



**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 ANNUAL REPORT

# Important Notice

- I. The Board of Directors, the Board of Supervisors and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.
- II. All the directors of the Company have attended the Board meeting.
- III. PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) has issued standard unqualified audit report for the Company.
- IV. Cho Tak Wong, the person-in-charge of the Company, Chen Xiangming, the person-in-charge of accounting affairs and Qiu Yongnian, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- V. Plan for profit distribution or conversion of capital reserves into share capital as approved by the Board in the Reporting Period

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2020 as shown on the consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB2,600,776,459. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2020 as shown on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards amounted to RMB2,600,245,725.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit for the year of 2020 as shown on the Company's financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB2,424,595,759; adding the undistributed profits of RMB6,259,347,637 at the beginning of the year of 2020, deducting the distributed profits of RMB1,881,463,149 for the year of 2019, and after appropriating 10% of the net profit of the Company for the year of 2020 to the statutory surplus reserve amounting to RMB242,459,576, the profits distributable to shareholders of the Company as at December 31, 2020 amounted to RMB6,560,020,671.

The profit distribution plan for the year of 2020 as proposed by the Company is as follows: to distribute cash dividends of RMB7.5 per 10 shares (tax inclusive) based on the total share capital of 2,508,617,532 shares of the Company as at December 31, 2020 to holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of cash dividends for the year of 2020, with total dividends to be distributed amounting to RMB1,881,463,149 in total. The undistributed profits of the Company will be carried forward to the following year. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2020. Cash dividends distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

If the total share capital of the Company changes before the record date for the implementation of profit distribution, the Company proposes to maintain the distribution ratio per share unchanged and make adjustment to the total distribution accordingly. The details of adjustments will be published separately.

- VI. Risks associated with forward-looking statements  
The forward-looking statements contained in this annual report such as future plans and development strategies do not constitute substantive commitment of the Company to investors. Investors should be aware of the investment risks.
- VII. Any appropriation of fund by the controlling shareholder and its connected parties for non-operating purpose  
No
- VIII. Any provision of external guarantee in violation of the stipulated decision making procedure  
No
- IX. Whether more than half of the directors are unable to provide assurance as to the truthfulness, accuracy and completeness of the annual report disclosed by the Company  
No
- X. Material risk alert

The Company has described in details the potential risks it may face in this annual report. For further information, please refer to "(IV) Potential Risks" under "II. Discussion and Analysis on the Future Development of the Company" of "Section V Report of the Board of Directors".

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# Section I Chairman's Statement

Dear shareholders,

I am very grateful for your long-term support and care for Fuyao Glass. Entrusted by the Board of Directors of the Company, I am pleased to present the 2020 annual report for your review.

In 2020, the COVID-19 pandemic (the "Pandemic") had a severe impact on the global economy, with the global economy, trade and investment suffering a severe setback, the global economic growth plummeting, the global geopolitical situation becoming further tense, the quantitative easing monetary measures taken by various countries intensifying financial risks, and the global economy being beset with difficulties. In the face of the harsh market environment, we "sought pragmatic and excellence in our work and turned crisis into opportunity", and all of Fuyao staff acted quickly to increase income while cutting expenditure, improve quality and efficiency, expand external markets and improve internal efficiencies; we made strategic breakthroughs in new markets, new customers and new technology products; we accelerated the pace of development and promoted product value-added upgrades; we used informationization, standardisation and digitization as means to lean the operation and build a quality assurance system for all the staff and Progress to improve customer's satisfaction for our services. With our collective efforts, we overcame the impact of the Pandemic and achieved impressive results; with the speed of Fuyao, we completed the renovation and upgrade of our Guangzhou company after the flood, thereby fully demonstrating Fuyao's strength to the world, winning the trust and respect of our customers and further strengthening Fuyao's comprehensive competitive advantage.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB19,906,593,000, representing a decrease of 5.67% as compared with the corresponding period last year; realized a profit before tax of RMB3,109,064,000, representing a decrease of 3.76% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB2,600,245,000, representing a decrease of 10.27% as compared with the corresponding period last year; and realized earnings per share of RMB1.04, representing a decrease of 10.34% as compared with the corresponding period last year.

The profit before tax for the Reporting Period decreased by 3.76% as compared with the corresponding period last year. For the major contributing factors, please refer to "Section VI Management Discussion and Analysis". Eliminating the effects of such incomparable factors, the profit before tax for the Reporting Period increased by 6.91% as compared with the corresponding period last year.

On the whole, although all walks of life are generally optimistic about the economic situation in 2021, we have to notice the risks hidden at the macro level, namely credit risks, labor shortage, and price increase of production factors, and the Pandemic overseas has not been effectively controlled, all of which will become factors affecting annual development. In this case, Fuyao will "be cautious and optimistic, step by step" when carrying out various works in 2021: improve various regulations and systems and the comprehensive quality of employees; promote the procedures, standardization and normalization of production to improve the stability of production equipment and production personnel, so as to increase the one-time rate of finished products; step up efforts in innovation and improve the process and incentive mechanism of management innovation and technological innovation. Being market-oriented, the Company will transform innovation into productivity, and promote Fuyao to upgrade from a manufacturing enterprise to a technology-based enterprise; Fuyao will continue to uphold the core values of "diligence, simplicity, learning and innovation", improve Fuyao's cultural ecology and promote the "happiness project" of employees to realize the synchronized development of the Company and employees, and build a high-quality team to consolidate the foundation for corporate development.

All members of Fuyao should carry forward the fine traditions, work with one mind and one heart, coordinate with each other, strengthen our beliefs in development and change the management model from "relying on tenacity and motivation" to "relying on wisdom and system" to fully realize the established strategic goals and promote Fuyao to become a globally respected great enterprise.

*Chairman: **Cho Tak Wong***





## Section II Definitions

### I. DEFINITIONS

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

#### Definitions of common terms

PRC, China	the People's Republic of China
CSRC	China Securities Regulatory Commission
SSE	the Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Company, Listed Company, Fuyao Glass, Fuyao	Fuyao Glass Industry Group Co., Ltd.
Group	Fuyao Glass Industry Group Co., Ltd. and its subsidiaries
Board of Directors	the board of directors of the Company
Board of Supervisors	the board of supervisors of the Company
Articles of Association	the articles of association of the Company currently in force
SAM	SAM automotive production GmbH, a company incorporated in accordance with the laws of Germany, which is principally engaged in the production and sale of aluminum trim strip
RMB, RMB1,000, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 1,000 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, the lawful currency in circulation in the PRC
PVB	polyvinyl butyral
OEM, ancillary business	automotive glass and services used in new vehicles of automobile factories
ARG, spare parts and components business	used in aftermarket repairing glass, a kind of automotive glass that is produced for replacement purposes for aftermarket suppliers
laminated glass	automotive safety glass made of two or more than two layers of automobile float glass held in place by one or more interlayers of PVB
float glass	the glass produced by applying float technology
Reporting Period	for the twelve months ended December 31, 2020
Latest Practicable Date	March 29, 2021, being the latest practicable date for including certain information herein prior to the publication of this annual report



# Section III Corporate Profile and Principal Financial Indicators

## I. COMPANY INFORMATION

Name of the Company in Chinese	福耀玻璃工業集團股份有限公司
Chinese abbreviation	福耀玻璃
Name of the Company in English	FUYAO GLASS INDUSTRY GROUP CO., LTD.
English abbreviation	FYG · FUYAO GLASS
Legal representative of the Company	Cho Tak Wong

## II. CONTACT PERSON AND CONTACT METHODS

	Secretary to the Board of Directors	Representative of Securities Affairs
Name	Li Xiaoxi	Zhang Wei
Contact Address	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province	District II of Fuyao Industrial Zone, Fuqing City, Fujian Province
Telephone	0591-85383777	0591-85383777
Fax	0591-85363983	0591-85363983
E-mail	600660@fuyaogroup.com	600660@fuyaogroup.com

## III. BASIC INFORMATION

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

# Section III Corporate Profile and Principal Financial Indicators

## IV. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

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

## V. INFORMATION ON THE COMPANY'S SHARES

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

## VI. OTHER RELEVANT INFORMATION

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



## Section III Corporate Profile and Principal Financial Indicators

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

#### (I) Principal accounting data

Unit: '000 Currency: RMB

Principal accounting data	2020	2019	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2018
Revenue	<b>19,906,593</b>	21,103,878	-5.67	20,224,986
Annual profits attributable to the owners of the Company	<b>2,600,245</b>	2,897,868	-10.27	4,119,935
Annual profits attributable to the owners of the Company, net of non-recurring profit or loss	<b>2,303,990</b>	2,802,907	-17.80	3,467,788
Net cash generated from operating activities	<b>4,849,518</b>	4,700,911	3.16	5,451,390
	<b>At the end of 2020</b>	At the end of 2019	Increase/decrease at the end of the Reporting Period as compared with the end of the corresponding period last year (%)	At the end of 2018
Equity attributable to the owners of the Company	<b>21,606,224</b>	21,382,603	1.05	20,203,708
Total assets	<b>38,435,332</b>	38,838,517	-1.04	34,503,241

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

#### (II) Principal financial indicators

Principal financial indicators	2020	2019	Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2018
Basic earnings per share (RMB/share)	<b>1.04</b>	1.16	-10.34	1.64
Diluted earnings per share (RMB/share)	<b>1.04</b>	1.16	-10.34	1.64
Return on equity (%)	<b>12.03</b>	13.55	Decreased by 1.52 percentage points	20.39

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



## Section III Corporate Profile and Principal Financial Indicators

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

#### (I) Differences between annual profit and equity attributable to the owners of the Company in the financial statements prepared under the International Financial Reporting Standards and those under the China Accounting Standards for Business Enterprises

Unit: '000 Currency: RMB

	Annual profit attributable to the owners of the Company		Equity attributable to the owners of the Company	
	For the Reporting Period	For the corresponding period of previous year	At the end of the Reporting Period	At the beginning of the Reporting Period
Prepared in accordance with the China Accounting Standards for Business Enterprises	<b>2,600,776</b>	2,898,433	<b>21,594,518</b>	21,370,366
Adjustments to item and amounts in accordance with the International Financial Reporting Standards: Reversal of impairment for buildings and land use rights and the differences in corresponding depreciation and amortization	<b>-531</b>	-565	<b>11,706</b>	12,237
Prepared in accordance with the International Financial Reporting Standards	<b>2,600,245</b>	2,897,868	<b>21,606,224</b>	21,382,603

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

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



## Section III Corporate Profile and Principal Financial Indicators

### IX. PRINCIPAL FINANCIAL DATA FOR THE YEAR OF 2020 BY QUARTER

Unit: '000 Currency: RMB

	<b>First Quarter (From January to March)</b>	<b>Second Quarter (From April to June)</b>	<b>Third Quarter (From July to September)</b>	<b>Fourth Quarter (From October to December)</b>
Revenue	4,170,498	3,950,769	5,655,088	6,130,238
Annual profit attributable to the owners of the Company	459,812	503,866	758,810	877,757
Annual profit attributable to the owners of the Company, net of non-recurring profit or loss	380,186	411,921	717,820	794,063
Net cash generated from operating activities	763,433	411,301	1,512,936	2,161,848

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

2. In particular, "Annual profits attributable to the owners of the Company, net of non-recurring profit or loss" is prepared in accordance with the China Accounting Standards for Business Enterprises.

## Section III Corporate Profile and Principal Financial Indicators

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

Unit: Yuan Currency: RMB

<b>Non-recurring profit or loss items</b>	<b>Amount for the year of 2020</b>	Amount for the year of 2019	Amount for the year of 2018
Profit or loss from disposal of non-current assets	<b>-67,154,040</b>	-9,278,127	601,116,748
Government subsidies recorded under current profit or loss, other than those closely related to the normal business operation of the Company and subject to a fixed amount or quantity under certain standards required by national policies	<b>352,820,556</b>	181,754,102	146,750,220
Capital occupancy fee from non-financial enterprises recognized through profit or loss	<b>33,351,987</b>	21,538,114	
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 income from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment, other than effective hedging activities related to normal business operations of the Company	<b>68,230,043</b>	63,823,857	46,249,132
Reversal of impairment provision for receivables and contract assets tested for impairment on individual basis		25,000	
Other non-recurring income and expenses other than the above items	<b>-14,764,811</b>	-171,174,006	50,778,706
Effects of minority interests	<b>-727,656</b>	-596,820	5,635,619
Effects of income tax	<b>-74,969,953</b>	9,434,056	-197,830,893
Total	<b>296,786,126</b>	95,526,176	652,699,532



# Section III Corporate Profile and Principal Financial Indicators

## XI. ITEMS MEASURED AT FAIR VALUE

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance	Changes in the Reporting Period	Impact on profit for the Reporting Period
Forward foreign exchange contracts	85,110	–	-85,110	273,059
Currency swap contracts	–	<b>-795,244</b>	-795,244	5,306,674
Short call on foreign exchange	-3,795,000	–	3,795,000	17,687,000
Structured deposits	860,894,383	<b>300,287,671</b>	-560,606,712	44,963,310
Equity in unlisted companies at fair value through other comprehensive income	–	<b>58,000,000</b>	58,000,000	–
Notes receivable at fair value through other comprehensive income	784,417,775	<b>1,301,612,117</b>	517,194,342	-9,922,937
Total	<u>1,641,602,268</u>	<u><b>1,659,104,544</b></u>	<u>17,502,276</u>	<u>58,307,106</u>

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 is liabilities.

## Section IV Business Profile

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

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

The Company is principally engaged in providing total solutions of safety glass and automotive accessories for various transportation vehicles, including design, manufacture and sale of automotive grade float glass, automotive glass, locomotive glass, luggage racks, vehicle window trims 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 its business ecological chain and responds to the ever-changing demand of customers systematically, professionally and rapidly, thus creating value for its customers.

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

Unit: '000 Currency: RMB

Business	2020		2019		2018	
	Revenue	Percentage (%)	Revenue	Percentage (%)	Revenue	Percentage (%)
Automotive glass	17,942,033	90.13	18,957,337	89.83	19,351,889	95.68
Float glass	3,491,542	17.54	3,644,798	17.27	3,220,524	15.92
Others	1,798,226	9.03	1,903,485	9.02	573,463	2.84
Less: Intragroup eliminations	-3,325,208	-16.70	-3,401,742	-16.12	-2,920,890	-14.44
Total	19,906,593	100.00	21,103,878	100.00	20,224,986	100.00

#### (II) Industry Overview

According to the statistics released by the China Association of Automobile Manufacturers, in 2020, China's automobile production volume and sales volume amounted to 25,225,000 units and 25,311,000 units, respectively, representing year-on-year decreases of 2.0% and 1.9%, respectively, among which China's production volume and sales volume of passenger vehicles amounted to 19,994,000 units and 20,178,000 units, representing year-on-year decreases of 6.5% and 6%, respectively. Although the automobile production volume and sales volume have experienced the third consecutive annual decline in 2020 since the negative growth for the first time in 2018, China still ranks first in the world in terms of production volume and sales volume. As of 2020, China has ranked first in the world for twelve consecutive years in terms of production volume and sales volume and the compound growth rate of China's automobile production volume was 3.28% from 2010 to 2020.

For the automobile industry, in the short term, the automobile market is recovering, but on an unstable foundation. On the one hand, various countries are implementing Pandemic prevention measures, however, the mutation of the virus has resulted in repeated outbreaks of the Pandemic, leading to the increasing instabilities in the global automobile supply chain, and the lurk of uncertainties in the automotive market; on the other hand, with the domestic Pandemic prevention and control situation gradually improving, the national 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 purchase of new energy vehicles and launching the plan of "Automobiles Go to Countryside" to speed up the recovery of automobile market.





## Section IV Business Profile

In terms of the global automobile industrial structure, the proportion of developing countries in the automobile industry has been increasing, resulting in their greater influence; but in respect of automobile ownership, there is still a tremendous gap between China and developed countries. In 2020, the automobile ownership per 100 population reached over 80 units, approximately 50 to 60 units and approximately 20 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 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 "being electric, connecting to network, being intelligent and sharing with others" (new four modernizations), and more and more new technologies are also being integrated into automobile glass. It puts forward new requirements for automobile glass and also provides new opportunities for the development of the automobile glass industry. With the application of new technology, 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 above information include information from Organization Internationale des Constructeurs d'Automobiles (OICA), the China Association of Automobile Manufacturers and the International Organization of Motor Vehicle Manufacturers.

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

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

Including: overseas assets of RMB15,460 (unit: million, currency: RMB), accounting for 40.22% of the total assets.



## Section IV Business Profile

### 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, multi-function integrated glass, 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 and automotive accessories to customers.



# Section V Report of the Board of Directors

## I. BUSINESS REVIEW

### (I) Review of the business of the Company

The Company is principally engaged in providing total solutions of safety glass and automotive accessories for various transportation vehicles, including design, manufacture and sale of automotive grade float glass, automotive glass, locomotive glass, luggage racks, vehicle window trims 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 its business ecological chain and responds to the ever-changing demand of customers systematically, professionally and rapidly, thus creating value for its customers. Fuyao is a green development enterprise with a strong sense of social responsibility, pursuing mutual benefit, safety and environmental protection, and scientific and technological innovation.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB19,906,593,000, representing a decrease of 5.67% as compared with the corresponding period last year; realized a profit before tax of RMB3,109,064,000, representing a decrease of 3.76% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB2,600,245,000, representing a decrease of 10.27% as compared with the corresponding period last year; and realized earnings per share of RMB1.04, representing a decrease of 10.34% as compared with the corresponding period last year.

The profit before tax for the Reporting Period decreased by 3.76% as compared with the corresponding period last year. For the major contributing factors, please refer to "Section VI Management Discussion and Analysis". Eliminating the effects of such incomparable factors, the profit before tax for the Reporting Period increased by 6.91% as compared with the corresponding period last year.

For other details of the business review of the Company, please refer to this section and the subsection headed "I. Management Discussion and Analysis" in "Section VI Management Discussion and Analysis".

## Section V Report of the Board of Directors

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

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

Financial indicators	Year ended December 31		
	2020	2019	2018
Revenue growth <sup>(1)</sup>	<b>-5.67%</b>	4.35%	8.06%
Annual profit growth <sup>(2)</sup>	<b>-10.34%</b>	-29.44%	30.46%
Gross profit margin <sup>(3)</sup>	<b>38.36%</b>	36.51%	41.52%
Profit margin before interest and taxes <sup>(4)</sup>	<b>17.40%</b>	17.36%	26.39%
Annual profit margin <sup>(5)</sup>	<b>13.05%</b>	13.73%	20.30%
Return on equity <sup>(6)</sup>	<b>12.03%</b>	13.55%	20.39%
Return on total assets <sup>(7)</sup>	<b>6.76%</b>	7.46%	11.90%
Gearing ratio <sup>(8)</sup>	<b>43.79%</b>	44.95%	41.45%
Turnover period of trade receivables <sup>(9)</sup>	<b>86</b>	74	81
Inventory turnover period <sup>(10)</sup>	<b>99</b>	90	96

Notes: (1) Revenue growth = (revenue for the period ÷ revenue for the previous period-1) × 100%; (2) Annual profit growth = (annual profit for the period ÷ annual profit for the previous period-1) × 100%; (3) Gross profit margin = (gross profit for the period ÷ revenue) × 100%; (4) Net profit margin before interest and taxes = (sum of profit before interest and taxes for the period ÷ revenue) × 100%; (5) Annual profit margin = (annual profit for the period ÷ revenue) × 100%; (6) Return on equity = (annual profit attributable to the owners of the Company for the period ÷ equity attributable to the owners of the Company as at the end of the period) × 100%; (7) Return on total assets = (annual profit for the period ÷ total assets as at the end of the period) × 100%; (8) Gearing ratio = (total liabilities ÷ total assets) × 100%; (9) Turnover period of trade receivables = [(trade receivables at the beginning of the period + trade receivables at the end of the period) ÷ 2] ÷ revenue × 365 days; trade receivables include trade and bills receivables (including the bills receivables presented at fair value through other comprehensive income); (10) Inventory turnover period = [(balance of inventory at the beginning of the period + balance of inventory at the end of the period) ÷ 2] ÷ sales costs × 365 days.

The Company uses representative financial indicators relating to its profitability, operation capacity and solvency to analyze its growth potential. The Company's revenue for 2020 decreased by 5.67% year on year, mainly due to the decrease in production volume and sales volume in the automobile industry year on year and the decrease in orders from downstream customers of the Company as a result of the Pandemic. The annual profit decreased by 10.34% year on year, mainly due to the impact of exchange gains and losses and the effect of the Pandemic. The Company's gearing ratio as at December 31, 2020 was 43.79%, showing its solvency remained strong. The turnover period of trade receivables and the inventory turnover period of the Company were 86 days and 99 days, respectively, in 2020, maintaining the normal turnover efficiency of the Company. The Company will constantly strengthen its operation management, elevate its comprehensive competitiveness, and continuously create value for shareholders.

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



## Section V Report of the Board of Directors

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

#### (I) Industry landscape and development trend

According to the statistics released by the China Association of Automobile Manufacturers, China's automobile production volume and sales volume in 2020 amounted to 25,225,000 units and 25,311,000 units, representing year-on-year decreases of 2.0% and 1.9%, respectively, among which China's production volume and sales volume of passenger vehicles amounted to 19,994,000 units and 20,178,000 units, representing year-on-year decreases of 6.5% and 6%, respectively. Although 2020 saw the third consecutive annual decline in China's automobile production volume and sales volume after the negative growth for the first time since 2018, China still ranks first in the world in terms of production volume and sales volume. As of 2020, China has ranked first in the world for twelve consecutive years in terms of production volume and sales volume, and the compound growth rate of China's automobile production volume was 3.28% from 2010 to 2020.

For the automobile industry, in the short term, the automobile market is recovering, but on an unstable foundation. On the one hand, various countries are implementing Pandemic prevention measures, however, the mutation of the virus has resulted in repeated outbreaks of the Pandemic, leading to the increasing instabilities in the global automobile supply chain, and the lurk of uncertainties in the automotive market; on the other hand, with the domestic Pandemic prevention and control situation gradually improving, the national 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 purchase of new energy vehicles and launching the plan of "Automobiles Go to Countryside" to speed up the recovery of automobile market.

In terms of the global automobile industrial structure, the proportion of developing countries in the automobile industry has been increasing, resulting in their greater influence; but in respect of automobile ownership, there is still a tremendous gap between China and developed countries. In 2020, the automobile ownership per 100 population reached over 80 units, approximately 50 to 60 units and approximately 20 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 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 "being electric, connecting to network, being intelligent, and sharing with others" (new four modernizations), and more and more new technologies are also being integrated into automobile glass. It puts forward new requirements for automobile glass and also provides new opportunities for the development of the automobile glass industry. With the application of new technology, 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 above information include information from Organization Internationale des Constructeurs d'Automobiles (OICA), the China Association of Automobile Manufacturers and the International Organization of Motor Vehicle Manufacturers.





## Section V Report of the Board of Directors

### (II) Development strategy of the Company

Development strategy of the Company:

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

The plan of the Company is:

- 1) to extend the boundary of “a piece of glass”, strengthen the study on the trend of glass integration, continue to promote the aluminum trim business and provide more comprehensive product solutions and services to automobile factories and ARG users.
- 2) to operate globally. The Company is undergoing transformation and upgrading in respect of organizational structure, corporate culture, investment and talent recruitments to improve its ability to provide services and create value for customers worldwide.
- 3) to build the customer-oriented quality management system of Fuyao following the idea of “combining moral standing, product, quality and taste” with the aim of zero defect; to polish exquisite products with the spirit of craftsmanship in order to provide customers with the best solutions and improve customer service satisfaction; to build the international brand of “Fuyao”, promote technological innovation and constantly create value.
- 4) to deepen comprehensive and lean advancement at different latitudes, improve quality and efficiency, adhere to the five-star teams to ram the field foundation, and cultivate Fuyao's independent lean talents.
- 5) to further comprehensively promote the management model that emphasises on centralized management of capital and overall budgeting so as to maximize capital efficiency.
- 6) to improve the process and incentive mechanism of management innovation and technological innovation with a market-oriented approach, transform innovation into productivity and promote Fuyao to upgrade from a manufacturing enterprise to a technology-based enterprise.
- 7) to carry forward the core values of “diligence, simplicity, learning and innovation”, improve Fuyao's cultural ecology, promote the “happiness project” for the staff and realize the synchronous development of the enterprise and the staff.



## Section V Report of the Board of Directors

### Opportunities of the Company:

- 1) With the upgrade of product consumption and technical progress, there is a growing demand for high value-added automotive glass, which provides new development opportunities for Fuyao. Shifting away from product operation to brand operation, Fuyao focuses on providing integrated total solutions and its corporate value has been on the rise.
- 2) The reasonable capital structure, sufficient cash flows, stable finance and exceptional operating capability of the Company have laid a good foundation for the sustainable development of the Company.
- 3) Benefiting from its solid IT foundation, the Company can quickly adapt to changes in external environment in the information age.
- 4) With its reasonable overseas presence and relocation of production and operation bases to serve international customers, the Company has enhanced its ability to rapidly respond to customers, which can provide faster and more valuable services for the Company's development in overseas markets.
- 5) The Company has expanded its presence along the industry chain to the automotive decoration business, which not only solves the demand of the necessary decorations for automotive glass integration, but is also conducive to the extension of the Company's business, which will improve its comprehensive competitiveness, further enhance the cooperation stickiness with the automotive plant and thereby add impetus for the expansion of the automotive decoration business at the same time.
- 6) The Company has established a global presence, which enables it to cope with challenges brought about by changes in the international landscape.

### Challenges faced by the Company:

- 1) The world's economic and political situations are complex, economic growth is slowing down, and risks and uncertainties still exist. The credit risks at the macro level, labor shortage, price increase of production factors, etc., will bring challenges to the Company's operations and management.
- 2) As China is currently in a critical period of transforming the way of development, optimizing the economic structure and shifting the growth drive, and structural, institutional, and cyclical issues are intertwined, there are many problems, conflicts and challenges that need to be resolved, which will pose challenges to the domestic development of the Company.
- 3) In the information age, customers have growing requirements for response speed, which leads to higher requirements on the service and management level, the intelligence level and collaborative ability of the Company.
- 4) As the tendency of the new four modernizations of automobiles is highlighted, more and more new technologies are being integrated into automotive glass, and the upgrade of product consumption and technical progress pose new requirements on automotive glass and challenges on the Company's technological development.
- 5) To cope with its globalized operation and development, the Company is required to embrace the challenges in relation to, among others things, adapting to cultural differences, compliance with laws and arrangement of manpower in the countries it operates.



## Section V Report of the Board of Directors

### (III) Business plan

In 2021, the global economic situation remains gloomy and full of uncertainties, such as credit risks at the macro level, labor shortage, price increase of production factors etc., and the Pandemic overseas has not been effectively controlled, all of which will become factors affecting annual development of the Company. In this case, Fuyao will “be cautious and optimistic, step by step” when carrying out various tasks:

- 1 To continue to give the leading role to sales, enhance market sensitivity, establish a comprehensive sales management mechanism and strengthen market competitiveness.
- 2 To adhere to the market-and-product-oriented research and development mechanism, increase the efforts on innovation, improve the process and incentive mechanism of management innovation and technological innovation with a market-oriented approach, transform innovation into productivity and promote Fuyao to upgrade from a manufacturing enterprise to a technology-based enterprise.
- 3 To continue to promote the process of lean management and automatic informatization, promote the improvement of quality and efficiency of the whole industry chain, save energy and reduce costs and enhance the anti-risk capacity of the enterprise in the post-pandemic era.
- 4 To improve the rules and regulations, raise the comprehensive quality of the staff, and provide system guarantee and talent guarantee for enterprise transformation and upgrading and strategy implementation.
- 5 To promote the procedures, standardization and normalization of production, improve the stability of production equipment and production personnel and improve the one-time rate of finished products.
- 6 To continue to carry forward the core values of “diligence, simplicity, learning and innovation”, improve Fuyao’s cultural ecology, promote the “happiness project” for the staff, realize the synchronous development of the enterprise and the staff, build a high-quality team and consolidate the foundation of enterprise development.

In order to accomplish its business plan and goals for the year of 2021, the Company expects its funding needs throughout 2021 will be RMB24,908 million, of which operating expenditure, capital expenditure and payments of cash dividends will be RMB20,000 million, RMB3,027 million and RMB1,881 million, respectively. The Company plans to satisfy the funding needs through acceleration of collection of trade receivables and inventory turnover, optimization of the utilization of balance of funds, issuance of new H shares for fund raising and borrowings from financial institutions or issuance of debentures. In 2021, the Company will continue to enhance comprehensive budget management, accelerate the collection of trade receivables, strictly control exchange risks and optimize capital structure, thereby enhancing the security and effectiveness of capital management.

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



# Section V Report of the Board of Directors

## (IV) Potential risks

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

Most assets of the Company are located in the PRC and approximately 50% of its revenue is derived from the operations in the PRC. Therefore, the operating results, financial status and prospects of the Company are susceptible to changes in the economy, politics, policies and laws of China. As the Chinese economy is in the stage of transformation and upgrading, the operations of the Company in the PRC might be affected. Meanwhile, the outbreak of the Pandemic will deepen the impact on the economy and industry. In response, the Company will put more efforts in technological innovation, enhance the organization management, build new culture of Fuyao, strengthen its position in aftersales service market, ensure stable and healthy development in the PRC market and exploit the advantages of its global presence.

### 2. Risks associated with industry development

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

### 4. Risks associated with cost fluctuations

The costs of automotive glass of the Company mainly comprise of raw materials of float glass, PVB raw materials, labor, electricity and manufacturing costs, while the costs of float glass mainly include sodium carbonate, natural gas fuel, labor, electricity and manufacturing costs. Due to fluctuations of the prices of international bulk commodities, changes in supply and demand in the natural gas market, changes in production capacity of the sodium carbonate industry and needs for sodium carbonate due to the prospect of the glass and the aluminum oxide industry, and the continuous increase in 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 through setting up plants in Europe and the US for 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 intellectual productivity and create value for the Company by devoting efforts to energy conservation in manufacturing and management, as well as product intelligence.

### 5. Risks associated with exchange rate fluctuations

China has reformed the RMB exchange rate mechanism on the principles of voluntarism, gradualism and controllability, and pursues a managed floating exchange rate regime that is based on market supply and demand and with reference to a basket of currencies. Although the underlying cause of imbalances in international trade lies in the issues behind the economic structure of certain countries, fluctuations in exchange rates will take place alongside the fluctuations in the global economy, turbulence in certain countries, growing tension in certain key areas, and the tightening and easing of monetary policies by different countries. Given that the Company's oversea sales business has accounted for around 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 Europe and the US for production and sale in those regions while avoiding risks arising from the fluctuations in exchange rates, so as to keep the risks at a controllable level.





## Section V Report of the Board of Directors

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 demands of the main manufacturers through the product center to establish a strategic cooperative relationship with the customers.

7. Cyber risk and security

With the growing smart manufacturing capacity of the Company, the operation and management of core business are all backed by and realized through information systems. In case of external attack or 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 may 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 storage, 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 any abnormal situation as it happens, 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 the Company, core data in relation to sales, design, techniques and finance of the Company are exposed to the risk of theft, which would result in impairment of the core competitiveness of the Company. In order to avoid such risks, the Company has accelerated the progress of system information encryption and desktop virtualization. On the one hand, the Company has the core information encrypted so that copied files or data cannot be opened outside the enterprise network, which will in turn guarantee information security. On the other hand, it has paced up in the construction of visualized desktop for the R&D department, design department and other nucleus departments and carries out concentrated corporate storage of core information assets so as to reduce the possibility of individual storage and information dissemination. In addition, the Company has also adopted the model of integrated software and hardware, formulated three-layered security measures for the avoidance of information leakage and has regulated the download, copy and utilization of important files. Clear demarcation has been made among data, files, technical documents, intranet, internet, and VPN, and corresponding protection measures have been adopted.



## Section V Report of the Board of Directors

### 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 in terms of both depth and breadth, 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 this 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 have satisfied the top-notch standards in the world in respect of materials, process, technology, equipment, energy saving, 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 of the comprehensive implementation of various measures and objectives for environmental protection work.

## III. RESULTS

Please refer to "Consolidated Income Statements" of "Section XI Financial Report" for details of the annual results of the Company for the year ended December 31, 2020. Please refer to "Section XII Business Performance Highlights for the Previous Five Years" for details of the summary of the results of the Company for the last five financial years.

## IV. DIVIDEND AND REDUCTION AND EXEMPTION OF DIVIDEND TAX

The profit distribution plan for the year of 2020 as proposed by the Company is as follows: to distribute cash dividends of RMB7.5 per 10 shares (tax inclusive) based on the total share capital of 2,508,617,532 shares of the Company as at December 31, 2020 to holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of cash dividends for the year of 2020, with total dividends to be distributed amounting to RMB1,881,463,149 in total. The undistributed profits of the Company will be carried forward to the following year. The Company will not carry out bonus issue and conversion of capital reserve into share capital for the year of 2020. Cash dividends distributed by the Company are denominated and declared in RMB and payable in RMB to holders of A shares, and in HKD to holders of H shares.

If the total share capital of the Company changes before the record date for the implementation of profit distribution, the Company proposes to maintain the distribution ratio per share unchanged and make adjustment to the total distribution accordingly. The details of adjustments will be published separately.

After the 2020 profit distribution plan of the Company is approved by shareholders at the forthcoming general meeting, the cash dividends will be paid within two months from the closing of the general meeting in accordance with the Articles of Association. Based on the existing working schedule of the Company, the dividends are expected to be paid on or before June 30, 2021. In the case of any change in the payment date mentioned above, the Company will make an announcement in a timely manner. The Company will announce the details regarding other specific matters on dividend distribution in due course.

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



## Section V Report of the Board of Directors

### Holders of A shares

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

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

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

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

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

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





## Section V Report of the Board of Directors

### Holders of H shares

In accordance with the requirements of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by the Ministry of Finance and the State Administration of Taxation on May 13, 1994, overseas individuals are, as an interim measure, exempted from the PRC individual income tax for dividends or bonuses received from foreign-invested enterprises. As the Company is a foreign-invested enterprise, the Company will not withhold and pay the individual income tax on behalf of individual shareholders when the Company distributes the dividends for the year ended December 31, 2020 to overseas individual shareholders whose names appear on the register of members of H shares of the Company.

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

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

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

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

## V. CONNECTED TRANSACTIONS

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

## VI. DONATION

During the Reporting Period, the total external donations of the Group amounted to RMB3,328,300.



# Section V Report of the Board of Directors

## VII. PROPERTY, PLANT AND EQUIPMENT

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

## VIII. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Please refer to Note 10 “Investments Accounted for Using The Equity Method” and Note 37 “Subsidiaries” of “Section XI Financial Report” for the details of the interests of the Company in major subsidiaries, joint ventures and associates as at December 31, 2020.

## IX. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

## X. PERMITTED INDEMNITY PROVISION

As at December 31, 2020, the Company maintained directors’, supervisors’ and senior management members’ liability insurance for all of its directors, supervisors and senior management members.

## XI. MANAGEMENT CONTRACTS

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

## XII. DISCLOSURE OF INTERESTS

Please refer to “Section VIII Changes in Ordinary Shares and Information of Shareholders” for the details of the disclosure of interests of directors, supervisors, chief executives and substantial shareholders of Company.

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

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

In order to broaden the investor base of H shares and optimize the capital structure of the Company, on January 8, 2021, the Board of Directors resolved that according to the provisions of the Articles of Association, the Company proposed to issue and place not more than 101,126,240 additional H shares to qualified investors, and the issuance will be made under the specific mandate. The Company has convened the 2021 second extraordinary general meeting, the 2021 first A share class meeting and the 2021 first H share class meeting on February 26, 2021. The resolution relating to the issuance has been approved by the extraordinary general meeting and the class meetings. The Company will continue to push forward the issuance and make disclosure of significant progress relating to the issuance in due course in accordance with relevant regulatory requirements of the places where the shares are listed.



## Section V Report of the Board of Directors

### XIV. MINIMUM PUBLIC FLOAT

As at the Latest Practicable Date, according to the publicly available information and to the best knowledge of the directors of the Company, the Company has met the requirements about the minimum public float in Rule 8.08 and Rule 13.32 of the Hong Kong Listing Rules.

### XV. ISSUANCE OF SHARES

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

### XVI. RESERVES AND DISTRIBUTABLE RESERVE

Pursuant to the Company Law of the PRC, undistributed profit could be distributed as dividends after allocation is made to the statutory surplus reserve. According to the requirements of the Articles of Association, when the Company is to distribute its profit after tax in the relevant accounting year, the profit after tax shall be deemed to be the lesser of the amounts stated in the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards. Under the International Financial Reporting Standards, the undistributed profit of the Company as at the end of 2020 amounted to RMB6,544 million.

### XVII. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

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

### XVIII. BANK BORROWINGS AND OTHER LOANS

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

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

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. Please refer to “Section X Company Governance and Corporate Governance Report” for the details of the corporate governance of the Company.

### XX. FULFILMENT OF SOCIAL RESPONSIBILITY

During the Reporting Period, the Company has prepared and disclosed the 2020 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements of the SSE. Meanwhile, the 2020 Environmental, Social and Governance Report prepared by the Company pursuant to Appendix 27 of the Hong Kong Listing Rules will be published before April 30, 2021.





## Section V Report of the Board of Directors

### XXI. RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

#### (I) Employees

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

#### (II) Customers

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

In 2020, the top five customers of the Group, all of which are independent third-party automotive glass customers, accounted for 15.94% of the revenue of the Group, and the largest customer of the Group accounted for 4.83% of the revenue of the Group. The Group has maintained good relationships with its major customers, and has maintained its partnership with its largest customer for more than 20 years. Nevertheless, the Group did not depend on any of its major customers. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five customers of the Group.

#### (III) Suppliers

The Group has adopted procedures for evaluating potential domestic and overseas suppliers based on product quality, price, ability to deliver products on time and technical capability. The Group has established procurement departments at the Russian, German and U.S. subsidiaries to purchase the raw materials used in the overseas production from local suppliers through the same supply management system that has been adopted by the Group. The Group conducts periodic onsite reviews of the suppliers' production base according to the IATF16949 quality system. The Group generally enters into procurement contracts with major suppliers for one year. The agreements between the Group and suppliers typically set forth the quantity, price, quality specifications, payment terms and warranty for each type of raw materials.

In 2020, the top five suppliers of the Group accounted for 12.71% of the purchases of the Group and the largest supplier of the Group accounted for 3.50% of the purchases of the Group. None of the directors of the Company and their close associates or shareholders who hold more than 5% of the shares of the Company has any interest in the top five suppliers of the Group except Jinken Glass Industry Shuangliao Co., Ltd., an associate of the Company.



## Section V Report of the Board of Directors

### XXII. ENVIRONMENTAL MATTERS

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

The major pollutants from the production process of the Group include waste gas, wastewater, powder and dust, noise and wastes, the emissions of which are in compliance with national and local environmental laws, regulations and standards. In order to minimize the environmental impact of pollutants generated in the process of production and to meet the compliance conditions, the Group has considered the application of environmental protection materials, equipments, environmental protection facilities and measures from the project design stage, mainly including: (1) installation of fluorodenitration and dedusting equipment on float glass kilns for waste gas treatment; (2) use of clean energy by replacing heavy oil with natural gas as the production fuel for float glass; (3) installation of reclaimed water recycle system for cyclical use of water in the production process of all subsidiaries; (4) installation of photo-oxygen catalytic devices, activated carbon devices and spray devices in companies producing automotive glass to reduce the waste gas emissions; (5) use of low-noise equipment and facilities, sound insulation facilities and acoustic materials to reduce noise effectively; (6) formulation of the Waste Management Regulations to regulate the management of hazardous wastes and general industrial solid wastes, and entrustment of qualified third parties to handle hazardous wastes and general industrial solid wastes; (7) installation of online monitoring instruments that are networked with the governmental developments for float glass flue gas emission to upload real time data to environmental authorities, while we engage qualified testing entities to conduct tests at quarterly intervals for other items which we are unable to monitor; (8) online monitoring of non-methane hydrocarbons and wastewater for automotive glass pollutants was implemented by some subsidiaries – the monitoring equipment is networked with the Environmental Protection Bureau, and units that failed to realize online monitoring shall conduct detection of environmental hazard factors at least once a year; (9) purchase of noise detection equipment by each subsidiary on its own to monitor noise of factories on a regular or irregular basis; (10) implementation of the approval of clean production by each subsidiary earnestly; (11) preparation and filing of contingency plans for each subsidiary; (12) preparation of the environmental monitoring plan, implementation of environmental monitoring and active acceptance of the supervision of the environmental protection authorities by each subsidiary; (13) strict implementation of “Three-Simultaneous” for environmental protection and authorization of qualified units to carry out environmental impact assessments by all subsidiaries before new construction, reconstruction, and expansion projects; (14) continuous improvement of the implementation of environmental protection within the Company by each subsidiary in accordance with the Company’s ISO14001 system.

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



## Section V Report of the Board of Directors

### XXIII. OCCUPATIONAL HEALTH AND SAFETY MATTERS

The Group strictly complies with national and local safety laws, regulations and standards, and ensures the safe production of each subsidiary through the implementation of ISO45001, safety standardization, potential hazards inspection and risk control, and the NOSA safety, health and environmental protection system. which mainly include: (1) the Group establishing a safety production committee and a safety production management body responsible for monitoring the implementation of the occupational health and safety management provisions and standards of each subsidiary to ensure the safe and healthy production of each subsidiary; (2) each subsidiary establishing a safety production committee and a safety production management organization, deploying full-time (part-time) safety management personnel to ensure the effective operation of the occupational health and safety system; (3) each subsidiary providing periodic and aperiodic training to the employees on safety awareness, including safety training for new employees, safety management personnel training, operation safety training, equipment maintenance safety training, special operation training, etc; (4) each subsidiary formulating safety operation regulations, labor protection appliances configuration standards and MSDS according to job requirements; (5) each subsidiary setting up safety protection facilities according to the hazardous characteristics and corresponding standards of the equipment; (6) each subsidiary providing sufficient, reasonable and effective labor protection appliances for its employees; (7) the Group formulating the Management Regulations on Safety Inspection and Potential Hazard Rectification, and each subsidiary formulating safety inspection standards and plans to implement potential hazard rectification; (8) each subsidiary formulating emergency plans for safe production, formulating and implementing emergency drill plans to improve employees' capability to respond to and deal with emergencies, and continue to improve the emergency plans based on the drill results; (9) the Group formulating the Safety Accident Management Regulations, and each subsidiary implementing accident reporting, investigation and rectification to avoid recurrence of accidents; (10) each subsidiary continuously improving the implementation of occupational health and safety involved in the production process within the scope of the Company in accordance with the ISO45001 occupational health and safety management system and the NOSA safety, health and environmental protection management system, etc.

As at the end of the Reporting Period, save as disclosed above, the Group did not encounter any material unexpected disruption in production due to health and safety issues, and has not received any material claim in relation to health and safety.

### XXIV. LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

The Company may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of its business. As at the Latest Practicable Date, the Company was not a party to, and was not aware of any threat of, any legal, arbitral or administrative proceedings, which, in the opinion of the Company, is likely to have a material adverse effect on the business, financial conditions or results of operations of the Company. Please refer to "Section X Company Governance and Corporate Governance Report" for the details of the on-going compliance with applicable laws and regulations by the Company and the directors and senior management of the Company.

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

Financial statements of the Company for the year ended December 31, 2020 have been reviewed by the audit committee of the Company.



## Section VI Management Discussion and Analysis

### I. MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2020, the Pandemic had a severe impact on the global economy, with the global economy, trade and investment suffering a severe setback, the global economic growth plummeting, the global geopolitical situation becoming further tense, the quantitative easing monetary measures taken by various countries intensifying financial risks, and the global economy being beset with difficulties. According to the statistics released by the Organization Internationale des Constructeurs d'Automobiles (OICA), global automobile production volume in 2020 amounted to 77,622,000 units, representing a year-on-year decrease of 15.8%, of which China's automobile production amounted to 25,225,000, representing a year-on-year decrease of 2.0%. The automobile production volume of the rest of the world, except China, decreased by 21.1% year-on-year. In the face of the severe market environment, all of Fuyao staff acted quickly to increase income while cutting expenditure, improve quality and efficiency, expand external markets and improve internal efficiencies, Fuyao's comprehensive competitive advantage was further strengthened.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB19,906,593,000, representing a decrease of 5.67% as compared with the corresponding period last year; realized a profit before tax of RMB3,109,064,000, representing a decrease of 3.76% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB2,600,245,000, representing a decrease of 10.27% as compared with the corresponding period last year; and realized earnings per share of RMB1.04, representing a decrease of 10.34% as compared with the corresponding period last year.

The profit before tax for the Reporting Period decreased by 3.76% as compared with the corresponding period last year. Eliminating the effects of the incomparable factors below, the profit before tax for the Reporting Period increased by 6.91% as compared with the corresponding period last year:

- (1) During the Reporting Period, foreign exchange loss of the Company amounted to RMB422,468,000 as compared with foreign exchange gain of RMB135,764,000 for the corresponding period last year, representing a decrease of RMB558,232,000 in profit before tax of the Company in the Reporting Period as compared with the corresponding period last year;
- (2) In the same period last year, Fuyao Glass Illinois Inc. paid a compensation of USD39,290,000 (equivalent to RMB271,874,000) due to its breach of an exclusive distribution agreement;
- (3) The consolidated profit before tax generated by Fuyao Glass America Inc. during the Reporting Period due to the impact of the Pandemic amounted to USD8,921,100 (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 statements), the consolidated profit before tax for the corresponding period last year was USD18,505,200 (this figure has excluded the compensation of USD39,290,000 paid by Fuyao Glass Illinois Inc. due to its breach of an exclusive distribution agreement), representing a decrease of RMB67,828,000 in the profit before tax of the Company in the Reporting Period as compared with the corresponding period last year due to the impact of the Pandemic.





## Section VI Management Discussion and Analysis

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. Improved the competitiveness of the Company in automotive glass market and its anti-risk ability: the Company has been adhering to the positive marketing strategy of customer orientation and perfect user experience, concentrating on and strengthening the technology-based marketing mode of "providing omni resolutions for customers through integration into world", giving the leading role to sales and establishing an all-round sales management mechanism, enhancing its market sensitivity, continuing to increase its market shares and secure new customers, so as to further improve its global supply chain. Thanks to the above measures, the operating revenue of automotive glass segment was better than that of automobile industry segment, and our ability to resist market risks has been enhanced.
2. Promoted the appreciation and upgrading of the products: the Company continued to promote the development of automotive glass towards the direction of "safety, comfort, energy saving, environmental protection, beautiful appearance and intelligent integration". The proportion of high value-added products, such as car's skylight, 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 2.64 percentage points as compared with same period last year, reflecting the value.
3. Established a company-wide, whole-process quality assurance system: the Company ensured high benefits based on high quality, enhanced quality awareness of all employees across the Company, implemented company-wide whole-process quality management, and achieved lean on-site management through informationization, standardization and digitization, to establish a company-wide whole-process quality assurance system.
4. Promoted new business development in a solid and orderly manner: since the acquisition of the aluminum trim strip assets of SAM in February, 2019, the Company integrated several aspects including plant layout, equipment update, technical process, and logistics transportation, thus improving the operating efficiency and reducing its operating costs. The development of aluminum trim business would further enhance the integration ability of Fuyao's 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 the automobile industry to promote technology application in automobile glass. By relying on the market, it continuously made innovation to promote the development of automobile glass towards the direction of "safety, comfort, energy saving, environmental protection, beautiful appearance and intelligent integration", and sped up its development. During the Reporting Period, the Company established a 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. Enhanced the foundation for the development of the Company: the Company improved the cultural ecology of Fuyao while carrying forward the core values of "diligence, simplicity, learning, innovation"; implemented the optimization of human resource system, vigorously promoted the "happiness project" for its employees, trained personnel of Fuyao with international vision, and realized the common progress of the Company and its employees; improved various rules and regulations, enhanced the comprehensive quality of its employees, to provide system guarantee and talent guarantee for the transformation and upgrading of the Company and the implementation of its strategies.

### II. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

As at December 31, 2020, the total assets of the Company amounted to RMB38,435 million, representing a decrease of 1.04% as compared with the beginning of the year; the total liabilities amounted to RMB16,833 million, representing a decrease of 3.58% as compared with the beginning of the year; equity attributable to the owners of the Company amounted to RMB21,606 million, representing an increase of 1.05% as compared with the beginning of the year.

During the Reporting Period, the Company realized revenue of RMB19,906,593,000, representing a year-on-year decrease of 5.67%; realized annual profit attributable to the owners of the Company of RMB2,600,245,000, representing a year-on-year decrease of 10.27%; realized annual profit attributable to the owners of the Company, net of non-recurring profit or loss (prepared in accordance with the China Accounting Standards for Business Enterprises) of RMB2,303,990,000, representing a year-on-year decrease of 17.80%; and realized earnings per share of RMB1.04, representing a year-on-year decrease of 10.34%.

## Section VI Management Discussion and Analysis

### (I) Analysis of principal business

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

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Percentage of change (%)
Revenue	<b>19,906,593</b>	21,103,878	-5.67
Cost of sales	<b>12,271,374</b>	13,399,311	-8.42
Distribution costs and selling expenses	<b>1,474,366</b>	1,481,567	-0.49
Administrative expenses	<b>2,084,512</b>	2,194,223	-5.00
Finance costs – net	<b>64,462</b>	148,259	-56.52
Net cash generated from operating activities	<b>4,849,518</b>	4,700,911	3.16
Net cash used in investing activities	<b>-738,378</b>	-2,699,293	-72.65
Net cash used in financing activities	<b>-3,279,519</b>	-115,537	2,738.50
Research and development expenses	<b>815,579</b>	813,130	0.30

#### Changes in income statement and explanations thereof

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Reason for change
Other income	<b>352,821</b>	181,754	171,067	94.12	The increase in other income was due to an increase in the government subsidies received during the Reporting Period.
Other (loss)/gains – net	<b>-445,914</b>	7,875	-453,789	-5,762.40	The change of other (loss)/gains – net was mainly due to the exchange loss of RMB422,000,000 as a result of exchange rate fluctuation during the Reporting Period and the exchange gain for the corresponding period last year was RMB136,000,000.
Net impairment losses on financial assets	<b>5,987</b>	20,512	-14,525	-70.81	The decrease in net impairment losses on financial assets was mainly due to a decrease in the provision for bad debts during the Reporting Period.
Finance costs – net	<b>64,462</b>	148,259	-83,797	-56.52	The decrease in finance costs – net was mainly due to a reduction of financing costs as a result of the optimized financing structure adopted during the Reporting Period.





## Section VI Management Discussion and Analysis

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Reason for change
Share of net profit of joint venture and associate accounted for using the equity method	11,884	-5,932	17,776	299.66	The increase in share of net profit of joint venture and associate was mainly due to an increase in annual profit of associates for the Reporting Period.
Income tax expense	511,144	332,956	178,188	53.52	The increase in income tax expense was mainly due to the change in income tax expenses resulting from deferred income tax assets of American projects recognized for deductible losses and temporary differences for the corresponding period last year.

### Changes in cash flow statement and explanations thereof

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Reason for change
Proceeds from disposal of intangible assets and land use rights	4,356	303	4,053	1,337.62	The change of proceeds from disposal of intangible assets and land use rights was mainly due to the change in disposal of intangible assets for the Reporting Period.
Acquisition of subsidiaries, net of cash acquired	-	20,314	-20,314	-100.00	The decrease in net cash paid to acquire subsidiaries was due to net outflow used for acquisition of 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)) (i.e. the net cash outflow resulting from the acquisition consideration less the carrying balance of the acquiree's cash at bank and on hand) for the corresponding period last year.

## Section VI Management Discussion and Analysis

Unit: '000 Currency: RMB

Items	For the Reporting Period	For the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Reason for change
Purchases of property, plant and equipment	<b>1,751,512</b>	2,682,354	-930,842	-34.70	The decrease in purchases of property, plant and equipment was mainly due to a decrease in capital expenditure for the Reporting Period.
Purchases of land use rights	–	25,180	-25,180	-100.00	The decrease in the expenses of purchases of land use rights was mainly due to the expenses of purchases of new land use rights by certain companies for the corresponding period last year.
Purchase of intangible assets	<b>21,031</b>	71,968	-50,937	-70.78	The decrease in purchase of intangible assets was mainly due to the expenses for new mining rights during the corresponding period last year.
Purchases of/ disposal of) financial assets at fair value through profit or loss – net	<b>-550,000</b>	465,000	-1,015,000	-218.28	The change of purchases of/ (disposal of) financial assets at fair value through profit or loss – net was mainly due to a decrease in purchases of bank structured deposits with principal guaranteed during the Reporting Period and the recovery of the matured structured deposits at the end of last year.
Purchase of financial assets at fair value through other comprehensive income – net	<b>58,000</b>	–	58,000	100.00	The purchase of financial assets at fair value through other comprehensive income was the payment for acquisition of 4.55% equity interests in China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. during the Reporting Period.
Dividends received	<b>4,900</b>	–	4,900	100	The increase in dividends received was due to the dividend amount received from joint ventures during the Reporting Period.



## Section VI Management Discussion and Analysis

### 2. Analysis of revenue and costs

During the Reporting Period, sales of automotive glass of the Company decreased by RMB1,015,304,000, representing a year-on-year decrease of 5.36%, which was mainly affected by the continuous negative growth of automotive industry. Cost of sales of automotive glass of the Company decreased by RMB655,206,000, representing a year-on-year decrease of 5.22%. Float glass produced and sold by the Company is mainly to be used by its automotive glass with internal supply as its main purpose. Principal business by product is set out as follows:

#### (1) Business by products and regions

Unit: '000 Currency: RMB

Business by products						
By products	Income	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in income (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Automotive glass	17,942,033	11,885,450	33.76	-5.36	-5.22	Decreased by 0.09 percentage point
Float glass	3,491,542	2,191,112	37.25	-4.20	-9.52	Increased by 3.69 percentage points
Others	1,798,226	1,520,020				
Less: Intragroup elimination	<u>-3,325,208</u>	<u>-3,325,208</u>				
Total	<u>19,906,593</u>	<u>12,271,374</u>	38.36	-5.67	-8.42	Increased by 1.85 percentage points

Business by regions						
By regions	Income	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in income (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
The PRC	10,885,111	6,151,169	43.49	0.70	-2.85	Increased by 2.06 percentage points
Other countries	9,021,482	6,120,205	32.16	-12.36	-13.41	Increased by 0.82 percentage point
Total	<u>19,906,593</u>	<u>12,271,374</u>	38.36	-5.67	-8.42	Increased by 1.85 percentage points

## Section VI Management Discussion and Analysis

### (2) Analysis of production and sales volumes

Principal products	Unit	Production volume	Sales volume	Inventory	Change in production volume as compared with last year (%)	Change in sales volume as compared with last year (%)	Change in inventory as compared with last year (%)
Automobile glass	million square meters	104.45	103.21	11.09	-4.58	-5.39	1.13
Float glass	0'000 tons	128.99	128.39	27.66	-10.13	-13.60	-5.39

Note to production and sales volumes:

Production volume refers to that of finished goods.

### (3) Costs analysis

Unit: '000 Currency: RMB

By products	Cost structure	By product		Amount for the corresponding period last year	Amount for the corresponding period last year accounting for total costs (%)	Change in the amount for the period as compared with the corresponding period last year (%)
		Amount for the period	Amount for the period accounting for total costs (%)			
Automotive glass	Raw and auxiliary materials	7,532,721	63.38	7,815,401	62.32	-3.62
Automotive glass	Costs of energy	754,034	6.34	833,841	6.65	-9.57
Automotive glass	Costs of labor	1,813,962	15.26	2,061,493	16.44	-12.01
Automotive glass	Others <sup>(Note)</sup>	1,784,733	15.02	1,829,921	14.59	-2.47
Float glass	Raw and auxiliary materials	678,096	30.95	809,974	33.45	-16.28
Float glass	Costs of energy	758,709	34.63	795,809	32.86	-4.66
Float glass	Costs of labor	195,941	8.94	195,899	8.09	0.02
Float glass	Others <sup>(Note)</sup>	558,366	25.48	619,891	25.60	-9.93

Note: Others include manufacturing overhead, tax and surcharge, and losses for impairment of inventories.

### (4) Major customers and suppliers

Sales to the top five customers amounted to RMB3,173,350,300, accounting for 15.94% of the total sales for the year; of which related-party sales amounted to nil, accounting for 0% of the total sales for the year.

Purchases from the top five suppliers amounted to RMB973,111,300, accounting for 12.71% of the total purchases for the year; of which related-party (Jinken Glass Industry Shuangliao Co., Ltd.) purchases amounted to RMB176,672,800, accounting for 2.31% of the total purchases for the year.

## 3. Expenses

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



## Section VI Management Discussion and Analysis

### 4. Research and development costs

#### (1) Analysis of research and development (R&D) costs

Unit: '000 Currency: RMB

R&D costs expensed for the Reporting Period	
R&D costs capitalized for the Reporting Period	815,579
Total R&D costs	0
Total R&D costs as a percentage of operating revenue (%)	815,579
Number of R&D staff of the Company	4.10
Number of R&D staff as a percentage of the total number of staff of the Company (%)	3,777
Capitalization percentage of R&D costs (%)	14.60
	0

### 5. Details of charge on assets

As at December 31, 2020, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings erected thereon with a carrying amount of RMB19,283,000 as security for a credit line of HKD30 million.

### 6. Liquidity and capital sources

#### 6.1 Cash flows

Unit: '000 Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period last year
Net cash generated from operating activities	<b>4,849,518</b>	4,700,911
Net cash used in investing activities	<b>-738,378</b>	-2,699,293
Net cash used in financing activities	<b>-3,279,519</b>	-115,537
Net increase in cash and cash equivalents	<b>831,621</b>	1,886,081



## Section VI Management Discussion and Analysis

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB4,850 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB20,385 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB9,870 million, cash paid to and paid on behalf of employees amounted to RMB4,009 million, and payment for various taxes amounted to RMB1,684 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 RMB738 million. In particular, cash paid for purchase and construction of property, plant and equipment and other long-term assets amounted to RMB1,773 million.
- (3) During the Reporting Period, net cash used in financing activities amounted to RMB3,280 million, of which, cash received from borrowings amounted to RMB16,667 million, cash used for repayment of debts amounted to RMB17,637 million; cash payment for distribution of dividends and payment of interests amounted to RMB2,219 million.
- (4) The Company will further strengthen and promote the management model that emphasises on centralized management of capital and overall budgeting, strictly control exchange risks and optimize capital structure so as to enhance the security and effectiveness of capital management and maximise capital efficiency.

### 6.2 Cash flow

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

### 6.3 Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and the Company's other transformation and upgrading. During the Reporting Period, RMB1,773 million in cash was paid to acquire property, plant and equipment and other long-term assets. In particular, capital expenditures of Germany FYSAM auto decorative project and Guangzhou automotive glass project amounted to approximately RMB254 million and RMB307 million, respectively.





## Section VI Management Discussion and Analysis

### 6.4 Borrowings

During the Reporting Period, the newly-added bank borrowings amounted to RMB13,669 million; ultra-short term financing bills amounted to RMB1,800 million and medium-term notes amounted to RMB1,200 million; repayment of borrowings amounted to approximately RMB16,137 million and ultra-short term financing bills amounted to RMB1,500 million. The Company did not utilize any financial instrument for hedging. As at December 31, 2020, interest-bearing debts are set out as follows:

*Unit: 100 million Currency: RMB*

<b>Type</b>	<b>Amount</b>
Short-term borrowings with fixed interest rates	61.47
Long-term borrowings with fixed interest rates due within one year	0.02
Long-term borrowings with floating interest rates due within one year	1.45
Long-term borrowings with fixed interest rates	14.85
Long-term borrowings with floating interest rates	5.00
Medium-term notes	12.00
Ultra-short term financing bills	3.00
	<hr/>
Total	<b>97.79</b>

*Note:* the accrued interest is not included in the above table.

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

The principal business of the Group is carried out within the PRC and is denominated in RMB. However, foreign exchange risks still exist for the assets and liabilities in foreign currencies and future foreign currency transactions as recognized by the Group (assets and liabilities in foreign currencies and foreign currency transactions are mainly denominated in U.S. dollar). The finance department of the headquarters of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies to mitigate the foreign exchange risks to the largest extent. To this end, the Group may hedge foreign exchange risks by way of stepping up its globalization paces, reasonable matching of the scale of foreign currency assets and liabilities with overseas business expansion, optimizing the currency of business settlement, matching the same currency between income and expenditure, adopting appropriate exchange rate instruments and financial derivatives such as locking exchange rate, forward foreign exchange contract and currency swap contract. During the Reporting Period, foreign exchange loss of the Group amounted to RMB422 million as compared with foreign exchange gain of RMB136 million for the corresponding period last year.

## Section VI Management Discussion and Analysis

### 8. Capital efficiency

Inventory turnover period during the Reporting Period was 99 days as compared with 90 days of the corresponding period last year, representing a year-on-year increase of 9 days, among which, inventory turnover period for automotive glass was 67 days as compared with 65 days of the corresponding period last year; inventory turnover period for float glass was 147 days as compared with 144 days of the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 86 days as compared with 74 days of the corresponding period last year.

The return on equity during the Reporting Period was 12.03% as compared with 13.55% of the corresponding period last year.

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

*Unit: '000 Currency: RMB*

	<b>December 31, 2020</b>	December 31, 2019
Total borrowings	<b>9,829,723</b>	10,718,806
Lease liabilities	<b>600,277</b>	657,265
Long-term payables	<b>79,485</b>	76,095
Less: Cash and cash equivalents	<b>-8,807,952</b>	-8,352,669
Net debts	<b>1,701,533</b>	3,099,497
Total equity	<b>21,602,614</b>	21,381,318
Total capital	<b>23,304,147</b>	24,480,815
Gearing ratio (%)	<b>7.30%</b>	12.66%

### 9. COMMITMENTS

For details, please refer to the descriptions in Note 35 "Commitments" to the "Section XI Financial Report".

### 10. CONTINGENT LIABILITIES

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

### 11. Events Occurring After the Reporting Period

For details, please refer to the descriptions in Note 38 "Events Occurring after the Reporting Period" to the "Section XI Financial Report".



## Section VI Management Discussion and Analysis

### (II) Analysis on assets and liabilities

#### 1. Analysis on assets and liabilities

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

Items	Closing balance	The percentage of closing balance to the total assets (%)	Opening balance	The percentage of opening balance to the total assets (%)	Change in the closing balance as compared with the opening balance (%)	Explanations
Financial assets at fair value through other comprehensive income – Non-current assets	58,000	0.15	-	-	100	Financial assets at fair value through other comprehensive income – Non-current assets represented the 4.55% equity interests in China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. acquired during the Reporting Period.
Other non-current assets	-	-	180,000	0.46	-100.00	The decrease in other non-current assets was mainly due to the reclassification of the loan due from Jinken Glass Industry Shuangliao Co., Ltd. whose assets and equity interests held by its shareholders have been pledged to the Company from "other non-current assets" to "trade receivables and other receivables" as the repayment period is less than 1 year as at the end of the Reporting Period.
Financial assets at fair value through profit or loss	300,288	0.78	860,894	2.22	-65.12	The decrease in financial assets at fair value through profit or loss was mainly due to a decrease in the structured deposits with principal guaranteed held as at the end of the Reporting Period.
Financial assets at fair value through other comprehensive income – current assets	1,301,612	3.39	784,418	2.02	65.93	The increase in financial assets at fair value through other comprehensive income – current assets was mainly due to an increase in the balance of bank acceptance bills at the end of the Reporting Period.
Borrowings – Non-current liabilities	3,183,785	8.28	1,193,000	3.07	166.87	The increase in borrowings – non-current liabilities was mainly due to the Company's optimization of the short- and long-term financing structure and issuance of two tranches of medium-term notes with a total amount of RMB1,200 million and increase in long-term borrowings of RMB800 million.
Borrowings – Current liabilities	6,645,938	17.29	9,525,806	24.53	-30.23	The decrease in borrowings – current liabilities was mainly due to the repayment of matured borrowings during the Reporting Period.
Derivative financial instruments – Current liabilities	795	0.00	3,795	0.01	-79.05	The change of derivative financial instruments – current liabilities was mainly due to the transfer of matured short call on foreign exchange at the end of the last period.

## Section VI Management Discussion and Analysis

### (III) Analysis on industry operating information

China's automobile market will face more uncertainties, as a supporting industry of the automobile industry, there is still stable room for development of the industry in the medium and long run. For details, please refer to "II. Discussion and analysis on the future development of the Company – (I) Industry landscape and development trend" in Section V "Report of the Board of Directors" of this annual report.

#### Analysis on operating information of automobile manufacturing industry

##### 1. Sales volume and production volume of components and parts

By classification of components and parts

*Unit: million square meters (other than percentage)*

Classification of components and parts	Sales volume			Production volume		
	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)
Automotive glass	103.21	109.09	-5.39	104.45	109.46	-4.58

By classification of markets

Classification of components and parts	Sales volume in components market for finished automobiles			Sales volume in after-sales service market		
	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)	Accumulation within the year	Accumulation of last year	Accumulative year-on-year increase/decrease (%)
Automotive glass	85.67	89.71	-4.50	17.54	19.38	-9.49

### (IV) Analysis on investments

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

- To ensure the normal production and operation of Germany FYSAM auto decorative project, it was considered and approved at the fifteenth meeting of the ninth session of the Board of Directors of the Company that the Board of Directors of the Company agreed to invest additional EUR65 million in Fuyao (Hong Kong) Co., Ltd. to replenish 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 (<http://www.hkexnews.hk>) for details, respectively.
- In order to better provide integrated products to automobile manufacturers, increase the added value of our products, and further increase the scale of our automobile accessories segment, the Company and Fuyao (Hong Kong) Co., Ltd. increase their capital contribution to Fuyao Group Changchun Co., Ltd., a wholly-owned subsidiary, in proportion to their respective contribution in the company, increasing the registered capital of the said company from RMB300 million to RMB600 million. Fuyao Group Changchun Co., Ltd. completed the procedures for change of registration of business license in the Market Supervision Administration on July 23, 2020.



## Section VI Management Discussion and Analysis

3. The Company entered into the Agreement on Transfer of Equity Interests in China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. with China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. on December 7, 2020, pursuant to which the Company acquired 4.55% equity interests in China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. at a consideration of RMB58 million. The principal businesses of China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. are research, test and development of engineering and technology, technology development, technology consultation, technical services, technology transfer and software development, etc.

The Company's external investments in 2019: (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 at 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 a registered capital of RMB150 million, and is principally engaged in design, development and manufacturing of aluminum alloy components and parts and other components and parts products, sale of its self-manufactured products and provision of relevant supporting services; (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; (4) On August 15, 2019, the Company incorporated Fuyao Technology Development (Suzhou) Co., Ltd. (福耀科技發展(蘇州)有限公司) with a registered capital of RMB50 million. Fuyao Technology Development (Suzhou) Co., Ltd. is principally engaged in the intelligent manufacturing and research and development of the industrial robots system, antenna, film and sensor; research and development of analogue technology and optical and electronic technology; and provision of related technical consulting, technology transfer, technical services and technology promotion.

### (1) Significant equity investments

For details, please refer to the additional investment into Fuyao (Hong Kong) Co., Ltd. to replenish the liquidity of FYSAM Auto Decorative GmbH, as disclosed in the "Overall analysis on external equity investment" above.

### (2) Financial assets at fair value

Unit: Yuan Currency: RMB

Name of items	Opening balance	Closing balance	Changes in the Reporting Period	Impact on profit for the Reporting Period
Forward foreign exchange contracts	85,110	-	-85,110	273,059
Currency swap contracts	-	-795,244	-795,244	5,306,674
Short call on foreign exchange	-3,795,000	-	3,795,000	17,687,000
Structured deposits	860,894,383	300,287,671	-560,606,712	44,963,310
Equity in unlisted companies at fair value through other comprehensive income	-	58,000,000	58,000,000	-
Notes receivable at fair value through other comprehensive income	784,417,775	1,301,612,117	517,194,342	-9,922,937
Total	1,641,602,268	1,659,104,544	17,502,276	58,307,106

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 is liabilities.



## Section VI Management Discussion and Analysis

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

In order to further optimise and adjust its asset structure, increase the liquidity of assets and improve the utilization efficiency of its assets, the Company, based on its strategic development plan, entered into the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司) with Taiyuan Jinnuo Investment Co., Ltd. (太原金諾投資有限公司) (now renamed as Taiyuan Jinnuo Industry Co., Ltd. (太原金諾實業有限公司), hereinafter referred to as “Taiyuan Jinnuo”) on June 28, 2018, pursuant to which the Company agreed to transfer 75% equity interest in Fuyao Group Beijing Futong Safety Glass Co., Ltd. (“Beijing Futong”) to Taiyuan Jinnuo at a total consideration of RMB1,004.45 million. The total consideration of the equity transfer was RMB1,004.45 million (of which, 51% equity interest in Beijing Futong was priced at RMB683.05 million). The Company received the first tranche of transfer payment of RMB663 million and the second tranche of transfer payment of RMB20.05 million on June 28, 2018 and July 4, 2018, respectively. Meanwhile, it assisted Taiyuan Jinnuo in completing the registration procedures for the change of ownership of the above-mentioned 51% equity interest. Taiyuan Jinnuo shall make the transfer payment of RMB321.40 million for the remaining 24% equity interest in Beijing Futong to the bank amount designated by the Company in one lump through bank wire before December 31, 2018.

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 the Pandemic. 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 on the remaining 24% equity interest in Beijing Futong to the Company.

The Company has recognized investment revenue of RMB664,032,500 from the transfer of the equity interests in Beijing Futong and recorded an increase of RMB682,452,200 in cash flow in 2018. During the Reporting Period, the Company confirmed the interest income of RMB24,660,900.

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 VI Management Discussion and Analysis

### (VI) 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	312,724.91	173,242.81	210,373.44	65,387.13	61,473.39
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司)	Manufacturing enterprise	Production and sale of float glass and relevant glass products	50,000	128,927.55	95,231.74	99,284.92	49,474.26	42,290.79
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	Manufacturing enterprise	Production and sale of automotive glass products	30,000	156,669.05	82,945.48	191,138.22	39,419.76	34,313.66
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 sale of automotive glass and components and parts	40,000	206,572.02	81,522.60	174,962.50	40,185.19	34,735.11
FYSAM Auto Decorative GmbH (FYSAM汽車飾件有限公司)	Manufacturing enterprise	Design, development, production and sale of automotive aluminum trim	4,025,000 (EUR)	138,986.65	-57,128.86	103,420.15	-28,936.21	-27,986.86
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	330,000,000 (USD)	536,639.16	63,365.25	325,398.20	11,395.34	289.02

Notes:

1. Fuyao Glass America Inc. holds 100% equity interests in each of Fuyao Glass Illinois Inc. (福耀伊利諾有限公司) and Fuyao Asset Management C, LLC (福耀美國C資產公司). The financial figures of Fuyao Glass America Inc. as disclosed in the above table are the figures of the consolidated financial statements.
2. FYSAM Auto Decorative GmbH holds 100% equity interests in each of FYSAM Auto Decorative Slovakia s.r.o. (FYSAM汽車飾件(斯洛伐克)有限公司) and FYSAM Auto Decorative de Mexico S. de R.L. de C.V. (FYSAM汽車飾件(墨西哥)有限公司). The financial figures of FYSAM Auto Decorative GmbH as disclosed in the above table are the figures of the consolidated financial statements.



## Section VII Significant Events

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

#### (I) Formulation, implementation and adjustment of cash dividend distribution policies

1. Cash dividend policies of the Company:

Dividends were distributed in accordance with the Articles of Association and the prescribed cash dividend policy: (1) intervals of profit distribution: if the Company makes a profit for the year and the accumulated undistributed profit is positive, it shall distribute profits at least once a year; (2) specific conditions for cash dividends distribution and the minimum percentage of cash dividends distribution: on the premise of ensuring the Company's sustainable operation and long-term development, if the Company does not undergo matters (excluding investments with raised funds) including major investment plans and major cash expenditures, and provided that the Company makes a profit for the year and the accumulated undistributed profit is positive, the Company shall distribute dividends in cash. The profits distributed by the Company in cash each year shall not be less than 20% of distributable profits achieved in that year. The Board of Directors of the Company shall put forward a plan for the percentage of dividends to be distributed each year based on the Company's earnings of the year and budgets for the future; (3) specific conditions for share dividends distribution: where the Company operates and grows well and the Board of Directors of the Company believes that the Company's earnings per share, share price and net assets per share do not match the size of the Company's share capital, the Company may, on the premise of meeting the said percentage of cash dividends distribution, distribute profits by distributing share dividends. In determining the specific amount of the share-based profit distribution, the Company shall take full account of whether the total share capital after the share-based dividend distribution is suitable for the current business scale, earnings growth and dilution of net assets per share, and the impact on future debt financing cost, so as to ensure that the profit distribution plan is in the interest of all shareholders as a whole in the long run.

For details such as the specific distribution policies, please refer to The "Profit Distribution Plan of Fuyao Glass for Shareholders for the Upcoming Three Years (2018–2020)" dated May 12, 2018 as published on the Shanghai Securities News, the China Securities Journal and the Securities Time and the websites of the SSE (<http://www.sse.com.cn>) and Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

2. During the Reporting Period, the Company carried out the annual profit distribution plan for 2019: cash dividends of RMB7.50 per 10 shares (tax inclusive) were distributed based on the total issued share capital of 2,508,617,532 shares of the Company with the total dividends amounting to RMB1,881,463,149. The distribution date of cash dividends of A shares was July 23, 2020, and the distribution date of cash dividends of H shares was August 21, 2020.



## Section VII Significant Events

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

Unit: '000 Currency: RMB

Dividend Year	Bonus share for every 10 shares <i>(share)</i>	Dividend for every 10 shares <i>(yuan) (tax inclusive)</i>	Conversion into share capital for every 10 shares <i>(share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Annual profit attributable to the owners of the Company in the consolidated statements for the dividend year	Percentage of annual profit attributable to owners of the Company in the consolidated statements <i>(%)</i>
2020	0	7.50	0	1,881,463	2,600,245	72.36
2019	0	7.50	0	1,881,463	2,897,868	64.93
2018	0	11.50	0	2,884,910	4,119,935	70.02

*Note:* The amount of cash dividends for the year of 2020 is to distribute cash dividends of RMB7.5 per 10 shares (tax inclusive) based on the total share capital of 2,508,617,532 shares of the Company as at December 31, 2020 to holders of A shares and holders of H shares whose names appear on the register of members on the record date in respect of cash dividends for the year of 2020, with total dividends to be distributed amounting to RMB1,881,463,149. If the total share capital of the Company changes before the record date for the implementation of dividends distribution, the Company will propose to keep the distribution ratio per share unchanged and make adjustment to the total amount of distribution accordingly.

## Section VII Significant Events

### II. 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	Fuyao Glass Industry Group Co., Ltd.	For details, please refer to the "Dividend Distribution Plan of Fuyao Glass Industry Group Co., Ltd. for the Shareholders for the Upcoming Three Years (2018-2021)" dated May 12, 2018 published on the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).	Date of announcement of the undertaking: May 12, 2018, term of performance of the undertaking: January 1, 2018 to December 31, 2020	Yes	Yes

#### 1. Non-competition

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

For the purpose of compliance with the Non-competition Undertakings, the Company requested the above-mentioned shareholders and their associates to present a written confirmation (the "Written Confirmation"), confirming that they have adhered to such Non-competition Undertakings for the year. Upon receiving such Written Confirmation, the audit committee of the Company has reviewed the same as part of the annual review process. In the annual review conducted to determine whether the above-mentioned substantial shareholders have fully complied with such Non-competition Undertakings in 2020, the audit committee of the Company noted that (1) the substantial shareholders declared that they had fully complied with the Non-competition Undertakings for the financial year ended December 31, 2020; (2) no new competing business was reported by such substantial shareholders in 2020; (3) there was no particular situation rendering the full compliance with the Non-competition Undertakings questionable.

In light of the above, the Company confirms that the above-mentioned substantial shareholders have fully complied with their Non-competition Undertakings for the year ended December 31, 2020.



## Section VII Significant Events

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

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

For detailed information, please refer to Note 2.2 “Changes In Accounting Policies And Disclosures” under Note 2 “Summary Of Significant Accounting Policies” of “Section XI Financial Report”.

### IV. THE APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

#### Current appointment

Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)	
Remuneration of the domestic accounting firm		426
Term of audit of the domestic accounting firm		19
Name of the overseas accounting firm	PricewaterhouseCoopers	
Remuneration of the overseas accounting firm		107
Term of audit of the overseas accounting firm		6

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

*Note:* Save for the above, in 2020, the Company also paid RMB256,000 to PricewaterhouseCoopers as auditor’s consultation fee, due diligence fee and other non-audit business expenses. All of the aforesaid data is tax inclusive.

Explanations for change of the accounting firm during the auditing period

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

### V. MATERIAL LITIGATION AND ARBITRATION

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

## Section VII Significant Events

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

During the Reporting Period, there has been no refusal to implement effective judgments of a court or failure to meet debt repayment schedules of a relatively large amount by the Company, its controlling shareholders and de facto controller.

### VII. SUBSTANTIAL CONNECTED TRANSACTIONS

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

During the Reporting Period, the Company carried out connected transactions or entered into agreements in respect of relevant transactions with Global Cosmos German Limited and Fujian Yaohua Industrial Village Development Co., Ltd. (as defined in the Hong Kong Listing Rules):

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

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

For the year ended December 31, 2020, the approved annual caps and the amount of transactions incurred in relation to non-exempt continuing connected transactions under the lease agreement between Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, and Global Cosmos German Limited and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2020	Consolidated transaction amount in 2020
Expenses of Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, arising from leasing the properties of Global Cosmos German Limited and/or its associates under the lease contract	€3.0500 million	€2.5603 million

*Note:* The rent was determined by both parties through negotiations with reference to the market price of the place where the leased properties are located; the consolidated transaction amount in 2020 was exclusive of tax of €0.4865 million.





## Section VII Significant Events

- (2) The Company entered into a lease contract with Fujian Yaohua Industrial Village Development Co., Ltd. on October 25, 2018 to continue the lease of properties from Fujian Yaohua Industrial Village Development Co., Ltd. for three years ending December 31, 2021.

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

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

For the year ended December 31, 2020, the approved annual caps and the transaction amount incurred in relation to the non-exempt continuing connected transactions contemplated under the contract between the Company and Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates for the above services are set out as below:

Nature of the transaction	Annual caps on transaction amount in 2020	Consolidated transaction amount in 2020
Expenses of the Company arising from leasing the properties of Fujian Yaohua Industrial Village Development Co., Ltd. and/or its associates under the lease contract	Approximately RMB29,000,000	RMB28,509,100

*Note:* The relevant annual caps were determined after taking into account the following factors: (i) the production and operation of the Company and the actual property needs of employees' lives; (ii) the prevailing market price of comparable properties in the place where the leased properties are located.



## Section VII Significant Events

The independent non-executive directors of the Company have reviewed the above two non-exempt continuing connected transactions conducted in 2020 and confirmed that the connected transactions were:

1. entered into in the ordinary course of business of the Company;
2. on normal commercial terms or, if the comparable transactions are not sufficient for determining whether the terms of such transactions are on normal commercial terms, on terms no less favorable to the Group than the terms available to or from independent third parties (as the case may be); and
3. conducted in accordance with the terms of the agreements for relevant transactions and the terms of the transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Board of Directors of the Company has received a confirmation letter in relation to the above two non-exempt continuing connected transactions conducted in 2020 from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the continuing connected transactions as at December 31, 2020 that:

1. nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not been approved by the Board of Directors of the Company;
2. as for the transactions that involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditors to believe that the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Group;
3. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not conducted, in all material respects, in accordance with the relevant agreements; and
4. nothing has come to the auditors' attention that causes the auditor to believe that the amounts of the transactions exceeded the annual caps set by the Company.



## Section VII Significant Events

### (II) Connected transactions related to daily operations (disclosed in accordance with the requirements of the SSE)

1. Matters disclosed in provisional announcements but without 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, from Global Cosmos German Limited was considered and approved at the sixteenth meeting of the eighth session of the Board of Directors of the Company convened on October 25, 2017. Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, shall lease all its 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.

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.

Given that Jinken Glass Industry Shuangliao Co., Ltd. expects an increase in transaction demand in 2020, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao 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 the Lease of Properties by a 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 on the website of the SSE (<http://www.sse.com.cn>).

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 on the website of the SSE (<http://www.sse.com.cn>).

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Increase in the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2020 dated April 28, 2020 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>).

## Section VII Significant Events

Connected transactions in relation to the daily operations in 2020 are as below:

Unit: 0'000 Currency: RMB

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Estimated amounts in 2020	Actual amounts in 2020	Percentage of amount of the same type of transactions (%)	Settlement method of 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	6,112.46	25.70	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	17,667.28	74.30	60 days upon the invoice date
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	Associate	Acceptance of labor services from connected persons	Product accessories installation service	Costs plus	600.00	474.41	100	30 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	2.37	0.35	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	666.47	99.60	Settle in the current month
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	84.49	100	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Other inflows	Revenue from property leasing	Market price	8.00	0.90	100	30 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Provision of labor services to connected persons	Provision of labor services	Agreed price	300.00	155.23	81.52	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Provision of labor services to connected persons	Provision of labor services	Market price	80.00	35.19	18.48	30 days upon the invoice date
Fujian Yaohua Industrial Village Development Co., Ltd.	Others	Other outflows	Leasehold property	Market price	2,882.70	2,850.91	58.44	Payment before June 30
Global Cosmos German Limited	Others	Other outflows	Leasehold property	Market price	2,415.68	2,027.86	41.56	Payment before June 30
Total					<u>46,016.38</u>	<u>30,077.57</u>		

*Note:* The actual amounts for the sale of raw and auxiliary materials in 2020 incurred between the Company and Jinken Glass Industry Shuangliao Co., Ltd. exceed the estimated amount of the whole year, but since the exceeded amounts are relatively small, such connected transactions are not required to be submitted to the Board of Directors of the Company for consideration according to the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (revised in April 2019) and Articles of Association.



## Section VII Significant Events

### 2. Events not disclosed in provisional 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
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	Associate	Sale of goods	Sale of raw and auxiliary materials	Market price	0.30	0.05	30 days upon the invoice date
Jinke Glass Industry Shuangliao Co., Ltd.	Associate	Acceptance of labor services	Acceptance of labor services	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	25.07	100	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Renting in and renting out	Leasing of iron frame	Market price	18.12	100	30 days upon the invoice date
Total				/	<u>43.99</u>	/	

Note to the connected transaction

As the amounts of the transactions conducted between the Company, Jinken Glass Industry Shuangliao Co., Ltd., and Fuyao Group Beijing Futong Safety Glass Co., Ltd. are relatively small, such connected transactions are not required to be submitted to the Board of Directors of the Company for consideration according to the relevant provisions of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and the Articles of Association.



## Section VII Significant Events

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

#### 1. Matters disclosed in provisional announcements with subsequent development or changes during 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 Transaction 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 no more than RMB90,000,000, a term of no more than 24 months, and an interest rate of no less than the RMB benchmark loan interest rate of financial institutions as published by the People’s Bank of China for the corresponding period; which approved the Company to provide a guarantee in respect of a loan borrowed by Jinken Glass from a financial institution, and the sum of the guaranteed amount and the loan provided by the Company and its subsidiaries to Jinken Glass were 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 the Announcement of Fuyao Glass Industry Group Co., Ltd. on Related Guarantee dated February 25, 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>).

In order to speed up the progress of the project of Jinken Glass and enable it to provide a steady supply of raw materials to the Company as soon as possible, the Company adjusted the amount of loans granted by the Company and its subsidiaries in the PRC to Jinken Glass from not more than RMB90,000,000 to not more than RMB190,000,000, with a term of not more than 24 months and an interest rate of no less than the benchmark interest rate of Renminbi loans offered by financial institutions as published by the People’s Bank of China for the corresponding period. The resolution had been considered and approved at the fifteenth meeting of the eighth session of the Board of Directors 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 (<http://www.sse.com.cn>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

Before the expiry of the loan term, Jinken Glass made a request to the Company to extend the loan term 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 loan term of the above-mentioned related loans to August 15, 2021 after being considered and approved by 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. in Relation to Extension of Related Loan Repayment Terms dated March 16, 2019 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, the website of the SSE (<http://www.sse.com.cn>) and the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

As at the end of the Reporting Period, the loan balance of Jinken Glass was RMB160,000,000.





## Section VII Significant Events

### VIII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

#### (I) Guarantee

Unit: 0'000 Currency: RMB

##### External guarantees of the Company (excluding guarantees to subsidiaries)

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

##### Guarantees of the Company and its subsidiaries to subsidiaries

Total amount of the guarantees to subsidiaries during the Reporting Period	82,199.20
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	78,298.80

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

Total amount of guarantees (A+B)	78,298.80
Total amount of guarantees as a percentage of the net assets of the Company (%)	3.62
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 converted into RMB based on the RMB central parity rate announced by the People's Bank of China on December 31, 2020

## Section VII Significant Events

### (II) Cash and Assets Management by Entrusting

#### 1. Entrusted wealth management

##### (1) Overall status of entrusted wealth management

Unit: 0'000 Currency: RMB

Type	Capital source	Amounts	Outstanding balance	Amounts overdue but not yet recovered
Bank financial products	Self-owned resources	390,000	30,000	0

- Notes:*
- The Company held the thirteenth meeting of the ninth session of the Board of Directors on March 27, 2020, considered and approved the Resolution on the Company's Entrusting Wealth Management With Its Self-owned Resources. The Board of Directors agreed that the Company could use its temporary idle self-owned resources of not more than RMB3.5 billion for entrusted wealth management within a period of 12 months from the date of consideration and approval of the above-mentioned resolution at the meeting of the Board of Directors (within the above quota, the funds can be used on a rolling basis), for the purchase of principal-guaranteed and low-risk bank wealth management products. The maximum duration of the wealth management products purchased by the Company shall not exceed 18 months from the date when the above resolution was considered and approved at this meeting of the Board of Directors;
  - The Company held the fourteenth meeting of the ninth session of the Board of Directors on April 27, 2020, considered and approved the Resolution on the Company's Entrusting Wealth Management With its Self-owned Resources. The Board of Directors agreed that on the basis of the above entrusted wealth management limit of not more than RMB3.5 billion which was considered and approved at the thirteenth meeting of the ninth session of the Board of Directors, the Company proposed to implement entrusted wealth management with additional temporary idle self-owned resources of not more than RMB2.5 billion within a period of 12 months from the date of consideration and approval of the resolution at the 2019 annual general meeting (within the above quota, the funds can be used on a rolling basis), for the purchase of principal-guaranteed and low-risk bank wealth management products from banks and other financial institutions. The maximum duration of the wealth management products purchased by the Company shall not exceed 18 months from the date when the above resolution was considered and approved at the 2019 annual general meeting.
  - During the Reporting Period, the Company purchased wealth management products from six financial institutions (all being independent third parties). Given that the applicable percentage ratios (as defined under Chapter 14 of the Hong Kong Listing Rules) in respect of the total amount of the transactions between the Company and each of the financial institutions are lower than 5%, the transactions are exempt from relevant requirements under Chapter 14 of the Hong Kong Listing Rules.



## Section VII Significant Events

### IX. EXPLANATIONS OF OTHER SIGNIFICANT EVENTS

In order to broaden the investor base of H shares and optimize the capital structure of the Company, on January 8, 2021, the Board of Directors resolved that according to the provisions of the Articles of Association, the Company proposed to issue and place not more than 101,126,240 additional H shares to qualified investors. The issuance would proceed under the specific mandate. The Company held the 2021 second extraordinary general meeting, 2021 first A share class meeting and 2021 first H share class meeting on February 26, 2021. The resolution on this issuance was approved at the extraordinary general meeting and the class meetings. The Company will continue to promote the issuance.

### X. ACTIVE FULFILLMENT OF SOCIAL RESPONSIBILITIES

#### (I) Poverty Alleviation by the Company

##### 1. Targeted Poverty Alleviation Planning

Under the guidance of the Core Cultural System of Fuyao Group and in accordance with the core corporate concept of “self-development while benefiting the world”, Fuyao Group has always been creating values for shareholders and wealth for customers; meanwhile, engaging in public services, caring for the lives of vulnerable groups and people in difficulties and earnestly fulfilling its social responsibility in order to promote the advancement and harmonious development of communities, business and the regional economy. At the same time, the Articles of Association of the Company further specify the authorization system of different amounts for external donation or sponsorship to ensure effective monitoring.

2020 is the tenth year since the establishment of the Heren Charitable Foundation, which was established by Mr. Cho Tak Wong, chairman of the Board of Directors of the Group. In the past ten years, Heren Charitable Foundation has actively responded to the call of the CPC Central Committee and the State Council to “achieve the elimination of poor counties, lift the poor households out of poverty, and solve regional poverty” and closely followed this strategic deployment to facilitate poverty alleviation work. In this year, in the face of the sudden outbreak of the Pandemic and the critical year of poverty alleviation, Heren Charitable Foundation planned to allocate funds to three aspects, namely poverty alleviation on health, poverty alleviation on education and targeted poverty alleviation for major emergency and natural disasters.



## Section VII Significant Events

### 2. Summary of Annual Targeted Poverty Alleviation

According to the information provided by Heren Charitable Foundation, during the Reporting Period, Heren Charitable Foundation, which was established via 300 million shares of the Company held by Mr. Cho Tak Wong, has made a donation outlay of RMB1,595.98 million (including RMB9.21 million of anti-pandemic supplies), of which, RMB1,560.38 million (including RMB9.21 million of anti-pandemic supplies) was utilized in the targeted poverty alleviation projects, comprising:

- Poverty alleviation in society: the expenditure of RMB850 million included the funds for flood fighting, anti-pandemic and poverty alleviation projects in Fujian, Hubei and Guizhou provinces.
- Poverty alleviation on health: the expenditure of RMB670.62 million (including RMB9.21 million of anti-pandemic supplies) included the funds for the projects in respect of fighting against the domestic and overseas Pandemic and the poverty alleviation on health in the “Three Regions and Three Prefectures”.
- Poverty alleviation on education: the expenditure of RMB13.7 million included the funds for the Cho Tak Wong inspiring scholarship projects in Fujian Agriculture and Forestry University, Fujian Medical University and Northwest A&F University, and the financial assistance projects for needy students in Fujian province.
- Poverty alleviation through transfer of employment: the expenditure of RMB11.1 million included the funds for the projects in respect of the establishment of training base for leaders of creating wealth and professional training in the western region.
- Poverty alleviation through industrial development: the expenditure of RMB10.15 million included the funds for Chongqing Productivity Development Center to carry out the intellectual assistance program of Chongqing and other projects.
- Basic guarantee: the expenditure of RMB4 million included key assistance for the needy children, the elderly and other special groups at county level in Fujian province, and the assistance for the officers and soldiers and their families in Fujian province who were injured, sacrificed or had difficulties in living while on duty.
- Poverty alleviation on ecological protection: the expenditure of RMB810,000 was mainly used for the establishment of a national park system and wetland protection projects.



## Section VII Significant Events

### 3. Achievements of Targeted Poverty Alleviation

Unit: 0'000 Currency: RMB

Index	Number and implementation information
I. General information	
Including: 1. Fund	155,117
2. Value of materials	921
3. Number of poor people helped to be removed from administrative record for poverty registering ( <i>Person</i> )	5,000
II. Itemized input	
1. Poverty alleviation through industrial development	
Including: 1.1 Type of industrial poverty alleviation projects	
<input type="checkbox"/> Poverty alleviation through agriculture and forestry	
<input checked="" type="checkbox"/> Poverty alleviation through tourism	
<input type="checkbox"/> Poverty alleviation through e-commerce	
<input type="checkbox"/> Poverty alleviation through assets income	
<input type="checkbox"/> Poverty alleviation through science and technology	
<input checked="" type="checkbox"/> Others	2
1.2 Number of industrial poverty alleviation projects ( <i>Number</i> )	2
1.3 Amount invested in industrial poverty alleviation projects	1,015
1.4 Number of poor people helped to be removed from administrative record for poverty registering ( <i>Person</i> )	5,000
2. Poverty alleviation through shift of occupation	
Including: 2.1 Amount invested in occupational skills trainings	1,110
2.2 Number of poor people helped to obtain employment in administrative record for poverty registering ( <i>Person</i> )	2,775
3. Poverty alleviation through relocation	
4. Poverty alleviation through education	
Including: 4.1 Amount invested in subsidizing poor students	1,370
4.2 Number of students receiving allowance ( <i>Person</i> )	3,425
5. Poverty alleviation through health enhancement	
Including: 5.1 Amount invested in medical and health resources in poverty-stricken areas	66,141
6. Poverty alleviation through ecological protection	
Including: 6.1 Name of projects	
<input checked="" type="checkbox"/> Ecological protection and construction	
<input type="checkbox"/> Compensation methods for ecological protection	
<input type="checkbox"/> Jobs for ecological public welfare	
<input type="checkbox"/> Others	81
6.2 Amount invested	81

## Section VII Significant Events

Index	Number and implementation information
7. Basic guarantee	
Including: 7.1 Amount invested in helping left-behind children, elderly and women	400
7.2 Number of left-behind children, elderly and women funded (person)	4,000
8. Poverty alleviation in society	
Including: 8.1 Amount invested in poverty alleviation cooperation between the East and the West	0
8.2 Amount invested in fixed-point poverty alleviation work	85,000
9. Others	
Including: 9.1 Amount invested	921
9.2 Description of other projects	Anti-pandemic supplies
III. Awards (title & level)	
In 2020, Mr. Cho Tak Wong, the chairman of the Board of Directors, was awarded the National Private Economy Advanced Individual for fighting against the Pandemic by the United Front Work Department of CPC Central Committee, the Ministry of Industry and Information Technology, State Administration for Market Regulation and the All-China Federation of Industry and Commerce; and he was awarded China's Public Welfare Figure of 2020 selected by the China Philanthropy Times.	

*Note:* The above data is related to targeted poverty alleviation activities carried out by Heren Charitable Foundation that was established via 300 million shares of Fuyao Glass held by Mr. Cho Tak Wong. Heren Charitable Foundation is an independent charitable foundation that operates in accordance with the PRC laws and its articles of association. Mr. Cho Tak Wong and any person acting in concert with him, including Fujian Yaohua Industrial Village Development Co., Ltd., Sanyi Development Limited and Homekiu Overseas Holdings Limited, do not have any control over Heren Charitable Foundation, nor are they beneficiaries of Heren Charitable Foundation. Based on the above, Heren Charitable Foundation is independent from Mr. Cho Tak Wong and his associates.

#### 4. Subsequent Targeted Poverty Alleviation Plan

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

Heren Charitable Foundation, established via 300 million shares of the Company held by Mr. Cho Tak Wong, will continue to focus on education, health and fixed-point poverty alleviation in major emergencies and natural disasters. In terms of poverty alleviation through education, the foundation will assist in the development of basic education in Fuzhou by actively implementing the comprehensive building project of Fujian Tak Wong Elementary Education Research Institute of Fujian Normal University; implementing the Fujian Medical University scholarship program and implementing the grant programs of Northwest A&F University. In terms of poverty alleviation through health enhancement, the foundation will continue to implement the project of poverty alleviation through health enhancement in the Three Regions and Three Prefectures launched by the Poverty Alleviation Office of the State Council and the National Health Commission.





## Section VII Significant Events

### (II) Social Responsibility

For details, please refer to the 2020 Social Responsibility Report of the Company prepared pursuant to the relevant requirements of the SSE and separately issued on the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The 2020 Environmental, Social and Governance Report prepared by the Company in accordance with Appendix 27 of the Hong Kong Listing Rules will be published before April 30, 2021.

### (III) Environmental Information

1. Explanations on the environment protection by the Company and its key subsidiaries listed as key pollutant discharging companies published by the environmental protection authority

- (1) Information on pollutant discharging

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

The waste gas produced by the two production lines of Chongqing Float Glass is respectively discharged through two high chimneys, among which No. DA012 waste gas discharge outlet is not used due to the shutdown of the production line for furnace repair in 2020, so there is no flue gas emission. The measured concentration of No. DA001 special pollutants including smoke, SO<sub>2</sub> and NO<sub>x</sub> in 2020 were 12.17mg/m<sup>3</sup>, 138.81mg/m<sup>3</sup> and 336.34mg/m<sup>3</sup>, respectively, and the total emission quantity of such pollutants were 6.85t/a, 75.78t/a and 170.75t/a, respectively; while the total permitted emission quantities were 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 m<sup>3</sup>/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000 m<sup>3</sup>/hour to 80,000 m<sup>3</sup>/hour.

- (2) Construction and operation of pollution prevention and control facilities

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



## Section VII Significant Events

**(3) Environmental impact assessment of construction project and other administrative permissions for environmental protection**

The project of Chongqing Float Glass has passed the environmental impact assessment approval and completed the 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 monitoring by a 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, environmental assessments, acceptance data and requirements of the sewage discharge permit, Chongqing Float Glass establishes standard discharge outlets, and uses automatic monitoring devices to continuously monitor real-time exhaust gas, smoke and dust, sulfur dioxide, and nitrogen oxides data of glass furnace all day and transmits the same to the environmental protection authority. Manual monitoring is conducted in case of failure of the automatic monitoring facility. For the indicators that cannot be monitored by the online monitoring equipment, the Company mainly entrusts a qualified environmental monitoring agency for manual monitoring or evaluation and issuance of monitoring reports.

**(6) Other environmental information that should be disclosed**

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



## Section VII Significant Events

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

#### (1) Float glass business division

In addition to Chongqing Wansheng Float Glass Co., Ltd., another three float glass business divisions of the Company, i.e. Fuyao Glass Industry Group Co., Ltd. ("Fuqing Float"), Fuyao Group Tongliao Ltd. ("Tongliao Float") and Benxi Fuyao Float Glass Co., Ltd. ("Benxi Float") have emission concentrations below national emission standards and total emission amounts 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 will be discharged through 100 m chimneys to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO<sub>2</sub> and NO<sub>x</sub>. Fuqing Float implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

Fuqing Float has constructed three sets of dust removal and denitration facilities, Tongliao Float has built two sets of kiln gas dust removal and denitration facilities adopting the electrostatic dust removal + SCR denitration and Benxi Float has built two sets of kiln gas dust removal and denitration facilities adopting an integrated facilities for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter), each with a designed treatment capacity of 100,000 m<sup>3</sup>/hour. The above facilities are under normal operation with an actual treatment capacity of 70,000~80,000 m<sup>3</sup>/hour.

#### (2) Automotive glass business division

The production lines of the Company's automotive glass business division are mainly for production of laminated glass (for windshield), tempered glass (for rear windows), tempered glass (for side windows) and encapsulated glass. The specific pollutants include waste gases, mainly including toluene, xylene and non-methane hydrocarbon; waste water, mainly including COD, ammonia nitrogen and SS; hazardous wastes including waste ink box, waste encapsulated glass barrel, used oil and oily waste cloth; general industrial solid wastes including waste glass and waste PVB leftover materials, etc.; domestic waste; and noise.

For the above-mentioned pollutants, the Company mainly adopts the following methods for treatment: waste gases shall be collected through the establishment of a unified waste gas collection devices, and then purified by catalytic oxidation, activated carbon adsorption and through water spray treatment equipment, and finally discharged via the 15m exhaust funnel in a compliant manner. Waste water shall be recycled through the establishment of a reclaimed water reuse treatment system, which uses the processes of sedimentation + flocculation and flotation + sand filtration and carbon filtration, and thus waste water shall be reused and less waste water will be discharged. Hazardous wastes from each business division shall be collected by their production department according to different classes, managed by the production planning division, and disposed of in a reasonable and compliant manner by the qualified units entrusted in accordance with the hazardous waste disposal plan. For general industrial solid waste, the glass leftover materials are recycled by the group companies, and PVB leftover materials are recycled by suppliers. Domestic waste, after being collected in the garbage cans, are uniformly cleaned, transported and treated by the environmental sanitation department. The noise from the plant is reduced through measures such as the selection and purchase of low-noise equipment, installation of anti-vibration pad, workshop noise insulation and noise elimination.



## Section VII Significant Events

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

### (3) Aluminum accessories business division

The Company's aluminum accessories business division is mainly engaged in the design, development, production and manufacture of aluminum alloy parts and other auto part products. Its main products mainly include aluminum and magnesium alloy automobile bright trims, luggage racks, edging strips, brackets, etc. The specific pollutants are waste gases mainly including organic wastes such as xylene and non-methane hydrocarbon, particulate matter, smoke, SO<sub>2</sub> and NO<sub>x</sub>; production wastewater mainly including COD, ammonia nitrogen, SS and petroleum; hazardous wastes: waste grease, waste paint residue bucket, waste activated carbon, waste resin, etc.; general industrial solid wastes and waste aluminum chips; domestic waste; and noise.

For the above-mentioned pollutants, the Company mainly adopts the following methods for treatment: as to waste gases, based on the different types of waste gases generated, they are treated through water film dust removal, acid mist absorption tower, water curtain paint spray device, activated carbon and catalytic combustion device, and then discharged through a 15m high exhaust funnel after reaching the treatment standard. As to wastewater, nickel-containing wastewater is collected and disposed separately, and treated by a multi-stage chemical reaction + coagulant + precipitation process. After being filtered by ion exchange resin, the tail water is reused and not discharged. Other production wastewater is separated and collected by quality and category, and then discharged into a comprehensive wastewater treatment station for treatment after pretreatment, and discharged into a sewage treatment plant after reaching the treatment standard. As to hazardous waste, each business division shall collect the hazardous waste by classification, and the production planning division shall implement unified management, and entrust qualified units to dispose of the hazardous waste reasonably and in compliance with the hazardous waste disposal plan. As to general industrial solid waste and aluminum scraps, they are entrusted to qualified units for disposal. As to domestic waste, after the garbage cans are collected, they are uniformly disposed, removed and treated by the environmental sanitation department. As to noise, it is controlled through the optimal selection of equipment and the adoption of effective sound insulation, shock absorption and other comprehensive noise reduction measures and reasonable layout of the plant area.

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



# Section VIII Changes in Ordinary Shares and Information of Shareholders

## I. CHANGES IN ORDINARY SHARES

### (I) Changes in ordinary shares

#### 1. Changes in ordinary shares

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

## II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLERS

### (I) Total number of shareholders

As at December 31, 2020, the total number of shareholders of the Company was 109,088, of which, 109,042 were holders of A shares and 46 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	109,088
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	195,569
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0
Total number of shareholders of preference shares with voting rights restored as at the end of the month preceding the day when the annual report was disclosed	0

### (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

Name of shareholder (Full name)	Particulars of top 10 shareholders						
	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		Nature of shareholders
						Number	
HKSCC NOMINEES LIMITED (Note)	6,759	491,746,759	19.60		Unknown		Unknown
Sanyi Development Limited	0	390,578,816	15.57		Nil		Overseas legal person
Heren Charitable Foundation	-68,910,916	221,089,084	8.81		Nil		Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited	-55,823,182	169,799,259	6.77		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 Securities Finance Corporation Limited	0	28,095,495	1.12		Unknown		Unknown
Agricultural Bank of China Limited – E Fund	22,553,748	27,053,793	1.08		Unknown		Unknown
Consumer Industry Equity Securities Investment Fund (易方達消費行業股票型證券投資基金)							
Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司)	0	24,598,300	0.98		Unknown		Unknown
China Merchants Bank Co., Ltd. – Foresight Growth and Value Mixed Securities Investment Fund (睿遠成長價值混合型證券投資基金)	22,078,000	22,078,000	0.88		Unknown		Unknown



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

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

Name of shareholders	Name of shareholders shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC NOMINEES LIMITED (Note)	491,746,759	Domestic listed foreign shares	491,746,759
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB	390,578,816
Heren Charitable Foundation	221,089,084	Ordinary shares denominated in RMB	221,089,084
Hong Kong Securities Clearing Company Limited	169,799,259	Ordinary shares denominated in RMB	169,799,259
Bai Yongli	34,653,315	Ordinary shares denominated in RMB	34,653,315
Fujian Yaohua Industrial Village Development Co., Ltd.	34,277,742	Ordinary shares denominated in RMB	34,277,742
China Securities Finance Corporation Limited	28,095,495	Ordinary shares denominated in RMB	28,095,495
Agricultural Bank of China Limited – E Fund Consumer Industry Equity Securities Investment Fund (易方達消費行業股票型證券投資基金)	27,053,793	Ordinary shares denominated in RMB	27,053,793
Central Huijin Asset Management Limited (中央匯金資產管理有限責任公司)	24,598,300	Ordinary shares denominated in RMB	24,598,300
China Merchants Bank Co., Ltd. – Foresight Growth and Value Mixed Securities Investment Fund (睿遠成長價值混合型證券投資基金)	22,078,000	Ordinary shares denominated in RMB	22,078,000

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

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

*Note:* HKSCC NOMINEES LIMITED (香港中央結算(代理人)有限公司). 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 VIII Changes in Ordinary Shares and Information of Shareholders

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

As at December 31, 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 <sup>(3)</sup> (%)	Percentage of total issued share capital of the Company <sup>(3)</sup> (%)	Class of shares
Cho Tak Wong (Chairman of Board of Directors and an executive director) <sup>(1)</sup>	Beneficial owner/spouse interest/interest of controlled corporation	425,171,386(L)	21.23(L)	16.95(L)	A share
Tso Fai (Vice Chairman of the Board of Directors and an executive director) <sup>(2)</sup>	Interest of controlled corporation	12,086,605(L)	0.60(L)	0.48(L)	A share

Notes:

- (1) Mr. Cho Tak Wong directly holds 314,828 A shares (L) and indirectly holds 390,578,816 A shares (L) through Sanyi Development Limited. In addition, Mr. Cho Tak Wong is deemed to be interested in the 34,277,742 A shares (L) indirectly held by his spouse, Ms. Chan Fung Ying.
- (2) Mr. Tso Fai indirectly holds 12,086,605 A shares (L) through Homekiu Overseas Holdings Limited.
- (3) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2020.
- (4) (L) – long position.

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

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

As at December 31, 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 <sup>(5)</sup> (%)	Percentage of total issued share capital of the Company <sup>(5)</sup> (%)	Class of shares
Chan Fung Ying <sup>(1)</sup>	Spouse interest/interest of controlled corporation	425,171,386(L)	21.23(L)	16.95(L)	A share
Sanyi Development Limited	Beneficial owner	390,578,816(L)	19.50(L)	15.57(L)	A share
Heren Charitable Foundation	Beneficial owner	221,089,084(L)	11.04(L)	8.81(L)	A share
Harding Loevner LP	Investment manager	36,206,971(L)	7.16(L)	1.44(L)	H share
Citigroup Inc. <sup>(2)</sup>	Secured equity holders/ interest of controlled corporation/ approved lending agents	30,904,236(L) 30,501,745(P)	6.11(L) 6.03(P)	1.23(L) 1.22(P)	H share
Royal Bank of Canada <sup>(3)</sup>	Interest of controlled corporation	36,414,854(L)	7.20(L)	1.45(L)	H share
Mitsubishi UFJ Financial Group, Inc. <sup>(4)</sup>	Interest of controlled corporation	40,251,915(L)	7.96(L)	1.60(L)	H share

### Notes:

- (1) Ms. Chan Fung Ying indirectly holds 34,277,742 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"), of which, 14,000,000 A shares (L) were pledged to China Merchants Securities Co., Ltd. by Yaohua. In addition, she was deemed to have interests in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) Citibank, N.A., Citigroup Global Markets Hong Kong Limited and Citigroup Global Markets Limited, the entities controlled by Citigroup Inc., held 30,904,236 H shares (L) and 30,501,745 H shares (P) of the Company in aggregate. In addition, 12,400 H shares (L) were related to derivatives, namely the unlisted derivatives – cash settled. Accordingly, Citigroup Inc. was deemed to have interests in the shares of the Company held by such entities.
- (3) 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 36,414,854 H shares (L) of the Company in aggregate, Royal Bank of Canada was deemed to have interests in the shares of the Company held by such entities.
- (4) As Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., First Sentier Investors (Hong Kong) Limited and First Sentier Investors (Singapore), the entities controlled by Mitsubishi UFJ Financial Group, Inc., held 40,251,915 H shares (L) of the Company in aggregate, Mitsubishi UFJ Financial Group, Inc. was deemed to have interests in the shares of the Company held by such entities.
- (5) The percentage is based on the issued number of the relevant class of shares or the total issued shares of the Company as at December 31, 2020.
- (6) (L) – long position, (P) – lending pool.

Save as disclosed above, as at December 31, 2020, there was no person having interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



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

### III. PARTICULARS OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

#### (I) Controlling Shareholder

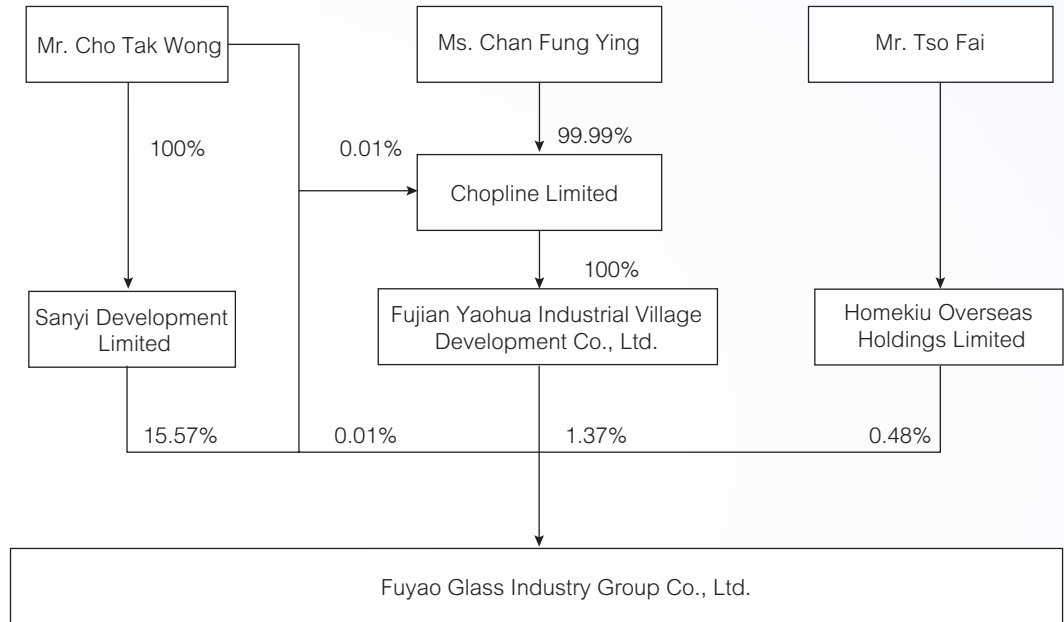
1	Legal person	
	Name	Sanyi Development Limited
	Person-in-charge or legal representative	Cho Tak Wong
	Date of establishment	April 4, 1991
	Principal business	Non-business operation investment shareholding
	Details of controlling interests and investments in other domestic and foreign-listed companies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

#### (II) De facto controller

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

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

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



### IV. OTHER LEGAL PERSON SHAREHOLDERS WITH SHAREHOLDING OF OVER 10%

As at the end of the Reporting Period, except Sanyi Development Limited, the Company has no other legal person shareholder that holds more than 10% of the issued share capital of the Company.



# Section IX Directors, Supervisors, Senior Management and Employees

## I. CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: Share

Name	Position (Note)	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year (Note)	Number of shares held at the end of the year (Note)	Changes in shares held for the year	Reason for changes	Total remuneration before tax received from the Company during the Reporting Period (RMB'000)	Whether they received remuneration from connected parties of the Company
Cho Tak Wong	Executive Director, Chairman of the Board of Directors	Male	74	January 15, 2021	January 14, 2024	314,828	314,828	0		738.41	No
Tso Fai	Executive Director, Vice Chairman of the Board of Directors	Male	50	January 15, 2021	January 14, 2024					149.16	No
Ye Shu	Executive Director, President	Male	48	January 15, 2021	January 14, 2024					231.93	No
Chen Xiangming	Executive Director, Chief Financial Officer Joint Company Secretary	Male	50	January 15, 2021	January 14, 2024 October 30, 2014					190.24	No
Wu Shinong	Non-executive Director	Male	64	January 15, 2021	January 14, 2024					9.00	No
Zhu Dezhen	Non-executive Director	Female	62	January 15, 2021	January 14, 2024					9.00	No
Cheung Kit Man Alison	Independent Non-executive Director	Female	63	January 15, 2021	January 14, 2024					26.80	No
Liu Jing	Independent Non-executive Director	Male	60	January 15, 2021	January 14, 2024					15.00	No
Qu Wenzhou	Independent Non-executive Director	Male	48	January 15, 2021	January 14, 2024					15.00	No

## Section IX

## Directors, Supervisors, Senior Management and Employees

Name	Position <i>(Note)</i>	Gender	Age	Commencement date of the term	Cessation date of the term	Number of shares held at the beginning of the year <i>(Note)</i>	Number of shares held at the end of the year <i>(Note)</i>	Changes in shares held for the year	Reason for changes	Total remuneration before tax received from the Company during the Reporting Period <i>(RMB'000)</i>	Whether they received remuneration from connected parties of the Company
Bai Zhaohua	Chairman of the Board of Supervisors	Male	69	January 15, 2021	January 14, 2024					183.83	No
Chen Mingsen	Supervisor	Male	73	January 15, 2021	January 14, 2024					15.00	No
Ma Weihua	Supervisor	Male	72	January 15, 2021	January 14, 2024					15.00	No
He Shimeng	Vice President	Male	62	January 15, 2021	January 14, 2024	33,633	33,633	0		231.94	No
Chen Juli	Vice President	Male	54	January 15, 2021	January 14, 2024					509.69	No
Huang Xianqian	Vice President	Male	51	January 15, 2021	January 14, 2024					277.75	No
Lin Yong	Vice President	Male	50	January 15, 2021	January 14, 2024					153.74	No
Wu Lide	Vice President	Male	45	January 15, 2021	January 14, 2024					193.75	No
Li Xiaoxi	Secretary to the Board of Directors	Female	36	January 15, 2021	January 14, 2024	365,600	365,600	0		30.07	No
Total			/	/		714,061	714,061	0	/	2,995.31	/

*Notes:*

- The shareholdings set out in the table refer to the number of shares directly held by directors, supervisors and senior management. For information on shareholdings of Mr. Cho Tak Wong and Mr. Tso Fai, please refer to "Interests and short positions of directors, supervisors and chief executives in shares, underlying shares and debentures" under "III. Particulars of Shareholders and De Facto Controllers" of "Section VIII Changes in Ordinary Shares and Information of Shareholders".
- Ms. Li Xiaoxi holds H shares of the Company while the others hold A shares of the Company.





## Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Cho Tak Wong	<p>Mr. Cho Tak Wong has served as an executive director and the chairman of the Board of Directors of the Company since August 1999. Mr. Cho Tak Wong is also one of the major founders, operators and investors of the Company. Mr. Cho Tak Wong currently also serves as a director of a majority of the subsidiaries of the Company and holds certain positions in many organizations, including an honorary president of the China Federation of Overseas Chinese Entrepreneurs, an honorary president of the China Society for Promotion of the Guangcai Program, a vice president of the Fujian Province Enterprise and Entrepreneurs Association and an honorary president of the Fujian Charity Federation. Mr. Cho Tak Wong also serves as a director of Sanyi Development Limited, Global Cosmos German Limited and Trade Commerce Limited. Mr. Cho Tak Wong served as managing director of the Company from December 1994 to August 1999, vice chairman of the Board of Directors of the Company from May 1988 to December 1994 and president of the Company from June 1987 to September 2003. Mr. Cho Tak Wong worked at Fuqing County Gaoshan Special Shaped Glass Factory, a company primarily engaged in glass manufacturing business, from 1976 to June 1987. Mr. Cho Tak Wong has kinship with Mr. Tso Fai, vice chairman of the Board of Directors of the Company, Mr. Ye Shu, director and president, and Mr. He Shimeng, vice general manager.</p>
Tso Fai	<p>Mr. Tso Fai has served as a director of the Company since August 1998, the vice chairman of the Board of Directors of the Company since August 2015, and he served as the president of the Company from September 2006 to July 2015. Mr. Tso Fai is also a director of a majority of subsidiaries of the Company and holds positions in many organizations, including a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a vice president of the Chamber of Commerce of the Fujian Industry and Commerce Association, the president of the Chamber of Commerce of the Fujian Private Enterprises, a member of the 12th Executive Committee of the All-China Federation of Industry &amp; Commerce, a member of the Central Committee of the China National Democratic Construction Association, a vice president of the Youth Committee of the China Overseas Chinese Entrepreneurs Association, a vice president of the China Society for Promotion of the Guangcai Program and an honorary vice president of the Fujian Red Cross. Mr. Tso Fai currently also serves as a director of Fujian Yaohua Industrial Village Development Co., Ltd., Homekiu Overseas Holdings Limited, Chopline Limited, Trade Commerce Limited and Triplex Holdings Limited (三鋒控股管理有限公司), an executive director and president of Fujian Triplex Investment Co., Ltd. (福建三鋒投資有限公司) and president of Fujian Yidao Daka Business Management Co., Ltd. (福建易道大咖商業管理有限公司). Mr. Tso Fai served as the president of Fuyao North America Inc. from August 2001 to December 2009; general manager of Greenville Glass Industries Inc., a member of the Company engaged in glass trading which was subsequently deregistered, from January 2001 to December 2009, and its chief financial officer from July 1996 to December 2000; president of Fuyao (Hong Kong) Co., Ltd. from March 1994 to June 1996 and the president of Sanyi Development Limited from June 1992 to February 1994. Mr. Tso Fai joined the Company in November 1989. Mr. Tso Fai received a master's degree in business administration from Baker College in the United States in December 2005, and obtained the qualification of senior economist as approved by Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012. Mr. Tso Fai is the son of Mr. Cho Tak Wong, the chairman and the de facto controller of the Company, the nephew of Mr. He Shimeng, a vice president of the Company, and Mr. Ye Shu, a director and the president of the Company, is his brother-in-law.</p>
Ye Shu	<p>Mr. Ye Shu has served as an executive director of the Company since October 2019. Mr. Ye Shu has served as the president of the Company since March 2017, the vice president of the Company from February 2017 to March 2017, director of the supply management department of the Company from June 2009 to February 2017, the vice president of the procurement department of the Company from March 2009 to June 2009, and the president of Fuyao Hainan Float Glass Co., Ltd. from May 2008 to November 2008. Mr. Ye Shu joined the Company in July 2003, worked in the supporting department, the preparatory team and other departments, and successively served as deputy manager, vice president and other positions of the Company and its subsidiaries from July 2003 to May 2008. From November 2008 to March 2009, Mr. Ye Shu left the Company and served as the president of Fujian Yaohua Industrial Village Development Co., Ltd. Mr. Ye Shu graduated with a bachelor's degree in international trade from Xiamen University in July 1995, and a master's degree in economics from Xiamen University in July 1999. Mr. Ye Shu is the de facto controller of the Company, the son-in-law of Mr. Cho Tak Wong, the chairman of the Board of Directors, and the brother-in-law of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.</p>



## Section IX Directors, Supervisors, Senior Management and Employees

<b>Name</b>	<b>Major working experience</b>
Chen Xiangming	Mr. Chen Xiangming has served as an executive director of the Company since February 2003, the chief financial officer of the Company since August 2015, secretary to the Board of Directors from October 2012 to March 2016 and joint company secretary since October 2014. Mr. Chen Xiangming currently also serves as a director of a majority of the subsidiaries of the Company. Mr. Chen Xiangming served as the manager of the accounting department of the Company from February 2002 to December 2002. Mr. Chen Xiangming was the chief financial officer of the Company from August 1999 to January 2002 and from January 2003 to November 2014. Prior to that, Mr. Chen Xiangming was the manager of the finance department of the Company from October 1994 to June 1998. Mr. Chen Xiangming joined the Company in February 1994. Mr. Chen Xiangming graduated from Nanjing Forestry University in June 1991 with a college diploma in finance and accounting, and received a certificate of the comprehensive national uniform examination for staff of equivalent academic attainments to apply for a master's degree in business administration from Fujian Province Degree Committee in June 1999. Mr. Chen Xiangming obtained the qualification as an accountant as approved by the Ministry of Personnel of the PRC in December 1996 and the qualification as a senior economist as approved by the Fujian Provincial Bureau of Civil Servants and the Office of Human Resources Development of the Fujian Province in December 2012.
Wu Shinong	Mr. Wu Shinong has served as a non-executive director of the Company since December 2005. He joined the Company as an independent non-executive director from April 2000 to December 2005. Mr. Wu Shinong is currently a council member of Heren Charitable Foundation. He is also an independent non-executive director of Industrial Securities Co., Ltd. (興業證券股份有限公司) (a company listed on the SSE, stock code: 601377) and Chongqing Dima Industry Co., Ltd. (重慶市迪馬實業股份有限公司) (a company listed on the SSE, stock code: 600565). Mr. Wu Shinong served as the vice principal of Xiamen University from December 2001 to November 2012. He served in the School of Management of Xiamen University from September 1999 to April 2003 with his last role as a dean. Mr. Wu Shinong served as the dean of School of Business Administration of Xiamen University from May 1996 to September 1999, a Fulbright visiting professor at Stanford University from September 1994 to July 1995 and the director of the MBA Center of Xiamen University from May 1991 to April 1996. Mr. Wu Shinong obtained a master's degree in business administration from Dalhousie University in Canada in May 1986 and a doctorate in economics from Xiamen University in December 1992.
Zhu Dezhen	Ms. Zhu Dezhen has served as a non-executive director of the Company since November 2011. She currently also serves as a director of Heren Charitable Foundation, and has been the chairman of the board of directors and the president of Xiamen Deyi Equity Investment Management Co., Ltd. since July 2016. Ms. Zhu Dezhen currently also serves as an independent non-executive director of Bright Dairy & Food Co., Ltd. (a company listed on the SSE, stock code: 600597) and China Yongda Automobiles Service Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 3669). Ms. Zhu Dezhen served as the president of Shanghai Guohe Modern Services Industries Equity Investment Management Co., Ltd. from December 2010 to June 2016, the chief investment officer and president of the private banking department of China Minsheng Banking Corp., Ltd. from July 2008 to December 2010 and president of Fortune CLSA Securities Limited (formerly known as China Euro Securities Co., Ltd.) from June 2003 to May 2008. Ms. Zhu Dezhen obtained a bachelor's degree in literature from Xiamen University in January 1982, a bachelor's degree in economics from College of Saint Elizabeth in May 1990, a master's degree in business administration from Pace University in the United States in June 1992 and a doctorate degree in economics from Xiamen University in September 2013.
Cheung Kit Man Alison	Ms. Cheung Kit Man Alison has served as an independent non-executive director of the Company since January 2018. She currently serves as a member of the Appraisal Committee of Hong Kong Securities and Investment Institute. Ms. Cheung Kit Man Alison served as the managing director of HSBC Private Bank from March 2010 to January 2017 and senior vice president and managing director of DBS Hong Kong from February 2001 to March 2010. Ms. Cheung Kit Man Alison graduated from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic College) with a diploma of secretary science in July 1979 and from University of Wolverhampton in the UK with an honorary degree in laws in September 2000. Ms. Cheung Kit Man Alison was accredited as a private finance manager by the Private Finance Management Association and admitted as a Fellow and a Senior Fellow to Hong Kong Securities and Investment Institute upon approval thereof in November 2014 and October 2019, respectively.



## Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Liu Jing	<p>Mr. Liu Jing has served as an independent non-executive director of the Company since October 2019. Mr. Liu Jing is currently the vice president and secretary general of China Association of Social Workers, the head of China Philanthropy Times and the dean of the Faculty of Social Works of the Open University of China. Mr. Liu Jing also serves as an independent non-executive director of CITIC Guoan Information Industry Co., Ltd. (a company listed on the Shenzhen Stock Exchange (the "SZE"), stock code: 000839). Mr. Liu Jing served as the vice president of China Association of Social Workers from March 2007 to March 2015. Mr. Liu Jing graduated from Beijing Open University majoring in Chinese in July 1985, from the Graduate School of Chinese Academy of Social Sciences majoring in management with master's degree in management in July 2000, and from the National School of Development of Peking University majoring in international business management with an executive master of business management degree in July 2002.</p>
Qu Wenzhou	<p>Mr. Qu Wenzhou has served as an independent non-executive director of the Company since October 2019. Mr. Qu Wenzhou is currently the dean of the Jinyuan Institute for Financial Studies of Xiamen University, the director of the Chinese Capital Market Research Center of Xiamen University, the director of the MBA Center of the School of Management of Xiamen University and a professor of the Department of Finance of the School of Management of Xiamen University. Mr. Qu Wenzhou also serves as an independent non-executive director of Guangdong Baolihua New Energy Stock Co., Ltd. (a company listed on the SZE, stock code: 000690), China Merchants Shekou Industrial Zone Holdings Co., Ltd. (a company listed on the SZE, stock code: 001979), Ronshine China Holdings Limited (融信中國控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 03301) and Datang Group Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 02117), respectively. Mr. Qu Wenzhou served as the deputy head of the Institute for Financial &amp; Accounting Studies of Xiamen University from May 2010 to November 2016, an associate professor of the MBA Center of the School of Management of Xiamen University from July 2005 to December 2007 and a researcher of the SZE from August 2003 to June 2005. Mr. Qu Wenzhou obtained a bachelor of science degree from Xiamen University majoring in applied mathematics in July 1995, a master's degree in finance from Xiamen University majoring in finance in July 1999, a master of business management degree from Xiamen University majoring in business management in July 2001 and a PhD degree in economics from Xiamen University majoring in finance in July 2003. Mr. Qu Wenzhou obtained the qualification of Chinese certified public accountant (non-practising member) as approved by the Chinese Institute of Certified Public Accountants in June 2002 and the qualification of chartered financial analyst as approved by the Chartered Financial Analyst Institute in November 2004.</p>



## Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Bai Zhaohua	Mr. Bai Zhaohua has served as an employee representative supervisor and the chairman of the Board of Supervisors of the Company since August 2015 and currently serves as the project director of the Fuyao decoration aluminum alloy program. He served as an executive director of the Company from December 2006 to July 2015 and vice president of the Company from August 1999 to July 2015. Mr. Bai Zhaohua joined the Company in November 1995, and was previously a director of the Company from August 1999 to July 2001. Mr. Bai Zhaohua served as the president of Fujian Yaohua Automotive Parts Co., Ltd. from June 1998 to August 1999, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from December 1996 to June 1998 and factory director of the laminated glass factory of the same company from November 1995 to December 1996.
Chen Mingsen	Mr. Chen Mingsen has served as a supervisor of the Company since March 2015. Mr. Chen Mingsen has been the dean and professor of the Institute of Industry and Corporate Development of the Fujian Provincial Committee Party School since May 2005, a special expert of the Monetary Policy Committee of the People's Bank of China since February 2017, a consultant of the Fujian Provincial People's Government since March 2000, the president of the Fujian Province Institute of Economic Researches on Securities since June 1998, an adjunct professor of the School of Economics and Management of Fuzhou University since May 1995 as well as of the School of Economics and Finance of HuaQiao University since November 2005. Mr. Chen Mingsen has served as an independent non-executive director of Fujian Nanping Sun Cable Co., Ltd. (a company listed on the SZE, stock code: 002300) since May 2016. Mr. Chen Mingsen served as the director and associate professor of the Economic Research Office of Fujian Normal University, the head and researcher of the Institute of Economics of Fujian Academy of Social Sciences, the head and professor of the Institute of Economic Management of Xiamen National Accounting Institute, and the part-time professor and doctoral supervisor of the School of Economics of Xiamen University. Mr. Chen Mingsen obtained a master's degree in economics from Fujian Normal University in December 1981.
Ma Weihua	Mr. Ma Weihua has served as a supervisor of the Company since October 2019. Mr. Ma Weihua is currently the president of One Foundation, and the chairman of the board of directors of China Global Philanthropy Institute. Mr. Ma Weihua currently also serves as an independent non-executive director of each of Legend Holdings Corporation (a company listed on the Hong Kong Stock Exchange, stock code: 3396) and Hwabao Investment Co., Ltd., and the chairman and a non-executive director of Bison Finance Group Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 0888). Mr. Ma Weihua was the chairman of the board of directors of Wing Lung Bank Ltd. (now renamed as "CMB Wing Lung Bank Ltd.") from October 2008 to May 2015 and served as an executive director, president and chief executive officer of China Merchants Bank Co., Ltd. from January 1999 to May 2013. Mr. Ma Weihua obtained a bachelor's degree in economics from Jilin University majoring in national economic management in August 1982, and a doctorate in economics from Southwest University of Finance and Economics majoring in economics in June 1999.
He Shimeng	Mr. He Shimeng has served as a vice president of the Company since August 1999. Mr. He Shimeng served as the president of the production department of the Company from March 1995 to November 1999, the vice president of the sales department of the Company from August 1994 to February 1995 and the manager of the production department of the Company from July 1988 to August 1994. Mr. He Shimeng joined the Company in July 1988. Mr. He Shimeng graduated from the Naval University of Engineering in the PRC in June 2001 with a college diploma, majoring in management engineering. Mr. He Shimeng is the brother-in-law of Mr. Cho Tak Wong, the de facto controller and the chairman of the Board of Directors of the Company, and the uncle of Mr. Tso Fai, the vice chairman of the Board of Directors of the Company.





## Section IX Directors, Supervisors, Senior Management and Employees

Name	Major working experience
Chen Juli	<p>Mr. Chen Juli has served as a vice president of the Company since February 2002. Mr. Chen Juli has also served as the president of Fuyao (Hong Kong) Co., Ltd. since September 1997 and president of Fuyao Group (Hong Kong) Co., Ltd. since March 2010. Prior to his current position, Mr. Chen Juli served various positions in the Company or its subsidiaries, including vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 1995 to August 1997, the manager of the sales department of the Company from July 1994 to July 1995 and the manager of the export department of the Company from May 1992 to July 1994. Mr. Chen Juli joined the Company in July 1989. Mr. Chen Juli also served as a director of the Company from December 1994 to July 2001. Mr. Chen Juli graduated from Beijing University of Aeronautics and Astronautics in July 1989, majoring in management information system and earning a bachelor's degree in engineering.</p>
Huang Xianqian	<p>Mr. Huang Xianqian has served as a vice president of the Company since August 2015. Mr. Huang Xianqian held various positions in the Company, including the director of the operation department of the Company and an assistant to the president from February 2011 to July 2015, the general manager of Guangzhou Fuyao Glass Co., Ltd. from June 2008 to February 2011, and vice president of the commerce department of the Company from May 2003 to June 2008. Since Mr. Huang Xianqian joined the Company in September 1990, he has worked in positions in connection with quality, process and factory. From January 1993 to May 2003, he successively served as the manager of the product development department, director of factory, manager of the sales department of the Company and its subsidiaries. Mr. Huang Xianqian graduated from Fuzhou University with a bachelor's degree majoring in mineral exploration in July 1990.</p>
Wu Lide	<p>Mr. Wu Lide has served as the vice president of the Company since August 2017. Mr. Wu Lide held various positions in the Company or its subsidiaries, including the president of Fujian Wanda Automobile Glass Industry Co., Ltd. from July 2015 to August 2017, vice president of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2015 to July 2015, and the business manager of the sales department of Fuyao Glass Group (Chongqing) Co., Ltd. (福耀玻璃集團(重慶)有限公司) from March 2002 to April 2015. Since Mr. Wu Lide joined the Company in March 1997, he worked in different positions such as manufacturing, logistics and factory, and successively served as the manager of the logistics department and the director of a factory and other positions in the Company and its subsidiaries. Mr. Wu Lide obtained a Seminar Core Course Diploma in Business Administration (《工商管理核心課程研修班結業證書》) issued by the School of Management of Xiamen University in May 2012.</p>



## Section IX Directors, Supervisors, Senior Management and Employees

<b>Name</b>	<b>Major working experience</b>
Lin Yong	Mr. Lin Yong has served as a vice president of the Company since February 2017. Mr. Lin Yong held various positions in the Company, including the chief operating officer of the Company from May 2016 to February 2017, the general manager of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from March 2010 to April 2016, the vice president (person-in-charge) of Fujian Wanda Automobile Glass Industry Co., Ltd. from September 2007 to March 2010, the vice president and factory manager of No. 5 Factory of Fujian Wanda Automobile Glass Industry Co., Ltd. from April 2007 to August 2007, and the vice president of Fuyao Group (Shanghai) Automobile Glass Co., Ltd. from June 2005 to March 2007. Mr. Lin Yong worked in different positions in the process department, workshop and other departments, and successively served as a workshop director, the chief of the process department, the director of the laminated glass factory and other positions in the Company and its subsidiaries from February 1993 to May 2005. Mr. Lin Yong joined the Company in February 1993. Mr. Lin Yong graduated with a bachelor's degree in silicate engineering from Fuzhou University in July 1991.
Li Xiaoxi	Ms. Li Xiaoxi has served as the secretary to the Board of Directors since March 2016. Ms. Li Xiaoxi served as the brand manager of the branding department, vice president of the VIP department and vice president of the marketing department at Beijing Capital Airlines Co., Ltd. (Deer Jet) from February 2012 to August 2015, and the director of the integrated marketing department of Brighten Culture Media (Beijing) Co., Ltd. (formerly known as Beijing HNA Xinhua Cultural Communication Co., Ltd.) from May 2011 to February 2012. Ms. Li Xiaoxi joined the Company in August 2015. Ms. Li Xiaoxi graduated with a bachelor degree in marketing from the University of Ottawa in Canada in May 2006 and a M.A. degree in journalism from Sichuan University in June 2010. Ms. Li Xiaoxi has a qualification certificate for board secretaries of listed companies issued by the SSE.

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

### (I) Positions in shareholder entities

<b>Name</b>	<b>Name of shareholder entities</b>	<b>Position held in shareholder entities</b>	<b>Commencement date of term</b>	<b>Cessation date of term</b>
Cho Tak Wong	Sanyi Development Limited	Director	April 4, 1991	Present
Tso Fai	Homekiu Overseas Holdings Limited	Director	May 15, 2018	Present
Tso Fai	Fujian Yaohua Industrial Village Development Co., Ltd.	Director	September 1, 2016	Present
Wu Shinong	Heren Charitable Foundation	Council member	December 9, 2010	Present
Zhu Dezhen	Heren Charitable Foundation	Council member	December 9, 2010	Present

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





# Section IX Directors, Supervisors, Senior Management and Employees

## (II) Positions in other entities

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Trade Commerce Limited	Director	December 28, 1995	Present
Cho Tak Wong	Global Cosmos German Limited	Director	December 10, 2015	Present
Tso Fai	Chopline Limited	Director	May 25, 1993	Present
Tso Fai	Trade Commerce Limited	Director	December 28, 1995	Present
Tso Fai	Triplex Holdings Limited	Director	May 13, 2015	Present
Tso Fai	Fujian Triplex Investment Co., Ltd.	Executive Director and President	May 15, 2018	Present
Tso Fai	Fujian Yidao Daka Commercial Management Co., Ltd.	President	July 17, 2019	Present
Wu Shinong	Industrial Securities Co., Ltd.	Independent non-executive Director	November 29, 2017	Present
Wu Shinong	Chongqing Dima Industry Co., Ltd.	Independent non-executive Director	May 16, 2019	Present
Zhu Dezhen	Xiamen Deyi Equity Investment Management Limited	Chairman of the board of directors and President	July 1, 2016	Present
Zhu Dezhen	Bright Dairy & Food Co., Ltd.	Independent non-executive Director	April 17, 2015	Present
Zhu Dezhen	China Yongda Automobiles Service Holdings Limited	Independent non-executive Director	May 8, 2015	Present
Liu Jing	Citic Guoan Information Industry Co., Ltd.	Independent non-executive Director	June 28, 2016	Present
Liu Jing	China Philanthropy Times	President	June 1, 2001	Present
Qu Wenzhou	Guangdong Baolihua New Energy Stock Co., Ltd.	Independent non-executive Director	March 26, 2015	Present
Qu Wenzhou	Ronshine China Holdings Limited	Independent non-executive Director	January 13, 2016	Present
Qu Wenzhou	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent non-executive Director	September 12, 2018	Present
Qu Wenzhou	Datang Group Holdings Limited	Independent non-executive Director	November 20, 2020	Present
Chen Mingsen	Fujian Nanping Sun Cable Co., Ltd.	Independent non-executive Director	May 6, 2016	Present
Ma Weihua	Legend Holding Corporation	Independent non-executive Director	March 15, 2015	Present
Ma Weihua	Hwabao Investment Co., Ltd.	Independent non-executive Director	August, 2013	Present
Ma Weihua	Bison Finance Group Limited	Chairman	May 29, 2018	Present



## Section IX Directors, Supervisors, Senior Management and Employees

### III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of remuneration of directors, supervisors and senior management	The implementation is subject to the approval of the Board of Directors and the general meeting of the Company.
Basis for determination of remuneration of directors, supervisors and senior management	A combination of fixed emoluments and allowances, basic salaries and year-end performance bonus.
Actual amount of remuneration paid to directors, supervisors and senior management	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB29.9531 million (before tax). Please refer to "Changes in shareholding of current and resigned directors, supervisors and senior management and their remuneration during the Reporting Period" in this section for details.
Total remuneration actually received by all directors, supervisors and senior management at the end of the Reporting Period	The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB29.9531 million (before tax). Please refer to "Changes in shareholding of current and resigned directors, supervisors and senior management and their remuneration during the Reporting Period" in this section for details.

### IV. CORE TECHNICAL TEAM OR KEY TECHNICAL STAFF OF THE COMPANY

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

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

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

1. Mr. Wu Shinong, a non-executive director of the Company, resigned as an independent non-executive director of Xiamen ITG Group Co., Ltd. (a company listed on the SSE, stock code: 600755) in May 2020.
2. Mr. Qu Wenzhou, an independent non-executive director of the Company, has served as an independent non-executive director of Datang Group Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 02117) since November 2020.
3. Mr. Ma Weihua, a supervisor of the Company, resigned as an independent non-executive director of China World Trade Center Co., Ltd. (中國國際貿易中心股份有限公司) (a company listed on the SSE, stock code: 600007) in June 2020.

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



# Section IX Directors, Supervisors, Senior Management and Employees

## VI. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

### (I) Employees

Number of in-service employees of the Company	1,496
Number of in-service employees of the major subsidiaries	24,375
Total number of in-service employees	25,871
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	0

### Composition of professions

Type of profession	Number of staff
Production staff	18,463
Sales staff	823
Technical staff	3,831
Finance staff	289
Administrative staff	964
Other staff	1,501
Total	<u>25,871</u>

### Education level

Type of education level	Number of persons
University or above	3,853
Junior college	4,565
Specialized secondary school and high school	12,355
Below high school	5,098
Total	<u>25,871</u>



## Section IX Directors, Supervisors, Senior Management and Employees

### (II) Remuneration policy

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

### (III) Training plan

The Company made training plans in accordance with the Group’s strategic plan and annual operating policy and plan. The Group provides orientation training and on-the-job education for the growth of the employees, of which the orientation training covers subjects such as corporate culture and policies, work ethic and quality, major products and business, production process, quality control and occupational safety. The on-the-job education covers environment, health and safety management systems and mandatory training required by the applicable laws and regulations as well as special training for personnel at various levels and all professions. In order to meet the needs of its strategic plan, the Group held various training projects for management cadres at all levels, key business and technical staff and business backbones of all functions and high potential talents, including training camp on management in the age of digitalization, in-service cadres cultivation project, reserve cadres cultivation project, key technical talents cultivation project and lean leading expert training projects, and simultaneously developed micro class, micro course, live class and other forms of learning resources by way of online channels to further improve the training and talents development system, to secure talents for the steady and healthy operation and transformation and upgrading of the Group, thereby promoting the high-quality development of the Group.



# Section X Company Governance and Corporate Governance Report

## I. COMPANY GOVERNANCE

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

1. **Shareholders and General Meeting:** The Company convened and held general meetings in accordance with the relevant requirements of the Articles of Association, the Rules of Procedure for General Meetings and the Implementation Rules for the Online Voting in General Meetings. During the Reporting Period, online voting was opened to shareholders to protect their legal rights and interests during the consideration of the relevant resolutions such as the Work Report of the Board of Directors for 2019, the Work Report of the Board of Supervisors for 2019, the 2019 Profit Distribution Plan and the 2019 Annual Report and Summary of the Annual Report at the 2019 annual general meeting of the Company. The convention and the voting procedures in each of the general meetings were witnessed by lawyers in person and documents with legal opinions were delivered to ensure the resolutions were lawful and valid. During the Reporting Period, there was no occurrence of any insider trading among shareholders and people in possession of insider information, or any incident harming the interest of the shareholders and the Company.
2. **Relations between the Controlling Shareholders and the Company:** The Company stringently carried out the strategy of "Independence in Five Aspects" with respect to its personnel, assets, finance, organization and business from those of the controlling shareholder, with separate accounting systems and respective responsibilities and risks. The controlling shareholders exercised rights and assumed responsibilities as contributors of the Company, and standardize their acts in strict compliance with relevant provisions under the Company Law and the Articles of Association of the Company. There was no business competition between the controlling shareholders and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholders, no non-operational use of capital, and no request of being a guarantee for or by the controlling shareholders. The Board of Directors, the Board of Supervisors and internal management organizations all operated independently. The Company has established a long-term mechanism to avoid the controlling shareholders from non-operational use of assets and damage of interests of the Company, where the relevant terms of "freeze upon non-operational use" were clearly specified in the Articles of Association.
3. **Directors and the Board of Directors:** All directors made independent, objective and fair decisions on the resolutions brought to the Board of Directors for consideration with their professional knowledge and ability. They also exercised rights and bore responsibilities in accordance with the laws, and were in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors and the requirements under relevant laws and regulations, in an honest and diligent manner. When considering resolutions in relation to connected transactions, the connected directors abstained from voting in order to ensure that the connected transactions were fair and reasonable.



## Section X Company Governance and Corporate Governance Report

4. Supervisors and the Board of Supervisors: All supervisors were in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Supervisors and the requirements under relevant laws and regulations. The supervisors earnestly performed their duties in the best interests of all shareholders with the spirit of being responsible to the shareholders, supervised the legality of the Company's financial position, connected transactions, performance of directors and senior management, and protected the legal rights of the Company and the shareholders.
5. Information Disclosure and Transparency: The Company strictly complied with the listing rules of the exchanges where its shares are listed, and fulfilled the obligation of information disclosure in a truthful, precise, complete and timely manner. Meanwhile, the Company also ensured confidentiality before the disclosure of information to make sure the disclosure of the Company's information was in an open, fair and just manner so that each shareholder would have an equal chance to obtain such information.
6. Investor Relationship and Stakeholders: The Company placed emphasis on the maintenance of the investor relationship. The Company appointed the secretary to the Board of Directors and the representatives of the securities business to be responsible for the information disclosure and management of the investor relationship, and responded to the visits and enquiries of the shareholders and investors in an earnest manner. The Company adequately respected and protected the lawful rights and interests of the creditors, clients, suppliers and other stakeholders, established coordination and balance of interests among different parties such as shareholders, employees and the society, actively engaged in welfare activities, valued the Company's social responsibilities and enhanced the stable and sustainable development of the Company.
7. Registration and Management of People in Possession of Inside Information: During the Reporting Period, the Company implemented the System for the Registration and Management of People in Possession of Inside Information in strict compliance with the requirements of the regulators. According to the regulations of such system, the Company performed registration to record people associated with the inside information during the disclosure process of the Company's periodic reports. During the Reporting Period, no person possessing inside information traded the Company's shares in violation of laws and regulations.

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

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

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





# Section X Company Governance and Corporate Governance Report

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

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

## III. GENERAL MEETING

General meeting	Date of convention	Directory to designated site of publication of resolution(s)	Date of publication of resolution(s)
2019 annual general meeting	June 23, 2020	The website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ), the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> )	June 24, 2020

### Information on the general meeting

The 2019 annual general meeting was convened on June 23, 2020 by way of physical meeting in combination with online voting. The general meeting was convened by the Board, and as Mr. Cho Tak Wong, the chairman of the Board, was on business trip and unable to attend the meeting, the general meeting was chaired by Mr. Tso Fai, the vice chairman of the Board. A total of 63 shareholders, either in person or by proxy, attended the onsite meeting and voting on the internet. The resolutions including the Work Report of the Board of Directors for 2019, the Work Report of the Board of Supervisors for 2019, the 2019 Profit Distribution Plan and the 2019 Annual Report and Summary of the Annual Report were considered and approved at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated June 24, 2020 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

## IV. THE RIGHTS OF SHAREHOLDERS

### (I) Shareholders to Convene an Extraordinary General Meeting

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



## Section X Company Governance and Corporate Governance Report

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

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

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

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

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

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

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

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

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



# Section X Company Governance and Corporate Governance Report

## V. THE BOARD OF DIRECTORS AND THE MANAGEMENT

### (I) The Board of Directors

The Board of Directors is the permanent organization for the operation and decision-making of the Company, and shall report to the general meeting. The Board of Directors shall consist of nine directors, among whom three are independent non-executive directors. The Board of Directors shall have one chairman and one vice chairman. Mr. Cho Tak Wong is the chairman of the Board of Directors, and Mr. Tso Fai is the vice chairman of the Board of Directors. The Board of Directors and the management have respective responsibilities and liabilities, and the division of power and duty is in strict compliance with the Articles of Association, the Rules of Procedure for the Board of Directors, the Code on Work for the President, and relevant laws and regulations. On January 15, 2021, the Company held the 2021 first extraordinary general meeting, at which the shareholders approved the re-election of all the existing directors as members of the tenth session of the Board of Directors of the Company. On the same day, the meeting of the Board of Directors was held, at which the resolution on the re-election and appointment of Mr. Cho Tak Wong as the chairman of the Board of Directors and Mr. Tso Fai as the vice chairman of the Board of Directors was approved.

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

Each of the directors also acknowledged their responsibilities for the preparation of financial statements of the Company for the year ended December 31, 2020.

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

The Board of Directors has established the nomination committee, the strategy and development committee, the remuneration and assessment committee and the audit committee. The committees have respective terms of reference, report to the Board of Directors, and provide suggestions and consultations to the Board of Directors relating to its decision-making under the leadership of the Board of Directors. The committees may hire intermediaries for independent and professional opinions, and the expenses incurred shall be borne by the Company.

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



## Section X Company Governance and Corporate Governance Report

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

As at the disclosure date of this report, the tenth session of the Board of Directors of the Company consists of nine members: Mr. Cho Tak Wong, Mr. Tso Fai, Mr. Ye Shu and Mr. Chen Xiangming as executive directors, Mr. Wu Shinong and Ms. Zhu Dezhen as non-executive directors, and Ms. Cheung Kit Man Alison, Mr. Liu Jing and Mr. Qu Wenzhou as independent non-executive directors. The term of office of each director is three years. Mr. Cho Tak Wong is the chairman of the Board of Directors, and the term of his office is the same as that of the tenth session of the Board of Directors.

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

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



# Section X Company Governance and Corporate Governance Report

## (II) The Management

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

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

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

# Section X Company Governance and Corporate Governance Report

## VI. THE PERFORMANCE OF DUTIES OF THE DIRECTORS

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

Name of directors	Whether he/she is an independent director	Number of meetings of the Board of Directors required to attend	Attendance at meetings of the Board of Directors					Attendance at the general meetings		
			Number of times of attendance in person	Number of times of attendance through communications	Attendance rate (%)	Number of times of attendance by proxy	Number of absences	Absent for two consecutive meetings	Number of general meetings attended	Attendance rate (%)
Cho Tak Wong	No	5	5	3	100	0	0	No	0	0
Tso Fai	No	5	5	1	100	0	0	No	1	100
Chen Xiangming	No	5	5	1	100	0	0	No	1	100
Ye Shu	No	5	5	1	100	0	0	No	1	100
Wu Shinong	No	5	5	4	100	0	0	No	1	100
Zhu Dezhen	No	5	5	4	100	0	0	No	0	0
Cheung Kit Man										
Alison	Yes	5	4	4	80	1	0	No	0	0
Liu Jing	Yes	5	4	4	80	1	0	No	0	0
Qu Wenzhou	Yes	5	5	4	100	0	0	No	1	100

Number of meetings of the Board of Directors convened during the year	5
Among them: Physical meetings convened	1
Meetings convened through communications	1
Meetings convened through a combination of physical meetings and meetings through communications	3





# Section X Company Governance and Corporate Governance Report

## (II) Training of the Directors

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

As at December 31, 2020, all directors have attended trainings in accordance with the code provisions of the Corporate Governance Code with respect to continuous professional development. Their records of training for the year ended December 31, 2020 are as follows:

Director	Duration of training (Hours)	
	A	H
<b>Executive directors</b>		
Cho Tak Wong	19.5	13
Tso Fai	19.5	13
Ye Shu	19.5	13
Chen Xiangming	22.5	29
<b>Non-executive directors</b>		
Wu Shinong	19.5	13
Zhu Dezhen	19.5	13
<b>Independent non-executive directors</b>		
Cheung Kit Man Alison	19.5	13
Liu Jing	19.5	13
Qu Wenzhou	19.5	13

*Note:*

1. A: Trainings on the rules issued by the SSE and directors' responsibilities; H: Trainings on the Hong Kong Listing Rules and directors' responsibilities.

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

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

- To develop and review the Company's policies and practices on corporate governance and make recommendations.
- To review and monitor the training and continuous professional development of directors and senior management. During the Reporting Period, the Board of Directors timely informed directors and senior management of the relevant regulatory regulations so as to enable them to continuously develop their professional skills and capabilities to discharge their duties.
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. The Board of Directors constantly paid attention to the compliance of the operation of the Company. The Company established the legal department and hired counsels to reduce legal and regulatory risks.
- To review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report. The Board of Directors required the Company to stringently follow the requirements relevant to corporate governance in the listing rules of the stock exchanges where the shares of the Company are listed, and to timely disclose information relevant to corporate governance.



## Section X Company Governance and Corporate Governance Report

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

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

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

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

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



# Section X Company Governance and Corporate Governance Report

## VIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

The Company received the letter of confirmation relating to their independence in accordance with Rule 3.13 of the Hong Kong Listing Rules from all the independent non-executive directors, and considered and confirmed their independent status. All independent non-executive directors were able to express opinions objectively and independently, which ensured the independence and fairness of the Board of Directors' decisions. During the Reporting Period, the Company has also convened the 2020 first meeting between the chairman and independent non-executive directors.

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

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



# Section X Company Governance and Corporate Governance Report

## (I) The Strategy and Development Committee

The Company has established the strategy and development committee in accordance with the requirements of the Code of Corporate Governance for Listed Companies. The strategy and development committee is mainly responsible for conducting feasibility research on the Company's long-term development and strategy plans as well as major strategic investments, and shall report to and be accountable to the Board of Directors. The strategy and development committee under the ninth session of the Board of Directors consists of three members; the chairman of the committee is Mr. Cho Tak Wong, the chairman of the Board of Directors and an executive director, and the other members are Mr. Tso Fai, an executive director, and Ms. Cheung Kit Man Alison, an independent non-executive director. On January 15, 2021, the Company convened the first meeting of the tenth session of the Board of Directors, at which the Resolution in relation to the Election of Members of the Strategy and Development Committee under the Board of Directors and the Appointment of the Chairman of the Strategy and Development Committee was considered and approved and it was approved that the strategy and development committee under the tenth session of the Board of Directors shall consist of Mr. Cho Tak Wong, the chairman of the Board of Directors, Mr. Tso Fai, an executive Director, and Ms. Cheung Kit Man Alison, an independent non-executive Director, with Mr. Cho Tak Wong, the chairman of the Board of Directors, acting as its chairman. The terms of reference of the strategy and development committee were announced on the websites of the Company and the SSE.

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

Session of meeting	Date	Topic	Attendance
The seventh meeting of the ninth session (physical meeting)	April 27, 2020	<ol style="list-style-type: none"> <li>1. Consideration of the Resolution in Relation to the Company's Development Strategy;</li> <li>2. Consideration of the Resolution in Relation to the Company's 2020 Development Plan.</li> </ol>	Mr. Cho Tak Wong and Mr. Tso Fai attended the meeting. Ms. Cheung Kit Man Alison entrusted Mr. Tso Fai to attend the meeting on her behalf due to temporary travel restrictions imposed by the government in response to the spread of the COVID-19 pandemic
The eighth meeting of the ninth session (meeting through communications)	June 5, 2020	<ol style="list-style-type: none"> <li>1. Consideration of the Resolution in Relation to the Entering into of the Supplemental Agreement between the Company and Taiyuan Jinnuo Industry Co., Ltd.;</li> <li>2. Consideration of the Resolution in Relation to the Capital Increase by the Company to its Wholly-owned Subsidiary - Fuyao (Hong Kong) Co., Ltd. for Operation of the Germany FYSAM Auto Decorative Accessories Project.</li> </ol>	Mr. Cho Tak Wong, Mr. Tso Fai and Ms. Cheung Kit Man Alison attended the meeting



# Section X Company Governance and Corporate Governance Report

## (II) Audit Committee

The Company has established an audit committee in accordance with Rules 3.21 and 3.22 of the Hong Kong Listing Rules, as well as the requirements of the CSRC and the SSE. The audit committee is responsible for conducting internal audit and supervision on the financial income and expenses and the economic activities of the Company and shall report its work and be accountable to the Board of Directors. The audit committee under the ninth session of the Board of Directors comprises three members, all of whom are non-executive directors of the Company (including two independent non-executive directors). The chairman of the audit committee is Mr. Qu Wenzhou, an independent non-executive director, who possesses the professional qualifications provided in Rule 3.10(2) of the Hong Kong Listing Rules. The other members of the audit committee are Ms. Cheung Kit Man Alison, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director. On January 15, 2021, the Company convened the first meeting of the tenth session of the Board of Directors, at which the Resolution in Relation to the Election of Members of the Audit Committee under the Board of Directors of the Company and the Resolution in Relation to the Appointment of the Chairman of the Audit Committee under the Board of Directors were considered and approved and it was approved to elect Mr. Qu Wenzhou, an independent non-executive director, Ms. Cheung Kit Man Alison, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director, as members of the audit committee under the tenth session of the Board of Directors, and appoint Mr. Qu Wenzhou, an independent non-executive director, as the chairman of the audit committee under the tenth session of the Board of Directors. The terms of reference of the audit committee were announced on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

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

During the Reporting Period, in accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Accounting Law of the People's Republic of China, the Basic Norms for Enterprise Internal Controls and its supporting guidelines, the Internal Control Guidelines for Listed Companies on the Shanghai Stock Exchange and other internal control regulatory rules, the audit committee sorted out, assessed and identified the risks faced by the Company, determined a list of important risks, and oversaw and improved the measures on risk management and control, so as to ensure that the rules would be followed during the activities of management and control at each important risk point of the Company, the resources would be allocated in place and the standardized operation would be achieved. The Company managed to prevent and control the risks appropriately.

During the Reporting Period, the audit committee held two meetings with the auditors engaged by the Company.

## Section X Company Governance and Corporate Governance Report

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

Session of meeting	Date	Topic	Attendance
The tenth meeting of the ninth session (meeting through communications)	March 27, 2020	Consideration of the Results Announcement of H Shares and Preliminary Results of A Shares for 2019.	Mr. Qu Wenzhou, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The eleventh meeting of the ninth session (physical meeting)	April 27, 2020	<ol style="list-style-type: none"> <li>1. Consideration of the 2019 Final Financial Accounts;</li> <li>2. Consideration of the 2019 Annual Report and Summary of Annual Report;</li> <li>3. Consideration of the 2019 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers;</li> <li>4. Consideration of the Resolution in Relation to the Reappointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Audit Institution of the Internal Control of the Company for 2020;</li> <li>5. Consideration of the Resolution in Relation to the Reappointment of PricewaterhouseCoopers as the Overseas Audit Institution of the Company for 2020;</li> <li>6. Consideration of the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2019;</li> <li>7. Consideration of the Duty Performance Report of the Audit Committee under the Board of Directors of Fuyao Glass Industry Group Co., Ltd. for 2019;</li> <li>8. Consideration of the Work Summary of the Audit Department for 2019;</li> <li>9. Consideration of the Resolution in Relation to the 2020 First Quarterly Report.</li> </ol>	Mr. Qu Wenzhou and Ms. Zhu Dezhen attended the meeting. Ms. Cheung Kit Man Alison entrusted Mr. Mr. Qu Wenzhou to attend the meeting on her behalf due to temporary travel restrictions imposed by the government in response to the spread of the COVID-19 pandemic
The twelfth meeting of the ninth session (meeting through communications)	August 21, 2020	Consideration of the Resolution in Relation to the 2020 Interim Report and Summary of the Company.	Mr. Qu Wenzhou, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting
The thirteenth meeting of the ninth session (meeting through communications)	October 29, 2020	Consideration of the Resolution in Relation to the Full Text and Main Body of the 2020 Third Quarterly Report.	Mr. Qu Wenzhou, Ms. Cheung Kit Man Alison and Ms. Zhu Dezhen attended the meeting





# Section X Company Governance and Corporate Governance Report

## (III) Nomination Committee

The Company has established a nomination committee in accordance with Code Provisions A.5.1 and A.5.2 under the Corporate Governance Code, as well as the requirements of the CSRC and the SSE. The nomination committee is mainly responsible for providing opinions or suggestions on the change and recommendation of candidates for directors and senior management to the Board of Directors and evaluating the independency of the independent non-executive directors. The nomination committee under the ninth session of the Board of Directors comprises three members, with independent non-executive directors being the majority. The chairman of the nomination committee is Ms. Cheung Kit Man Alison, an independent non-executive director, and the other members are Mr. Liu Jing, an independent non-executive director, and Mr. Tso Fai, an executive director. On January 15, 2021, the Company convened the first meeting of the tenth session of the Board of Directors, at which the Resolution in Relation to the Election of Members of the Nomination Committee under the Board of Directors of the Company and the Resolution in Relation to the Appointment of the Chairman of the Nomination Committee under the Board of Directors were considered and approved, and it was approved to elect Ms. Cheung Kit Man Alison, an independent non-executive director, Mr. Liu Jing, an independent non-executive director, and Mr. Tso Fai, an executive director, as the members of the nomination committee of the tenth session of the Board of Directors and appoint Ms. Cheung Kit Man Alison, an independent non-executive director, as the chairman of the nomination committee of the tenth session of the Board of Directors. The terms of reference of the nomination committee were announced on the websites of the Company, the SSE and Hong Kong Stock Exchange.

The Company initiated the change of members of the Board of Directors in the fourth quarter of 2020. The nomination committee provides consultation to the Board of Directors with respect to the nomination of directors. It will review the qualifications of the candidate directors recommended by the shareholders while considering the cultural and educational background, professional experience and part-time employment of the relevant individuals, discuss the candidates for nomination as new directors, and then make recommendations to the Board of Directors. The Board of Directors will decide whether to propose such candidates to the general meeting for election.



## Section X Company Governance and Corporate Governance Report

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

Item	Category	Number	Percentage in the members of the Board of Directors
Gender	Male	7	78%
	Female	2	22%
Age	Aged 40–50	4	44%
	Aged 51–60	1	11%
	Aged 61–70	3	33%
	Aged 71–80	1	12%
Post	Independent non-executive director	3	33%
	Non-executive director	2	22%
	Executive director	4	45%
Length of service as Board members	3 years or less	4	44%
	4–6 years	0	0
	7–9 years	1	11%
	10 years or more	4	44%
Disciplines in finance and accounting		7	78%
Directorships in other listed companies (number of companies)	2 or less	8	89%
	3 or more	1	11%



## Section X Company Governance and Corporate Governance Report

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

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

Session of meeting	Date	Topic	Attendance
The fourth meeting of the ninth session (meeting through communications)	October 29, 2020	1. Consideration of the Resolution in Relation to the Nomination of the Candidates for Directors of the Tenth Session of the Board of Directors.	Ms. Cheung Kit Man Alison, Mr. Tso Fai, and Mr. Liu Jing attended the meeting

### (IV) Remuneration and Assessment Committee

The Company has established a remuneration and assessment committee in accordance with Rules 3.25 and 3.26 of the Hong Kong Listing Rules, as well as the requirements of the CSRC and the SSE. The remuneration and assessment committee is mainly responsible for the formulation, management and assessment of the remuneration system of directors and the senior management of the Company and making recommendations to the Board of Directors on the remuneration packages of individual executive directors and senior management. The remuneration and assessment committee shall report its work and be accountable to the Board of Directors. The remuneration and assessment committee of the ninth session of the Board of Directors comprises three members including one executive director and two independent non-executive directors. The chairman of the remuneration and assessment committee is Mr. Liu Jing, an independent non-executive director, and the other members are Mr. Cho Tak Wong, the chairman of the Board of Directors and an executive director, and Mr. Qu Wenzhou, an independent non-executive director. On January 15, 2021, the Company convened the first meeting of the tenth session of the Board of Directors, at which the Resolution in Relation to the Election of Members of the Remuneration and Assessment Committee under the Board of Directors of the Company and the Resolution in Relation to the Appointment of the Chairman of the Remuneration and Assessment Committee under the Board of Directors were considered and approved, and it was approved to elect Mr. Cho Tak Wong, the chairman of the Board of Directors, Mr. Liu Jing, an independent non-executive director, and Mr. Qu Wenzhou, an independent non-executive director, as the members of the remuneration and assessment committee of the tenth session of the Board of Directors and appoint Mr. Liu Jing, an independent non-executive director, as the chairman of the remuneration and assessment committee of the tenth session of the Board of Directors. The terms of reference of the remuneration and assessment committee were announced on the websites of the Company, the SSE and the Hong Kong Stock Exchange.

During the Reporting Period, after carefully examining the actual completed production and operating results in 2019, the remuneration and assessment committee reviewed the remuneration of the Company's directors and senior management disclosed in the 2019 annual report, and considered that all the directors, supervisors and senior management performed well with diligence and dedication in 2019. The remuneration for 2019 paid by the Company to its directors, supervisors and senior management was fair, reasonable and in compliance with relevant remuneration rules and assessment criteria of the Company, without any occurrence of violation of the Company's remuneration system. In 2019, the Company did not implement any equity incentive scheme.



## Section X Company Governance and Corporate Governance Report

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

Session of meeting	Date	Topic	Attendance
The fifth meeting of the ninth session (physical meeting)	April 27, 2020	Consideration of the Summary Report of Duty Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2019.	Mr. Cho Tak Wong and Mr. Qu Wenzhou attended the meeting. Mr. Liu Jing entrusted Mr. Qu Wenzhou to attend the meeting on his behalf due to temporary travel restrictions imposed by the government in response to the spread of the COVID-19 pandemic
The sixth meeting of the ninth session (meeting through communications)	October 29, 2020	<ol style="list-style-type: none"> <li>1. Consideration of the Resolution in Relation to the Remuneration Plan for Directors of the Tenth Session of the Board of Directors of the Company;</li> <li>2. Consideration of the Resolution in Relation to the Remuneration Plan for Shareholder Representative Supervisors of the Tenth Session of the Board of Supervisors of the Company.</li> </ol>	Mr. Cho Tak Wong, Mr. Qu Wenzhou and Mr. Liu Jing attended the meeting



# Section X Company Governance and Corporate Governance Report

## X. THE BOARD OF SUPERVISORS

The Board of Supervisors is the supervisory organization of the Company, and shall be accountable to the general meeting. The Board of Supervisors of the Company consists of three members, including one chairman. As at the disclosure date of this report, the Company has three supervisors, namely Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ma Weihua.

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

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

Session of meeting	Date	Topic	Attendance
The 11th meeting of the ninth session (meeting through communications)	March 27, 2020	Consideration of the Results Announcement of H Shares and Preliminary Results of A Shares for 2019.	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ma Weihua attended the meeting



## Section X Company Governance and Corporate Governance Report

Session of meeting	Date	Topic	Attendance
The twelfth meeting of the ninth session (meeting through communications)	April 27, 2020	<ol style="list-style-type: none"> <li>1. Consideration of the Work Report of the Board of Supervisors for 2019;</li> <li>2. Consideration of the 2019 Final Financial Accounts;</li> <li>3. Consideration of the 2019 Annual Report and Annual Report Summary;</li> <li>4. Consideration of the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2019;</li> <li>5. Consideration of the Resolution in Relation to the Full Text and Main Body of the 2020 First Quarterly Report;</li> <li>6. Consideration of 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 of 2020;</li> <li>7. Consideration of the Resolution in Relation to the Increase of the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2020.</li> </ol>	Mr. Bai Zhaohua and Mr. Chen Mingsen attended the meeting; Mr. Ma Weihua entrusted Mr. Chen Mingsen to attend the meeting on his behalf due to business trip
The thirteenth meeting of the ninth session (a combination of physical meetings and meeting through communications)	August 21, 2020	Consideration of the Resolution in Relation to the 2020 Interim Report and Summary of the Company.	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ma Weihua attended the meeting





# Section X Company Governance and Corporate Governance Report

Session of meeting	Date	Topic	Attendance
The fourteenth meeting of the ninth session (physical meeting)	October 29, 2020	<ol style="list-style-type: none"> <li>1. Consideration of the Resolution in Relation to the Full Text and Main Body of the 2020 Third Quarterly Report;</li> <li>2. Consideration of the Resolution in Relation to the Change and Election of Members of the Board of Supervisors and the Nomination of Candidates for Supervisors of the Tenth Session of the Board of Supervisors of the Company;</li> <li>3. Consideration of the Resolution in Relation to the Remuneration for Supervisors of the Tenth Session of the Board of Supervisors of the Company;</li> <li>4. Consideration of the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2021;</li> <li>5. Consideration of the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd for the Year 2021;</li> <li>6. Consideration of 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 2021.</li> </ol>	Mr. Bai Zhaohua, Mr. Chen Mingsen and Mr. Ma Weihua attended the meeting

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

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



## Section X Company Governance and Corporate Governance Report

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

The remuneration and assessment committee performed assessment concerning the performance and implementation of the duties of the senior management according to the actual completed production and operating results of the Company in 2020, to ensure the remuneration of the senior management was closely linked to their management and operating results, and thus strengthen the incentive effect of the assessment. During the Reporting Period, the Company did not implement any equity incentive scheme.

### XIII. INTEREST OF BUSINESS COMPETITION

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

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

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

### XV. CONTRACT OF SERVICE OF DIRECTORS AND SUPERVISORS

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



# Section X Company Governance and Corporate Governance Report

## XVI. INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

The Company regards information disclosure and investor relationship as very important work. In 2020, in accordance with the relevant regulations of the regulatory authorities such as the CSRC, the SSE and the Hong Kong Stock Exchange, the Company diligently organized the information disclosure work and disclosed relevant information in a true, accurate, complete, timely and fair manner. Meanwhile, the Company further strengthened communications with investors, analysts and financial media, and effectively protected the legitimate rights and interests of investors, especially small and medium investors. The Company communicated and exchanged ideas with investors through channels such as non-deal roadshows, earnings call, conference calls, visits reception, investor relations hotline, dedicated mailbox, and the “Shanghai interactive e-platform”. The Company also set up its website at <http://www.fuyaogroup.com>, for public inspection of the Company’s business development and operation, financial information, corporate governance practices, and information and updates about other information.

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

During the Reporting Period, there was no change in the Articles of Association.

On January 8, 2021, the Board of Directors resolved to propose amendments to certain provisions of the Articles of Association. Relevant proposed amendments were considered and approved at the 2021 second extraordinary general meeting, the 2021 first A share class meeting and the 2021 first H share class meeting of the Company. The amendments were mainly made to the provisions relating to the arrangements for general meetings such as notification period and method according to the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Reply of the State Council on the Adjustment of the Notice Period of Convening General Meetings of Shareholders and Other Matters Applicable to the Companies Listed Abroad (Guo Han [2019 No. 97]), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (revised in April 2019) and other relevant laws and regulations, and by taking into account the actual business needs of the Company, specifically involving provisions such as Articles 1, 51, 81, 82, 83, 86, 137, 140, 158, 169, 179, 255 and 288. For particulars, please refer to the announcement of the Company dated January 9, 2021 and the circular of the Company dated January 26, 2021.

## XVIII. REMUNERATION OF THE AUDITORS

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

## XIX. JOINT COMPANY SECRETARY

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

In 2020, Mr. Chen Xiangming and Ms. Kam Mei Ha, Wendy were in compliance with the training requirements as stipulated in Rule 3.29 of the Hong Kong Listing Rules.

## XX. WHETHER TO DISCLOSE INTERNAL SELF-EVALUATION REPORT

Please refer to the Shanghai Securities News, the China Securities Journal and the Securities Times, as well as the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) dated March 30, 2021 for the details of the Internal Control Evaluation Report.



# Section X Company Governance and Corporate Governance Report

## XXI. RELEVANT INFORMATION ON INTERNAL CONTROL AUDIT REPORT

### (I) Statement of the Responsibilities for Internal Control

The Board of Directors is responsible for the establishment, improvement and effective implementation of internal controls system, the evaluation of the effectiveness of the implementation of internal control, and the truthful disclosure in the internal control evaluation report. In accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Accounting Law of the People's Republic of China, the Guidelines of the Shanghai Stock Exchange for the Internal Control of Listed Companies, the Basic Norms for Enterprise Internal Control and other internal control regulatory requirements and regulations, the Board of Directors has established and improved the risk control measures in all aspects with a risk management-oriented approach, which is known as the risk management internal control management system. The system is intended to manage rather than eliminate the risk of failing to achieve our business objectives, and the Board of Directors can only provide reasonable rather than absolute assurance against material misstatement or loss. In 2020, the Group internal audit monitored risk levels of the Group by implementing on-site test of the effectiveness of the internal control management system and gave reasonable guarantee for the Company's compliance with laws and regulations in its operation and management, assets security, and true, accurate and complete disclosure of financial reports and information, so as to improve the efficiency and effectiveness of the Company's operation and facilitate the Company's achievement of its development strategy.

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

#### 1. Risk management and internal control of the Company and their characteristics

The Company has always been dedicated to the establishment of an internal control system in line with international standards and regulatory requirements. In accordance with regulatory requirements, the Company has established, perfected and effectively implemented risk control measures in each part of the Company's operation and management, namely the risk management of the internal control management system, and keeps optimizing the internal control system according to Company's risk profile and control environment since 2012. Thus, the organic integration of risk management and internal control has been realized, and the enterprise's risk prevention and control capability and control means have significantly improved, which has an actual effect on enterprise management.

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

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

The Board of Directors is responsible for the establishment, improvement and effective implementation of the risk management-oriented internal control, and assesses its effectiveness at least once a year. The audit committee and audit department were set up under the Board of Directors. Under the leadership of the Board of Directors and the supervision and guidance of the audit committee, the audit department supervises, reviews and evaluates implementation of internal controls on the risk management of the Company and its subsidiaries, coordinates the internal control audit and other relevant issues. The management of the Company is responsible for leading an effective operation of the risk management-oriented internal control system.



## Section X Company Governance and Corporate Governance Report

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

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

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

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

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

### (III) Review of Risk Management and Internal Control System

During the Reporting Period, in accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Accounting Law of the People's Republic of China, the Basic Norms for Enterprise Internal Controls and its supporting guidelines, the Internal Control Guidelines for Listed Companies on the Shanghai Stock Exchange, and other internal control regulatory rules, the Board of Directors and the audit committee sorted out, assessed and identified the risks faced by the Company, determined a list of important risks, and oversaw and improved the measures on risk management and control, so as to ensure that the rules would be followed during the activities of management and control at each important risk point of the Company, the resources would be allocated precisely and the standardized operation would be achieved. The Company managed to prevent and control the risks appropriately. The Board of Directors and the audit committee were of the view that the actual operation of the Group's risk management system and internal control was in line with the requirements in relation to governance practices of listed companies issued by the CSRC. During the Reporting Period, the Board of Directors reviewed the internal control and risk management system of the Group and considered that it was effective.



## Section X Company Governance and Corporate Governance Report

### (IV) Internal Audit

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

PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) has audited the effectiveness of relevant internal control of the financial statements of the Company. As at the base date of the evaluation report, it found no significant deficiency in the internal control, and issued an unqualified audit report on the internal control:

Whether to disclose the internal control audit report: Yes

Type of opinion on the audit report of internal control: Standard unqualified opinion





# Section XI Financial Report

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

#### What we have audited

The consolidated financial statements of Fuyao Glass Industry Group Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 116 to 211, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

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

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

#### Independence

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



## Section XI Financial Report

### Key Audit Matter

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

Key audit matter identified in our audit is as follows.

#### Key Audit Matter

##### Revenue recognition

The Group's revenue mainly comprises of sales of automotive glasses to original equipment manufacturer ("OEM") customers and aftermarket repairing glass ("ARG") customers in China and overseas markets. The Group recognises revenue according to the amount of rights to receive consideration when the customers obtain the control of related products.

For the year ended 31 December 2020, revenue from sales to China OEM customers amounted to RMB9,806 million, which represented approximately 49% of total revenue.

Refer to Note 2.27 to the consolidated financial statements. Revenue will be recognised when the products are shipped to the agreed delivery locations in accordance with the contracts, and customers confirm the acceptance (as the point of control transfer). Among the Group's total revenue, revenue from sales to China OEM customers is recognised when the China OEM customers confirmed the acceptance of the products in accordance with the sales contract terms. Revenue from sales to other customers, including overseas OEM customers and ARG customers, is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance.

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

#### How our audit addressed the Key Audit Matter

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

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

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

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

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



# Section XI Financial Report

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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



## Section XI Financial Report

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 29 March 2021



# Section XI Financial Report

## CONSOLIDATED BALANCE SHEET

As at 31 December 2020

		As at 31 December	
		2020	2019
		RMB'000	RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	17,114,921	18,037,545
Right-of-use assets	7	607,069	701,329
Land use rights	8	1,020,870	1,050,928
Intangible assets	9	347,475	376,042
Investments in a joint venture	10	42,205	43,948
Investments in associates	10	164,544	155,857
Financial assets at fair value through other comprehensive income	16	58,000	–
Deferred income tax assets	11	520,610	518,505
Other non-current assets	13	–	180,000
		<b>19,875,694</b>	21,064,154
<b>Current assets</b>			
Inventories	12	3,280,990	3,280,465
Trade and other receivables	13	4,866,762	4,492,347
Financial assets at fair value through profit or loss	16	300,288	860,894
Financial assets at fair value through other comprehensive income	16	1,301,612	784,418
Derivative financial instruments	16	–	85
Restricted cash	14	2,034	3,485
Cash and cash equivalents	14	8,807,952	8,352,669
		<b>18,559,638</b>	17,774,363
<b>Total assets</b>		<b>38,435,332</b>	38,838,517
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	2,508,618	2,508,618
Share premium	18	6,202,553	6,202,553
Other reserves	18	2,577,798	2,830,500
Retained earnings	18	10,317,255	9,840,932
		<b>21,606,224</b>	21,382,603
<b>Non-controlling interests</b>		<b>(3,610)</b>	(1,285)
<b>Total equity</b>		<b>21,602,614</b>	21,381,318

# Section XI Financial Report

## CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	3,183,785	1,193,000
Lease liabilities	7	510,511	571,282
Long-term payables	20	75,695	72,491
Deferred income tax liabilities	11	195,685	161,080
Deferred income on government grants	21	735,790	673,449
		<b>4,701,466</b>	<b>2,671,302</b>
<b>Current liabilities</b>			
Trade and other payables	22	4,421,923	4,206,392
Contract liabilities	23	756,282	695,400
Current income tax liabilities		212,758	264,917
Borrowings	19	6,645,938	9,525,806
Derivative financial instruments	16	795	3,795
Current portion of lease liabilities	7	89,766	85,983
Current portion of long-term payables	20	3,790	3,604
		<b>12,131,252</b>	<b>14,785,897</b>
<b>Total liabilities</b>		<b>16,832,718</b>	<b>17,457,199</b>
<b>Total equity and liabilities</b>		<b>38,435,332</b>	<b>38,838,517</b>

The notes on pages 122 to 211 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 116 to 211 were approved by the Board of Directors on 29 March 2021 and were signed on behalf.

**Cho Tak Wong**  
Director

**Chen Xiangming**  
Director





# Section XI Financial Report

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
<b>Revenue</b>	24	<b>19,906,593</b>	21,103,878
Cost of sales	24,27	<b>(12,271,374)</b>	(13,399,311)
<b>Gross profit</b>		<b>7,635,219</b>	7,704,567
Distribution costs and selling expenses	27	<b>(1,474,366)</b>	(1,481,567)
Administrative expenses	27	<b>(2,084,512)</b>	(2,194,223)
Research and development expenses	27	<b>(815,579)</b>	(813,130)
Other income	25	<b>352,821</b>	181,754
Other (losses)/gains – net	26	<b>(445,914)</b>	7,875
Net impairment losses on financial assets	3.1	<b>(5,987)</b>	(20,512)
<b>Operating profit</b>		<b>3,161,682</b>	3,384,764
Finance income	29	<b>290,290</b>	284,421
Finance costs	29	<b>(354,752)</b>	(432,680)
<b>Finance costs – net</b>		<b>(64,462)</b>	(148,259)
Share of net profit of joint venture and associate accounted for using the equity method	10	<b>11,844</b>	(5,932)
<b>Profit before income tax</b>		<b>3,109,064</b>	3,230,573
Income tax expense	30	<b>(511,144)</b>	(332,956)
<b>Profit for the year</b>		<b>2,597,920</b>	2,897,617
<b>Profit is attributable to:</b>			
Owners of the Company		<b>2,600,245</b>	2,897,868
Non-controlling interests		<b>(2,325)</b>	(251)
<b>Profit for the year</b>		<b>2,597,920</b>	2,897,617
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
– Basic and diluted earnings per share (expressed in RMB per share)	31	<b>1.04</b>	1.16

The notes on pages 122 to 211 are an integral part of these consolidated financial statements.

# Section XI Financial Report

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
	Note	2020 RMB'000	2019 RMB'000
<b>Profit for the year</b>		<b>2,597,920</b>	2,897,617
<b>Other comprehensive (loss)/income:</b>			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	18	(494,995)	162,490
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(494,995)</b>	162,490
<b>Total comprehensive income for the year</b>		<b>2,102,925</b>	3,060,107
<b>Total comprehensive income is attributable to:</b>			
Owners of the Company		2,105,250	3,060,358
Non-controlling interests		(2,325)	(251)
<b>Total comprehensive income for the year</b>		<b>2,102,925</b>	3,060,107

The notes on pages 122 to 211 are an integral part of these consolidated financial statements.



# Section XI Financial Report

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Note	Attributable to owners of the Company					Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 17)	Share premium RMB'000 (Note 18)	Other reserves RMB'000 (Note 18)	Retained earnings RMB'000 (Note 18)	Total RMB'000		
<b>Total equity at 1 January 2019</b>	2,508,618	6,202,553	2,329,412	9,163,125	20,203,708	(1,034)	20,202,674
<b>Comprehensive income:</b>							
Profit for the year	-	-	-	2,897,868	2,897,868	(251)	2,897,617
<b>Other comprehensive income:</b>							
Currency translation differences	-	-	162,490	-	162,490	-	162,490
<b>Total comprehensive income</b>	-	-	162,490	2,897,868	3,060,358	(251)	3,060,107
<b>Total transaction with equity holders:</b>							
Dividends relating to 2018	32	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
<b>Total transaction with equity holders, recognised directly in equity</b>							
		-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Appropriation to statutory reserve	18	-	-	338,598	(338,598)	-	-
<b>Balance at 31 December 2019</b>	<u>2,508,618</u>	<u>6,202,553</u>	<u>2,830,500</u>	<u>9,840,932</u>	<u>21,382,603</u>	<u>(1,285)</u>	<u>21,381,318</u>
<b>Total equity at 1 January 2020</b>	<b>2,508,618</b>	<b>6,202,553</b>	<b>2,830,500</b>	<b>9,840,932</b>	<b>21,382,603</b>	<b>(1,285)</b>	<b>21,381,318</b>
<b>Comprehensive income:</b>							
Profit for the year	-	-	-	2,600,245	2,600,245	(2,325)	2,597,920
<b>Other comprehensive income:</b>							
Currency translation differences	-	-	(494,995)	-	(494,995)	-	(494,995)
<b>Total comprehensive income</b>	-	-	(494,995)	2,600,245	2,105,250	(2,325)	2,102,925
<b>Total transaction with equity holders:</b>							
Dividends relating to 2019	32	-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
<b>Total transaction with equity holders, recognised directly in equity</b>							
		-	-	(1,881,463)	(1,881,463)	-	(1,881,463)
Appropriation to statutory reserve	18	-	-	242,459	(242,459)	-	-
Others		-	-	(166)	-	(166)	(166)
<b>Balance at 31 December 2020</b>	<u>2,508,618</u>	<u>6,202,553</u>	<u>2,577,798</u>	<u>10,317,255</u>	<u>21,606,224</u>	<u>(3,610)</u>	<u>21,602,614</u>

The notes on pages 122 to 211 are an integral part of these consolidated financial statements.

# Section XI Financial Report

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

		Year ended 31 December	
Note	2020 RMB'000	2019 RMB'000	
<b>Cash flow from operating activities</b>			
	Cash generated from operations	5,380,322	5,365,526
	Income tax paid	(530,804)	(664,615)
	<b>Net cash generated from operating activities</b>	<b>4,849,518</b>	<b>4,700,911</b>
<b>Cash flow from investing activities</b>			
	Proceeds from disposal of property, plant and equipment	28,913	40,473
	Proceeds from disposal of intangible assets and land use rights	4,356	303
	Acquisition of subsidiaries, net of cash acquired	–	(20,314)
	Purchases of property, plant and equipment	(1,751,512)	(2,682,354)
	Purchases of land use rights	–	(25,180)
	Purchases of intangible assets	(21,031)	(71,968)
	Proceeds from disposal of/(purchases of) financial assets at fair value through profit or loss – net	550,000	(465,000)
	Purchase of financial assets at fair value through other comprehensive income – net	(58,000)	–
	Interest received	366,044	330,788
	Dividends received from investment in a joint venture	4,900	–
	Decrease in restricted cash	1,451	4,832
	Government grants received relating to property, plant and equipments	136,501	189,127
	<b>Net cash used in investing activities</b>	<b>(738,378)</b>	<b>(2,699,293)</b>
<b>Cash flows from financing activities</b>			
	Proceeds from borrowings	16,666,509	16,917,757
	Repayments of borrowings	(17,636,509)	(14,637,413)
	Dividends paid to Company's shareholders	(1,881,463)	(1,881,463)
	Interest paid	(337,751)	(428,609)
	Payment of lease liabilities	(90,305)	(85,809)
	<b>Net cash used in from financing activities</b>	<b>(3,279,519)</b>	<b>(115,537)</b>
<b>Net increase in cash and cash equivalents</b>			
	Cash and cash equivalents at beginning of the year	8,352,669	6,357,656
	Exchange differences on cash and cash equivalents	(376,338)	108,932
	<b>Cash and cash equivalents at end of the year</b>	<b>8,807,952</b>	<b>8,352,669</b>

The notes on pages 122 to 211 are an integral part of these consolidated financial statements.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 1 Corporate Information

Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司) (“the Company”) was restructured in 1991 and incorporated in June 1992 in Fuzhou City, Fujian Province, the People’s Republic of China (“China”). The company’s headquarters is in Fuqing City, Fujian Province.

The Company’s shares have been listed on both the Shanghai Stock Exchange (“A shares”) and the Stock Exchange of Hong Kong Limited (“H shares”). As at 31 December 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) and his spouse held 16.95% equity interests in the Company.

The address of the Company’s registered office is Fuyao Industrial Zone, Rongqiao Economic & Technological Development Zone, Fuqing City, Fujian Province, the PRC. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sale of glass products and float glass for automotive purpose.

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

### 2 Summary of Significant Accounting Policies

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

The financial statements are for the Group consisting of Fuyao Glass Industry Group CO., Ltd. and its subsidiaries.

#### 2.1 Basis of Preparation

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

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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.1 Basis of Preparation (Continued)

##### (a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments that are relevant to the Group for the first time for their annual reporting set out below:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – amendments to IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### 2.2 Changes in Accounting Policies and Disclosures

Except for the newly effective standards, amendments and interpretations that became applicable to the group first time in the twelve months ended 31 December 2020, the accounting policies adopted are consistent with those of the 2019 Financial Statements as described therein.





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.3 Subsidiaries

##### 2.3.1 Consolidation

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

##### 2.3.2 Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

## 2 Summary of Significant Accounting Policies (Continued)

### 2.3 Subsidiaries (Continued)

#### 2.3.2 Business combinations (Continued)

The excess of the

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

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

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

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

#### 2.3.3 Separate financial statement

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

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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.4 Associates

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

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

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



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.5 Joint Arrangements

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

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

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

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

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

##### 2.6 Segment Reporting

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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.7 Foreign Currency Translation

(a) **Functional and presentation currency**

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

(b) **Transactions and balances**

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

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

(c) **Group companies**

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

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

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

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

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.8 Property, Plant and Equipment

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

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

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

The estimated useful life, estimated residual rate and annual depreciation rate of property, plant and equipment, are listed as follows:

	<b>Estimated useful lives</b>	<b>Estimated residual rate</b>	<b>Annual depreciation rate</b>
Buildings and freehold land	10 to 20 years	10%	4.5% to 9%
Machinery and equipment	10 to 12 years	10%	7.5% to 9%
Electronic and office equipment	5 years	10%	18%
Tools, moulds, vehicles and others	3 to 5 years	10%	18% to 30%

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

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

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

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

#### 2.9 Land Use Rights

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





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.10 Intangible Assets

(a) **Goodwill**

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

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

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

(b) **Patents**

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

(c) **Licenses fee**

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

(d) **Computer software**

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

(e) **Other intangible assets**

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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.11 Impairment of Non-Financial Assets

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

#### 2.12 Non-Current Assets (or Disposal Groups) Held-for-Sale

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

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.13 Financial Assets

##### 2.13.1 Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

##### 2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### 2.13.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.13 Financial Assets (Continued)

##### 2.13.3 Measurement (Continued)

###### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement and presented in other (losses)/gains together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement and recognised in other (losses)/gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other (losses)/gains and impairment expenses are presented as separate line item in the income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the income statement and presented net within other (losses)/gains in the period in which it arises.

###### Equity instruments

The group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other (losses)/gains in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.13 Financial Assets (Continued)

##### 2.13.4 Impairment

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

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

#### 2.14 Offsetting Financial Instruments

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

#### 2.15 Inventories

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

#### 2.16 Trade Receivables

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

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

#### 2.17 Cash and Cash Equivalents

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



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.18 Restricted Cash

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

##### 2.19 Share Capital

Ordinary shares are classified as equity.

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

##### 2.20 Trade and Other Payables

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

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

##### 2.21 Borrowings

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

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

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





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.22 Borrowings Cost

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

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

Other borrowing costs are expensed in the period in which they are incurred.

#### 2.23 Derivative Financial Instruments

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

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

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

#### 2.24 Current and Deferred Income Tax

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

##### (a) Current income tax

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



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

## 2 Summary of Significant Accounting Policies (Continued)

### 2.24 Current and Deferred Income Tax (Continued)

#### (b) Deferred income tax

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

#### (c) Offsetting

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

### 2.25 Employee Benefits

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

#### (a) Short-term obligations

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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.25 Employee Benefits (Continued)

##### (b) Pension obligations

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

##### China

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

##### United States of America

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

##### (c) Termination benefits

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



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.26 Provision and Contingent Liabilities

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

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

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

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

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

##### 2.27 Revenue Recognition

###### Sales of products

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

##### 2.28 Interest Income

Interest income from financial assets at FVPL is included in the net fair value (losses)/gains on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the income statement.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 29 below.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.29 Dividend Income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in the income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

#### 2.30 Earnings per Share

##### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### 2.31 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.31 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.31 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

#### 2.32 Government Grants

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

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

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

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

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.33 Dividend Distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

#### 2.34 Research and Development

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

### 3 Financial Risk Management

#### 3.1 Financial Risk Factors

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

##### (a) Market risk

##### (i) Foreign exchange risk

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

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

The foreign currency options, foreign currency swap contracts and forward foreign exchange contracts are accounted for as derivative financial instruments and the carrying amount is determined by discounted cash flow model based on future rate.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.1 Financial Risk Factors (Continued)

##### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

As at 31 December 2020 and 2019, if RMB had strengthened/weakened by 10% against the foreign currencies while all other variables had been held constant, net profit for the year of the companies in the Group whose functional currency is RMB would have changed as follows, mainly as a result of exchange gains/losses on translation of various financial assets and liabilities denominated in foreign currencies and the derivative instruments held by the Group:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net profit increase/(decrease)		
USD		
– Strengthened 10%	(402,975)	(330,502)
– Weakened 10%	<u>402,975</u>	<u>330,502</u>

##### (ii) Cash flow and fair value interest rate risk

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

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

As at 31 December 2020 and 2019, if interest rates on bank borrowings had risen/fallen by 50 basis points with all other variables held constant, the Group's net profit for the year would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings. Details of changes are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net profit increase/(decrease)		
– risen 50 basis points	(1,875)	(5,350)
– fallen 50 basis points	<u>1,875</u>	<u>5,350</u>



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 3 Financial Risk Management (Continued)

##### 3.1 Financial Risk Factors (Continued)

###### (b) Credit risk

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

###### (i) Risk management

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

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

###### (ii) Impairment of financial assets

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

The expected loss rates are based on the payment profiles of corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.1 Financial Risk Factors (Continued)

##### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

On that basis, the loss allowance as at 31 December 2020 (on adoption of IFRS 9) was determined as follows for trade receivables:

At 31 December 2020	Current	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected loss rate	0.10%	11.31%	49.06%	100%	
Gross carrying amount					
– trade receivables	3,731,456	7,607	292	5	3,739,360
Loss allowance – IFRS 9	3,550	822	143	5	4,520
Individually impaired receivables	–	345	–	–	345
<b>Total loss allowance</b>	<b>3,550</b>	<b>1,167</b>	<b>143</b>	<b>5</b>	<b>4,865</b>

The closing loss allowances for trade receivables and other receivables as at 31 December 2020 reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables	
	2020 RMB'00	2019 RMB'000	2020 RMB'000	2019 RMB'000
<b>At 1 January</b>	<b>4,688</b>	2,679	<b>41,346</b>	23,812
Increase in loss allowance recognised in the income statement during the year	<b>2,340</b>	2,846	<b>3,647</b>	17,666
Currency translation difference	<b>44</b>	(6)	<b>1,108</b>	(132)
Write-off against uncollectible receivables	<b>(2,207)</b>	(831)	–	–
<b>At 31 December</b>	<b>4,865</b>	4,688	<b>46,101</b>	41,346

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.1 Financial Risk Factors (Continued)

##### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

Net impairment losses on financial assets recognised in the income statement

During the year, the following losses were recognised in the income statement in relation to impaired financial assets:

	2020 RMB'000	2019 RMB'000
Impairment losses		
– Movement in loss allowance for trade receivables and other receivables	8,312	21,350
– Reversal of previous impairment losses	<b>(2,325)</b>	(838)
Net impairment losses on financial assets	<b>5,987</b>	20,512

##### (iii) Financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and derivative financial instruments

The Group is also exposed to credit risk in relation to financial assets at fair value through profit or loss and fair value through other comprehensive income and derivative financial instruments. The maximum exposure at the end of reporting period is the carrying amount of these financial assets of RMB1,659,900,000 (2019: RMB1,645,397,000).

##### (c) Liquidity risk

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





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.1 Financial Risk Factors (Continued)

##### (c) Liquidity risk (Continued)

The Group had access to the following undrawn borrowing facilities as at 31 December 2020 and 2019:

	<b>As at 31 December</b>	
	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank credit		
Expiring within one year	<b>25,999,086</b>	21,906,787
Expiring beyond one year	<b>6,328,604</b>	10,471,807
	<b>32,327,690</b>	32,378,594

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

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.1 Financial Risk Factors (Continued)

##### (c) Liquidity risk (Continued)

	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>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 31 December 2020</b>					
Borrowings, including interest payables	6,741,057	1,560,554	1,743,383	-	10,044,994
Long term payables	7,008	7,008	21,024	70,081	105,121
Lease Liabilities	91,603	54,494	219,998	288,109	654,204
Derivative financial instruments <i>(Note 16)</i>	795	-	-	-	795
Financial liabilities included in trade and other payables	3,843,003	-	-	-	3,843,003
	<b>10,683,466</b>	<b>1,622,056</b>	<b>1,984,405</b>	<b>358,190</b>	<b>14,648,117</b>
<b>As at 31 December 2019</b>					
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 <i>(Note 16)</i>	3,795	-	-	-	3,795
Financial liabilities included in trade and other payables	3,652,981	-	-	-	3,652,981
	<b>13,371,565</b>	<b>727,296</b>	<b>837,583</b>	<b>396,517</b>	<b>15,332,961</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.2 Capital Risk Management

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

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

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

The net liability to equity ratios as at 31 December 2020 and 2019 are as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Total borrowings (Note 19)	<b>9,829,723</b>	10,718,806
Total lease liabilities (Note 7)	<b>600,277</b>	657,265
Total long-term payables (Note 20)	<b>79,485</b>	76,095
Less: Cash and cash equivalents (Note 14)	<b>(8,807,952)</b>	(8,352,669)
Net liability	<b>1,701,533</b>	3,099,497
Total equity	<b>21,602,614</b>	21,381,318
Total capital	<b>23,304,147</b>	24,480,815
<b>Net liability to equity ratio</b>	<b>7.30%</b>	12.66%

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.3 Fair Value Estimation

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

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2020</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	-	300,288	300,288
– structure deposits				
Financial assets at fair value through other comprehensive income	-	-	1,301,612	1,301,612
– notes receivable at fair value	-	-	58,000	58,000
– unlisted equity securities				
	<u>-</u>	<u>-</u>	<u>1,659,900</u>	<u>1,659,900</u>
<b>Liabilities</b>				
Derivative financial instruments				
– foreign currency swap contracts (i)	-	-	795	795
	<u>-</u>	<u>-</u>	<u>795</u>	<u>795</u>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.3 Fair Value Estimation (Continued)

(a) (Continued)

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2019</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– structure deposits	–	–	860,894	860,894
Derivative financial instruments				
– forward foreign exchange contract (ii)	–	–	85	85
Note receivable at fair value through other comprehensive Income	–	–	784,418	784,418
	<u>–</u>	<u>–</u>	<u>1,645,397</u>	<u>1,645,397</u>
<b>Liabilities</b>				
Derivative financial instruments				
– foreign currency option contracts (iii)	–	–	3,795	3,795
	<u>–</u>	<u>–</u>	<u>3,795</u>	<u>3,795</u>

- (i) As at 31 December 2020, the Group and the bank signed foreign currency swap contract with a total nominal amount of USD75,976,000 in exchange for RMB into USD. The contract agreed that the exchange rate was 6.682 on the maturity date 10 May 2020.
- (ii) As at 31 December 2019, the Group and the bank signed forward foreign exchange contract with a total nominal amount of GBP 500,000 in exchange for GBP into USD. The contract agreed that the exchange rate was 1.336 on the maturity date 18 December 2020.
- (iii) As at 31 December 2019, the Group and the bank signed foreign currency option contracts with a total nominal amount of USD60,000,000 in exchange for RMB into USD. The contract agreed that the exchange rate was 7.0000 on the maturity date between 1 January 2020 and 21 April 2020.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 3 Financial Risk Management (Continued)

#### 3.3 Fair Value Estimation (Continued)

##### (b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 December 2020 and 31 December 2019:

	Structure deposits RMB'000	Forward foreign swap contract RMB'000	Forward foreign exchange contract RMB'000	Foreign currency option contracts RMB'000	Note receivable at fair value through other comprehensive income RMB'000	Equity instrument at fair value through other comprehensive income RMB'000	Total RMB'000
<b>Closing balance as at 31 December 2019</b>	860,894	85	-	(3,795)	784,418	-	1,641,602
Acquisitions	3,050,000	-	-	(11,371)	4,780,796	58,000	7,877,425
Disposals	(3,655,569)	(358)	(6,102)	(2,521)	(4,253,679)	-	(7,918,229)
Recognised in gains/(losses)-net	44,963	273	5,307	17,687	(9,923)	-	58,307
<b>Closing balance as at 31 December 2020</b>	<b>300,288</b>	<b>-</b>	<b>(795)</b>	<b>-</b>	<b>1,301,612</b>	<b>58,000</b>	<b>1,659,105</b>

\* includes unrealised gains or (losses) recognised in the income statement attributable to assets held at the end of the reporting period

2020	288	-	-	-	-	-	288
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##### (c) Fair value of financial assets and liabilities measured at amortised cost

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

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





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 4 Critical Accounting Estimates and Judgements

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

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

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

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

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

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

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

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

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



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

##### (d) Impairment of Financial Assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

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

The Group's management judgement is required on the balance sheet date in the area of asset impairment particularly in assessing long-term assets which include fixed asset, construction in progress, intangible assets and goodwill etc. The recoverable amount is the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business. The recoverable amount is estimated based on best available information in order to reflect the payment (or the disposal cost to be deducted) of fair trade between informed voluntary parties at the balance sheet date or continuous cash generated by the use of the assets. The revalued recoverable amount may be adjusted on each impairment test.

#### 5 Segment Information

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

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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 6 Property, Plant and Equipment

	Buildings and freehold land <i>RMB'000</i>	Machinery and equipment <i>RMB'000</i>	Electronic and other equipment <i>RMB'000</i>	Tools, moulds, vehicles and others <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 1 January 2019</b>	4,905,338	7,263,695	1,436,914	572,387	2,936,813	17,115,147
Currency translation difference	63,090	58,875	2,870	199	17,353	142,387
Transfer	575,693	820,315	373,409	2,599	(1,772,016)	–
Acquisition of subsidiary	–	–	–	–	19,002	19,002
Other additions	121,443	374,690	197,205	364,844	1,699,881	2,758,063
Disposals ( <i>Note 33(b)</i> )	(1,565)	(22,695)	(11,417)	(14,073)	–	(49,750)
Depreciation ( <i>Note 27</i> )	(308,560)	(940,492)	(389,627)	(308,625)	–	(1,947,304)
Closing net book amount	<u>5,355,439</u>	<u>7,554,388</u>	<u>1,609,354</u>	<u>617,331</u>	<u>2,901,033</u>	<u>18,037,545</u>
<b>At 31 December 2019</b>						
Cost	7,208,245	12,776,290	3,097,059	1,854,294	2,901,033	27,836,921
Accumulated depreciation	(1,852,806)	(5,221,902)	(1,487,705)	(1,236,963)	–	(9,799,376)
Net book amount	<u>5,355,439</u>	<u>7,554,388</u>	<u>1,609,354</u>	<u>617,331</u>	<u>2,901,033</u>	<u>18,037,545</u>
<b>At 1 January 2020</b>	<u>5,355,439</u>	<u>7,554,388</u>	<u>1,609,354</u>	<u>617,331</u>	<u>2,901,033</u>	<u>18,037,545</u>
Currency translation difference	(180,846)	(186,006)	(7,222)	(502)	(27,074)	(401,650)
Transfer	343,776	987,987	279,777	1,518	(1,613,058)	–
Other additions	93,620	245,073	136,614	172,293	1,093,397	1,740,997
Disposals ( <i>Note 33(b)</i> )	(34,960)	(130,932)	(35,390)	(9,283)	–	(210,565)
Depreciation ( <i>Note 27</i> )	(338,395)	(993,035)	(446,036)	(273,940)	–	(2,051,406)
Closing net book amount	<u>5,238,634</u>	<u>7,477,475</u>	<u>1,537,097</u>	<u>507,417</u>	<u>2,354,298</u>	<u>17,114,921</u>
<b>At 31 December 2020</b>						
Cost	7,338,136	13,415,878	3,372,465	1,875,938	2,354,298	28,356,715
Accumulated depreciation	(2,099,502)	(5,938,403)	(1,835,368)	(1,368,521)	–	(11,241,794)
Net book amount	<u>5,238,634</u>	<u>7,477,475</u>	<u>1,537,097</u>	<u>507,417</u>	<u>2,354,298</u>	<u>17,114,921</u>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 6 Property, Plant and Equipment (Continued)

- (a) As at 31 December 2020, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB568,877,000 (31 December 2019: RMB904,422,000). The Directors of the Group consider that these buildings pending ownership certificates do not affect the daily operation of the Group.
- (b) During the year, the Group has capitalised borrowing costs of RMB13,017,000 (2019: RMB28,457,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 2.90% (2019: 3.46 %).
- (c) At 31 December 2020, the Group's land and above-ground buildings with the carrying amount RMB19,283,000 (31 December 2019: RMB21,749,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2019: HKD30,000,000).

#### 7 Leases

- (a) Amounts Recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	<b>31 December 2020</b> <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
<b>Right-of-use assets</b>		
Buildings	<b>553,128</b>	628,389
Equipment	<b>4,672</b>	4,135
Vehicles	<b>28,634</b>	39,490
Others	<b>20,635</b>	29,315
	<b>607,069</b>	701,329
<b>Lease liabilities</b>		
Current	<b>89,766</b>	85,983
Non-current	<b>510,511</b>	571,282
	<b>600,277</b>	657,265

Additions to the right-of-use assets during the year ended at 31 December 2020 financial year were RMB19,386,000 (31 December 2019: RMB522,373,000).



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 7 Leases (Continued)

##### (b) Amounts Recognised in the Income Statement

The income statement shows the following amounts relating to leases:

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	<b>2019</b> <i>RMB'000</i>
<b>Depreciation charge of right-of-use assets</b>			
Buildings		<b>93,146</b>	82,854
Equipment		<b>698</b>	376
Vehicles		<b>16,190</b>	13,250
Others		<b>8,456</b>	11,086
		<b>118,490</b>	107,566
Interest expense (included in finance cost)	29	<b>13,932</b>	13,913
Expense relating to short-term leases (included in cost of goods sold, distribution costs and selling expenses and administrative expenses)	27	<b>38,933</b>	74,910
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses, etc)	27	<b>1,070</b>	1,698
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	27	<b>–</b>	–

The total cash outflow for leases in 2020 was RMB130,309,000.

##### (c) the Group's Leasing Activities and How These Are Accounted for

The Group leases various buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of 12 months to 9 years, but may have extension options as described in (d) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

##### (d) Extension and Termination Options

Extension and termination options are included in part of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 8 Land Use Rights

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

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Opening net book value	1,050,928	1,050,397
Currency translation difference	(901)	328
Additions	–	25,180
Disposals (Note 33(b))	(3,973)	–
Amortisation charges (Note 27)	(25,184)	(24,977)
Closing net book value	<b>1,020,870</b>	1,050,928

- (a) At December 31, 2020, the Group's land and above-ground buildings with the carrying amount RMB19,283,000 (31 December 2019: RMB21,749,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2019: HKD30,000,000).
- (b) As at 31 December 2020, the Group has no land use rights still in the process of applying for the ownership certificates (31 December 2019: nil).





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 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
<b>Year ended 31 December 2019</b>							
Opening net book amount	153,707	4,880	30,606	49,488	35,891	2,800	277,372
Currency translation difference	-	-	471	82	-	(1)	552
Additions	1,234	15	-	39,978	100,267	7,803	149,297
Disposal	-	-	-	-	-	(303)	(303)
Amortisation (Note 27)	-	(1,650)	(3,477)	(29,231)	(15,592)	(926)	(50,876)
Closing net book amount	<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>
<b>At 31 December 2019</b>							
Cost	154,941	32,919	71,366	164,492	138,729	25,481	587,928
Accumulated amortisation	-	(29,674)	(43,766)	(104,175)	(18,163)	(16,108)	(211,886)
Net book amount	<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>
<b>Year ended 31 December 2020</b>							
Opening net book amount	<b>154,941</b>	<b>3,245</b>	<b>27,600</b>	<b>60,317</b>	<b>120,566</b>	<b>9,373</b>	<b>376,042</b>
Currency translation difference	-	-	(1,656)	(101)	-	5	(1,752)
Additions	-	-	-	20,546	-	485	21,031
Disposal (Note 33(b))	-	(11)	-	(381)	-	-	(392)
Amortisation (Note 27)	-	(1,647)	(3,393)	(34,368)	(6,915)	(1,131)	(47,454)
Closing net book amount	<u><b>154,941</b></u>	<u><b>1,587</b></u>	<u><b>22,551</b></u>	<u><b>46,013</b></u>	<u><b>113,651</b></u>	<u><b>8,732</b></u>	<u><b>347,475</b></u>
<b>At 31 December 2020</b>							
Cost	<b>154,941</b>	<b>32,902</b>	<b>68,658</b>	<b>175,444</b>	<b>138,729</b>	<b>25,999</b>	<b>596,673</b>
Accumulated amortisation	-	(31,315)	(46,107)	(129,431)	(25,078)	(17,267)	(249,198)
Net book amount	<u><b>154,941</b></u>	<u><b>1,587</b></u>	<u><b>22,551</b></u>	<u><b>46,013</b></u>	<u><b>113,651</b></u>	<u><b>8,732</b></u>	<u><b>347,475</b></u>

During the year, the Group had research and development cost amounted to RMB815,579,000 which was all expensed (2019: RMB813,130,000).

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 9 Intangible Assets (Continued)

#### (a) Impairment Tests for Goodwill

The goodwill is monitored by the management at cash generating units ("CGU") level. The following is a summary of goodwill allocation for each CGU:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Fuyao (Xiamen) Precision Corp. (Note (i))	74,942	74,942
Fujian Wanda Automobile Glass Industry Co., Ltd. (Note (ii))	62,744	62,744
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (Note (iii))	11,934	11,934
Fujian Triplex Group Holdings Co., Ltd.	4,087	4,087
Jiangsu Fuyao Automotive Trim System Co., Ltd.	1,234	1,234
	<b>154,941</b>	<b>154,941</b>

For the purpose of impairment test, goodwill has been allocated to the smallest individual of CGU identified. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on the financial budget made by managements, with reference to the prevailing market condition, covering a period of five years and assuming the cash flow beyond the five years period would be stable. The key assumptions used for value-in-use are as follows:

#### (i) Fuyao (Xiamen) Precision Corp.

	Year ended 31 December	
	2020	2019
Gross profit margin	27%–29%	26%–28%
Discount rate	16%	16%
Budgeted growth rate	21%–29%	19%–30%
Long-term growth rate	2%	2%

#### (ii) Fujian Wanda Automobile Glass Industry Co., Ltd.

	Year ended 31 December	
	2020	2019
Gross profit margin	38%	38%
Discount rate	15%	15%
Budgeted growth rate	3%	3%
Long-term growth rate	2%	2%



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 9 Intangible Assets (Continued)

#### (a) Impairment Tests for Goodwill (Continued)

##### (iii) Hainan Wenchang Fuyao Silica Sand Co., Ltd.

	Year ended 31 December	
	2020	2019
Gross profit margin	75%	75%
Discount rate	17%	17%
Budgeted growth rate	5%	5%
Long-term growth rate	2%	2%

As at 31 December 2020 and 2019, management performed the value-to-use calculation and no impairment is identified.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Gross profit margin	Based on historical experience and market development expectations.
Discount rate	Reflects the specific risk of the relevant asset group and asset group combination.
Budgeted growth rate	Based on historical experience and market development expectations.
Long-term growth rate	The weighted average growth rate used by the Group to forecast cash flows after five years, which is consistent with the forecast data contained in the industry report and does not exceed the long-term average growth rate of each product.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 10 Investments Accounted for Using the Equity Method

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Share of net assets, unlisted		
– Joint venture	42,205	43,948
– Associates	164,544	155,857
	<b>206,749</b>	199,805
Associates and joint venture		
Beginning of the year	199,805	205,737
– Dividends received	(4,900)	–
– Share of results	11,844	(5,932)
	<b>206,749</b>	199,805
End of the year	<b>206,749</b>	199,805



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 10 Investments Accounted for Using the Equity Method (Continued)

(a) Joint Venture

(i) The Group's investments in a joint venture during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December		Principle activities
			2020 RMB'000	2019 RMB'000	
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包装(福州)有限公司)	Fuzhou, the PRC, 2005	49%	42,205	43,948	Production and processing of paper articles and printed matter, especially corrugated paper

(ii) The Group's share of the results of its joint venture, and the aggregated assets and liabilities, are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit RMB'000	Net assets RMB'000
Year ended 31 December 2020	<u>49,693</u>	<u>7,488</u>	<u>52,500</u>	<u>3,158</u>	<u>42,205</u>
Year ended 31 December 2019	<u>50,850</u>	<u>6,902</u>	<u>62,137</u>	<u>3,268</u>	<u>43,948</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 10 Investments Accounted for Using the Equity Method (Continued)

(b) Associates

(i) The Group's investments in associates during the year, which is unlisted, is set out as follows:

Company name	Country/place and date of incorporation	% of ownership interest	Attributable equity interests to the Group as at 31 December		Principle activities
			2020 RMB'000	2019 RMB'000	
Jinken Glass Industry Shuangliao Co., Ltd. (金壘 Shuangliao, the PRC, 玻璃工業雙遼有限公司)	2003	25%	54,600	45,027	Production and sales of float glass
Fuyao Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司)	Beijing, the PRC, 2003	25%	109,944	110,830	Holding of the land and plant

(ii) The Group's share of the results of its associates, and the aggregated assets and liabilities, are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit RMB'000	Net assets RMB'000
<b>Year ended 31 December 2020</b>					
Jinken Glass Industry Shuangliao Co., Ltd.	102,572	52,631	75,197	9,572	49,941
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	110,107	163	1,350	(886)	109,944
	<b>212,679</b>	<b>52,794</b>	<b>76,547</b>	<b>8,686</b>	<b>159,885</b>
<b>Year ended 31 December 2019</b>					
Jinken Glass Industry Shuangliao Co., Ltd.	112,093	71,724	70,039	(7,810)	40,369
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	111,009	179	1,106	(1,390)	110,830
	<b>223,102</b>	<b>71,903</b>	<b>71,145</b>	<b>(9,200)</b>	<b>151,199</b>





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 11 Deferred Income Tax Assets and Liabilities

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deferred income tax assets:	<b>1,010,658</b>	1,025,854
Offset against deferred income tax liabilities	<b>(490,048)</b>	(507,349)
Net deferred income tax assets	<b>520,610</b>	518,505
Deferred income tax liabilities:	<b>685,733</b>	668,429
Offset against deferred income tax assets	<b>(490,048)</b>	(507,349)
Net deferred income tax liabilities	<b>195,685</b>	161,080

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

Deferred income tax assets	Tax losses carried forward (a) RMB'000	Impairment provision RMB'000	Accruals RMB'000	Unrealised profit (b) RMB'000	Government grants RMB'000	Others RMB'000	Total RMB'000
<b>At 31 December 2019</b>	600,999	4,089	75,628	202,125	56,329	86,684	1,025,854
Recognised in the consolidated income statements	33,273	1,553	(14,493)	29,525	11,621	(43,316)	18,163
Impact in exchange rate change	(24,652)	(36)	(3,976)	-	(290)	(4,405)	(33,359)
<b>At 31 December 2020</b>	<b>609,620</b>	<b>5,606</b>	<b>57,159</b>	<b>231,650</b>	<b>67,660</b>	<b>38,963</b>	<b>1,010,658</b>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 11 Deferred Income Tax Assets and Liabilities (Continued)

- (a) Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of related tax benefits through future taxable profits is probable. As at 31 December 2020, the Group did not recognise deferred income tax assets of RMB531,421,000 (2019: RMB365,961,000) in respect of the accumulated losses of RMB2,122,327,000 (2019: RMB1,473,427,000), loss amounting to RMB687,633,000 will be expired during the year 2021 to year 2040, loss amounting to RMB1,434,694,000 will be continued to be deducted after the year 2040.
- (b) Unrealised profit mainly attributed to the unrealised profit from intra-Group sales and tooling sales.

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

Deferred income tax liabilities	Withholding taxation on unremitted earnings of certain subsidiaries <i>RMB'000</i>	Depreciation of property, plant and equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At 31 December 2019</b>	63,976	520,283	84,170	668,429
Recognised in the consolidated income statements	29,521	15,204	5,938	50,663
Impact in exchange rate change	—	(33,265)	(94)	(33,359)
<b>At 31 December 2020</b>	<b>93,497</b>	<b>502,222</b>	<b>90,014</b>	<b>685,733</b>



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 12 Inventories

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Raw materials	1,273,630	1,269,491
Work in process	318,855	245,330
Finished goods	1,717,409	1,769,990
Low value consumables	17,719	16,635
	<b>3,327,613</b>	3,301,446
Less: write-down to net realisable value	<b>(46,623)</b>	(20,981)
	<b>3,280,990</b>	3,280,465

The cost of inventory recognised as expense and included in 'cost of sales' amounted to RMB5,956,179,000 for the year ended 31 December 2020 (2019: RMB6,400,756,000) (Note 27).

Inventories are valued at the lower of cost and estimated net realisable value. Write-down of inventories to net realisable value recognised in the consolidated income statements during the year are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>At beginning of the year</b>	<b>20,981</b>	28,750
Write-down to net realisable value (Note 27)	<b>30,974</b>	3,940
Impact in exchange rate change	<b>357</b>	–
Write-off of inventory provision	<b>(5,689)</b>	(11,709)
	<b>46,623</b>	20,981

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 13 Trade and Other Receivables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Trade receivables due from third parties (a):</b>		
Notes receivables	19,430	20,011
Accounts receivables	3,739,360	3,462,118
Less: loss allowance	(4,865)	(4,688)
Trade receivables – net	<b>3,753,925</b>	3,477,441
<b>Other receivables due from third parties (b):</b>		
Other receivables	567,717	504,702
Less: loss allowance	(46,101)	(41,346)
Other receivables – net	<b>521,616</b>	463,356
<b>Amount due from related parties (Note 36(c)):</b>		
Other receivables (i)	160,894	182,681
Prepayments (ii)	10,769	42,965
	<b>171,663</b>	225,646
<b>Others:</b>		
Prepayments to suppliers	162,758	179,537
Prepaid income tax and value-added tax recoverable and refundable	256,800	326,367
	<b>419,558</b>	505,904
<b>Trade and other receivables</b>	<b>4,866,762</b>	4,672,347
Less: non-current portion of amount due from related parties (i)	–	(180,000)
	–	(180,000)
<b>Trade and other receivables – net</b>	<b>4,866,762</b>	4,492,347

- (i) As at 31 December 2020, the current portion of other receivables due from related party includes a loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd. The interest rate is at 5.225% per annum. The loan will be due in August 2021. The loan to associate is secured by 75% of share of the associate held by third parties and all assets, plants and equipments(including but not limited to buildings, land use rights, etc) owned by the associate are unconditionally pledged to the Group as security for the loan. As at 31 December 2020, the book value of the pledged assets is RMB274,638,000.



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 13 Trade and Other Receivables (Continued)

As at 31 December 2020 and 2019, the carrying amounts of accounts receivables, notes receivables and other receivables are denominated in the following currencies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
RMB	2,980,041	2,698,765
USD	1,016,574	1,101,676
EUR	415,930	296,171
Others	74,856	72,900
	<b>4,487,401</b>	<b>4,169,512</b>

- (a) Trade receivables, including notes receivables and account receivables, are arising from sales of products. The credit period granted to customers is ranging from 1 month to 4 months. No interest is charged on the overdue trade receivables. The ageing analysis of trade receivables based on invoice date, before provision for impairment, as at 31 December 2020 and 2019 was as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Trade receivables – gross		
Within 3 months	3,550,526	3,242,570
3 to 6 months	180,637	203,519
6 to 12 months	19,723	34,003
Over 1 year	7,904	2,037
	<b>3,758,790</b>	<b>3,482,129</b>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 13 Trade and Other Receivables (Continued)

(b) Details of other receivables are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Consideration receivable from disposal of a subsidiary (i)	327,599	327,599
Receivables from disposal of assets	117,297	–
Compensation receivable	49,300	49,626
Payments on behalf of others	24,577	25,729
Deposits and guarantees	14,671	16,614
Others	34,273	85,134
	<b>567,717</b>	<b>504,702</b>

(i) Consideration receivable from disposal of a subsidiary is related to the equity transaction of 75% shares of Fuyao Group Beijing Futong Safety Glass Co., Ltd. (hereinafter referred to as “Beijing Futong”) to a third party, Taiyuan Jinnuo Industrial Co., Ltd. (hereinafter referred to as “Taiyuan Jinnuo”) in 2018. The total consideration was RMB1004 million, of which RMB683 million in relation to 51% of equity shares was received in 2018. The remaining RMB321 million in relation to 24% of equity shares would be past due before 31 December 2018. On 24 December 2018, as agreed by both parties, the due date was extended to 30 June 2019. On 28 August 2019, the due date was extended to 30 June 2020. On 5 June 2020, the payment was further extended to 30 June 2021.

According to the equity transfer agreement, if Taiyuan Jinnuo fails to pay the consideration of equity transfer on schedule and fails to pay the total penalty and overdue fine to the Company within 60 days after the default, Taiyuan Jinnuo shall return all the equity of Beijing Futong to the Company and the Company will not return consideration received from Taiyuan Jinnuo. In 2020, the Company recognised the corresponding loss allowance of RMB3,646,000 according to the expected credit loss rate within lifetime.

(c) As at 31 December 2020 and 2019, the fair value of trade and other receivables of the Group, except for the prepayments to suppliers, prepaid current income tax and value-added tax recoverable and refundable, which are not financial assets, approximated to their carrying amounts, due to the short-term nature of the current receivables.

(d) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Other receivables are subject to the expected credit loss model and have been grouped based on shared credit risk characteristics.

Note 3.1 provides for details about the calculation of the allowance.





## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 14 Cash and Cash Equivalents and Restricted Cash

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash at bank and on hand	8,809,986	8,356,154
Less: restricted cash (b)	<u>(2,034)</u>	<u>(3,485)</u>
Cash and cash equivalents (a)	<u><b>8,807,952</b></u>	<u>8,352,669</u>

(a) Cash and cash equivalents are denominated in:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
RMB	1,802,216	1,586,612
USD	6,570,124	6,445,195
EUR	400,132	260,106
RBL	14,509	20,390
Others	<u>20,971</u>	<u>40,366</u>
	<u><b>8,807,952</b></u>	<u>8,352,669</u>

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 14 Cash and Cash Equivalents and Restricted Cash (Continued)

(b) Details of restricted cash are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deposits pledged for letter of credit and notes	–	3,485
Others	<b>2,034</b>	–
	<b>2,034</b>	3,485

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Restricted cash is denominated in:		
RMB	<b>2,006</b>	3,030
USD	<b>23</b>	24
EUR	<b>5</b>	431
	<b>2,034</b>	3,485



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 15 Financial Instruments by Category

The group holds the following financial instruments:

		As at 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial assets</b>	<i>Notes</i>		
Financial assets at amortised cost			
Trade and other receivables	13	<b>4,866,762</b>	4,492,347
Cash and cash equivalents	14	<b>8,807,952</b>	8,352,669
Financial assets at fair value through other comprehensive income (FVOCI)	16	<b>1,359,612</b>	784,418
Financial assets at fair value through profit or loss (FVPL)	16	<b>300,288</b>	860,894
Derivative financial instruments	16	—	85
		<b>15,334,614</b>	14,490,413
		<b>2020</b>	2019
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Financial liabilities</b>	<i>Notes</i>		
Liabilities at amortised cost			
Trade and other payables	22	<b>4,421,923</b>	4,206,392
Borrowings	19	<b>9,829,723</b>	10,718,806
Lease liabilities	7	<b>600,277</b>	657,265
Long-term payables	20	<b>79,485</b>	76,095
Derivative financial instruments	16	<b>795</b>	3,795
		<b>14,932,203</b>	15,662,353

The group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 16 Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income and Derivative Financial Instruments

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Financial assets at fair value through profit or loss</b>		
<b>Current assets</b>		
– Structure deposits (a)	300,288	860,894
	<b>300,288</b>	<b>860,894</b>
<b>Derivative financial instruments</b>		
<b>Current assets</b>		
– Forward foreign exchange contracts (b)	–	85
	–	85
<b>Current Liabilities</b>		
– Foreign currency swap contracts (c)	795	–
– Foreign currency option contracts (d)	–	3,795
	<b>795</b>	<b>3,795</b>
<b>Financial assets at fair value through other comprehensive income</b>		
Non-current assets		
– Unlisted equity securities	58,000	–
<b>Current assets</b>		
– Note Receivable (e)	1,301,612	784,418

(a) As at 31 December 2020, the Group has 100% principal protected structure deposits of RMB300,000,000 at a floating rate linked to USD-HKD exchange rate. The structure deposits will mature on 21 June 2021.

As at 31 December 2019, the Group has 100% principal protected structure deposits of RMB200,000,000 at a floating rate linked to USD-HKD exchange rate. The structure deposits matured on 26 Feb 2020.

As at 31 December 2019, the Group has 100% principal protected structure deposits of RMB650,000,000 at a floating rate linked to USD3M-LIBOR. The structure deposits matured between 6 Jan 2020 to 16 Jan 2020.



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 16 Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income and Derivative Financial Instruments (Continued)

- (b) As at 31 December 2019, the Group has outstanding forward foreign currency exchange contracts to buy USD668,000 for GBP 500,000. The expiry exchange rate agreed in the contract is 1.336. The contracts were settled on 18 Dec 2020.
- (c) As at 31 December 2020, the Group has outstanding currency swap contracts to buy USD75,976,000 for RMB507,672,000. The expiry exchange rate agreed in the contract is 6.682. The contracts will be settled on 10 May 2021. (As of December 31, 2019: The Group has no outstanding currency swap contracts signed).
- (d) As at 31 December 2019, the Group has outstanding contractual principal amount of selling call options to buy RMB420,000,000 for USD60,000,000. The expiry exchange rate agreed in the contract is 7.0000. The contracts were settled between 15 Jan 2020 to 21 Apr 2020.
- (e) In 2020, the Group discounted and terminated part of bank acceptance notes according to its daily fund management needs. Therefore, the Group classified and presented bank acceptance notes as financial asset at fair value through other comprehensive income at the end of the year.

#### 17 Share Capital

Ordinary shares, issued and fully paid:

	As at 31 December				Total share capital RMB'000
	Number of A shares Thousands	Number of H shares Thousands	A shares of RMB1 each RMB'000	H shares of RMB1 each RMB'000	
At 31 December 2019 and 31 December 2020	2,002,986	505,632	2,002,986	505,632	2,508,618

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 18 Share Premium, Other Reserves and Retained Earnings

	Share premium RMB'000	Retained Earnings RMB'000	Statutory reserves RMB'000	Other reserves		Total RMB'000
				Currency translation differences RMB'000	Capital reserve RMB'000	
<b>Balance at 1 January 2019</b>	6,202,553	9,163,125	2,350,362	(41,475)	20,525	2,329,412
Appropriate to statutory reserves (a)	-	(338,598)	338,598	-	-	338,598
Profit for the year	-	2,897,868	-	-	-	-
Dividends	-	(1,881,463)	-	-	-	-
Currency translation differences	-	-	-	162,490	-	162,490
<b>At 31 December 2019</b>	<b>6,202,553</b>	<b>9,840,932</b>	<b>2,688,960</b>	<b>121,015</b>	<b>20,525</b>	<b>2,830,500</b>
<b>Balance at 1 January 2020</b>	<b>6,202,553</b>	<b>9,840,932</b>	<b>2,688,960</b>	<b>121,015</b>	<b>20,525</b>	<b>2,830,500</b>
Appropriate to statutory reserves (a)	-	(242,459)	242,459	-	-	242,459
Profit for the year	-	2,600,245	-	-	-	-
Dividends	-	(1,881,463)	-	-	-	-
Currency translation differences	-	-	-	(494,995)	-	(494,995)
Other	-	-	-	-	(166)	(166)
<b>At 31 December 2020</b>	<b>6,202,553</b>	<b>10,317,255</b>	<b>2,931,419</b>	<b>(373,980)</b>	<b>20,359</b>	<b>2,577,798</b>

- (a) In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 19 Borrowings

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Non-current:</b>		
–Bank borrowings – unsecured	2,133,792	2,227,206
–Medium-term note (b)	1,226,995	–
Less: current portion of non-current borrowings	(177,002)	(1,034,206)
	<b>3,183,785</b>	<b>1,193,000</b>
<b>Current:</b>		
–Bank borrowings – unsecured	6,165,804	8,491,600
–Bank borrowings – guaranteed (a)	–	–
–Commercial papers (c)	303,132	–
Add: current portion of non-current borrowings	177,002	1,034,206
	<b>6,645,938</b>	<b>9,525,806</b>
<b>Total borrowings</b>	<b>9,829,723</b>	<b>10,718,806</b>

- (a) at 31 December 2020, the Group's subsidiaries have no bank borrowing (2019: Nil) guaranteed by the Company.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 19 Borrowings (Continued)

##### (b) Medium-Term Note

On 13 February 2020, the Company issued a medium-term note in National Association of Financial Market Institutional Investors in the PRC (中國銀行間市場交易商協會). Details of the terms of the medium-term note is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
20 Fuyao (Pandemic Control Bond) MTN001	13 February 2020	3 years	3.19%	600,000

On 20 April 2020, the Company issued a medium-term note in National Association of Financial Market Institutional Investors in the PRC (中國銀行間市場交易商協會). Details of the terms of the medium-term note is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
20 Fuyao MTN002	20 April 2020	3 years	2.75%	600,000

##### (c) Commercial Papers

In the year 2020, the Group issued commercial paper in National Association of Financial Market Institutional Investors in the PRC (中國銀行間市場交易商協會). Details of the term of the commercial paper is analysed as follows:

	Issuance date	Maturity	Interest rate	Principal amount (RMB'000)
Note-20 Fuyao Glass SCP001	15 January 2020	180 days	3.03%	300,000
Note-20 Fuyao Glass SCP002	13 February 2020	270 days	2.84%	600,000
Note-20 Fuyao Glass SCP003	9 March 2020	268 days	2.60%	400,000
Note-20 Fuyao Glass SCP004	18 March 2020	270 days	2.55%	200,000
Note-20 Fuyao Glass SCP005	3 August 2020	177 days	2.54%	300,000



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 19 Borrowings (Continued)

(d) the Borrowings Are Denominated in the Following Currencies:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Borrowings:		
RMB	<b>9,685,807</b>	9,363,671
EUR	–	1,355,135
USD	<b>143,916</b>	–
	<b>9,829,723</b>	10,718,806

(e) The exposure of the borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Within 6 months	<b>1,096,902</b>	7,779,756
Between 6 months and 1 year	<b>6,019,601</b>	2,939,050
Over 1 year	<b>2,713,220</b>	–
	<b>9,829,723</b>	10,718,806

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 19 Borrowings (Continued)

- (f) The maturity of borrowings is as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 1 year	6,645,938	9,525,806
Between 1 and 2 years	1,484,000	593,000
Between 2 and 5 years	1,699,785	600,000
	<b>9,829,723</b>	<b>10,718,806</b>

- (g) The weighted average effective interest rates per annum for the year ended 31 December 2020 were as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Borrowings:		
RMB	2.87%	3.42%
USD	1.20%	3.29%
EUR	0.48%	0.61%

Interest rates of bank borrowings are reset periodically according to the benchmark rates announced by the People's Bank of China and are denominated in RMB.

- (h) The fair values of current borrowings approximate their carrying amounts as the impact of discounting is not significant. The carrying amount and fair value of non-current borrowings as at each balance sheet date are set out as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Carrying amount	1,985,000	1,193,000
Fair value	1,931,769	1,152,326

The fair values of non-current borrowings are estimated based on discounted cash flow using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the respective balance sheet dates and are within level 3 of the fair value hierarchy.

- (i) The Group has complied with the financial covenants of its borrowing during the year ended 31 December 2020 and 31 December 2019.



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 20 Long-Term Payables

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Payables for proceeds from transfer of mining rights	79,485	76,095
Less: Current portion of long-term payables	<b>(3,790)</b>	(3,604)
	<b>75,695</b>	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 required to levy transfer proceeds. The group did not receive notice of payment in 2020 (2019: the Group paid RMB26,280,000).

#### 21 Deferred Income on Government Grants

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
At beginning of the year	673,449	536,835
Government grants received during the year (a)	136,501	189,127
Credited to the consolidated income statements (Note 25)	<b>(73,018)</b>	(52,851)
Currency translation difference	<b>(1,142)</b>	338
At end of the year	<b>735,790</b>	673,449

- (a) These mainly represented government grants received from certain municipal governments of the PRC as an incentive related to property, plant equipment and land use rights.

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 22 Trade and Other Payables

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables to third parties	1,281,028	1,203,449
Notes payable	1,166,210	860,740
Staff salaries and welfare payables	489,357	473,972
Payables for purchasing of property, plant and equipment	408,134	462,128
Accrual of freight fee	165,643	106,220
Payables for arbitration on claim	—	274,093
Accrued taxes other than income tax	89,564	79,440
Amount due to related parties ( <i>Note 36(c)</i> )	40,236	59,042
Other payables and accruals	781,751	687,308
	<b>4,421,923</b>	4,206,392

As at 31 December 2020 and 2019, all trade and other payables of the Group were non-interest bearing, and their fair value, except for staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximate to their carrying amounts due to short maturities.

- (a) The Group's trade payables, notes payable and other payables are denominated in the following currencies:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
RMB	3,097,949	2,742,531
USD	497,583	709,395
EUR	208,755	165,503
RBL	28,449	25,718
Others	10,266	9,833
	<b>3,843,002</b>	3,652,980





## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 22 Trade and Other Payables (Continued)

(b) respective balances sheet dates are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Within 3 months	1,963,384	1,667,991
3 to 6 months	459,128	339,815
6 to 12 months	10,173	21,047
Over 1 year	14,553	35,336
	<b>2,447,238</b>	<b>2,064,189</b>

#### 23 Contract Liabilities

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contract liabilities – Automotive glasses sales contracts	<b>756,282</b>	<b>695,400</b>

(a) The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period—automotive glasses sales contracts	277,010	207,027
Revenue recognised from performance obligations satisfied in previous periods	—	—

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 24 Revenue and Cost of Sales

(a) Revenue and Cost of Sales by Product

	Year ended 31 December			
	2020		2019	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000
Automobile glasses	17,942,033	11,885,450	18,957,337	12,540,656
Float glasses	3,491,542	2,191,112	3,644,798	2,421,573
Others	1,798,226	1,520,020	1,903,485	1,838,824
	<b>23,231,801</b>	<b>15,596,582</b>	24,505,620	16,801,053
Less: Intra-Group sales	<b>(3,325,208)</b>	<b>(3,325,208)</b>	(3,401,742)	(3,401,742)
	<b>19,906,593</b>	<b>12,271,374</b>	21,103,878	13,399,311

(b) Revenue by Geographical Areas

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
The PRC	10,885,111	10,809,575
– Domestic OEM	9,806,236	9,554,837
Other countries	9,021,482	10,294,303
	<b>19,906,593</b>	21,103,878

(c) As at 31 December 2020, the Group had no other assets recognised in relation to costs to fulfil contracts.

(d) During the year ended 31 December 2020, in addition to RMB17,778,000 of rental income, the Group derives revenue from the transfer of goods at a point in time.



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 25 Other Income

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants		
–relating to income and expense (a)	279,803	128,903
–relating to assets (Note 21)	73,018	52,851
	352,821	181,754

- (a) Governments grants received during the year primarily comprised the financial subsidies received from various local government authorities in the PRC. There are no unfulfilled conditions or contingencies relating to these governments grants.

#### 26 Other (Losses)/Gains – Net

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net foreign exchange (losses)/gains – net	(422,468)	135,764
Gains on disposal of land use rights (Note 33(b))	12,356	–
Gains on financial assets at fair value through profit or loss and derivative financial instruments	68,911	98,833
Loss on disposals of note receivable at fair value through other comprehensive income	(9,923)	(10,432)
Changes in fair value of financial assets	(680)	(35,748)
Loss on disposal of property, plant and equipment and intangible assets (Note 33(b))	(79,510)	(9,277)
Donation	(3,328)	(732)
Net gain/(loss) on claims	43,092	(177,337)
Abnormal loss–loss of a subsidiary due to flood	(63,356)	–
Others	8,992	6,804
	(445,914)	7,875

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 27 Expenses by Nature

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Raw materials and consumables used	5,977,122	6,461,684
Changes in inventories of finished goods and work in progress	(20,943)	(60,928)
Employee benefit expenses (Note 28)	4,024,351	4,463,949
Depreciation of property, plant and equipment (Note 6)	2,051,406	1,947,304
Utilities	1,636,435	1,766,319
Transportation and storage expenses	623,903	635,656
Packing expenses	396,820	408,600
Repair and maintenance fee	233,727	229,076
Taxes and levies	207,617	204,783
Depreciation of rights-of-use assets (Note 7)	118,490	107,566
Insurance expenses	109,841	100,060
Fire safety and environmental protection expenses	86,267	88,490
After-sale service expenses	85,105	70,619
Inventory scrap loss	77,874	106,024
Travel expenses	49,689	81,236
Amortisation of intangible assets (Note 9)	47,454	50,876
Operating lease expenses (Note 7)	40,003	76,608
Auditor's remuneration		
– Audit services	5,736	5,736
– Non-audit services	242	903
Write-down of inventories to the net realisable value (Note 12)	30,974	3,940
Amortisation of land use rights (Note 8)	25,184	24,977
Others	838,534	1,114,753
	<b>16,645,831</b>	<b>17,888,231</b>



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 28 Employee Benefit Expenses (Including Directors, Supervisors and Senior Management's Emoluments)

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and bonuses	3,299,210	3,682,377
Pension, housing fund, medical insurance and other social insurance	535,928	673,022
Others	189,213	108,550
	4,024,351	4,463,949

(a) Pensions – Defined Contribution Plans

Contributions totalling RMB28,535,000 (2019: RMB6,314,000) were payable to the fund at the year-end.

(B) Five Highest Paid Individual

The five individuals whose emoluments were the highest in the Group for the year include two directors (2019: one director and one supervisor) whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Salaries, wages and bonuses	9,439	9,741
Pension, housing fund, medical insurance and other social insurance	317	319
Others	439	435
	10,195	10,495

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 28 Employee Benefit Expenses (Including Directors, Supervisors and Senior Management's Emoluments) (Continued)

##### (B) Five Highest Paid Individual (Continued)

The emoluments fell within the following bands:

Emoluments bands	Year ended 31 December	
	2020	2019
HKD2,000,001 to HKD2,500,000	–	–
HKD2,500,001 to HKD3,000,000	1	–
HKD3,000,001 to HKD3,500,000	1	2
HKD3,500,001 to HKD4,000,000	–	–
HKD4,000,001 to HKD4,500,000	–	–
HKD4,500,001 to HKD5,000,000	–	–
HKD5,000,001 to HKD5,500,000	1	1
	<b>3</b>	<b>3</b>

During the year, no director, supervisor or the five highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

#### 29 Finance Costs – Net

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
<b>Finance income:</b>		
Interest income	(290,290)	(284,421)
<b>Finance cost:</b>		
Interest on borrowings	352,622	446,600
Interest on lease liabilities	13,932	13,913
Less: borrowing costs capitalised (Note 6)	(13,017)	(28,457)
Interest expense on borrowings	353,537	432,056
Amortisation of transaction costs in respect of issuance of corporate bond, medium note and commercial papers	1,215	624
	<b>354,752</b>	<b>432,680</b>
<b>Finance costs – net</b>	<b>64,462</b>	<b>148,259</b>





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 30 Income Tax Expense

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

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current income tax	478,644	597,669
Deferred income tax ( <i>Note 11</i> )	32,500	(264,713)
	<hr/>	<hr/>
Income tax expense	<b>511,144</b>	332,956
	<hr/> <hr/>	<hr/> <hr/>

#### (a) Prc Corporate Income Tax

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

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

#### (b) Hong Kong Profits Tax

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

#### (c) United States of America Profits Tax

Applicable profit tax rates of the Group's subsidiaries in the United States of America are 25.40% and 27% for different subsidiaries respectively. Except for Fuyao North America Incorporated, which calculated profits tax at a rate of 27% (2019: 24%) on the estimated assessable profits during the year ended 31 December 2020, other subsidiaries has provided no profit tax due to the unutilised tax losses (2019:Nil).

#### (d) Russia Profits Tax

Applicable profit tax rate of Russia is 20%. During the year ended 31 December 2020, no profit tax has been provided due to accumulated losses (2019:20%).

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 30 Income Tax Expense (Continued)

##### (e) Germany Profits Tax

Applicable profit tax rate of Germany is 28.43% and 28.78%. During the year ended 31 December 2020, no profit tax has been provided due to accumulated losses (2019:Nil).

The tax on the Group's profit before income tax differs from the theoretical amount that could arise using the statutory tax rates of 10% to 31% applicable as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit for the year before income tax	3,109,064	3,230,573
Tax calculated at the applicable income tax rate	718,317	910,131
Tax effect of:		
Preferential income tax rate	(371,092)	(427,495)
Expenses not deductible for tax purpose	7,348	1,405
Income not subject to income tax	(2,961)	1,344
Unrecognised tax losses carried forward	185,123	123,480
Utilisation of previously unrecognised tax losses	(7,159)	(15,586)
Recognition of previously unrecognised tax losses	-	(214,180)
Utilisation of previously unrecognised deductible temporary differences	(330)	(2,528)
Withholding taxation on unremitted earnings of certain subsidiaries	29,521	13,215
Others	(47,623)	(56,830)
Income tax expense	<b>511,144</b>	332,956



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 31 Earnings per Share

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

	Year ended 31 December	
	2020	2019
Net profit attributable to the equity holders of the Company (RMB'000)	2,600,245	2,897,868
Weighted average number of ordinary shares in issue (thousand)	2,508,618	2,508,618
Basic earnings per share (RMB)	1.04	1.16

- (b) The diluted earnings per share are same as the basic earnings per share as there was no dilutive potential shares existed during the year.

#### 32 Dividends

The dividends paid in 2020 and 2019 were RMB1,881,463,000 (2019 annual dividend) and RMB1,881,463,000 (2018 annual dividend) respectively. On 29 March 2021, the board of directors of the the Company proposed to distribute a dividend of RMB1,881,463,000 at a retained earnings of RMB7.5 per 10 shares (tax inclusive) as at 31 December 2020. If the total share capital of the Company changes before the equity registration date for the implementation of the equity distribution, the company intends to maintain the distribution ratio per share unchanged and adjust the total distribution accordingly. The plan still needs to be submitted to the Company's shareholders meeting for deliberation. This dividend payable was not recognised in the financial statement as a liability on 31 December 2020.

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Final dividend of RMB7.5 (2019: RMB7.5) per 10 ordinary shares (tax inclusive)	1,881,463	1,881,463

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 33 Cash Generated from Operations

(a) Reconciliation of Profit before Income Tax to Net Cash Generated from Operations

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Profit for the year before income tax	3,109,064	3,230,573
Adjustments for:		
Depreciation of property, plant and equipment (Note 6)	2,051,406	1,947,304
Depreciation of right-of-use assets (Note 7)	118,490	107,566
Amortisation of land use rights (Note 8)	25,184	24,977
Amortisation of intangible assets (Note 9)	47,454	50,876
Losses on disposals of property, plant and equipment and intangible assets (Note 26)	79,510	9,277
Gains on financial assets at fair value through profit or loss and derivative financial instruments (Note 26)	(68,911)	(98,833)
Gains on disposals of land use right (Note 26)	(12,356)	-
Amortisation of deferred income on government grants (Note 21 and 25)	(73,018)	(52,851)
Interest income (Note 29)	(290,290)	(284,421)
Interest expenses (Note 29)	354,752	432,680
Exchange losses/(gain) on cash and cash equivalents	376,338	(108,932)
Share of results of a joint venture and an associate (Note 10)	(11,844)	5,932
Loss allowance for trade and other receivables (Note 3.1)	5,987	20,512
Write-down to net realisable value (Note 12)	30,974	3,940
Change in fair value of financial assets (Note 26)	680	35,748
	<b>5,743,420</b>	5,324,348
Changes in working capital:		
Increase in inventories	(31,498)	(42,665)
Increase in trade and other receivables	(724,250)	(261,858)
Increase in trade and other payables	392,650	345,701
Cash generated from operations	<b>5,380,322</b>	5,365,526



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 33 Cash Generated from Operations (Continued)

- (b) In the consolidated cash flow statements, proceeds from disposal of properties, plant and equipment, intangible assets and land-use-right comprise:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Net book amount (Note 6, 8 and 9)	217,720	50,053
Receivables from disposal of assets (Note 13(b))	(117,297)	–
Loss on disposal (Note 26)	(67,154)	(9,277)
	33,269	40,776

- (c) Net Debt Reconciliation

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Cash and cash equivalents	8,807,952	8,352,669
Financial assets at fair value through profit or loss	300,288	860,894
Lease liabilities	(600,277)	(657,265)
Long-term payables	(79,485)	(76,095)
Borrowings – repayable within one year	(6,645,938)	(9,525,806)
Borrowings – repayable after one year	(3,183,785)	(1,193,000)
	(1,401,245)	(2,238,603)
Net debt	(1,401,245)	(2,238,603)
Cash and cash equivalents	8,807,952	8,352,669
Financial assets at fair value through profit or loss	300,288	860,894
Gross debt – fixed interest rates	(9,863,920)	(9,222,958)
Gross debt – variable interest rates	(645,565)	(2,229,208)
	(1,401,245)	(2,238,603)
Net debt	(1,401,245)	(2,238,603)

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 33 Cash Generated from Operations (Continued)

#### (c) Net Debt Reconciliation (Continued)

	Cash and cash equivalents <i>RMB'000</i>	Financial assets at fair value through profit or loss <i>RMB'000</i>	Borrow due within one year <i>RMB'000</i>	Borrow due after one year <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Long-term payables <i>RMB'000</i>	Total <i>RMB'000</i>
Net debt as at 1 January 2020	8,352,669	860,894	(9,525,806)	(1,193,000)	(657,265)	(76,095)	(2,238,603)
Cash flows	831,621	(550,000)	3,379,042	(2,139,000)	90,305	-	1,611,968
New leases	-	-	-	-	(28,114)	-	(28,114)
Reclassification	-	-	(177,002)	177,002	-	-	-
Other changes	-	(10,606)	(335,358)	(28,787)	(13,016)	(3,389)	(391,156)
Foreign exchange adjustments	(376,338)	-	13,186	-	7,812	-	(355,340)
Net debt as at 31 December 2020	<u>8,807,952</u>	<u>300,288</u>	<u>(6,645,938)</u>	<u>(3,183,785)</u>	<u>(600,278)</u>	<u>(79,484)</u>	<u>(1,401,245)</u>

### 34 Contingencies

As at 31 December 2020, the Group did not have any significant contingent liabilities.

### 35 Commitments

#### (a) Capital Commitments

As at 31 December 2020, capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Authorised and contracted for:		
– Property, plant and equipment	<u>1,220,604</u>	<u>1,206,793</u>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 35 Commitments (Continued)

#### (b) Investment commitments

After the approval of the 17th meeting of the 7th Board of Directors held on 22 October 2013, the Company intended to establish Fuyao Rus Float Glass Co., Ltd. (tentative name, subject to the name approved by the local authority) in Kaluga, Russia, and planned to invest US 220 million to establish the float glass project. As at 31 December 2020, Fuyao Rus Float Glass Co., Ltd. has not been established.

After the approval of the 15th meeting of the 8th Board of Directors of the Company on 4 August 2017, the Company plans to establish "Fuyao Glass International Holdings Co., Ltd. (tentative name)" in China (actual establishment name is "Fuyao Group International Holdings Co., Ltd."), and planned to invest no more than RMB3 billion to build up the holding and management company. On 31 December 2020, Fuyao Group International Holdings Co., Ltd. has been established, and the registered capital has not yet been invested.

### 36 Related Party Transactions

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2020 and 2019, and balances arising from related party transactions as at 31 December 2020 and 2019.

#### (a) Name and Relationship with Related Parties

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



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 36 Related Party Transactions (Continued)

(b) the Following Transactions Were Carried Out with Related Parties:

(i) Sales of goods and provision of services

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	2,421	3,072
Fuyao Group Beijing Futong Safety Glass CO., Ltd.	3	–
Jinken Glass Industry Shuangliao Co., Ltd.	7,267	2,297
	<b>9,691</b>	<b>5,369</b>

(ii) Purchase of goods and services

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	176,678	152,086
Tri-Wall Packaging (Fuzhou) Co., Ltd.	61,125	74,889
Fuyao Group Beijing Futong Safety Glass CO., Ltd.	4,744	2,378
	<b>242,547</b>	<b>229,353</b>

(iii) Rental income

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Tri-Wall Packaging (Fuzhou) Co.,Ltd.	9	66
Jinken Glass Industry Shuangliao Co., Ltd.	181	–
	<b>190</b>	<b>66</b>



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 36 Related Party Transactions (Continued)

(b) the Following Transactions Were Carried Out with Related Parties: (Continued)

(iv) Rent payment

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	28,509	28,509
Global Cosmos German Co., Ltd. *	20,279	19,562
	<b>48,788</b>	<b>48,071</b>

(v) Increased rights of use assets as a lessee

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Global Cosmos German Co., Ltd. *	-	227,450
Fujian Yaohua Industrial Village Development Co., Ltd.*	-	81,708
	<b>-</b>	<b>309,158</b>

(vi) Increased interest on lease liabilities as a lessee

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	1,293	2,527
Global Cosmos German Co., Ltd. *	2,573	2,507
	<b>3,866</b>	<b>5,034</b>

## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 36 Related Party Transactions (Continued)

(b) the Following Transactions Were Carried Out with Related Parties: (Continued)

(vii) Key management compensation

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries, wages and bonuses	28,745	28,046
Pension, housing fund, medical insurance and other social insurance	670	914
Others	538	719
	<b>29,953</b>	<b>29,679</b>

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

(c) Balances with Related Parties

Amount due from related parties

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Other receivables (i)	160,894	182,681
Prepayments (ii)	10,769	42,965
	<b>171,663</b>	<b>225,646</b>

(i) Other receivables:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	160,020	182,439
Tri-Wall Packaging (Fuzhou) Co., Ltd.	267	242
Global Cosmos German Co., Ltd.	607	–
	<b>160,894</b>	<b>182,681</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 36 Related Party Transactions (Continued)

#### (c) Balances with Related Parties (Continued)

##### (ii) Prepayment:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	<b>10,769</b>	42,965
Amount due to related parties		

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Trade payables (iii)	<b>18,767</b>	33,131
Other payables (iv)	<b>21,469</b>	25,911
Lease liabilities (v)	<b>204,632</b>	224,990
	<b>244,868</b>	284,032

##### (iii) Trade payables:

	<b>As at 31 December</b>	
	<b>2020</b>	2019
	<b>RMB'000</b>	RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	<b>11,242</b>	21,759
Tri-Wall Packaging (Fuzhou) Co., Ltd.	<b>7,525</b>	11,372
	<b>18,767</b>	33,131

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 36 Related Party Transactions (Continued)

#### (c) Balances with Related Parties (Continued)

##### (iii) Trade payables: (Continued)

Ageing analysis of trade payables due to related parties are as follows:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
– Within 3 months	18,744	33,131
– From 3 months to 6 months	23	–
	<b>18,767</b>	<b>33,131</b>

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

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	21,469	25,555
Global Cosmos German Co., Ltd.	–	356
	<b>21,469</b>	<b>25,911</b>

##### (v) Lease liabilities to related parties:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Global Cosmos German Co., Ltd.	176,123	169,264
Fujian Yaohua Industrial Village Development Co., Ltd.	28,509	55,725
	<b>204,632</b>	<b>224,989</b>



# Section XI Financial Report

## 37 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2020 are set out below:

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao (Hong Kong) Limited (福耀(香港)有限公司)	—	Hong Kong, December 1994	USD184,970	100%	Direct	Investment holding company
Fuyao Group (Hongkong) Limited (福耀集團(香港)有限公司)	—	Hong Kong, January 2010	USD1,000	100%	Direct	Sales of automobile glass
Yung Tak Investment Limited (融德投資有限公司)	—	Hong Kong, May 1993	HKD100	100%	Indirect	Property lease
Meadland Limited (Meadland Limited)	—	Hong Kong, December 1998	USD8,200	100%	Indirect	Investment holding company
Fuyao North America Incorporated (福耀北美玻璃工業有限公司)	—	U.S.A., August 2001	USD8,000	100%	Direct	Sales of automobile glass
Fuyao Automotive North America, INC. (福耀玻璃配套北美有限公司)	—	U.S.A., June 2008	USD70,000	100%	Direct	Automotive glass accessories installation and sales
Fuyao Group Korea Co., Ltd. (福耀集團韓國株式會社)	—	Korea, September 2007	KRW 500,000	100%	Direct	Sales of automobile glass
Fuyao Japan Co., Ltd. (福耀日本株式會社)	—	Japan, July 2008	JPY 300,000	100%	Direct	Sales of automobile glass
Fuyao Europe GmbH (福耀歐洲玻璃工業有限公司)	—	Germany, June 2007	EUR 25	100%	Indirect	Automotive glass accessories installation and sales
Fuyao Group (Fujian) Machinery Manufacturing Co., Ltd. (福耀集團(福建)機械製造有限公司)	Limited liability	PRC, March, 1994	RMB34,000	100%	Direct	Machinery Manufacturing
Fujian Wanda Automobile Glass Industry Co., Ltd. (福建省萬達汽車玻璃工業有限公司)	Limited liability	PRC, July 1994	RMB745,150	100%	Direct	Production and sales of automobile glass
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	Limited Liability	PRC, September 2000	RMB600,000	100%	Direct	Production and sales of automobile glass
Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司)	Limited liability	PRC, July 2002	RMB80,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Shanghai Automobile Glass Co., Ltd. (福耀集團(上海)汽車玻璃有限公司)	Limited liability	PRC, April 2002	USD68,049	100%	Direct	Production and sales of automobile glass

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 37 Subsidiaries (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2020 are set out below: (continued)

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Shanghai Fuyao Bus Glass Co., Ltd. (上海福耀客車玻璃有限公司)	Limited liability	PRC, March 2007	RMB200,000	100%	Indirect	Production of special glass and high class bus glass
FYSAM Auto Decorative GmbH (FYSAM汽車飾件有限公司)	—	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts
FYSAM Auto Decorative International GmbH (FYSAM汽車飾件國際有限公司)	—	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts
FYSAM Auto Decorative Germany GmbH (FYSAM汽車飾件(德國)有限公司)	—	Germany, November 2018	EUR 25	100%	Indirect	Production and sales of trim parts
Fuyao Group Automotive Decoration (Shanghai) Co., Ltd. (福耀集團上海汽車飾件有限公司)	Limited liability	PRC, November 2007	USD30,000	100%	Direct	Production and sales of automobile glass
Fuyao Group Tongliao Co., Ltd. (福耀集團通遼有限公司)	Limited liability	PRC, October 2003	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao Glass (Chongqing) Co., Ltd. (福耀玻璃(重慶)有限公司)	Limited liability	PRC, March 2004	USD35,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Hubei) Co., Ltd. (福耀玻璃(湖北)有限公司)	Limited liability	PRC, November 2007	USD43,000	100%	Direct	Production and sales of automobile glass
Guangzhou Fuyao Glass Co., Ltd. (廣州福耀玻璃有限公司)	Limited liability	PRC, June 2006	USD75,000	100%	Indirect	Production and sales of automobile glass
Hainan Wenchang Fuyao Silica Sand Co., Ltd. (海南文昌福耀矽砂有限公司)	Limited liability	PRC, July 2006	RMB40,000	100%	Direct	Exploitation and sales of mineral
Fuyao Guangzhou Nansha Automotive Glass Co., Ltd. (廣州南沙福耀汽車玻璃有限公司)	Limited liability	PRC, November 2005	USD700	100%	Indirect	Provision of warehousing services
Fuyao (Changchun) Bus Glass Co., Ltd. (福耀(長春)巴士玻璃有限公司)	Limited liability	PRC, January 2004	USD4,850	100%	Indirect	Production and sales of automobile glass
Chongqing Wansheng Float Glass Co., Ltd. (重慶萬盛浮法玻璃有限公司)	Limited liability	PRC, April 2009	RMB300,000	100%	Direct	Production and sales of float glass
Zhengzhou Fuyao Glass Co., Ltd. (鄭州福耀玻璃有限公司)	Limited liability	PRC, April 2011	RMB300,000	100%	Direct	Production and sales of automobile glass
Fuzhou Fuyao Mould Technology Co., Ltd. (福州福耀模具科技有限公司)	Limited liability	PRC, May 2013	RMB300,000	100%	Indirect	Production and sales of mold, automotive parts, fibre products and plastic products





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 37 Subsidiaries (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2020 are set out below: (continued)

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fujian Triplex Group Holdings Co., Ltd. (福建三鋒控股集團有限公司)	Limited liability	PRC, November 2015	RMB100,000	100%	Indirect	Research, development, production and sales of glass and mold
Fujian Fuyao Automotive Trim System Co., Ltd. (福建福耀汽車飾件有限公司)	Limited liability	PRC, July 2015	RMB300,000	100%	Indirect	Production and sales of automotive decorations and automotive parts
Fujian Triplex Automobile Servin Co., Ltd. (福建三鋒汽車服務有限公司)	Limited liability	PRC, February 2016	RMB100,000	60%	Indirect	Provider of car service
Fuyao (Xiamen) Precision Corp. (福耀(廈門)精密製造有限公司)	Limited liability	PRC, June 2003	USD15,000	78%	Indirect	Production and sales of mold, automotive parts and plastic products
Foshan Fuyao Glass Co., Ltd. (佛山福耀玻璃有限公司)	Limited liability	PRC, March 2012	RMB10,000	100%	Indirect	Installation of automotive glass accessories
Xupu Fuyao Silica Sand Co., Ltd. (溱浦福耀矽砂有限公司)	Limited liability	PRC, July 2012	RMB15,000	51%	Indirect	Exploitation and sales of mineral
Fuyao Group (Shenyang) Automotive Glass Co., Ltd. (福耀集團(瀋陽)汽車玻璃有限公司)	Limited liability	PRC, June 2012	RMB150,000	100%	Direct	Production and sales of automobile glass
Fuyao Glass Rus Co., Ltd. (福耀玻璃俄羅斯有限公司)	—	Russia, April 2010	USD110,656	100%	Direct	Production and sales of automobile glass
Fuyao Glass (Suzhou) Co., Ltd. (福耀玻璃(蘇州)有限公司)	Limited liability	PRC, March 2017	RMB400,000	100%	Direct	Production and sales of automobile glass
Fuyao Group International Holdings Co., Ltd. (福耀國際控股有限公司)	Limited liability	PRC, September 2017	RMB50,000	100%	Direct	Investment holding company
Chengdu Lvrong Automotive Glass Co., Ltd. (成都綠榕汽車玻璃有限公司)	Limited liability	PRC, December 2012	RMB25,000	100%	Indirect	Installation of automotive glass accessories
Yantai Fuyao Glass Co., Ltd. (煙臺福耀玻璃有限公司)	Limited liability	PRC, June 2013	RMB60,000	100%	Indirect	Installation of automotive glass accessories
Wuhan Fuyao Glass Co., Ltd. (武漢福耀玻璃有限公司)	Limited liability	PRC, July 2013	RMB30,000	100%	Indirect	Installation of automotive glass accessories
Liuzhou Fuyao Glass Co., Ltd. (柳州福耀玻璃有限公司)	Limited liability	PRC, September 2013	RMB20,000	100%	Indirect	Installation of automotive glass accessories
Benxi Fuyao Silica Sand Co., Ltd. (本溪福耀矽砂有限公司)	Limited liability	PRC, May 2014	RM60,000	100%	Indirect	Exploitation and sales of mineral
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	—	U.S.A., March 2014	USD330,000	100%	Direct	Production and sales of automobile glass

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 37 Subsidiaries (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2020 are set out below: (continued)

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao Asset Management A, LLC (福耀美國A資產公司)	—	U.S.A., November 2013	USD0.8	100%	Indirect	Property lease
Fuyao Glass Illinois Inc. (福耀玻璃伊利諾伊有限公司)	—	U.S.A., August 2014	USD1.0	100%	Indirect	Production and sales of float glass
Fuyao Asset Management C, LLC (福耀美國C資產公司)	—	U.S.A., August 2014	USD0.8	100%	Indirect	Property lease
FYSAM Auto Decorative Slovakia s.r.o. (FYSAM汽車飾件(斯洛伐克)有限公司)	—	SK, March 2018	EUR 50	100%	Indirect	Production and sales of automotive decorations and automotive parts
FYSAM Auto Decorative de Mexico S. de R.L. de C.V. (FYSAM汽車飾件(墨西哥)有限公司)	—	MX, December 2010	Mex 3	100%	Indirect	Production and sales of automotive decorations and automotive parts
Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司)	Limited liability	PRC, May 2015	RMB400,000	100%	Direct	Production and sales of automobile glass
Benxi Fuyao Float Glass Co., Ltd. (本溪福耀浮法玻璃有限公司)	Limited liability	PRC, December 2016	RMB500,000	100%	Direct	Production and sales of float glass
Fuyao (Tongliao) Refined Aluminium Co., Ltd. (福耀(通遼)精鋁有限責任公司)	Limited liability	PRC, November 2018	RMB10,000	100%	Direct	Production and sales of refined aluminium
JiangSu Fuyao Automotive Trim System Co., Ltd. (江蘇福耀汽車飾件有限公司)(a)	Limited liability	PRC, May 2017	RMB250,000	100%	Indirect	Production and sales of automotive decorations and automotive parts
Fujian Fuyao Automotive Aluminium system Co., Ltd. (福耀汽車鋁件(福建)有限公司)(b)	Limited liability	PRC, February 2019	RMB150,000	100%	Direct	Production and sales of refined aluminium
Fuyao Technology Development (Suzhou) Co., Ltd. (福耀科技發展(蘇州)有限公司)(c)	Limited liability	PRC, August 2019	RMB50,000	100%	Indirect	R & D, technology transfer, technical services and technology promotion



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 37 Subsidiaries (Continued)

Notes:

- (a) On 15 March 2019, Fujian Fuyao Automotive Trim System Co., Ltd. purchased JiangSu Fuyao Automotive Trim System Co., Ltd., with consideration of RMB66,000,000. The registered capital of JiangSu Fuyao Automotive Trim System Co., Ltd. is RMB250,000,000. As of 31 December 2020, the registered capital has not been fully paid.
- (b) On 1 February 2019, the parent company established Fujian Fuyao Automotive Aluminium system Co., Ltd. with registered capital of RMB150,000,000. As of 31 December 2020, the registered capital has been fully paid.
- (c) On 15 August 2019, Fuyao Glass (Suzhou) Co., Ltd. established Fuyao Technology Development (Suzhou) Co., Ltd., with registered capital of RMB50,000,000. As of 31 December 2020, the registered capital has not been fully paid.

### 38 Events Occurring after the Reporting Period

- (a) In order to broaden the investor base of H Shares and optimize the capital structure of the Company, on 8 January 2021, the Board of Directors resolved that according to the provisions of the Articles of Association, the Company proposed to issue and place not more than 101,126,240 additional H Shares to qualified investors. Subject to the approval of the Shareholders, the Issuance will proceed under the Specific Mandate. The resolution of the issuance has been approved by the 2021 Second Extraordinary General Meeting dated 26 February 2021, 2021 First A Share Class Meeting, and 2021 First H Share Class Meeting. The Company will continue to press ahead with the issuance.
- (b) According to the tenth board resolution of the second session on 29 March 2021, the "2020 Profit Distribution Plan" was considered and approved. The Board of Directors proposed that the company distribute dividends to all shareholders, and pay a cash dividend of RMB7.5 (including tax) for every 10 shares, and a total dividend of RMB1,881,463,000. If the total share capital of the Company changes before the equity registration date for the implementation of the equity distribution, the company intends to maintain the distribution ratio per share unchanged and adjust the total distribution accordingly. The plan still needs to be submitted to the Company's shareholders meeting for deliberation. This dividend payable does not recognised in the financial statement as a liability.

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 39 Balance Sheet and Reserve Movement of the Company

(a) Balance Sheet of the Company

	Note	As at 31 December	
		2020 RMB'000	2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		726,663	767,145
Right-of-use assets		29,896	54,777
Land use rights		33,016	34,033
Intangible assets		92,337	103,079
Investments in subsidiaries		7,865,678	6,770,392
Financial assets at fair value through other comprehensive income		58,000	–
Investments in a joint venture		26,189	26,189
Long-term receivables		4,130,914	3,793,548
Deferred income tax assets		34,064	8,727
		<b>12,996,757</b>	<b>11,557,890</b>
<b>Current assets</b>			
Inventories		340,645	301,614
Trade and other receivables		13,966,045	14,492,313
Financial assets at fair value through profit or loss		300,288	860,894
Financial assets at fair value through other comprehensive income		1,161,324	661,803
Cash and cash equivalents		7,338,353	6,258,633
		<b>23,106,655</b>	<b>22,575,257</b>
<b>Total assets</b>		<b>36,103,412</b>	<b>34,133,147</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 39 Balance Sheet and Reserve Movement of the Company (Continued)

(a) Balance Sheet of the Company (Continued)

		As at 31 December	
	Note	2020 RMB'000	2019 RMB'000
<b>EQUITY</b>			
Share capital		2,508,618	2,508,618
Share premium		6,202,553	6,202,553
Other reserves	(Note(b))	2,931,419	2,688,960
Retained earnings	(Note(b))	6,544,007	6,241,590
<b>Total equity</b>		<b>18,186,597</b>	17,641,721
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		3,183,785	1,193,000
Lease liabilities		2,181	28,469
Deferred income tax liabilities		133,939	105,800
Deferred income on government grants		12,478	18,346
		<b>3,332,383</b>	1,345,615
<b>Current liabilities</b>			
Trade and other payables		11,882,623	11,792,425
Contract liabilities		38,140	56,212
Current income tax liabilities		–	132,240
Borrowings		2,632,805	3,133,662
Derivative financial instruments		795	3,795
Current portion of Lease liabilities		30,069	27,477
		<b>14,584,432</b>	15,145,811
<b>Total liabilities</b>		<b>17,916,815</b>	16,491,426
<b>Total equity and liabilities</b>		<b>36,103,412</b>	34,133,147

# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 39 Balance Sheet and Reserve Movement of the Company (Continued)

(b) Reserve movement of the Company

	<b>Retained earnings</b> <i>RMB'000</i>	<b>Other reserves</b> <i>RMB'000</i>
<b>Balance at 1 January 2019</b>	5,078,937	2,350,362
Profit for the year	3,382,714	–
Appropriation to statutory reserve	(338,598)	338,598
Dividends relating to 2018	(1,881,463)	–
<b>At 31 December 2019</b>	<b>6,241,590</b>	<b>2,688,960</b>
<b>Balance at 1 January 2020</b>	<b>6,241,590</b>	<b>2,688,960</b>
Profit for the year	<b>2,426,339</b>	–
Appropriation to statutory reserve	<b>(242,459)</b>	<b>242,459</b>
Dividends relating to 2019	<b>(1,881,463)</b>	–
<b>At 31 December 2020</b>	<b>6,544,007</b>	<b>2,931,419</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

### 40 Benefits and Interests of Directors and Supervisors

Directors and supervisors' emoluments

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2020 are set out as follows:

	Director's fee <i>RMB'000</i>	Salaries, wages and bonuses <i>RMB'000</i>	Pension, housing fund allowances, medical insurance and other social insurance <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Executive directors</b>					
Mr. Cho Tak Wong	–	7,289	–	95	7,384
Mr. Cao Hui	–	1,452	40	–	1,492
Mr. Ye Shu	–	2,215	100	4	2,319
Mr. Chen Xiangming	–	1,843	60	–	1,903
<b>Non-executive directors</b>					
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
<b>Independent non-executive directors</b>					
Ms. Zhang Jiewen	268	–	–	–	268
Mr. Liu Jing	150	–	–	–	150
Mr. Qu Wenzhou	150	–	–	–	150
<b>Supervisors</b>					
Mr. Bai Zhaohua	–	1,832	7	–	1,839
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ma Weihua	150	–	–	–	150
	<b>1,048</b>	<b>14,631</b>	<b>207</b>	<b>99</b>	<b>15,985</b>



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

#### 40 Benefits and Interests of Directors and Supervisors (Continued)

Directors and supervisors' emoluments (Continued)

The remuneration of each director and supervisor of the Company paid/payable by the Group for the year ended 31 December 2019 are set out as follows:

	Director's fee RMB'000	Salaries, wages and bonuses RMB'000	Pension, housing fund allowances, medical insurance and other social insurance RMB'000	Others RMB'000	Total RMB'000
<b>Executive directors</b>					
Mr. Cho Tak Wong	–	1,506	–	280	1,786
Mr. Chen Xiangming	–	2,343	67	–	2,410
Mr. Ye Shu	–	2,763	101	4	2,868
Ms. Sun Yiqun (i)	–	2,169	152	–	2,321
<b>Non-executive directors</b>					
Mr. Cao Hui	–	1,446	49	–	1,495
Mr. Wu Shinong	90	–	–	–	90
Ms. Zhu Dezhen	90	–	–	–	90
<b>Independent non-executive directors</b>					
Ms. Zhang Jiwen	264	–	–	–	264
Mr. Liu Jing	25	–	–	–	25
Mr. Qu Wenzhou	25	–	–	–	25
Ms. Liu Xiaozhi (ii)	125	–	–	–	125
Mr. Wu Yuhui (ii)	125	–	–	–	125
<b>Supervisors</b>					
Mr. Bai Zhaohua	150	2,182	18	–	2,350
Mr. Chen Mingsen	150	–	–	–	150
Mr. Ma Weihua	25	–	–	–	25
	<u>1,069</u>	<u>12,409</u>	<u>387</u>	<u>284</u>	<u>14,149</u>

Note:

- (i) Ms. Sun Yiqun resigned from executive director on 27 August 2019, Mr. Ye Shu joined as executive director on 30 October 2019.
- (ii) In view of the fact that Ms. Liu Xiaozhi and Mr. Wu Yuhui have been independent non-executive directors for 6 years, Ms. LIU XIAOZHI and Mr. Wu Yuhui resigned from independent non-executive directors on 30 October 2019, Mr. Liu Jing and Mr. Qu Wenzhou joined as independent non-executive directors on 30 October 2019.



## Section XII Business Performance Highlights for the Previous Five Years

### CONSOLIDATED INCOME STATEMENT:

Unit: '000 Currency: RMB

Items	2020	For the year ended December 31			
		2019	2018	2017	2016
<b>Revenue</b>	<b>19,906,593</b>	21,103,878	20,224,986	18,715,609	16,621,336
Cost of sales	<b>12,271,374</b>	13,399,311	11,828,463	10,917,999	9,648,615
<b>Gross profit</b>	<b>7,635,219</b>	7,704,567	8,396,523	7,797,610	6,972,721
Distribution costs and selling expenses	<b>1,474,366</b>	1,481,567	1,467,671	1,274,309	1,184,740
Administrative expenses	<b>2,084,512</b>	2,194,223	2,071,318	1,803,411	1,673,626
Research and development expenses	<b>815,579</b>	813,130	887,722	803,441	727,586
Other income	<b>352,821</b>	181,754	146,750	188,117	89,542
Other gains/(loss) – net	<b>-445,914</b>	7,875	1,009,830	-393,640	493,785
Net impairment losses on financial assets	<b>5,987</b>	20,512	28,132	–	–
<b>Operating profit</b>	<b>3,161,682</b>	3,384,764	5,098,260	3,710,926	3,970,096
Finance income	<b>290,290</b>	284,421	236,034	156,659	106,576
Finance costs	<b>354,752</b>	432,680	376,230	182,373	157,713
<b>Finance costs – net</b>	<b>64,462</b>	148,259	140,196	25,714	51,137
Share of net profit of joint venture and associate accounted for using the equity method	<b>11,844</b>	-5,932	3,744	-6,017	-112
<b>Profit before income tax</b>	<b>3,109,064</b>	3,230,573	4,961,808	3,679,195	3,918,847
Income tax expense	<b>511,144</b>	332,956	855,188	531,479	776,909
<b>Profit for the year</b>	<b>2,597,920</b>	2,897,617	4,106,620	3,147,716	3,141,938
<b>Profit is attributable to:</b>					
Owners of the Company	<b>2,600,245</b>	2,897,868	4,119,935	3,148,221	3,143,449
Non-controlling interests	<b>-2,325</b>	-251	-13,315	-505	-1,511
<b>Profit for the year</b>	<b>2,597,920</b>	2,897,617	4,106,620	3,147,716	3,141,938
Basic earnings per share	<b>1.04</b>	1.16	1.64	1.25	1.25
Diluted earnings per share	<b>1.04</b>	1.16	1.64	1.25	1.25

### CONSOLIDATED BALANCE SHEET:

Unit: '000 Currency: RMB

Items	2020	As at December 31			
		2019	2018	2017	2016
Total assets	<b>38,435,332</b>	38,838,517	34,503,241	31,717,365	29,879,729
Total liabilities	<b>16,832,718</b>	17,457,199	14,300,567	12,698,751	11,827,301
Total equity	<b>21,602,614</b>	21,381,318	20,202,674	19,018,614	18,052,428