	(341,472)
Add: Other reserves transferred into profit or loss	1,055
Gains on disposals of the subsidiary	664,033

(ii) Proceed from disposal of subsidiaries in the consolidated cash flow statements:

	RMB'000
Received consideration of disposal of subsidiaries	683,050
Less: Cash and cash equivalents of the subsidiaries	(598)
Net cash inflow from the disposal	682,452

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37 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 exercise significant influence over the other party in making financial and operation 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 during the years ended 31 December 2018 and 2017, and balances arising from related party transactions as at 31 December 2018 and 2017.

(a) Name and relationship with related parties

Name of related party	**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
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly venture of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	Associate of the Group
Fujian Fuyao Automotive Decorations Co., Ltd. (Former Fujian Triplex Automotive Decoration Co., Ltd. *(Note)* (福建福耀汽車飾件有限公司, 原"福建三鋒汽車飾件有限公司")	Controlled by the director of the Group, till May 2018
Fuzhou Fuyao Mold Technology Co., Ltd. *(Note)* (福州福耀模具科技有限公司)	Controlled by the director of the Group, till May 2018
Fujian Triplex Automobile Service Co., Ltd. *(Note)* (福建三鋒汽車服務有限公司)	Controlled by the director of the Group, till May 2018
Global Cosmos German Co., Ltd. (環創德國有限公司)	Controlled by the single largest shareholder
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	Associate of the Group

Note: In June 2018, the Company's wholly-owned subsidiary, Fuyao (Hong Kong) Co., Ltd. acquired 100% of the equity interests in Fujian Triplex Group Holdings Co., Ltd. and, which has three subsidiaries: Fujian Fuyao Automotive Decorations Co., Ltd., Fujian Triplex Automobile Service Co., Ltd. and Fuzhou Fuyao Mold Technology Co., Ltd. During the period from 1 January 2018, to May 31, 2018 the transaction between Fujian Triplex Group Holdings Co., Ltd. and its subsidiaries and the Group constitutes related-party transaction.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37 Related Party Transactions (Continued)

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

(i) Sales of goods

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fujian Triplex Automobile Service Co., Ltd.*	**136,951**	414,381
Fujian Fuyao Automotive Decorations Co., Ltd..*	**10,606**	16,003
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**3,589**	3,136
Jinken Glass Industry Shuangliao Co., Ltd.	**1,454**	32
Fuzhou Fuyao Mold Technology Co., Ltd.*	**451**	234
	153,051	433,786

(ii) Purchase of goods

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Jinken Glass Industry Shuangliao Co., Ltd.	**163,382**	2,467
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**94,173**	87,882
Fuzhou Fuyao Mold Technology Co., Ltd.*	**57,396**	153,692
Fujian Fuyao Automotive Decorations Co., Ltd. *	**47,185**	77,032
	362,136	321,073

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37 Related Party Transactions (Continued)

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

(iii) Sales of assets

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fujian Fuyao Automotive Decorations Co., Ltd..*	**–**	29,610
	–	29,610

(iv) Rental income

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Tri-Wall Packaging (Fuzhou) Co.,Ltd.	**60**	60
Fujian Fuyao Automotive Decorations Co., Ltd..*	**–**	767
	60	827

(v) Rental expenses

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fujian Yaohua Industrial Village Development Co., Ltd.*	**22,457**	21,184
Global Cosmos German Co., Ltd. *	**19,069**	–
	41,526	21,184

(vi) Loan to an associate

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Jinken Glass Industry Shuangliao Co., Ltd.	**–**	190,000

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 XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37 Related Party Transactions (Continued)

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

(vii) Key management compensation

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and bonuses	**23,662**	24,943
Pension, housing fund, medical insurance and other social insurance	**931**	888
Others	**691**	702
	25,284	26,533

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(i)*	**–**	54,629
Other receivables *(ii)*	**253,297**	197,970
Prepayments *(iii)*	**49,498**	1,707
	302,795	254,306

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
(i) Trade receivables:		
Fujian Triplex Automobile Service Co., Ltd.	**–**	53,732
Fujian Fuyao Automotive Decorations Co., Ltd.	**–**	897
	–	54,629

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37 Related Party Transactions (Continued)

(c) Balances with related parties: (Continued)

Amount due from related parties (Continued)

Aging analysis of trade receivables due from related parties are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**–**	54,629

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
(ii) Other receivables:		
Jinken Glass Industry Shuangliao Co., Ltd.	**192,973**	192,049
Global Cosmos German Co., Ltd.	**60,009**	–
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**315**	343
Fujian Fuyao Automotive Decorations Co., Ltd.	**–**	5,524
Fuzhou Fuyao Mold Technology Co., Ltd.	**–**	54
	253,297	197,970

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
(iii) Prepayment:		
Jinken Glass Industry Shuangliao Co., Ltd.	**49,498**	330
Fuzhou Fuyao Mold Technology Co., Ltd.	**–**	1,370
Fujian Fuyao Automotive Decorations Co., Ltd.	**–**	7
	49,498	1,707

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37 Related Party Transactions (Continued)

(c) Balances with related parties: (Continued)

Amount due to related parties

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(iv)*	**28,395**	32,216
Other payables *(v)*	**29,277**	6,067
	57,672	38,283

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
(iv) Trade payables:		
Jinken Glass Industry Shuangliao Co., Ltd.	**18,416**	1,862
Tri-Wall Packaging (Fuzhou) Co., Ltd.	**9,979**	9,011
Fujian Fuyao Automotive Decorations Co., Ltd.	**–**	19,415
Fuzhou Fuyao Mold Technology Co., Ltd.	**–**	1,928
	28,395	32,216

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

37 Related Party Transactions (Continued)

(c) Balances with related parties (Continued)

Amount due to related parties (Continued)

Ageing analysis of trade payables due to related parties are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**28,395**	29,897
3 to 6 months	**–**	1,538
6 to 12 months	**–**	781
	28, 395	32,216

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
(v) Other payables to related parties:		
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	**29,274**	–
Jinken Glass Industry Shuangliao Co., Ltd.	**3**	–
Fuzhou Fuyao Mold Technology Co., Ltd.	**–**	5,155
Fujian Fuyao Automotive Decorations Co., Ltd.	**–**	912
	29,277	6,067

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

38 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2018 are set out below:

Company name	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ registered capital (’000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao (Hong Kong) Co., Ltd. (福耀(香港)有限公司)	Hong Kong, December 1994	USD49,739	100%	Direct	Investment holding company
Fuyao Group (Hongkong) Limited (福耀集團(香港)有限公司)	Hong Kong, January 2010	USD1,000	100%	Direct	Sales of automobile glass
Yung Tak Investment Limited (融德投資有限公司)	Hong Kong, May 1993	HKD100	100%	Indirect	Property lease
Meadland Limited (Meadland Limited)	Hong Kong, December 1998	USD8,200	100%	Indirect	Investment holding company
Fuyao North America Incorporated (福耀北美玻璃工業有限公司)	U.S.A., August 2001	USD8,000	100%	Direct	Sales of automobile glass
Fuyao Automotive North America,INC. (福耀玻璃配套北美有限公司)	U.S.A., June 2008	USD70,000	100%	Direct	Sales of automobile glass
Fuyao Group Korea Co.,Ltd. (福耀集團韓國株式會社)	Korea, September 2007	KRW 500,000	100%	Direct	Sales of automobile glass
Fuyao Japan Co.,Ltd. (福耀日本株式會社)	Japan, July 2008	JPY 300,000	100%	Direct	Sales of automobile glass
Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司)	Germany, June 2007	EUR 25	100%	Indirect	Distribution service of automobile glass
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd.(福耀集團(福建)機械製造有限公司)	PRC, March, 1994	RMB34,000	100%	Direct	Machinery Manufacturing
Fujian Wanda Automobile Glass Industry Co., Ltd.(福建省萬達汽車玻璃工業有限公司)	PRC, July 1994	RMB745,150	100%	Direct	Production and sales of automobile glass
Fuyao Group Changchun Co., Ltd.(福耀集團長春有限公司)	PRC, September 2000	RMB300,000	100%	Direct	Production and sales of automobile glass
Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司)	PRC, July 2002	RMB80,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Shanghai Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	PRC, April 2002	USD68,049	100%	Direct	Production and sales of automobile glass

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

38 Subsidiaries (Continued)

Company name	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ registered capital *('000)*	Effective interests held by the Group *%*	Direct or Indirect	Principle activities
Shanghai Fuyao Bus Glass Co., Ltd.(上海福耀客車玻璃有限公司)	PRC, March 2007	RMB200,000	100%	Indirect	Production of special glass and high class bus glass
FYSAM Auto Decorative Gmbh(FYSAM汽車飾件有限公司) (a)	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts, and investment holding
SAM Automotive International Gmbh(SAM汽車飾件國際有限公司) (a)	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts, and investment holding
SAM Aluminium Products Gmbh(SAM汽車鋁件有限公司) (a)	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts, and investment holding
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	PRC, November 2007	USD30,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Tongliao Co., Ltd. (福耀集團通遼有限公司)	PRC, October 2003	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao Group (Fujian) Engineering Glass Co., Ltd. (福耀集團(福建)工程玻璃有限公司)	PRC, October 1996	USD40,000	100%	Indirect	Production and sales of Engineering Glass
Fuyao Glass Chongqing Co., Ltd.(福耀玻璃(重慶)有限公司)	PRC, March 2004	USD35,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Hubei) Co., Ltd. (福耀玻璃(湖北)有限公司)	PRC, November 2007	USD43,000	100%	Direct	Production and sales of automobile glass
Guangzhou Fuyao Glass Co., Ltd.(廣州福耀玻璃有限公司)	PRC, June 2006	USD75,000	100%	Indirect	Production of special glass and inorganic non-metallic material
Hainan Wenchang Fuyao Silica Sand Co., Ltd.(海南文昌福耀矽砂有限公司)	PRC, July 2006	RMB40,000	100%	Direct	Exploitation and sales of mineral
Fuyao Guangzhou Nansha Automotive Glass Co., Ltd.(廣州南沙福耀汽車玻璃有限公司)	PRC, November 2005	USD700	100%	Indirect	Sales of automobile glass
Fuyao (Changchun) Bus Glass Co.,Ltd.(福耀(長春)巴士玻璃有限公司)	PRC, January 2004	USD4,850	100%	Indirect	Production of special glass and high class bus glass
Chongqing Wansheng Float Glass Co., Ltd.(重慶萬盛浮法玻璃有限公司)	PRC,April 2009	RMB300,000	100%	Direct	Production and sales of float glass
Zhengzhou Fuyao Glass Co., Ltd.(鄭州福耀玻璃有限公司)	PRC, April 2011	RMB300,000	100%	Direct	Production and sales of automobile glass

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

38 Subsidiaries (Continued)

Company name	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ registered capital *('000)*	Effective interests held by the Group *%*	Direct or Indirect	Principle activities
Fuzhou Fuyao Mold Technology Co., Ltd. (福州福耀模具科技有限公司)	PRC, May 2013	RMB300,000	100%	Indirect	Production and sales of mold, automotive parts, fibre products and plastic products
Fujian Triplex Group Holdings Co., Ltd. (福建三鋒控股集團有限公司)	PRC, November 2015	RMB100,000	100%	Indirect	Research, development, production and sales of glass and mold
Fujian Fuyao Automotive Decorations Co., Ltd. (福建福耀汽車飾件有限公司)	PRC, July 2015	RMB300,000	100%	Indirect	Production and sales of automotive decorations and automotive parts
Fujian Triplex Automobile Servin Co., Ltd. (福建三鋒汽車服務有限公司)	PRC, February 2016	RMB100,000	60%	Indirect	Provider of car service
Fuyao (Xiamen) Precision Corp. (福耀(廈門)精密製造有限公司)	PRC, June 2003	USD15,000	78%	Indirect	Production and sales of mold, automotive parts and plastic products
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	PRC, March 2012	RMB10,000	100%	Indirect	Sales of automobile glass
Xupu Fuyao Silica Sand Co., Ltd.(漵浦福耀矽砂有限公司)	PRC, July 2012	RMB15,000	51%	Indirect	Exploitation and sales of mineral
Fuyao Group (Shenyang) Automotive Glass Co., Ltd.(福耀集團(瀋陽)汽車玻璃有限公司)	PRC, June 2012	RMB150,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass Rus Co., Ltd.(福耀玻璃俄羅斯有限公司)	Russia, April 2010	USD110,656	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Suzhou) Co., Ltd. (福耀玻璃(蘇州)有限公司)	PRC, March 2017	RMB400,000	100%	Direct	Production and sales of automobile glass
Fuyao Group International Co.,Ltd.(福耀國際控股有限公司)	PRC, September 2017	RMB50,000	100%	Direct	Investment holding company
Chengdu Lvrong Automotive Glass Co., Ltd.(成都綠榕汽車玻璃有限公司)	PRC, December 2012	RMB25,000	100%	Indirect	Production and sales of automobile glass
Yantai Fuyao Glass Co., Ltd.(煙臺福耀玻璃有限公司)	PRC, June 2013	RMB60,000	100%	Indirect	Sales of automobile glass

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

38 Subsidiaries (Continued)

Company name	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/ registered capital (’000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	PRC, July 2013	RMB30,000	100%	Indirect	Sales of automobile glass
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	PRC, September 2013	RMB20,000	100%	Indirect	Storage and assembly of automobile glass
Benxi Fuyao Silica Sand Co., Ltd.(本溪福耀矽砂有限公司)	PRC, May 2014	RM60,000	100%	Indirect	Exploitation and sales of mineral
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	U.S.A., March 2014	USD330,000	100%	Direct	Production and sales of automobile glass
Fuyao Asset Management A, LLC (福耀資產A公司)	U.S.A., November 2013	USD0.8	100%	Indirect	Property lease
Fuyao Glass Illinois Inc. (福耀玻璃伊利諾伊有限公司)	U.S.A., August 2014	USD100,000	100%	Indirect	Production and sales of float glass
Fuyao Asset Management C, LLC (福耀資產C公司)	U.S.A., August 2014	USD0.8	100%	Indirect	Property lease
Tianjin Hongde Auto Glass Co., Ltd.(天津泓德汽車玻璃有限公司)	PRC, May 2015	RMB400,000	100%	Direct	Production and sales of automobile glass
Benxi Fuyao Float Glass Co., Ltd.(本溪福耀浮法玻璃有限公司)	PRC, December 2016	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao (Tongliao) Refined Aluminium Co., Ltd.(福耀(通遼)精鋁有限責任公司) *(b)*	PRC, November 2018	RMB10,000	100%	Direct	Production and sales of refined aluminium

Notes:

(a) On 27 and 28 November 2018, Fuyao Europe GmbH established FYSAM Auto Decorative Gmbh, SAM Automotive International Gmbh and SAM Aluminium Products Gmbh, with registered capital of EUR25,000 each. As of 31 December 2018, the registered capital has been fully paid.

(b) On 29 November 2018, the parent company established Fuyao (Tongliao) Refined Aluminium Co., Ltd., with registered capital of RMB10,000,000. As of 31 December 2018, the registered capital is still not paid yet.

39 Events Occurring After The Reporting Period

(a) As disclosed in the Company’s announcement on 16 January 2019, Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, entered into an agreement with Dr. Holger Leichtle, the bankruptcy administrator of SAM Automotive Production GmbH, to acquire certain assets, including equipment, inventories and tooling, etc. from SAM Automotive Production GmbH, at a consideration of EUR58,828,000. As disclosed in the Company's announcement on 1 March 2019, the acquirer is changed to FYSAM Auto Decorative GmbH, the newly set-up subsidiary of Fuyao Europe GmbH. The transaction was completed.

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

39 Events Occurring After The Reporting Period (Continued)

(b) Pursuant to the shareholders' resolution dated 26 April 2017, the Company is authorised to apply for commercial paper with the National Association of Financial Market Institutional Investors ("NAFMII") within the amount limit of RMB2 billion. On 27 February 2019, the Company issued a short term commercial paper ("19 Fuyao Glass SCP001 - 011900470") of RMB 500 million in the interbank market at a par of RMB100 each. The commercial paper bore an interest at 3.20% per annum. The principal and interests of the commercial paper are repayable upon its maturity after 270 days starting from 28 February 2019. The underwriter is CIB. The proceeds are used to supplement the working capital of the Group.

(c) On 8 March 2019, the Company issued a short term commercial paper ("19 Fuyao Glass SCP002 – 011900559") of RMB400 million in the interbank market at a par of RMB100 each. The commercial paper bore an interest at 3.26% per annum. The principal and interests of the commercial paper are repayable upon its maturity after 269 days starting from 12 March 2019. The underwriter is BOC. The proceeds are used to repay the bank borrowings of the Group.

40 Balance Sheet And Reserve Movement Of The Company

(a) Balance Sheet of the Company

		As at 31 December	
	Note	**2018** *RMB'000*	2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**822,348**	843,835
Leasehold land and land use rights		**35,051**	34,636
Intangible assets		**88,374**	66,325
Investments in subsidiaries		**6,624,232**	6,484,008
Investments in a joint venture		**26,189**	26,189
Long-term receivables		**2,238,295**	3,667,553
Deferred income tax assets		**9,332**	94,464
Total non-current assets		**9,843,821**	11,217,010
Current assets			
Inventories		**425,475**	355,656
Trade and other receivables		**14,268,966**	10,300,625
Financial assets at fair value through profit or loss		**387,262**	101,928
Derivative financial instruments		**47,542**	3,561
Cash and cash equivalents		**6,017,451**	6,353,867
Total current assets		**21,146,696**	17,115,637
Total assets		**30,990,517**	28,332,647

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

40 Balance Sheet And Reserve Movement Of The Company

(a) Balance Sheet of the Company (Continued)

	Note	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
EQUITY			
Share capital		**2,508,618**	2,508,618
Share premium		**6,202,553**	6,202,553
Other reserves	(Note (b))	**2,350,362**	1,912,915
Retained earnings	(Note (b))	**5,078,937**	4,024,123
Total equity		**16,140,470**	14,648,209
LIABILITIES			
Non-current liabilities			
Borrowings		**1,177,000**	2,469,605
Deferred income tax liabilities		**105,631**	33,301
Deferred income on government grants		**13,317**	25,910
		1,295,948	2,528,816
Current liabilities			
Trade and other payables		**9,458,585**	7,318,970
Contract liabilities		**200,064**	–
Current income tax liabilities		**112,639**	–
Borrowings		**3,767,990**	3,812,254
Derivative financial instruments		**3,078**	22,858
Current portion of deferred income on government grants		**11,743**	1,540
		13,554,099	11,155,622
Total liabilities		**14,850,047**	13,684,438
Total equity and liabilities		**30,990,517**	28,332,647

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

40 Balance Sheet And Reserve Movement Of The Company (Continued)

(b) Reserve movement of the Company

	Retained earnings *RMB'000*	Other reserves *RMB'000*
At 1 January 2017	3,401,546	1,634,320
Profit for the year	2,782,635	–
Appropriation to statutory reserve	(278,595)	278,595
Dividends paid relating to 2016	(1,881,463)	–
At 31 December 2017	4,024,123	1,912,915
At 31 December 2017 originally presented	4,024,123	1,912,915
Change in accounting policy	(836)	(93)
Restated at 1 January 2018	**4,023,287**	**1,912,822**
Profit for the year	**4,378,100**	**–**
Appropriation to statutory reserve	**(437,540)**	**437,540**
Dividends relating to 2017 and 2018	**(2,884,910)**	**–**
At 31 December 2018	**5,078,937**	**2,350,362**

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41 Benefits And Interests Of Directors And Supervisors

Directors and supervisors' emoluments

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2018 are set out as follows:

	Director's fee *RMB'000*	Salaries, wages and bonuses *RMB'000*	Pension, housing fund allowances, medical insurance and other social insurance *RMB'000*	Others *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Cho Tak Wong	–	2,582	–	267	2,849
Mr. Chen Xiangming	–	1,912	74	–	1,986
Ms. Sun Yiqun	–	2,086	148	–	2,234
Non-executive directors					
Mr. Tso Fai	–	864	57	–	921
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheng Kit Man Alison *(i)*	253	–	–	–	253
Ms. Liu Xiaozhi	150	–	–	–	150
Mr. Wu Yuhui	150	–	–	–	150
Supervisors					
Mr. Bai Zhaohua	63	535	15	–	613
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ni Shiyou	150	–	–	–	150
	1,096	7,979	294	267	9,636

Section XII Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2018

41 Benefits And Interests Of Directors And Supervisors (Continued)

Directors and supervisors' emoluments (Continued)

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2017 are set out as follows:

	Director's fee *RMB'000*	Salaries, wages and bonuses *RMB'000*	Pension, housing fund allowances, medical insurance and other social insurance *RMB'000*	Others *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Cho Tak Wong	–	2,944	–	271	3,215
Mr. Chen Xiangming	–	1,869	66	–	1,935
Ms. Sun Yiqun	–	2,326	144	–	2,470
Non-executive directors					
Mr. Tso Fai	–	1,205	50	–	1,255
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
Independent non-executive directors					
Ms. Cheng Yan *(i)*	150	–	–	–	150
Ms. Liu Xiaozhi	150	–	–	–	150
Mr. Wu Yuhui	150	–	–	–	150
Supervisors					
Mr. Bai Zhaohua	150	–	12	–	162
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ni Shiyou	150	–	–	–	150
	1,080	8,344	272	271	9,967

Note:

(i) Ms. Cheng Yan resigned from independent non-executive director on 8 January 2018, Ms. Cheung Kit Man Alison joined as independent non-executive director on 8 January 2018.

Section XIII Business Performance Highlights for the Previous Five Years

CONSOLIDATED INCOME STATEMENT

Unit: '000 Currency: RMB

Items	For the year ended December 31				
	2018	2017	2016	2015	2014
Revenue	**20,224,986**	18,715,609	16,621,336	13,573,495	12,928,182
Cost of sales	**11,828,463**	10,917,999	9,648,615	7,938,515	7,565,501
Gross profit	**8,396,523**	7,797,610	6,972,721	5,634,980	5,362,681
Distribution costs	**1,467,671**	1,274,309	1,184,740	1,020,585	982,165
Administrative expenses	**2,071,318**	1,803,411	1,673,626	1,287,869	1,031,342
Research and development expenses	**887,722**	803,441	727,586	592,889	517,924
Other income	**146,750**	188,117	89,542	97,836	46,017
Other (loss)/gains – net	**1,009,830**	-393,640	493,785	375,797	-43,091
Net impairment losses on financial assets	**28,132**	–	–	–	–
Operating profit	**5,098,260**	3,710,926	3,970,096	3,207,270	2,834,176
Finance income	**236,034**	156,659	106,576	19,725	14,362
Finance costs	**376,230**	182,373	157,713	190,512	241,223
Finance costs – net	**140,196**	25,714	51,137	170,787	226,861
Share of results of joint venture and associate	**3,744**	-6,017	-112	5,559	31,029
Profit before income tax	**4,961,808**	3,679,195	3,918,847	3,042,042	2,638,344
Income tax expense	**855,188**	531,479	776,909	435,226	421,567
Profit for the year	**4,106,620**	3,147,716	3,141,938	2,606,816	2,216,777
Profit attributable to:					
Equity holders of the Company	**4,119,935**	3,148,221	3,143,449	2,604,697	2,219,245
Non-controlling interests	**-13,315**	-505	-1,511	2,119	-2,468
Profit for the year	**4,106,620**	3,147,716	3,141,938	2,606,816	2,216,777
Basic earnings per share	**1.64**	1.25	1.25	1.10	1.11
Diluted earnings per share	**1.64**	1.25	1.25	1.10	1.11

CONSOLIDATED BALANCE SHEET

Unit: '000 Currency: RMB

Items	As at December 31				
	2018	2017	2016	2015	2014
Total assets	**34,503,241**	31,717,365	29,879,729	24,841,632	16,890,937
Total liabilities	**14,300,567**	12,698,751	11,827,301	8,411,905	8,072,971
Total equity	**20,202,674**	19,018,614	18,052,428	16,429,727	8,817,966