



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

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

Stock Code: 3606



2020

INTERIM REPORT

Important Notice

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

The Company did not formulate the interim profit distribution plan or plan to convert surplus reserves into share capital during the Reporting Period.

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

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

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

No

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

No

IX. **Material risk alert**

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

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Section I Definitions

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

DEFINITIONS OF COMMON TERMS

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	The Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, the Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group, the Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and component business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made by two or more than two layers of automobile float glass sticking with a layer or various layers of PVB
tempered glass	automotive safety glass made by heating automotive grade float glass to certain temperature, then promptly cooling it down evenly after being shaped
float glass	the glass produced by applying float technology
Reporting Period	for the six months from January 1, 2020 to June 30, 2020

Section II Corporate Profile and Principal Financial Indicators

I. COMPANY INFORMATION

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

II. CONTACT PERSON AND CONTACT METHODS

	Secretary to the Board of Directors	Representative of the Securities Affairs
Name	Li Xiaoxi	Zhang Wei
Contact Address	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Telephone	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, Central, Hong Kong
Custodian of A shares	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Business address	Level 3, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited
Business address	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

Section II Corporate Profile and Principal Financial Indicators

V. INFORMATION ON THE COMPANY'S SHARES

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

VI. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Principal accounting data

Unit: '000 Currency: RMB

Principal accounting data	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/decrease of the Reporting Period as compared with the corresponding period last year (%)
Revenue	8,121,267	10,287,363	-21.06
Profit for the Reporting Period attributable to owners of the Company	963,679	1,505,295	-35.98
Profit for the Reporting Period attributable to owners of the Company, net of non-recurring profit or loss	792,106	1,340,250	-40.90
Net cash generated from operating activities	1,174,734	1,867,701	-37.10

	At the end of the Reporting Period (Unaudited)	At the end of last year	Increase/decrease at the end of the Reporting Period as compared with the end of last year (%)
Equity attributable to owners of the Company	20,517,983	21,382,603	-4.04
Total assets	43,300,689	38,838,517	11.49

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

Section II Corporate Profile and Principal Financial Indicators

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

(II) Principal financial indicators

Principal financial indicators	During the Reporting Period (January – June) (Unaudited)	Corresponding period last year (Unaudited)	Increase/ decrease of the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.38	0.60	-36.67
Diluted earnings per share (RMB/share)	0.38	0.60	-36.67
Return on equity (%)	4.70	7.56	Decreased by 2.86 percentage points

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

- (I) Discrepancies between net profit and net assets attributable to shareholders of the Listed Company in the financial report disclosed under the International Financial Reporting Standards and under the China Accounting Standards for Business Enterprises

Unit: '000 Currency: RMB

	Net profit attributable to shareholders of the Listed Company		Net assets attributable to shareholders of the Listed Company	
	Amount for the Reporting Period (Unaudited)	Amount for the corresponding period of previous year (Unaudited)	Amount at the end of the Reporting Period (Unaudited)	Amount at the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	963,967	1,505,572	20,506,034	21,370,366
Adjustments to items and amounts in accordance with the International Financial Reporting Standards: Reversal of impairment for buildings and land use rights and the discrepancies between corresponding depreciation and amortization	-288	-277	11,949	12,237
Prepared in accordance with the International Financial Reporting Standards	963,679	1,505,295	20,517,983	21,382,603

Section II Corporate Profile and Principal Financial Indicators

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

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

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

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

Unit: Yuan Currency: RMB

Non-recurring profit or loss items	January - June 2020 (Unaudited)
Profit or loss from disposal of non-current assets	-4,375,644
Government subsidies recorded under current profit or loss, other than those closely related to the normal business operation of the Company and subject to a fixed amount or quantity under certain standard required by national policies	169,034,027
Capital occupancy fee from non-financial enterprises recognized through profit or loss	17,017,810
Profit or loss from changes in fair value of held-for-trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment gains from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's rights investments, other than effective hedging activities related to normal business operations of the Company	29,845,555
Other non-operating income and expenses other than the above items	3,623,133
Impact on non-controlling interests	-7,545
Effects of income tax	-43,276,885
	<hr/>
Total	171,860,451

Section III Summary of the Business of the Company

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.

(II) Industry Overview

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production and sales volume in 2018 experienced negative growth for the first time since 1990 and continued to decline in 2019. The automobile production and sales volume in January to June 2020 amounted to 10,112,000 units and 10,257,000 units, representing year-on-year decreases of 16.8% and 16.9%, respectively. In particular, the production and sales volume of passenger vehicles were 7,754,000 units and 7,873,000 units, representing year-on-year decreases of 22.5% and 22.4%, respectively. However, China still ranks first in the world in terms of production volume and sales volume. As of 2019, China has ranked first in the world for eleven consecutive years in terms of production volume and sales volume and the compound growth rate of China's automobile production volume is 3.88% from 2010 to 2019.

At present, China's automobile industry has basically passed the ten-year period of rapid growth from 2000 to 2010 and entered a critical period for transformation. From the short-term market trends, on the one hand, the macroeconomic growth continue slowdown, the whole recovery of domestic economy still needs a process due to the effect of the outbreak of COVID-19 pandemic (the "Pandemic"). The ongoing transformation and upgrading of the automobile industry are far from to an end, the implementation of the sixth national emission standard speeds up the adjustment of the automobile industry structure. China's automobile market still faces uncertainties. On the other hand, with the domestic Pandemic prevention and control situation gradually improving, the nation and local governments have introduced and implemented various policies to promote automobile consumption, such as relaxing purchase restrictions and increasing quotas, extending subsidies and tax incentives for new energy vehicles and launch the plan of "Automobile Go to Countryside" to speed up the recovery of automobile market.

In the global automobile industrial structure, the proportion of developing countries in the automobile industry has been increasing, resulting in greater influence; In respect of automobile ownership, there is still a tremendous gap between China and developed countries. In 2019, the automobile ownership per 100 population reached over 80 units, approximately 50 to 60 units and approximately 17 units in the US, Europe and Japan, and China, respectively. 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 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. The automobile is developing towards the trend of "electric, network, intelligent and sharing", and more and more new technologies are also integrated into the automobile. It puts forward new requirements for automobile glass and also provides new opportunities for the development of automobile glass industry. 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 III Summary of the Business of the Company

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 RMB15,370 million, accounting for 35.50% 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, high degree glass integration, extension to aluminum trim industry, 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 IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS

As a worldwide professional 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 the first half of 2020, the global economic growth hit huge losses due to the impact of the outbreak of the Pandemic and at the same time, the global economic growth faced severer challenges due to the trade conflict and the uncertainties of geopolitics; the slowdown pressure still existed in the macroeconomy of China, and, as affected by the Pandemic, the recovery of the overall global and domestic economy is a step-by-step process. As the Pandemic has intensified its impact on the economy and industry, according to the statistics released by the China Association of Automobile Manufacturers, the automobile production volume in 2020 from January to June was 10,112,000 units, representing year on-year decrease of 16.8%, among which, the production volume of passenger vehicles was 7,754,000 units, representing year-on-year decrease of 22.5%.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB8,121,267,000, representing a decrease of 21.06% as compared with the corresponding period last year; realized a profit before tax of RMB1,167,981,000, representing a decrease of 33.41% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB963,679,000, representing a decrease of 35.98% as compared with the corresponding period last year; and realized earnings per share of RMB0.38, representing a decrease of 36.67% as compared with the corresponding period last year.

1. The profit before tax of the Company for the Reporting Period decreased by 33.41% as compared with the corresponding period last year, mainly due to the following reasons:
 - (1) the profit before tax of integrating period of Germany FYSAM auto decorative project amounted to €-26,171,000 for the Reporting Period due to the impact by the Pandemic, and thus the profit before tax of the Company for the Reporting Period decreased by RMB148,413,000 as compared with the corresponding period last year;
 - (2) the consolidated profit before tax of Fuyao Glass America Inc. amounted to USD-17,378,000 for the Reporting Period due to the impact by the Pandemic (Fuyao Glass America Inc. holds 100% equity interests in each of Fuyao Glass 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), and this is the figure on its consolidated financial statement), and thus the profit before tax of the Company for the Reporting Period decreased by RMB2,69,725,000 as compared with the corresponding period last year.
 - (3) the exchange gains of the Company for the Reporting Period were RMB127,840,000 as compared with an exchange gain of RMB31,125,000 for the corresponding period last year, and thus the profit before tax of the Company for the Reporting Period increased by RMB96,715,000 as compared with the corresponding period last year;

Eliminating the above non-comparable factors, the profit before tax for the Reporting Period decreased by 16.20% year on year, mainly due to the decrease in sales volume of the automobile industry year on year and the decrease in orders from downstream customers of the Company as a result of the impact of the Pandemic.

2. The gross profit margin of the Company for the Reporting Period was 34.57%, representing a decrease of 1.95 percentage points as compared with the corresponding period last year, among which the gross profit margin of automotive glass was 31.76% for the Reporting Period, decreased by 1.98 percentage points as compared with the corresponding period last year, and continuous negative growth was seen in the automobile industry mainly due to the impact of the Pandemic, resulting in a decrease in the revenue from sales of the automotive glass, an increase in the proportion of depreciation and amortization in revenue, and a decrease of 2.54 percentage points in the consolidated gross profit margin of the Company as compared with the corresponding period last year.

Section IV Management Discussion and Analysis

I. MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

1. The competitiveness of automotive glass market and its anti-risk ability improved: the Company has been adhering to the positive marketing strategy of customer orientation and perfect user experience, played a leading role in sales and established an all-round sales management mechanism to improve the market sensitiveness, so as to promote the sustained and healthy development of enterprises. Thanks to the above measures, the operating revenue of automotive glass was better than that of the automobile industry, and our ability to resist market risks was enhanced.
2. Promoted the appreciation and upgrading of product: the Company continued to promote the development of automotive glass toward the direction of "safety, comfort, energy saving, environmental protection, beautiful appearance and intelligent integration". The proportion of high value-added products, such as thermal insulation, sound insulation, head-up display, dimmable, ultraviolet-proof, water proof, solar energy, enveloping edge modularization products, continued to increase, representing an increase of 2.46 percentage points as compared with same period last year, reflecting the value.
3. Improved the quality and benefits of the whole value chain: the Company ensured high benefits based on high quality, enhanced quality management, and continuously promoted lean management and automatization and informatization progress. Based on the comprehensive budget made at the beginning of the year and in the combination of dynamic control, the Company made achievements in improving the quality and benefits of the whole value chain.
4. Promoted new business development in a solid and orderly manner: since acquiring the aluminum trim strip assets of SAM on February, 2019, the Company integrated several aspects including plant layout, equipment update, technical process, and logistics transportation in order to promote operating efficiency and reduce operating cost. As at the end of the Reporting Period, the Company has completed the integration work of such project. The development of aluminum trim business would further enhance the integration ability of Fuyao Automotive glass, and expand development room for Fuyao.
5. Took a lead in R&D innovation and technology: the Company kept pace with the trend of electric power, networking connection, intelligence and sharing in automobile industry, based on which, the Company promoted technology application in automobile glass. By relying on the market, it continuously conducted R&D innovation and sped up development. During the Reporting Period, the Company conducted strategic cooperation with BOE Group in the fields of automobile intelligent light transmittance glass and window display. The Company entered into a strategic cooperation agreement with BDStar Intelligent Connected Vehicle Technology Co., Ltd. to jointly make contribution to the integration of high-precision positioning, multi-mode communication and intelligent antenna with automobile glass, so as to enhance the innovation and competitiveness of the products of the Company.
6. Further improved management ability: the Group deepened lean promotion, improved rules and regulations. It strengthened the allocation of human resources, continuously optimized the staff team and rebuilt the leadership of cadres, so as to build an efficient and capable management team and train personnel of Fuyao with international vision. Based on the management school of the Company, the Group improved the quality of its staff through online live broadcast and offline interaction so as to provide guarantee of quality personnel for the transformation and upgrading as well as the implementation of strategy of the Company.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Analysis on principal business

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

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the same period last year	Percentage Change (%)
Operating revenue	8,121,267	10,287,363	-21.06
Cost of sales	5,313,644	6,530,042	-18.63
Distribution costs	612,505	692,453	-11.55
Administrative expenses	996,503	1,003,955	-0.74
Finance costs – net	22,293	94,029	-76.29
Research and development expenses	329,042	397,195	-17.16
Net cash generated from operating activities	1,174,734	1,867,701	-37.10
Net cash generated from investing activities	-1,816,282	-2,953,393	-38.50
Net cash generated from financing activities	3,911,634	3,100,439	26.16

Reason for change in revenue: the change was mainly due to the decrease in orders from downstream customers of the Company resulting from the year-on-year decrease in production and sales volume of the automobile industry as affected by the outbreak of COVID-19 pandemic.

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

Reason for change in distribution costs: the change was mainly due to a decrease in distribution costs resulting from the decrease in revenue.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(I) Analysis on principal business (Continued)

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

Reason for change in administrative expenses: the change was mainly due to the decrease in staff salaries, but the total administrative expenses declined slightly because of the increase in expenses of repair and depreciation and amortization.

Reason for change in finance costs – net: the change was mainly due to a decrease in interest rate and interest expenses during the Reporting Period.

Reason for change in research and development expenses: the change was mainly due to the fact that the Company further enhanced its management of research and development projects and continuously promoted R&D innovation to facilitate its technology upgrade and increase the added value of its products.

Reason for change in net cash generated from operating activities: the change was mainly due to a decrease in profits and the amount of arbitration compensation of USD39,000,000, which was booked as a provision in 2019, paid by the Company during the Reporting Period.

Reason for change in net cash used in investing activities: the change was mainly due to the purchase of structured deposits with principle guarantee holding and the decrease in capital expenditures during the Reporting Period.

Reason for change in net cash generated from financing activities: the change was mainly due to the paid dividend of RMB1,881,000,000 in the corresponding period last year and the dividends declared to issue but still unpaid during the Reporting Period.

2. Analysis on revenue and costs

During the Reporting Period, sales of automotive glass of the Company decreased by RMB1,909,978,000, representing a year-on-year decrease of 20.74%, which was mainly due to the decrease in orders from downstream customers of the Company resulting from the year-on-year decrease in production and sales volume of the automobile industry as affected by the COVID-19 pandemic. Cost of sales of automotive glass of the Company decreased by RMB1,121,185,000, representing a year-on-year decrease of 18.37%. Automobile float glass produced by the Company is mainly to serve its automotive glass business division with internal supply as its main purpose. Principal businesses by product are set out as follows:

Unit: '000 Currency: RMB

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	7,299,577	4,981,543	31.76	-20.74	-18.37	-1.98
Float glass	1,289,400	842,058	34.69	-23.98	-25.77	1.58
Others	781,666	739,419				
Less: Intragroup elimination	-1,249,376	-1,249,376				
Total	8,121,267	5,313,644	34.57	-21.06	-18.63	-1.95

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on assets and liabilities

1. Assets and Liabilities

Unit: '000 Currency: RMB

Items	Closing balance	The percentage of closing balance to the total assets (%)	Closing balance of the previous period	The percentage of closing balance of the previous period to the total assets (%)	Change in the closing balance as compared with the closing balance of the previous period (%)	Explanations
Financial assets at fair value through profit or loss	2,172,830	5.02	860,894	2.22	152.39	The increase in financial assets at fair value through profit or loss was mainly due to the increase in structured deposits with principle guarantee holding as at the end of the Reporting Period.
Cash and cash equivalents	11,728,463	27.09	8,352,669	21.51	40.42	The increase in cash and cash equivalents was mainly due to the initiative increase in cash reserves in response to the risk of capital turnover during the Pandemic period.
Borrowings – Non-current liabilities	1,947,198	4.50	1,193,000	3.07	63.22	The increase in borrowings – non-current liabilities was mainly due to the issuance of two tranches of medium-term notes (Pandemic outbreak prevention and control bonds) of RMB1.2 billion in total.
Borrowings – Current liabilities	12,916,188	29.83	9,525,806	24.53	35.59	The increase in borrowings – current liabilities was mainly due to the issuance of four tranches of ultra short-term financing bonds of RMB1.5 billion.
Derivative financial instruments – Current liabilities	18,461	0.04	3,795	0.01	386.46	The increase in derivative financial instruments – current liabilities was mainly due to the increase in short call on foreign exchange.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(II) Analysis on assets and liabilities (Continued)

2. Details of charge on assets

As at 30 June 2020, lands and buildings with book value of RMB21,847,000 (original value: RMB36,357,000) were pledged as security for the credit facilities of HK\$30 million.

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

- (1) Number of employees: as at the end of the Reporting Period, the number of employees of the Company was 24,460, representing a decrease of 2,267 employees as compared with that at the end of 2019, which was mainly attributable to the fact that the Company optimized the establishment of positions to fully explore the enthusiasm and potential of employees, improve the working efficiency of employees, boost the vitality of organizations and improve the corporate competitiveness.
- (2) Remuneration policy: based on the principles of fairness, competitiveness, incentives and legality, the Company formulated its remuneration policy. Remuneration of employees is mainly composed of various items including basic salaries, performance salaries, bonuses, subsidies and allowance; salaries are adjusted in accordance with the Company's performance, employees' performance and capability in a timely manner. In addition, the Company participated in "five social insurances and one housing fund" as required, and made contributions to social insurances and housing provident fund as scheduled.
- (3) Training plans: According to the Group's strategic plan and annual operating plan and human resources plan, the Company made training plans. The Group provides systematic trainings including 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, lean management, innovative methods 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 the development of special training system for personnel at various levels and in all professions. Meanwhile, under the actual needs of the Company, in order to meet the needs of its strategic plan and business development, the Group held various courses for junior, middle and senior management, key technical staff and backbones of all system and high potential talents, including courses for cadre reserve, courses for key technical talents, lean senior talents and other training programs and courses for high potential talents, established and improved the talents team of various levels. Meanwhile, it also conducted online WeChat courses, WeChat courses training camp and other types of trainings to further optimize the training resource guarantee system. Through providing training and developing talents, the Company provided talent resource guarantee with high quality for enterprises to develop in a stable and orderly way and enhanced strategy implementation, promoted the high-quality development of the enterprises and improved operation efficiency of the enterprises.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(III) Liquidity and source of capital

1. Cash flows

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the same period last year
Net cash generated from operating activities	1,174,734	1,867,701
Net cash used in investing activities	-1,816,282	-2,953,393
Net cash generated from financing activities	3,911,634	3,100,439
Net increase in cash and cash equivalents	3,270,086	2,014,747

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB1,175 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB8,861 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB4,968 million, cash paid to and paid on behalf of employees amounted to RMB1,937 million, and payment for various taxes amounted to RMB640 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 RMB1,816 million. In particular, cash paid for purchase and construction of long-term assets like property, plant and equipment amounted to RMB815 million.
- (3) During the Reporting Period, net cash generated from financing activities amounted to RMB3,912 million, of which, cash received from bank borrowings amounted to RMB7,666 million, ultra short-term financial bonds in issue amounted RMB1,500 million and medium-term notes (Pandemic outbreak prevention and control bonds) amounted to RMB1,200 million, cash used for repayment of debts amounted to RMB6,243 million; cash payment of interest amounted to RMB139 million.
- (4) The Company will further strengthen and promote management system with intensive capital and budget, strictly control the exchange risks and optimize the capital structure to enhance the security and effectiveness of capital management and ensure the maximization of capital efficiency.

2. Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other transformation and upgrading expenditures. During the Reporting Period, RMB815 million in cash was paid for purchase and construction of long-term assets like property, plant and equipment. In particular, capital expenditure of European FYSAM automotive accessories project amounted to approximately RMB172 million, and capital expenditure of American float glass project amounted to approximately RMB136 million.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(III) Liquidity and source of capital (Continued)

3. Borrowings

During the Reporting Period, the new bank borrowings amounted to approximately RMB7,666 million; new ultra short-term bonds amounted to RMB1,500 million; medium-term notes amounted to RMB1,200 million; repayment of bank borrowings amounted to approximately RMB6,243 million. The Company did not utilize any financial instrument for hedging. As of June 30, 2020, interest-bearing debts are set out as follows:

Unit: 100 million Currency: RMB

Type	Amount
Short-term borrowings with fixed interest rates	99.90
Short-term borrowings with floating interest rates	1.99
Long-term borrowings with floating interest rates due within one year	11.67
Long-term borrowings with floating interest rates	7.48
Medium-term notes	12.00
Ultra short-term financing bills	15.00
	<hr/>
Total	148.04

Note: The figures in the above table exclude interest payable accrued.

4. Foreign exchange risks and foreign exchange gains or losses

The principal business of the Group is situated within the PRC and is denominated in Renminbi. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in US dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent; as such, the Group may avoid foreign exchange risks by ways of intensifying internationalized development; reasonably matching the size of foreign currency assets and liabilities and the expansion of peripheral operations; optimizing the currencies in settlement of operations; matching the revenue and expenses in the same currency; and adopting appropriate exchange instruments such as locking the exchange rate and entering into forward foreign exchange contracts, currency swap contracts or swap. During the Reporting Period, foreign exchange gains of the Group amounted to RMB128 million, as compared with foreign exchange gains of RMB31 million for the corresponding period of last year.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Capital efficiency

Inventory turnover period during the Reporting Period was 118 days as compared with 94 days of the corresponding period of last year, which was mainly due to a year-on-year decrease in revenue as affected by the Pandemic: among which, inventory turnover period for automotive glass was 81 days as compared with 66 days of the corresponding period of last year; inventory turnover period for float glass was 216 days as compared with 174 days of the corresponding period of last year.

The turnover period of the trade receivables during the Reporting Period was 94 days (including the bills receivables presented at fair value through other comprehensive income), as compared with 75 days of the corresponding period of last year, which mainly due to the increase of turnover days of the trade receivables resulting from the extension of credit term by certain customers during the Pandemic period.

During the Reporting Period, the return on equity was 4.70% as compared with 7.56% of the corresponding period of last year, which was mainly due to the year-on-year decrease in profit during the Reporting Period.

Gearing ratio during the Reporting Period is set out as follows:

Unit: '000 Currency: RMB

	As at June 30, 2020	As at December 31, 2019
Total borrowings	14,863,386	10,718,806
Lease liabilities	618,626	657,265
Long-term payables	77,852	76,095
Less: Cash and cash equivalents	-11,728,463	-8,352,669
Net debts	3,831,401	3,099,497
Total equity	20,515,506	21,381,318
Total capital	24,346,907	24,480,815
Gearing ratio (%)	15.74%	12.66%

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

(V) Commitments

For details, please refer to "26. Commitments" in the "Section VIII Financial Report".

(VI) Contingent liabilities

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

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(VII) Prospects of the Company for the second half of 2020

In the second half of 2020, the economic situation will remain gloomy at home and abroad, but will see an increase as compared to the first half of the year. However, risks and uncertainties still exist. The automobile sector is still likely to be confronted with the risk of negative growth. In the second half of 2020, the Company will carry out the following works according to the Group's business strategy formulated at the beginning of the year:

1. Continuing to give the leading role to sales, enhancing market sensitivity, establishing a comprehensive sales management mechanism and levelling up market competitiveness.
2. Adhering to the market and product oriented research and development mechanism, increasing new product development and promotion, improving the competitiveness of automotive glass assemblies, and making the transition from a manufacturing-driven enterprise to an innovation-driven one.
3. Continuing to promote lean management and automation and informatization progress, facilitating the improvement of quality and efficiency in the whole industry chain, saving energy and reducing costs, and enhancing the anti-risk ability for the enterprise in the post-Pandemic period.
4. Focusing on management reform and organizing ability construction, improving the enterprise management system, standardizing conference management, implementing conference discussions, and scientific decision-making process to improve the organization's decision-making competency, action force, synergy and discipline.
5. Strengthening the nourishment and training of talents, improving their overall quality, establishing a high-quality, professional management team to accommodate the requirements of Fuyao's global operations.

(VIII) Analysis of Investment

1. Overall analysis on external investment in equity interest

To ensure the normal production and operation of German FYSAM automotive accessories project, as considered and approved at the fifteenth meeting of the ninth session of the Board of Directors of the Company, the Board of Directors of the Company has agreed to invest additional EUR65 million in Fuyao (Hong Kong) Co., Ltd. to supplement the liquidity of FYSAM Auto Decorative GmbH. Please refer to the announcement dated June 6, 2020 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 (www.hkexnews.hk) for details.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(VIII) Analysis of Investment (Continued)

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

The Company's external investments in the corresponding period last year: (1) 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 equipment, materials, finished products, semi-finished products and tooling apparatus for a consideration of EUR58,827,566.19; (2) Fujian Fuyao Automotive Aluminium System Co., Ltd. (福耀汽車鋁件(福建)有限公司) was established by the Company on February 1, 2019 with the registered capital of RMB150 million; (3) Fujian Fuyao Automotive Trim System Co., Ltd. (福建福耀汽車飾件有限公司), a wholly-owned subsidiary of the Company, acquired 100% equity interests in Jiangsu Fuyao Automotive Trim System Co., Ltd. (江蘇三鋒汽車飾件有限公司) (now renamed as Jiangsu Fuyao Automotive Decoration Co., Ltd. (江蘇福耀汽車飾件有限公司)) held by Fujian Triplex Investment Co., Ltd. (福建三鋒投資有限公司) at a price of RMB66 million.

(1) Financial assets at fair value

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance	Changes in the Reporting Period	Impacted amounts on current profits
Forward foreign exchange contracts	85,110	-5,690,778	-5,775,888	-6,385,290
Short call on foreign exchange	-3,795,000	-11,371,000	-7,576,000	5,765,000
Structural deposits	860,894,383	2,172,830,274	1,311,935,891	30,465,845
Accounts receivable financing	784,417,775	732,079,850	-52,337,925	-6,881,648
Total	1,641,602,268	2,887,848,346	1,246,246,078	22,963,907

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 Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(IX) 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, 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.

Taiyuan Jinnuo has made many requests to the Company for deferred payments. In the first half of 2020, Taiyuan Jinnuo made a request to the Company for extending the payment date of the transfer payment for the remaining 24% equity interest in Beijing Futong due to its financial strain resulting from the impact of the outbreak of COVID-19. As considered and approved at the fifteenth meeting of the ninth session of the Board of Directors of the Company on June 5, 2020, 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, 2021. Meanwhile, it was agreed that Taiyuan Jinnuo continued to pay interest at 8% per annum of the remaining 24% equity interest in Beijing Futong to the Company.

For this transfer of equity interest in Beijing Futong, the Company recognised an investment income of RMB664,032,500 in 2018, with an increase in cash flow of RMB682,452,200. During the Reporting Period, the Company recognised interest income of RMB12,263,100.

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, 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, the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement (II) to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated August 29, 2019 and the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement (III) to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated June 6, 2020 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, Discloseable Transaction – Entering into the Supplemental Agreement on the Disposal of 75% Equity Interest in Beijing Futong dated December 25, 2018, Discloseable Transaction – Entering into the Supplemental Agreement (II) on the Disposal of 75% Equity Interest in Beijing Futong dated August 29, 2019 and Discloseable Transaction – Entering into the Supplemental Agreement (III) on the Disposal of 75% Equity Interest in Beijing Futong dated June 6, 2020 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.

Section IV Management Discussion and Analysis

II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD (CONTINUED)

(X) Analysis of major subsidiaries and investee companies

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

Company	Business nature	Major products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Fujian Wanda Automobile Glass Industry Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	74,514.95	349,000.77	158,188.75	89,119.51	47,549.79	46,419.33
Fuyao Group (Shanghai) Automobile Glass Co., Ltd.	Manufacturing enterprise	Production and sale of automotive glass products	6,804.88(USD)	479,122.08	103,447.52	92,366.95	28,011.71	26,641.22
Guangzhou Fuyao Glass Co., Ltd.	Manufacturing enterprise	Production of special glass made of inorganic nonmetallic materials and products	7,500(USD)	346,882.49	88,015.16	82,720.16	20,445.79	17,705.36
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司)	Manufacturing enterprise	Production and sales of float glass and relevant glass products	50,000	138,796.72	67,123.62	36,971.08	16,416.44	14,182.67
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	Manufacturing enterprise	Production and sales of automotive glass products	30,000	173,247.30	62,187.42	84,161.31	15,279.26	13,555.60
Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司)	Manufacturing enterprise	Production, design, technical research and development and sales of automotive glass and components and parts	40,000	189,241.22	57,612.21	66,534.11	12,047.97	10,824.71
FYSAM Auto Decorative Gmbh (FYSAM汽車飾件有限公司)	Manufacturing enterprise	Design, development, production and sales of automotive aluminum trim	402.5(EUR)	147,241.41	-46,454.99	52,719.32	-20,571.05	-20,644.48
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	33,000(USD)	626,575.71	59,168.15	133,398.75	-12,108.11	-9,211.61

Note: Fuyao Glass America Inc. has 100% equity interest in each of Fuyao Illinois Inc. (福耀伊利諾伊有限公司) and Fuyao Asset Management C, LLC (福耀美國C資產公司). The financial figures of Fuyao Glass America Inc. as disclosed in the above table are the figures in its consolidated financial statement.

Section IV Management Discussion and Analysis

III. OTHER DISCLOSURES

(I) Potential risks

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

Most assets of the Company are located in the PRC and approximately half of the income is from the business in the PRC. Therefore, the operating results, financial status and prospects of the Company are influenced by the changes in economy, politics, policies and laws. As the Chinese economy is in the stage of transformation and upgrade, the business of the Company in the PRC might also be affected. Meanwhile, the outbreak of COVID-19 pandemic will deepen the impact on economy and industry. Hence, the Company will enhance the innovation on technology, enhance the organization management, build new culture of Fuyao, strengthen the aftersales maintenance market, and consolidate and ensure stable and healthy development of the PRC market while taking advantage of globalized operation.

2. Risks of the industry development

The global automobile industry is in the process of transformation and 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, light transmittance glass, coated glass and UV-cut glass, as well as providing more comprehensive product solutions and services to customers worldwide.

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.

Section IV Management Discussion and Analysis

III. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

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, 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.

Section IV Management Discussion and Analysis

III. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

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 areas, and the tightening and easing of monetary policies by different countries. Given that the export-oriented business has accounted for approximately 50% 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.

Section IV Management Discussion and Analysis

III. OTHER DISCLOSURES (CONTINUED)

(I) Potential risks (Continued)

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.

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, extranet, 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.

Section IV Management Discussion and Analysis

IV. CORPORATE GOVERNANCE

(I) Corporate Governance Overview

1. Corporate Governance Code

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

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

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

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

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the model code on trading the securities of the Company for all directors, supervisors and relevant employees (as defined in the Corporate Governance Code). According to the specific enquiries made to the directors and supervisors of the Company, all directors and supervisors have confirmed that they had strictly complied with the standards stipulated under the Model Code during the Reporting Period. Meanwhile, to the knowledge of the Company, there's no incident of non-compliance of the Model Code by the employees during the Reporting Period.

3. Independent non-executive directors

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

Section IV Management Discussion and Analysis

IV. CORPORATE GOVERNANCE (CONTINUED)

(II) Special committees of the Board of Directors

1. Audit Committee

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

2. Remuneration and Assessment Committee

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

3. Nomination Committee

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

Section IV Management Discussion and Analysis

IV. CORPORATE GOVERNANCE (CONTINUED)

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

4. Strategy and Development Committee

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

(III) Significant matters

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

During the Reporting Period, the Company issued a total of four tranches of ultra short-term financial bonds with aggregate issuance amount of RMB1.5 billion and two tranches of medium term notes with aggregate issuance amount of RMB1.2 billion. For details of the issuance, please refer to note 16 "Borrowings" in the "Section VIII Financial Report". Except for these, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, disposed or redeemed any listed securities of the Company.

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

The audit committee under the Board of Directors has reviewed the unaudited condensed consolidated interim financial statements and this interim report of the Company for the six months ended June 30, 2020 and has discussed with the senior management of the Company on such matters as the accounting policies and practices adopted by the Company.

Section V Significant Events

I. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of the publication of resolution	Date of disclosure of the publication of resolution
2019 annual general meeting	June 23, 2020	www.sse.com.cn www.hkexnews.hk	June 24, 2020

Information on the General meeting

The 2019 annual general meeting was convened on June 23, 2020 through a combination of physical meeting and online voting, at which all the resolutions were considered and approved by all shareholders by way of poll. For details, please refer to the “Announcement on Resolutions Passed at the 2019 Annual General Meeting of Fuyao Glass Industry Group Co., Ltd.” dated June 24, 2020 published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the website of the SSE (www.sse.com.cn) and the “Poll Results of the 2019 Annual General Meeting” on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

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

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

During the Reporting Period, the Company did not formulate any interim profit distribution plan or plan to convert surplus reserves into share capital.

Section V Significant Events

III. PERFORMANCE OF UNDERTAKINGS

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

Nature of the undertaking	Type of the undertaking	Undertaking party	Details of the undertaking	Time and term of the undertaking	Whether there is a term for the undertaking	Whether performed timely and strictly
Other undertakings	Dividend distribution	Fuyao Glass Industry Group Co., Ltd.	For details, please refer to The Profit Distribution Plan for Shareholders for the Coming Three Years (2018-2020) Fuyao Glass Industry Group Co., Ltd dated May 12, 2018 as published on Shanghai Securities News, China Securities Journal and Securities Time and the websites of the SSE (http://www.sse.com.cn) and Hong Kong Stock Exchange (http://www.hkexnews.hk).	Date of announcement of the undertaking: May 12, 2018, Term of performance of the undertaking: January 1, 2018 to December 31, 2020	Yes	Yes

IV. THE APPOINTMENT AND DISMISSAL OF ACCOUNTANTS

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

V. MATERIAL LITIGATION AND ARBITRATION

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

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

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

Section V Significant Events

VII. SUBSTANTIAL CONNECTED TRANSACTIONS

(I) Connected transactions in relation to ordinary business operations

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

Description of the matter

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 was considered and approved at the sixteenth meeting of the eighth session of the Board of Directors convened on October 25, 2017. Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, shall lease all the standard plants 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 Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2020 and the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2020 were considered and approved at the twelfth meeting of the ninth session of the Board of Directors of the Company convened on October 30, 2019.

Inquiry index

For details, please refer to 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>).

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 31, 2019 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>).

Section V Significant Events

VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

1. Matters that have been disclosed in interim announcements and have no developments or changes in subsequent implementation (Continued)

Description of the matter

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 m² to Yaohua Industrial Village 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.

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Fuyao Group Beijing Futong Safety Glass Co., Ltd. for the Year 2020 was considered and approved at the fourteenth meeting of the ninth session of the Board of Directors of the Company convened on April 27, 2020.

Inquiry index

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Leasing of Property 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>).

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated April 28, 2020 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>).

Section V Significant Events

VII. SUBSTANTIAL CONNECTED TRANSACTIONS (Continued)

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

1. Matters that have been disclosed in interim announcements and have no developments or changes in subsequent implementation (Continued)

Connected transactions in relation to the daily operations in the first half of 2020 are as below (having been disclosed in interim 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 2020	Actual amounts in the first half of 2020	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	2,577.69	20.03	30 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	25,000.00	10,290.42	79.97	60 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sale of goods	Sale of raw and auxiliary materials	Market price	20.00	1.98	0.37	60 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of raw and auxiliary materials	Market price	580.00	539.49	99.63	Settlement in the corresponding month

Section V Significant Events

VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

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

1. Matters that have been disclosed in interim announcements and have no developments or changes in subsequent implementation (Continued)

Connected party	Connected relationship	Nature of the connected transaction	Details of the connected transaction	Pricing principle of the connected transaction	Estimated amounts in 2020	Actual amounts in the first half of 2020	Percentage of amount of the same type of transactions (%)	Settlement method of the connected transaction
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	35.14	100	30 days upon the invoice date
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	Associate	Acceptance of services from associates	Product accessories installation service	Costs plus reasonable profit	600.00	248.59	100	Next month upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from property leasing	Market price	8.00	6.62	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	71.68	75.51	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from management consultation	Market price	80.00	23.25	24.49	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	2,882.27	1,425.46	58.31	Payment before June 30
Global Cosmos German Limited (Note)	Others	Other outflows	Leasehold property	Market price	2,425.57	1,019.15	41.69	Payment before June 30
Total					46,025.84	16,239.47		

Notes: The estimated amount of property leasing in 2020 between the Company and Global Cosmos German Limited was €3,046,800 (tax inclusive, equivalent to RMB24,255,700), whereas the actual amount in the first half of 2020 was €1,280,200 (equivalent to RMB10,191,500), exclusive of tax of €243,200 (equivalent to RMB1,936,400).

Section V Significant Events

VII. SUBSTANTIAL CONNECTED TRANSACTIONS (Continued)

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

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

The Resolution in relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year of 2020 was considered and approved at the twelfth meeting of the ninth session of the Board of Directors of the Company convened on October 30, 2019. For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 31, 2019 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>).

Jinken Glass Industry Shuangliao Co., Ltd. expects an increase in demand in 2020, and the Resolution in relation to the Increase in the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year of 2020 was considered and approved at the fourteenth meeting of the ninth session of the Board of Directors of the Company convened on April 27, 2020. For details, please refer to the Announcement in relation to the Increase in the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year of 2020 dated April 28, 2020 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>).

3. Matters not disclosed in interim announcements

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amounts of the connected transaction	Percentage of amount of the same type of transactions (%)	Settlement method of connected transaction
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other outflows	Expenses from management consultation	Market price	0.50	100	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of equipment	Market price	30.53	100	
Total				/	31.03	/	

Notes to the connected transaction

As the amounts of the transactions conducted between the Company and Jinken Glass Industry Shuangliao Co., Ltd. are relatively small, they are not required to be submitted to the Board of Directors of the Company for consideration and approval in accordance with the relevant provisions of the Rules Governing the Listing of Securities on the Shanghai Stock Exchange and the Articles of Association.

Section V Significant Events

VII. SUBSTANTIAL CONNECTED TRANSACTIONS (CONTINUED)

(II) Amounts due to or from connected parties

1. Matters that have been disclosed in interim announcements and have developments or changes in subsequent implementation

The Resolution in Relation to Provision of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and its Domestic Subsidiaries and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions were considered and approved at the twelfth meeting of the eighth session of the Board of Directors of the Company on February 24, 2017, and the Resolution in Relation to Provision of Guarantees of Loans for Jinken Glass Industry Shuangliao Co., Ltd. by the Company and the Connected Transactions was considered and approved at the 2016 annual general meeting on April 26, 2017, which approved the Company and its domestic subsidiaries to grant a loan to Jinken Glass Industry Shuangliao Co., Ltd. (hereinafter referred to as “Jinken Glass”), with a limit of not more than RMB90,000,000, a term of not more than 24 months, and an interest rate not less than the benchmark interest rate of RMB loans offered by financial institutions as published by the PBOC for the corresponding period; which approved the Company and its domestic subsidiaries to grant a guarantee to Jinken Glass Industry Shuangliao Co., Ltd., with an aggregate of the amount of the guarantee and the amount of the loans granted by the Company and its subsidiaries to Jinken Glass of not more than RMB190,000,000. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Provision of Loans to Connected Parties and Related Guarantee in Relation to Fuyao Glass Industry Group Co., Ltd. dated February 25, 2017 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>).

In order to speed up the progress of the project of Jinken Glass and enable it to provide the steady supply of raw materials to the Company as soon as possible, the Company adjusted the limit of loans granted by the Company and its subsidiaries in the PRC to Jinken Glass 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 not less than the benchmark interest rate of RMB loans offered by financial institutions as published by the PBOC for the corresponding period. The relevant resolution had been considered and approved at the fifteenth meeting of the eighth session of the Board held on August 4, 2017. 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).

Before the expiry of loan term, Jinken Glass made a request to the Company for extending the term of the loans due to its financial constraints. Considering that Jinken Glass can provide a stable supply of raw materials for the Company and has the repayment ability, on March 15, 2019, the Board of Directors of the Company agreed to extend the term of the abovementioned related loans to August 15, 2021 upon consideration and approval at the ninth meeting of the ninth session of the Board of Directors of the Company. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Extension of the Repayment Term of Connected Loans dated March 16, 2019 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).

As at the end of the Reporting Period, the loan balance of Jinken Glass was RMB180,000,000.

Section V Significant Events

VIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

1. Guarantee

Unit: 0'000 Currency: RMB

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

Guarantees of the Company to subsidiaries

Total amount of the guarantees to subsidiaries during the Reporting Period	30,000
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	141,590

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

Total amount of guarantees (A+B)	141,590
Total amount of guarantees as a percentage of the net assets of the Company (%)	6.90
Including:	
The amount of guarantees offered to the shareholders, de facto controller and connected parties (C)	0
The amount of debt guarantees directly or indirectly offered to the guaranteed with a gearing ratio of over 70% (D)	0
The amount of guarantees in excess of 50% of net assets (E)	0
The sum of the three items above (C+D+E)	0

Explanation on guarantee Foreign currencies are translated into RMB based on the exchange rates announced by the PBOC on June 30, 2020

Section V Significant Events

IX. POVERTY ALLEVIATION BY THE LISTED COMPANY

1. Targeted poverty alleviation planning

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

2. Summary of targeted poverty alleviation during the Reporting Period

According to the information provided by Heren Charitable Foundation, during the Reporting Period, Heren Charitable Foundation established by Mr. Cho Tak Wong in early years by way of donation of his 300 million shares in Fuyao Glass Industry Group Co. Ltd. made a donation of RMB157.23 million, of which RMB8 million was used for targeted poverty alleviation, including:

- the donation of RMB6 million to Fujian Fumin Foundation to support the schooling of students excellent in both morals and studies from poverty-stricken families in Fujian Province;
- the donation of RMB1 million to Fujian Charity Federation to express solicitude for orphans in Fujian Province during the Spring Festival;
- the donation of RMB1 million to the Charity Federation of Luoyuan County of Fuzhou City for medical assistance to the injured who encounter serious financial difficulties in massive traffic accidents.

Section V Significant Events

IX. POVERTY ALLEVIATION BY THE LISTED COMPANY (CONTINUED)

3. Achievements of targeted poverty alleviation

Unit: '0,000 Currency: RMB

Index	Number and implementation information
I. GENERAL INFORMATION	
Including: 1. Fund	800
2. Cash equivalents of supplies	0
3. Number of poor people registered who got help in successfully fighting against poverty (Person)	6,300
II. ITEMIZED INPUT	
1. Poverty alleviation through industrial development	
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	600
4.2 Number of poor students receiving allowance (Person)	1,300
5. Poverty alleviation from the perspective of health	
6. Poverty alleviation from the perspective of ecological protection	
7. Basic guarantee	
Including: 7.1 Amount invested in helping left-behind children, elderly and women	100
7.2 Number of left-behind children, elderly and women funded (Person)	5,000
8. Poverty alleviation in the society	
Including: 8.1 Amount invested in poverty alleviation and collaboration between eastern and western regions	100
9. Others	

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

Section V Significant Events

IX. POVERTY ALLEVIATION BY THE LISTED COMPANY (CONTINUED)

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

The scholarship and grants programs in Northwest A&F University, Fujian Agriculture and Forestry University, Fujian Medical University, Xiamen University and Nanjing University are moving forward in an orderly manner. “Three regions and three prefectures”, the project scheme of poverty alleviation through improvement in health, has been determined and is in the process of execution and implementation.

5. Subsequent targeted poverty alleviation plan

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

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 2019 to 2021, it will emphatically support areas in gripping poverty and special crowds with poverty problems in the three regions, 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. The Company is currently discussing and communicating with the six provinces covered by the “three regions and three prefectures” for detailed projects, and expects to put such projects into actual practice subsequently. Other targeted poverty alleviation projects are also underway stepwise and have brought along substantial results. The Company’s next move is to carry on with its consistent support for various targeted poverty alleviation initiatives.

Section V Significant Events

X. ENVIRONMENTAL INFORMATION

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

1. Pollutant discharge

Chongqing Wansheng Float Glass Co., Ltd. (a wholly-owned subsidiary of the Company, hereinafter referred to as “Chongqing Float Glass”) is listed as the “Polluting Enterprise under Key Supervision by the State” by the Ministry of Environmental Protection. Chongqing Float Glass has two automotive grade float glass production lines, one of which stopped at 2019, as at the end of the Reporting Period, an automobile grade float glass production line is under production, taking the natural gas as the production fuel. The exhaust gas produced in the natural gas burning is discharged through 100m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO₂ and NO_x. 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 above production line of Chongqing Float Glass is mainly discharged through chimneys, and the waste gas discharged outlet number is DA001. The discharged concentration of special pollutants including smoke, SO₂ and NO_x is 13.75mg/m³, 189.85mg/m³ and 317.46mg/m³ respectively. The total emission quantity of such pollutants are 4.68t/a, 55.9t/a and 87.45t/a, respectively, while the total permitted emission quantity are 40.664t/a, 325.311t/a and 569.295t/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 m³/hour each. The actual treatment capacity of these facilities is 70,000 m³/hour to 80,000 m³/hour in normal operation.

2. Construction and operation of pollution prevention and control facilities

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

Section V Significant Events

X. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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 data of exhaust gas, fumes, sulfur dioxide, and nitrogen oxides discharged from the 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 V Significant Events

X. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. Float glass business division

In addition to Chongqing Wansheng Float Glass Co., Ltd., another three companies of the float glass business divisions, 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 has three automotive grade float glass production lines, one of which stopped at 2019, as at the end of the Reporting Period, two automobile grade float glass production lines are under production. Tongliao Float and Benxi Float each has two automotive grade float glass production lines under production. All the three companies take the natural gas as the production fuel. The exhaust gas produced in the natural gas burning is discharged through a 100m chimney to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO₂ 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 m³/hour. The actual treatment capacity of these facilities is 70,000 m³/hour to 80,000 m³/hour in normal operation.

2. Automotive glass business division

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

For the abovementioned pollutants, the Company mainly adopts the following methods for treatment: collection of waste gas via pipeline, and discharge of the waste gas via the 15m exhaust funnel after treatment by UV photo-oxygen catalytic devices, activated carbon devices and spray devices; installation of a reclaimed water recycling and treatment system which has a treatment process comprised of sedimentation + flocculation and flotation + sand filtration and carbon filtration, which is used to treat and recycle waste water generated from washing glass; entrustment of qualified companies to treat hazardous wastes; recycling of general solid wastes including leftover glass materials by the group companies; and transportation and treatment of domestic wastes by the sanitation department.

Section VI Changes in Ordinary Shares and Information of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

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

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders

As at June 30, 2020, total number of shareholders of the Company was 138,127, of which, 138,074 were holders of A shares and 53 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	138,127
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0

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

Unit: Share

Particulars of top 10 shareholders

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Pledged or moratorium Status of shares	Number	Nature of shareholders
HKSCC NOMINEES LIMITED ^(Note)	3,600	491,743,600	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	-24,720,552	200,901,889	8.01		Unknown		Unknown
Bai Yongli	0	34,653,315	1.38		Unknown		Unknown
Fujian Yaohua Industrial Village Development Co., Ltd.	0	34,277,742	1.37		Pledged	24,000,000	Domestic non state-owned legal person
China Universal Asset Management Company Limited — Social Security Fund Portfolio 1103	-299,908	32,500,092	1.30		Unknown		Unknown
China Securities Finance Corporation Limited	0	28,095,495	1.12		Unknown		Unknown
China Life Insurance Company Limited — Dividend — Personal dividend — 005L — FH002H	428,770	27,961,072	1.11		Unknown		Unknown
China Life Insurance Company Limited — Traditional — Ordinary Insurance Products — 005L — CT001 Hu	-571,776	27,013,585	1.08		Unknown		Unknown

Section VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

Shareholding of the top ten shareholders not subject to selling restrictions

Name of shareholders	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED <i>(Note)</i>	491,743,600	Overseas listed foreign shares	491,743,600
Sanyi Development Limited	390,578,816	Ordinary shares dominated in RMB	390,578,816
Heren Charitable Foundation	290,000,000	Ordinary shares dominated in RMB	290,000,000
Hong Kong Securities Clearing Company Limited	200,901,889	Ordinary shares dominated in RMB	200,901,889
Bai Yongli	34,653,315	Ordinary shares dominated in RMB	34,653,315
Fujian Yaohua Industrial Village Development Co., Ltd.	34,277,742	Ordinary shares dominated in RMB	34,277,742
China Universal Asset Management Company Limited — Social Security Fund Portfolio 1103	32,500,092	Ordinary shares dominated in RMB	32,500,092
China Securities Finance Corporation Limited	28,095,495	Ordinary shares dominated in RMB	28,095,495
China Life Insurance Company Limited — Dividend — Personal dividend — 005L — FH002H	27,961,072	Ordinary shares dominated in RMB	27,961,072
China Life Insurance Company Limited — Traditional — Ordinary Insurance Products — 005L — CT001 Hu	27,013,585	Ordinary shares dominated in RMB	27,013,585

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: Investors deposit the H shares held by themselves into the Central Clearing and Settlement System under the Hong Kong Stock Exchange and count them by the aggregate number of the shares registered under the name of HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司), a wholly-owned subsidiary member body of the Hong Kong Stock Exchange.

Section VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

As at June 30, 2020, 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 and an executive director) ⁽¹⁾	Beneficiary owner/interest of spouse/interest of controlled corporation	425,171,386(L)	21.23(L)	16.95(L)	A share
Tso Fai (the vice chairman and a 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 (鴻僑海外控股有限公司).
- (3) The percentage is calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2020.
- (4) (L) – long position.

Save as disclosed above, as at June 30, 2020, none of directors, supervisors and chief executives of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Section VI Changes in Ordinary Shares and Information of Shareholders

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

As at June 30, 2020, 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 ⁽⁶⁾ (%)	Percentage of total issued share capital of the Company ⁽⁶⁾ (%)	Class of shares
Chan Fung Ying ⁽¹⁾	Interest of spouse/ interest of controlled corporation	425,171,386(L)	21.23(L)	16.95(L)	A share
Sanyi Development Limited	Beneficial owner	390,578,816(L)	19.50(L)	15.57(L)	A share
Heren Charitable Foundation	Beneficial owner	290,000,000(L)	14.48(L)	11.56(L)	A share
Matthews International Capital Management, LLC	Investment manager	40,402,800(L)	7.99(L)	1.61(L)	H share
Royal Bank of Canada ⁽²⁾	Interest of controlled corporation	50,177,623(L)	9.92(L)	2.00(L)	H share
Mitsubishi UFJ Financial Group, Inc. ⁽³⁾	Interest of controlled corporation	63,588,469(L)	12.57(L)	2.53(L)	H share
Mawer Investment Management Ltd.	Investment manager	45,750,247(L)	9.05(L)	1.82(L)	H share
Black Rock, Inc. ⁽⁴⁾	Interest of controlled corporation	26,182,786(L) 1,254,400(S)	5.18(L) 0.25(S)	1.04(L) 0.05(S)	H share
Citigroup Inc. ⁽⁵⁾	Interest of controlled corporation/Approved lending agent	25,839,321(L) 971,699(S) 24,530,333(P)	5.11(L) 0.19(S) 4.85(P)	1.03(L) 0.04(S) 0.98(P)	H share

Notes:

- (1) Ms. Chan Fung Ying indirectly holds 34,277,742 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"), of which, 14,000,000 A shares (L) were pledged to China Merchants Securities Co., Ltd. by Yaohua. In addition, she was deemed to be interested in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) As RBC Global Asset Management (U.S.) Inc., RBC Global Asset Management Inc. and RBC Global Asset Management (U.K.) Limited, the entities controlled by Royal Bank of Canada, held 50,177,623 H shares (L) of the Company in aggregate, Royal Bank of Canada was deemed to be interested in the shares of the Company held by such entities.
- (3) As Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., First State Investments (Hong Kong) Ltd., First State Investments (Singapore) and First Sentier Investors Realindex Pty Ltd., the entities controlled by Mitsubishi UFJ Financial Group, Inc., held 63,588,469 H shares (L) of the Company in aggregate, Mitsubishi UFJ Financial Group, Inc. was deemed to be interested in the shares of the Company held by such entities.
- (4) BlackRock, Inc. held 26,182,786 H shares (L) and 1,254,400 H shares (S) of the Company through multiple entities under its control. In addition, 45,200 H shares (L) and 21,600 H shares (S) were related to derivatives, namely the unlisted derivatives – cash settled.
- (5) Citibank, N.A., Citigroup Global Markets Hong Kong Limited and Citigroup Global Markets Limited, the entities controlled by Citigroup Inc., held 25,839,321 H shares (L), 971,699 H shares (S) and 24,530,333 H shares (P) of the Company in aggregate. In addition, 816,800 H shares (L) were related to derivatives, namely the unlisted derivatives – cash settled.
- (6) The percentage is calculated based on the number of the relevant class of issued shares or the total issued shares of the Company as at June 30, 2020.
- (7) (L)—long position, (S)—short position, (P)—lending pool.

Save as disclosed above, as at June 30, 2020, no person had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Section VII Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDING

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

Unit: Share

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

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

II. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

- Mr. Wu Shinong, a non-executive director of the Company, resigned as an independent non-executive director of Xiamen ITG Group Co., Ltd. in May 2020.

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

Section VIII Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Balance Sheet

	<i>Note</i>	As at June 30, 2020 RMB'000 (Unaudited)	As at December 31, 2019 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	6	17,917,301	18,037,545
Right-of-use assets	7	658,603	701,329
Land use rights	8	1,038,614	1,050,928
Intangible assets	9	362,331	376,042
Investments in joint ventures	10	40,336	43,948
Investments in an associate	10	156,768	155,857
Deferred income tax assets	11	569,485	518,505
Other non-current asset	12	180,000	180,000
		20,923,438	21,064,154
Current assets			
Inventories		3,540,824	3,280,465
Trade and other receivables	12	4,198,454	4,492,347
Financial assets at fair value through profit or loss	13	2,172,830	860,894
Financial assets at fair value through other comprehensive income	13	732,080	784,418
Derivative financial instruments	13	1,399	85
Restricted cash		3,201	3,485
Cash and cash equivalents		11,728,463	8,352,669
		22,377,251	17,774,363
Total assets		43,300,689	38,838,517

Section VIII Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Balance Sheet (Continued)

	<i>Note</i>	As at June 30, 2020 <i>RMB'000</i> (Unaudited)	As at December 31, 2019 <i>RMB'000</i> (Audited)
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	14	2,508,618	2,508,618
Share premium	15	6,202,553	6,202,553
Other reserves	15	2,883,664	2,830,500
Retained earnings		8,923,148	9,840,932
		<u>20,517,983</u>	<u>21,382,603</u>
Non-controlling interests		<u>(2,477)</u>	<u>(1,285)</u>
Total equity		<u>20,515,506</u>	<u>21,381,318</u>
Liabilities			
Non-current liabilities			
Borrowings	16	1,947,198	1,193,000
Lease liabilities	7	533,819	571,282
Long-term payables	17	74,163	72,491
Deferred income tax liabilities	11	177,049	161,080
Deferred income on government grants	18	749,742	673,449
		<u>3,481,971</u>	<u>2,671,302</u>
Current liabilities			
Trade and other payables	19	5,247,867	4,206,392
Contract liabilities		748,029	695,400
Current income tax liabilities		284,171	264,917
Borrowings	16	12,916,188	9,525,806
Derivative financial instruments	13	18,461	3,795
Lease liabilities due within one year		84,807	85,983
Long-term payables due within one year		3,689	3,604
		<u>19,303,212</u>	<u>14,785,897</u>
Total liabilities		<u>22,785,183</u>	<u>17,457,199</u>
Total equity and liabilities		<u>43,300,689</u>	<u>38,838,517</u>

Section VIII Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Income Statement

	<i>Note</i>	Accumulated in June 2020 RMB'000 (Unaudited)	Accumulated in June 2019 RMB'000 (Unaudited)
Revenue	20	8,121,267	10,287,363
Cost of sales	20	(5,313,644)	(6,530,042)
Gross profit		2,807,623	3,757,321
Distribution costs and selling expenses		(612,505)	(692,453)
Administrative expenses		(996,502)	(1,003,955)
Research and development expenses		(329,042)	(397,195)
Other income		169,034	82,380
Other gains–net	21	150,051	121,459
Net impairment losses on financial assets		(584)	(17,676)
Operating profit	22	1,188,075	1,849,881
Finance income		139,356	115,102
Finance costs		(161,649)	(209,131)
Finance costs–net		(22,293)	(94,029)
Share of net profit of joint venture and associate accounted for using the equity method		2,199	(1,891)
Profit before tax		1,167,981	1,753,961
Income tax expense	23	(205,494)	(248,366)
Profit for the period		962,487	1,505,595
Profit attributable to:			
Owners of the Company		963,679	1,505,295
Non-controlling interests		(1,192)	300
Profit for the period		962,487	1,505,595
Earnings per share attributable to the ordinary equity holders of the Company during the period			
–Basic and diluted earnings per share (expressed in RMB per share)	24	0.38	0.60

Section VIII Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Comprehensive Income

<i>Note</i>	Accumulated in June 2020 RMB'000 (Unaudited)	Accumulated in June 2019 RMB'000 (Unaudited)
Profit for the period	962,487	1,505,595
Other comprehensive income: <i>Items that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	53,164	78,284
Other comprehensive income for the period, net of tax	53,164	78,284
Total comprehensive income for the period	<u>1,015,651</u>	<u>1,583,879</u>
Total comprehensive income attributable to:		
owners of the Company	1,016,843	1,583,579
Non-controlling interests	<u>(1,192)</u>	<u>300</u>
Total comprehensive income for the period	<u>1,015,651</u>	<u>1,583,879</u>

Section VIII Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Changes in Equity

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
As at January 1, 2020	2,508,618	6,202,553	2,830,500	9,840,932	21,382,603	(1,285)	21,381,318
Comprehensive income:							
Profit for the period	–	–	–	963,679	963,679	(1,192)	962,487
Other comprehensive income:							
Currency translation differences – the Group	–	–	53,164	–	53,164	–	53,164
Total comprehensive income	–	–	53,164	963,679	1,016,843	(1,192)	1,015,651
Total transaction with equity holders:							
Dividends declared for 2019	–	–	–	(1,881,463)	(1,881,463)	–	(1,881,463)
Total transaction with equity holders, recognized directly in equity	–	–	–	(1,881,463)	(1,881,463)	–	(1,881,463)
Appropriation to statutory reserve	–	–	–	–	–	–	–
As at June 30, 2020	2,508,618	6,202,553	2,883,664	8,923,148	20,517,983	(2,477)	20,515,506

Section VIII Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Statement of Changes in Equity (Continued)

	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
As at January 1, 2019	2,508,618	6,202,553	2,329,412	9,163,125	20,203,708	(1,034)	20,202,674
Comprehensive income:							
Profit for the period	-	-	-	1,505,295	1,505,295	300	1,505,595
Other comprehensive income:							
Currency translation differences – the Group	-	-	78,284	-	78,284	-	78,284
Total comprehensive income	-	-	78,284	1,505,295	1,583,579	300	1,583,879
Total transaction with equity holders:							
Dividends declared for 2018	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Total transaction with equity holders, recognized directly in equity	-	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Appropriation to statutory reserve	-	-	-	-	-	-	-
As at June 30, 2019	2,508,618	6,202,553	2,407,696	8,786,957	19,905,824	(734)	19,905,090

Section VIII Financial Report

I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

Condensed Consolidated Interim Cash Flow Statement

<i>Note</i>	Accumulated in June 2020 RMB'000 (Unaudited)	Accumulated in June 2019 RMB'000 (Unaudited)
Cash flow from operating activities		
Cash generated from operations	1,381,996	2,296,169
Income taxes paid	(207,262)	(428,468)
Net cash generated from operating activities	1,174,734	1,867,701
Cash flow from investing activities		
Proceeds from disposal of property, plant and equipment	14,971	33,279
Purchases of property, plant and equipment	(805,761)	(1,314,118)
Purchases of land use rights	–	(21,830)
Purchase of intangible assets	(8,860)	(41,740)
Purchase of financial assets at fair value through profit or loss – net	(1,292,427)	(1,815,000)
Net cash paid for acquisition of subsidiaries	–	(17,732)
Interest received	163,045	135,240
Dividends received	4,900	–
(Increase)/decrease in restricted cash	284	(5,335)
Government grants received relating to property, plant and equipment	107,566	93,843
Net cash used in investing activities	(1,816,282)	(2,953,393)
Cash flow from financing activities		
Proceeds from borrowings	10,364,459	10,132,651
Repayments of borrowings	(6,243,306)	(4,934,242)
Dividends paid to the Company's shareholders	–	(1,881,463)
Interest paid	(139,079)	(171,221)
Payment of lease liabilities	(70,440)	(45,286)
Net cash generated from financing activities	3,911,634	3,100,439
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	8,352,669	6,357,656
Exchange gains/(losses) on cash and cash equivalents	105,708	25,795
Cash and cash equivalents at the end of the period	11,728,463	8,398,198
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in the consolidated balance sheets	11,728,463	8,398,198
Add: Cash and cash equivalents attributable to the disposal groups	–	–
Cash and cash equivalents as stated in the consolidated cash flow statement	11,728,463	8,398,198

Section VIII Financial Report

II. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General Information

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

The Company's shares have been listed on both the SSE ("A shares") and the Main Board of the Hong Kong Stock Exchange ("H shares"). As at June 30, 2020, the Company had 2,002,986,332 A shares and 505,631,200 H shares in total, among which, Mr. Cho Tak Wong (曹德旺), the largest shareholder, together with his spouse held 16.95% equity interests in the Company.

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

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

The condensed consolidated interim financial statements are unaudited, and were approved to be issued by the Board of Directors on August 21, 2020.

2. Accounting Policies

During the Reporting Period, the accounting policies adopted by the Group are consistent with those used for and described in the annual consolidated financial statements of the Company for the year ended December 31, 2019. The Group has not early adopted any new accounting and financial reporting standards, amendments and improvements to existing standards which have been issued but are not yet effective for the financial year ended December 31, 2020.

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

Section VIII Financial Report

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

3. Financial Risk Management

3.1 Financial Risk Factors

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

The Condensed Consolidated Interim Financial Statements do not include all the information on financial risk management and disclosure required to be disclosed in the annual financial statements. There have been no changes in the risk management department or in any risk management policies since year end 2019.

3.2 Liquidity Risk

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

Section VIII Financial Report

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

3. Financial Risk Management (Continued)

3.2 Liquidity Risk (Continued)

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

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at June 30, 2020					
Borrowings, including interest payables	13,028,892	497,145	1,542,941	–	15,068,978
Long-term payables	7,008	7,008	21,024	70,081	105,121
Lease liabilities	93,929	57,245	218,183	310,890	680,247
Derivative financial instruments	18,461	–	–	–	18,461
Financial liabilities included in trade payables and other payables	4,807,930	–	–	–	4,807,930
	17,956,220	561,398	1,782,148	380,971	20,680,737
As at December 31, 2019					
Borrowings, including interest payables	9,612,747	631,553	602,655	–	10,846,955
Long-term payables	7,008	7,008	21,024	70,081	105,121
Lease liabilities	95,034	88,735	213,904	326,436	724,109
Derivative financial instruments	3,795	–	–	–	3,795
Financial liabilities included in trade payables and other payables	3,652,981	–	–	–	3,652,981
	13,371,565	727,296	837,583	396,517	15,332,961

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

3. Financial Risk Management (Continued)

3.3 Fair Value Estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at June 30, 2020 and December 31, 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at June 30, 2020				
Assets				
Financial assets at fair value through profit or loss				
– structured deposits	–	–	2,172,830	2,172,830
Derivative financial instruments				
– forward foreign exchange contract	–	–	1,399	1,399
Note receivable at fair value through other comprehensive income	–	–	732,080	732,080
	–	–	2,906,309	2,906,309
Liabilities				
Derivative financial instruments				
– forward foreign exchange contract	–	–	7,090	7,090
– short call on foreign exchange	–	–	11,371	11,371
	–	–	18,461	18,461

Section VIII Financial Report

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

3. Financial Risk Management (Continued)

3.3 Fair Value Estimation (Continued)

- (a) The table below analyses the Group's financial instruments carried at fair value as at June 30, 2020 and December 31, 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows: (Continued)

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at December 31, 2019				
Assets				
Financial assets at fair value through profit or loss				
– structured deposits	–	–	860,894	860,894
Derivative financial instruments				
– forward foreign exchange contract	–	–	85	85
	<u>–</u>	<u>–</u>	<u>85</u>	<u>85</u>
Note receivable at fair value through other comprehensive income	–	–	784,418	784,418
	<u>–</u>	<u>–</u>	<u>784,418</u>	<u>784,418</u>
	<u>–</u>	<u>–</u>	<u>1,645,397</u>	<u>1,645,397</u>
Liabilities				
Derivative financial instruments				
- Short call on foreign exchange	–	–	3,795	3,795
	<u>–</u>	<u>–</u>	<u>3,795</u>	<u>3,795</u>

Section VIII Financial Report

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

3. Financial Risk Management (Continued)

3.3 Fair Value Estimation (Continued)

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

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

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

Section VIII Financial Report

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

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 current income tax charges. Income tax charges should be recognised in the period in which such estimate is changed.

Section VIII Financial Report

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

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

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

Section VIII Financial Report

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

6. Plant, Equipment and Property

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and office equipment <i>RMB'000</i>	Tools, dies, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
For the six-month period ended June 30, 2020						
Opening net book amount as at January 1, 2020	5,355,439	7,554,388	1,609,354	617,331	2,901,033	18,037,545
Transfer	182,154	306,181	110,719	1,487	(600,541)	–
Other additions	70,684	81,162	29,398	94,713	606,580	882,537
Disposals	(2,875)	(3,571)	(6,770)	(6,905)	–	(20,121)
Depreciation	(167,074)	(499,202)	(216,182)	(149,169)	–	(1,031,627)
Currency translation difference	4,175	26,598	3,577	75	14,542	48,967
Closing net book amount as at June 30, 2020	5,442,503	7,465,556	1,530,096	557,532	2,921,614	17,917,301

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and office equipment <i>RMB'000</i>	Tools, dies, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
For the six-month period ended June 30, 2019						
Opening net book amount as at January 1, 2019	4,905,338	7,263,695	1,436,914	572,387	2,936,813	17,115,147
Transfer	159,271	529,851	202,597	2,307	(894,026)	–
Other additions	52,572	220,563	77,639	162,930	963,388	1,477,092
Additions from business combinations	15	888	317	300	19,296	20,816
Disposals	(1,241)	(13,152)	(16,330)	(2,923)	–	(33,646)
Transfers to construction in progress	(28,063)	(187,705)	(1,448)	(6)	217,222	–
Depreciation	(150,393)	(470,778)	(187,372)	(143,417)	–	(951,960)
Currency translation difference	28,068	17,914	471	55	5,179	51,687
Closing net book amount as at June 30, 2019	4,965,567	7,361,276	1,512,788	591,633	3,247,872	17,679,136

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

7. Leases

(1) The right-of-use assets relating to leases recognized by the Group:

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Opening net book amount	701,329	375,930
Additions	8,834	261,427
Depreciation	(59,409)	(34,199)
Deduction	(2,636)	–
Currency translation difference	10,485	(804)
	<u>658,603</u>	<u>602,354</u>
Closing net book value	<u>658,603</u>	<u>602,354</u>

(2) The lease liabilities relating to leases recognized by the Group:

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
	Current portion	84,807
Non-current portion	533,819	571,282
	<u>618,626</u>	<u>657,265</u>
	<u>618,626</u>	<u>657,265</u>

Section VIII Financial Report

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

8. Land Use Rights

The Group obtain relevant land use rights mainly through land use arrangement with mainland China government.

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Opening net book value	1,050,928	1,050,397
Currency translation difference	295	58
Additions	–	21,830
Amortisation charges	(12,609)	(12,372)
Closing net book value	<u>1,038,614</u>	<u>1,059,913</u>

9. Intangible Assets

	Goodwill RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2020							
Opening net book amount as at January 1, 2020	<u>154,941</u>	<u>3,245</u>	<u>27,600</u>	<u>60,317</u>	<u>120,566</u>	<u>9,373</u>	<u>376,042</u>
Currency translation difference	–	–	392	124	–	4	520
Additions	–	–	–	8,381	–	479	8,860
Disposals	–	(11)	–	(68)	–	–	(79)
Amortisation charges	–	(824)	(1,766)	(16,403)	(3,458)	(561)	(23,012)
Closing net book amount as at June 30, 2020	<u>154,941</u>	<u>2,410</u>	<u>26,226</u>	<u>52,351</u>	<u>117,108</u>	<u>9,295</u>	<u>362,331</u>

Section VIII Financial Report

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

9. Intangible Assets (Continued)

	Goodwill RMB'000	Patents RMB'000	License fee RMB'000	Computer software RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
For the six-month period ended June 30, 2019							
Opening net book amount as at January 1, 2019	153,707	4,880	30,606	49,488	35,892	2,799	277,372
Currency translation difference	-	-	51	1	-	(1)	51
Additions	-	3,284	-	16,701	-	7,798	27,783
Additions from business combinations	13,957	15	-	-	-	-	13,972
Disposals	-	-	-	-	-	(303)	(303)
Amortisation charges	-	(1,373)	(1,727)	(13,837)	(565)	(375)	(17,877)
Closing net book amount as at June 30, 2019	167,664	6,806	28,930	52,353	35,327	9,918	300,998

10. Investments Under the Equity Method

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Joint Venture		
Opening balance	43,948	40,680
Dividends received	(4,900)	-
Share of results	1,288	1,088
Closing balance	40,336	41,768
Associate		
Opening balance	155,857	165,057
Share of results	911	(2,979)
Closing balance	156,768	162,078

Section VIII Financial Report

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

11. Deferred Income Tax Assets and Liabilities

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

	Deferred income tax assets <i>RMB'000</i>	Deferred income tax liabilities <i>RMB'000</i>
As at January 1, 2020	1,025,854	668,429
Recognised in the consolidated income statement	47,160	15,968
Effect of movements in exchange rates	11,332	7,513
As at June 30, 2020	<u>1,084,346</u>	<u>691,910</u>
Offsetting deferred income tax liabilities/deferred income tax assets	<u>(514,861)</u>	<u>(514,861)</u>
Net balance after offsetting as at June 30, 2020	<u>569,485</u>	<u>177,049</u>
	Deferred income tax assets <i>RMB'000</i>	Deferred income tax liabilities <i>RMB'000</i>
As at January 1, 2019	739,196	646,484
Recognised in the consolidated income statement	11,246	17,610
Effect of movements in exchange rates	821	821
As at June 30, 2019	<u>751,263</u>	<u>664,915</u>
Offsetting deferred income tax liabilities/deferred income tax assets	<u>(494,018)</u>	<u>(494,018)</u>
Net balance after offsetting as at June 30, 2019	<u>257,245</u>	<u>170,897</u>

Section VIII Financial Report

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

12. Trade and Other Receivables

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Trade receivables due from third parties (Note(a)):		
Notes receivables	15,790	20,011
Trade receivables	3,310,342	3,462,118
Less: Provision for impairment	(5,323)	(4,688)
Trade receivables – net	<u>3,320,809</u>	<u>3,477,441</u>
Other receivables due from third parties:		
Other receivables	470,489	504,702
Less: Provision for impairment	(42,116)	(41,346)
Other receivables – net	<u>428,373</u>	<u>463,356</u>
Amount due from related parties (Note 27(c)):		
Other receivables (i)	<u>183,119</u>	<u>182,681</u>
Others:		
Prepayments	245,712	222,502
Prepaid current income tax and value-added tax recoverable and refundable	200,441	326,367
	<u>446,153</u>	<u>548,869</u>
Trade and other receivables	<u>4,378,454</u>	<u>4,672,347</u>
Less: Non-current portion of amount due from related parties (i)	<u>(180,000)</u>	<u>(180,000)</u>
Trade and other receivables – net	<u><u>4,198,454</u></u>	<u><u>4,492,347</u></u>

Section VIII Financial Report

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

12. Trade and Other Receivables (Continued)

- (i) The amount represents the loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd., the loan will be due in August 2021 and bears an interest rate of 5.225% per annum. The loan for the associate is secured by 75% of share of the associate held by third parties and all property, plants and equipment (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.
- (a) Trade receivables, including notes receivables and trade receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date before provision for impairment as at June 30, 2020 and December 31, 2019 was as follows:

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Trade receivables – gross		
Within 3 months	2,779,400	3,242,570
3 to 6 months	498,679	203,519
6 to 12 months	40,995	34,003
Over 1 year	7,058	2,037
	<u>3,326,132</u>	<u>3,482,129</u>

Section VIII Financial Report

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

13. Financial Assets at Fair Value Through Profit or Loss, Financial Assets at Fair Value Through Other Comprehensive Income and Derivative Financial Instruments

	As at June 30, 2020 <i>RMB'000</i>	As at December 31, 2019 <i>RMB'000</i>
(1) Financial assets at fair value through profit or loss		
Current assets		
– Structure deposits (a)	2,172,830	860,894
(2) Derivative financial instruments		
Current assets		
– Forward foreign exchange contracts (b)	1,399	85
Current Liabilities		
– Forward foreign exchange contracts (b)	7,090	–
– Short call on foreign exchange (c)	11,371	3,795
	<u>18,461</u>	<u>3,795</u>
(3) Financial assets at fair value through other comprehensive income		
Current assets		
Note Receivable at fair value through other comprehensive Income	732,080	784,418

Section VIII Financial Report

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

13. Financial Assets at Fair Value Through Profit or Loss, Financial Assets At Fair Value Through Other Comprehensive Income and Derivative Financial Instruments (Continued)

(a) As at June 30, 2020, among the balance deposits of the Group:

- (1) 100% principal protected structure deposits with earnings linked to USD-HKD exchange rate, the investment amount of which is RMB200,000,000, and the valuation of which at the end of the period is RMB202,842,191, will expire on August 14, 2020;
- (2) 100% principal protected structure deposits with earnings linked to USD3M-LIBOR, the investment amount of which is RMB850,000,000 in total, and the valuation of which at the end of the period is RMB860,382,055, will expire from July 8, 2020 to September 4, 2020;
- (3) 100% principal protected structure deposits with earnings linked to EUR-USD exchange rate, the investment amount of which is RMB1,100,000,000 in total, and the valuation of which at the end of the period is RMB1,109,606,028, will expire from July 8, 2020 to December 29, 2020.

As at December 31, 2019, among the balance deposits of the Group:

- (1) 100% principal protected structure deposits with earnings linked to USD-HKD exchange rate, the investment amount of which was RMB200,000,000, and the valuation of which at the end of the year was RMB202,207,260, has expired on February 26, 2020.
- (2) 100% principal protected structure deposits with earnings linked to USD3M-LIBOR, the investment amount of which was RMB650,000,000 in total, and the valuation of which at the end of the year was RMB658,687,123, have expired from January 6, 2020 to January 16, 2020.

(b) As at June 30, 2020, among the forward foreign currency contracts that have been signed between the Group and banks but not yet expired:

- (1) The notional amount of GBP to USD is GBP500,000, and the exchange rate agreed in the contract is 1.336. The contract will expire on December 18, 2020;
- (2) The notional amount of USD to RMB is USD42,629,986, and the exchange rate agreed in the contract is 7.1004. The contract will expire on August 24, 2020;
- (3) The notional principal amount of USD to RMB is USD58,090,563, and the exchange rate agreed in the contract is 6.9442. The contract will expire on July 16, 2020.

As at December 31, 2019, among the forward foreign currency contracts that have been signed between the Group and banks but not yet expired: The notional amount of GBP to USD was GBP500,000, and the exchange rate agreed in the contract was 1.336. The contract will expire on December 18, 2020.

(c) As at June 30, 2020, among the foreign exchange call options contracts that have been signed between the Group and banks but not yet expired: The notional amount of USD to RMB is USD155,000,000 in aggregate, and the exchange rate agreed in the contract is 7.15. The contract will expire from August 24, 2020 to December 25, 2020.

As at December 31, 2019, among the foreign exchange call options contracts that have been signed between the Group and banks but not yet expired: The notional amount of USD to RMB was USD60,000,000 in aggregate, and the exchange rate agreed in the contract was 7.0000. The contract had expired from January 15, 2020 to April 21, 2020.

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

14. Share Capital

	Number of A shares <i>Thousands</i>	Number of H shares <i>Thousands</i>	A shares of RMB1 each <i>RMB'000</i>	H shares of RMB1 each <i>RMB'000</i>	Total share capital <i>RMB'000</i>
Ordinary shares, issued and fully paid:					
As at January 1, 2019 and June 30, 2019	2,002,986	505,632	2,002,986	505,632	2,508,618
As at January 1, 2020 and June 30, 2020	2,002,986	505,632	2,002,986	505,632	2,508,618

15. Share Premium and Other Reserves

	Share premium <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Other reserves		Total <i>RMB'000</i>
			Foreign currency translation differences <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	
As at January 1, 2020	6,202,553	2,688,960	121,015	20,525	2,830,500
Foreign currency translation differences	–	–	53,164	–	53,164
As at June 30, 2020	6,202,553	2,688,960	174,179	20,525	2,883,664
As at January 1, 2019	6,202,553	2,350,362	(41,475)	20,525	2,329,412
Foreign currency translation differences	–	–	78,284	–	78,284
As at June 30, 2019	6,202,553	2,350,362	36,809	20,525	2,407,696

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

16. Borrowings

(1) The balance of the borrowings is as follows:

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Non-current	1,947,198	1,193,000
Current	12,916,188	9,525,806
Total borrowings	14,863,386	10,718,806

(a) During the Reporting Period, the Group issued two tranches of medium-term notes in the inter-bank market of the PRC, details of which are analysed as follows:

Stock short name	Issue date	Term	Interest rate	Principal (RMB'000)
20 Fuyao (outbreak prevention and control bonds) MTN001	February 13, 2020	3 years	3.19%	600,000
20 Fuyao (outbreak prevention and control bonds) MTN002	April 20, 2020	3 years	2.75%	600,000

(b) During the Reporting Period, the Group issued four tranches of ultra short-term financing bonds in the inter-bank market of the PRC, details of which are analysed as follows:

Stock short name	Issue date	Term	Interest rate	Principal (RMB'000)
20 Fuyao Glass SCP001	January 13, 2020	180 days	3.03%	300,000
20 Fuyao Glass SCP002	February 13, 2020	270 days	2.84%	600,000
20 Fuyao Glass SCP003	March 9, 2020	268 days	2.60%	400,000
20 Fuyao Glass SCP004	March 18, 2020	270 days	2.55%	200,000

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

16. Borrowings (Continued)

(2) Movement in borrowings is analysed as follows:

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Opening net book amount	10,718,806	8,431,120
Additions	10,387,886	10,182,530
Deduction	(6,243,306)	(4,934,242)
Closing net book amount	14,863,386	13,679,408

17. Long-term payables

	June 30, 2020 RMB'000	June 30, 2019 RMB'000
Payables for proceeds from transfer of mining rights	77,852	76,095
Less: Current portion of non-current borrowings	(3,689)	(3,604)
	74,163	72,491

According to the Interim Measures for the Administration of the Collection of Mining Right Transfer Profits, the Group's quartz sand mine mining rights in Wenchang City, Hainan Province are subject to levy on transfer proceeds. The Group paid 26,280,000 yuan in 2019, and will pay the remaining part annually till 2034.

18. Deferred Income on Government Grants

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
At beginning of the period	673,449	536,835
Government grants received during the year ⁽¹⁾	107,566	93,843
Credited to the consolidated income statement	(31,545)	(24,522)
Foreign currency statement translation	272	(19)
At end of the period	749,742	606,137

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

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

19. Trade and Other Payables

	As at June 30, 2020 <i>RMB'000</i>	As at December 31, 2019 <i>RMB'000</i>
Dividends payable	1,881,463	–
Payables to third parties	1,006,297	1,203,449
Notes payable	759,514	860,740
Payables for purchasing of property, plant and equipment	381,402	462,128
Staff salaries payables	364,382	473,972
Payables for arbitration on claim	–	274,093
Amount due to related parties (<i>Note 27(c)</i>)	48,944	59,042
Accrued taxes other than income tax	75,556	79,440
Other payables and accruals	730,309	793,528
	<u>5,247,867</u>	<u>4,206,392</u>

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

	As at June 30, 2020 <i>RMB'000</i>	As at December 31, 2019 <i>RMB'000</i>
Within 3 months	1,416,304	1,667,991
3 to 6 months	302,166	339,815
6 to 12 months	11,362	21,047
Over 1 year	35,979	35,336
	<u>1,765,811</u>	<u>2,064,189</u>

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

20. Revenue and Cost of Sales

	For the period ended June 30			
	2020		2019	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automobile glasses	7,299,577	4,981,543	9,209,555	6,102,728
Float glasses	1,289,400	842,058	1,696,039	1,134,448
Others	781,666	739,419	949,413	860,510
Sub-total	<u>9,370,643</u>	<u>6,563,020</u>	<u>11,855,007</u>	<u>8,097,686</u>
Less: Intra-group sales	<u>(1,249,376)</u>	<u>(1,249,376)</u>	<u>(1,567,644)</u>	<u>(1,567,644)</u>
	<u>8,121,267</u>	<u>5,313,644</u>	<u>10,287,363</u>	<u>6,530,042</u>

21. Other Gains – Net

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Net foreign exchange gains	127,840	31,125
Gains on financial assets at fair value through profit or loss and derivative financial instruments	23,689	20,138
Changes in fair value of financial assets	6,157	8,152
Loss on disposal of note receivable at fair value through other comprehensive income	(6,882)	(4,450)
Loss on disposal of property, plant and equipment	(4,376)	(904)
Donation	(275)	(383)
Net gain on claim	5,115	71,358
Others	(1,217)	(3,577)
	<u>150,051</u>	<u>121,459</u>

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

22. Operating Profit

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
The following items have been charged to the operating profit during the period:		
Employee benefit expenses	1,827,550	2,152,129
Depreciation of property, plant and equipment (Note 6)	1,031,627	951,960
Transportation and storage expenses	243,597	305,960
Packing expenses	175,235	204,528
Depreciation of right of use assets (Note 7)	59,409	34,199
Amortisation of intangible assets (Note 9)	23,012	17,877
Amortisation of land use rights (Note 8)	12,609	12,372
Write-down inventories to net realisable value	5,077	5,495

23. Income Tax Expense

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

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Current income tax	240,505	242,002
Deferred income tax	(35,011)	6,364
Income tax expense	205,494	248,366

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

23. Income Tax Expense (Continued)

(a) PRC corporate income tax

The corporate income tax is calculated based on the taxable income after adjustments on certain income and expense items and the applicable tax rate in accordance with the PRC tax laws and regulations.

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

(b) Hong Kong profits tax

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

(c) American profits tax

Profit tax has been provided for at the rate of 24% for certain subsidiaries of the Group on the estimated assessable profit during the period. Applicable profit tax rates of the Group's other subsidiaries in American are between 25.40% and 27%, but no profit tax has been provided due to accumulated losses during the period.

(d) Russian profits tax

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

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

23. Income Tax Expense (Continued)

(e) German profits tax

Applicable profit tax rate of Germany is 28.43% and 28.78%. During the period, no profit tax has been provided due to accumulated losses.

The tax on the Group's profit before tax differs from the theoretical amount that could arise from using the statutory tax rates of 10% to 40% applicable as follows:

	For the period ended June 30	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before tax	1,167,981	1,753,961
Tax calculated at the applicable income tax rate	293,521	444,333
Tax effect of:		
Expenses not deductible for tax purpose	230	1,030
Income not subject to income tax	(550)	(246)
Preferential income tax rate	(132,247)	(142,351)
Unrecognised tax losses carried forward	99,569	48,992
Utilisation of previously unrecognised deductible temporary differences	(190)	—
Utilisation of previously unrecognised tax losses	(2,314)	(55,158)
Withholding taxation on unremitted earnings of certain subsidiaries	6,613	7,869
Others	(59,138)	(56,103)
Income tax expense	205,494	248,366

Section VIII Financial Report

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

24. Earnings per Share

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

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Net profit attributable to the equity holders of the Company (RMB'000)	963,679	1,505,295
Weighted average number of ordinary shares in issue (thousand)	2,508,618	2,508,618
Basic earnings per share (RMB)	0.38	0.60

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

25. Dividends

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Dividends proposed by the Company	—	—

For the period ended June 30, 2020 and June 30, 2019, no dividend of corresponding period was proposed by the directors of the Company.

26. Commitments

As at the balance sheet date, matters not shown on the balance sheet of the Group are as follows:

1. Capital commitments

As at June 30, 2020 and December 31, 2019, capital expenditure contracted for but not yet performed is as follows:

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Property, plant and equipment	1,038,099	1,206,793

Section VIII Financial Report

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

27. Related Party Transactions

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business and balances arising from related party transactions during the period ended June 30, 2020 and 2019:

(a) Name of and relationship with related parties

Name of related parties	Relationship
Mr. Cho Tak Wong (曹德旺)*	Single largest shareholder
Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司)*	Controlled by Ms. Chan Fung Ying (the spouse of Mr. Cho Tak Wong)
Sanyi Development Ltd. (三益發展有限公司)*	Shareholder of the Company, which is controlled by the single largest shareholder
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包裝(福州)有限公司)	Jointly controlled entity of the Group
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	An entity over which the Group has significant influence
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	An entity over which the Group has significant influence
Fujian Triplex Investment Co., Ltd. (福建三鋒投資有限公司)*	Controlled by a director of the Group
Global Cosmos German Co., Ltd. (環創德國有限公司)*	Controlled by the single largest shareholder

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

I. Sales of goods

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	5,933	236
Tri-Wall Packaging (Fuzhou) Co., Ltd.	1,088	1,594
	<u>7,021</u>	<u>1,830</u>

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

27. Related Party Transactions (Continued)

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

II. Purchase of goods

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	102,909	80,354
Tri-Wall Packaging (Fuzhou) Co., Ltd.	25,777	37,742
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	2,486	—
	<u>131,172</u>	<u>118,096</u>

III. Rental income

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	<u>66</u>	<u>66</u>

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

27. Related Party Transactions (Continued)

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

IV. Increased rights of use assets as a lessee

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Global Cosmos German Co., Ltd.*	—	227,450
Fujian Yaohua Industrial Village Development Co., Ltd.*	—	81,708
	<u>—</u>	<u>81,708</u>
	<u>—</u>	<u>309,158</u>

V. Increased interest on lease liabilities as a lessee

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Global Cosmos German Co., Ltd.*	1,281	1,253
Fujian Yaohua Industrial Village Development Co., Ltd.*	646	1,263
	<u>1,927</u>	<u>1,263</u>
	<u>1,927</u>	<u>2,516</u>

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

27. Related Party Transactions (Continued)

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

VI. Acquisition of equity interest

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Fujian Triplex Investment Co., Ltd. *	—	66,000

VII. Key management compensation

	For the period ended June 30	
	2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	19,275	21,384
Pension, housing fund, medical insurance and other social insurance	348	434
Others	330	361
	<u>19,953</u>	<u>22,179</u>

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

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

27. Related Party Transactions (Continued)

(c) Balances with related parties

Amount due from related parties:

	As at June 30, 2020 <i>RMB'000</i>	As at December 31, 2019 <i>RMB'000</i>
Other receivables (i)	183,119	182,681
Prepayments (ii)	44,509	42,965
	227,628	225,646

(i) Other receivables:

	As at June 30, 2020 <i>RMB'000</i>	As at December 31, 2019 <i>RMB'000</i>
Jinken Glass Industry Shuangliao Co., Ltd.	182,859	182,439
Tri-Wall Packaging (Fuzhou) Co., Ltd.	134	242
Global Cosmos German Co., Ltd.	126	-
	183,119	182,681

(ii) Prepayments:

	As at June 30, 2020 <i>RMB'000</i>	As at December 31, 2019 <i>RMB'000</i>
Jinken Glass Industry Shuangliao Co., Ltd.	44,509	42,965

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

27. Related Party Transactions (Continued)

(c) Balances with related parties (Continued)

Amount due to related parties:

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Trade payables (iii)	26,302	33,131
Other payables (iv)	22,642	25,911
	<u>48,944</u>	<u>59,042</u>

(iii) Trade payables:

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	21,761	21,759
Tri-Wall Packaging (Fuzhou) Co., Ltd.	4,541	11,372
	<u>26,302</u>	<u>33,131</u>

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

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Within 3 months	25,389	33,131
3 to 6 months	913	-
	<u>26,302</u>	<u>33,131</u>

Section VIII Financial Report

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

27. Related Party Transactions (Continued)

(c) Balances with related parties (Continued)

Amount due to related parties: (Continued)

(iv) Other payables to related parties:

	As at June 30, 2020 RMB'000	As at December 31, 2019 RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	22,642	25,555
Global Cosmos German Co., Ltd.	—	356
	<u>22,642</u>	<u>25,911</u>

(v) Lease liabilities:

	As at June 30, 2020 RMB'000	As at June 30, 2019 RMB'000
Global Cosmos German Co., Ltd.	173,709	169,264
Fujian Yaohua Industrial Village Development Co., Ltd.	27,863	55,725
	<u>201,572</u>	<u>224,989</u>

28. Events after the Balance Sheet Date

On August 3, 2020, the Company publicly issued the fifth period of 2020 ultra short-term financing bonds (referred to as "20 Fuyao Glass SCP005") in the national inter-bank market and the ultra short-term financing bonds code is 012002697. The total issuance is RMB300,000,000, the term of the ultra short-term financing bonds for the period is 177 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.54% (annual interest rate), the main underwriter is Bank of Communications Co., Ltd. (交通銀行股份有限公司), and the value date is August 4, 2020, and the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to supplement working capital and repay bank loans.