



# 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



## 2021 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 2021 as shown on the consolidated financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB3,146,167,091. As audited by PricewaterhouseCoopers, the net profit attributable to the shareholders of ordinary shares of the Company for the year of 2021 as shown on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards amounted to RMB3,145,651,516.

As audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership), the net profit for the year of 2021 as shown on the Company's financial statements prepared in accordance with the China Accounting Standards for Business Enterprises amounted to RMB2,489,209,503; adding the undistributed profits of RMB6,560,020,671 at the beginning of the year of 2021, deducting the distributed profits of RMB1,957,307,649 for the year of 2020, and after appropriating 10% of the net profit of the Company for the year of 2021 to the statutory surplus reserve amounting to RMB248,920,950, the profits distributable to shareholders of the Company as at December 31, 2021 amounted to RMB6,843,001,575.

The profit distribution plan for the year of 2021 as proposed by the Company is as follows: to distribute cash dividends of RMB10 per 10 shares (tax inclusive) based on the total share capital of 2,609,743,532 shares of the Company as at December 31, 2021 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 2021, with total dividends to be distributed amounting to RMB2,609,743,532 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 2021. 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 IV 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 2021 annual report for your review.

In 2021, the global economy recovered from the COVID-19 pandemic (the "Pandemic"), but the foundation of the recovery is not stable. Amid the mutation of the virus, automobile chip shortage, bulk commodity price hitting record highs, rising ocean shipping costs, the ongoing geopolitical tensions and other problems as well as further restructuring of the global supply chain, the global economy remains complex and grim. Facing the severe environment, we have worked hard to turn crises into opportunities, lay a solid foundation and build up our internal strength, and further improved the comprehensive competitiveness of our Company: our market share reached a new height in the industry; our total sales also reached a new level; our technological innovation achieved a new breakthrough; we won the fourth Enterprises with Outstanding Quality Award, the highest honor in China's manufacturing industry.

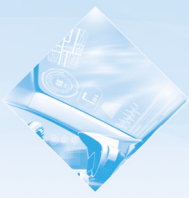
During the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB23,603,063,000, representing an increase of 18.57% as compared with the corresponding period last year; realized profit before tax of RMB3,818,327,000, representing an increase of 22.81% as compared with the corresponding period last year; realized annual profit attributable to owners of the Company of RMB3,145,652,000, representing an increase of 20.98% as compared with the corresponding period last year; and realized earnings per share of RMB1.23, representing an increase of 18.27% as compared with the corresponding period last year.

During the Reporting Period, foreign exchange loss amounted to RMB528,006,000 as compared with foreign exchange loss of RMB422,468,000 for the corresponding period last year. Eliminating the effects of exchange gains and losses, the profit before tax for the Reporting Period increased by 23.07% as compared with the corresponding period last year. The Company had a remarkable performance in 2021, which not only reflected that the Company's governance and operation strategies were effective, but also embodied the joint efforts of all Fuyao staff to implement our established guidelines.

In 2022, with a grim global economy, we have to rationally evaluate the status of Fuyao in the manufacturing and automotive industries, carefully formulate a corporate strategy and take every step cautiously. To enhance our research and development, we should give full play to the intelligence of all members of Fuyao, intensify our efforts to develop high value-added products with independent intellectual property. We should continue to establish a green factory, and orderly promote "green supply chain, clean production, waste reclamation and energy low-carbonization"; maintain lean operation and further improvement, offset the impact of the increasing price of bulk materials and the high cost of ocean freight and other adverse factors with more efficient organization and more effective and comprehensive budget management and control; maintain a stable team, develop and introduce talents, pursue coordinated development, rebuild organizational discipline, establish an international and high-quality talent team with emphasizing mission, responsibilities and performance.

Fuyao is a very healthy enterprise. In order to keep up with the pace of upgrading in China, we need to facilitate our transformation and upgrading based on the needs of the country and the society. We will make full use of various management tools and methods to fully analyze the past achievements and experience, foster our strengths and avoid our weaknesses, and improve ourselves. We, all members of Fuyao, should work together to make Fuyao a benchmark enterprise with the high quality development of "innovative, green and steady", so as to make us a globally respected enterprise.

*Chairman:* **Cho Tak Wong**



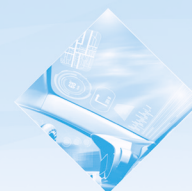
## Section II Definitions

### 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)
the Company Law	Company Law of the People's Republic of China
the Securities Law	Securities Law of the People's Republic of China
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
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, 2021
Latest Practicable Date	March 17, 2022, 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
Historical changes of the registered address of the Company	None
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 and website on which the annual report of the Company is available  
Website of the stock exchange on which the annual report of the Company is published  
Place of inspection of the annual report of the Company

Shanghai Securities News, China Securities Journal and Securities Times  
SSE : <http://www.sse.com.cn>  
Hong Kong Stock Exchange : <http://www.hkexnews.hk>  
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	2021	2020		Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2019	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Revenue	<b>23,603,063</b>	19,906,593	19,906,593	18.57	21,103,878	21,103,878
Annual profit attributable to owners of the Company	<b>3,145,652</b>	2,600,245	2,600,245	20.98	2,897,868	2,897,868
Annual profit attributable to owners of the Company, net of non-recurring profits or losses	<b>2,815,936</b>	2,303,990	2,303,990	22.22	2,802,907	2,802,907
Net cash generated from operating activities	<b>5,490,396</b>	4,849,518	4,849,518	13.22	4,700,911	4,700,911
	<b>At the end of 2021</b>	At the end of 2020		Increase/decrease at the end of the Reporting Period as compared with the end of the corresponding period last year (%)	At the end of 2019	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Equity attributable to owners of the Company	<b>26,317,208</b>	21,606,224	21,606,224	21.80	21,382,603	21,382,603
Total assets	<b>44,796,085</b>	38,435,332	38,435,332	16.55	38,838,517	38,838,517

- Note: 1. "Annual profit attributable to owners of the Company, net of non-recurring profits or losses" was prepared under the China Accounting Standards for Business Enterprises.
2. The Company reclassified certain transportation costs (which are contract performance costs incurred prior to the transfer of control to the customer) from distribution costs and selling expenses to cost of sales; and also reclassified certain maintenance costs related to the manufacturing department from administrative expenses to cost of sales. At the same time, the Company made retrospective adjustments for 2019 and 2020. The changes do not affect the above major accounting data items. 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".





# Section III Corporate Profile and Principal Financial Indicators

## (II) Principal financial indicators

Principal financial indicators	2021	2020		Increase/ decrease for the Reporting Period as compared with the corresponding period last year (%)	2019	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Basic earnings per share (RMB/share)	<b>1.23</b>	1.04	1.04	18.27	1.16	1.16
Diluted earnings per share (RMB/share)	<b>1.23</b>	1.04	1.04	18.27	1.16	1.16
Return on equity (%)	<b>11.95</b>	12.03	12.03	decrease by 0.08 percentage point	13.55	13.55

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

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

### (I) Differences between annual profit and equity attributable to 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 owners of the Company		Equity attributable to 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>3,146,167</b>	2,600,776	<b>26,306,016</b>	21,594,518
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>-515</b>	-531	<b>11,192</b>	11,706
Prepared in accordance with the International Financial Reporting Standards	<b>3,145,652</b>	2,600,245	<b>26,317,208</b>	21,606,224



## Section III Corporate Profile and Principal Financial Indicators

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

In addition to preparing the financial statements for H shares in accordance with the International Financial Reporting Standards, the Company, with its A shares listed on the SSE, is also required to prepare financial statements in accordance with the China Accounting Standards for Business Enterprises. There are differences between the financial statements prepared by the Company in accordance with the International Financial Reporting Standards and those prepared by the Company in accordance with the China Accounting Standards for Business Enterprises: Yung Tak Investment Limited, a subsidiary 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 previous years. 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.

### IX. PRINCIPAL FINANCIAL DATA FOR THE YEAR OF 2021 BY QUARTER

Unit: '000 Currency: RMB

	First Quarter (From January to March)	Second Quarter (From April to June)	Third Quarter (From July to September)	Fourth Quarter (From October to December)
Revenue	5,705,967	5,837,201	5,609,763	6,450,132
Annual profit attributable to owners of the Company	855,121	913,863	826,389	550,279
Annual profit attributable to owners of the Company, net of non-recurring profits or losses	812,965	848,776	716,968	437,227
Net cash flow generated from operating activities	1,734,285	1,430,471	1,285,001	1,040,639

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

2. "Annual profit attributable to owners of the Company, net of non-recurring profits or losses" was prepared under the China Accounting Standards for Business Enterprises.

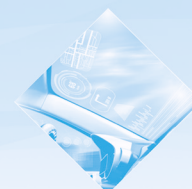


## Section III Corporate Profile and Principal Financial Indicators

### 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 2021</b>	Amount for the year of 2020	Amount for the year of 2019
Profit or loss from disposal of non-current assets	<b>-103,003,542</b>	-67,154,040	-9,278,127
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>242,337,506</b>	352,820,556	181,754,102
Capital occupancy fee from non-financial enterprises recognized through profit or loss	<b>25,149,971</b>	33,351,987	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>41,253,695</b>	68,230,043	63,823,857
Reversal of impairment provision for receivables and contract assets tested for impairment on individual basis	<b>3,217,440</b>		25,000
Other non-operating income and expenses apart from the aforesaid items	<b>160,300,053</b>	-14,764,811	-171,174,006
Less: Effects of income tax	<b>38,974,925</b>	74,969,953	-9,434,056
Effects of minority interests (after tax)	<b>48,866</b>	727,656	596,820
Total	<b>330,231,332</b>	296,786,126	95,526,176



## 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
Trading equity instruments	–	<b>6,320,181</b>	6,320,181	899,355
Currency swap contracts	-795,244	–	795,244	30,781,395
Short call on foreign exchange	–	–	–	4,625,000
Structured deposits	300,287,671	–	-300,287,671	4,947,945
Equity of unlisted companies measured at fair value through other comprehensive income	58,000,000	<b>69,320,755</b>	11,320,755	–
Notes receivable measured at fair value through other comprehensive income	1,301,612,117	<b>1,114,012,365</b>	-187,599,752	-14,677,491
Total	<u>1,659,104,544</u>	<b><u>1,189,653,301</u></b>	<u>-469,451,243</u>	<u>26,576,204</u>

Note:

1. 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.
2. Trading equity instruments represent the shares obtained by subsidiaries from clients' debt restructuring and allocation.



# Section IV Report of the Board of Directors

## I. BUSINESS REVIEW

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

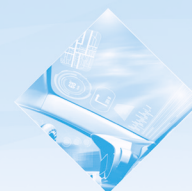
The Company is principally engaged in providing total solutions of safety glass and automotive accessories for various transportation vehicles, including design, manufacture and sale of automotive grade float glass, automotive glass, locomotive glass, luggage racks, vehicle window trims and provision 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.

During the Reporting Period, the Pandemic in China was basically under control, and the economy achieved recovery growth. However, the overseas economy was still adversely affected by the Pandemic. By increasing foreign currency fund reserves, the Company improves its overseas credit and reduces overseas financing costs; measures such as speeding up the withdrawal of funds, reducing inventory level, reducing foreign investment, strengthening Pandemic prevention and control, etc., were taken to improve the liquidity of the Company's assets, and control the impact of the Pandemic on the Company's overall business to a minimum. During the Reporting Period, the impact of the Pandemic on the Company was relatively small.

For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB23,603,063,000, representing an increase of 18.57% as compared with the corresponding period last year; realized profit before tax of RMB3,818,327,000, representing an increase of 22.81% as compared with the corresponding period last year; realized annual profit attributable to owners of the Company of RMB3,145,652,000, representing an increase of 20.98% as compared with the corresponding period last year; and realized earnings per share of RMB1.23, representing an increase of 18.27% as compared with the corresponding period last year.

The profit before tax for the Reporting Period increased by 22.81% as compared with the corresponding period last year. In particular, foreign exchange loss for the Reporting Period amounted to RMB528,006,000, as compared with foreign exchange loss of RMB422,468,000 for the corresponding period last year. Eliminating the effects of exchange gains and losses, the profit before tax for the Reporting Period increased by 23.07% 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. Discussion and Analysis on Operation Results" in "Section V Management Discussion and Analysis".



## Section IV 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		
	2021	2020	2019
Revenue growth <sup>(1)</sup>	<b>18.57%</b>	-5.67%	4.35%
Growth in annual profit <sup>(2)</sup>	<b>20.96%</b>	-10.34%	-29.44%
Gross profit margin <sup>(3)</sup>	<b>34.95%</b>	35.35%	33.61%
Interest and profit before tax margin <sup>(4)</sup>	<b>17.53%</b>	17.40%	17.36%
Annual profit margin <sup>(5)</sup>	<b>13.31%</b>	13.05%	13.73%
Return on equity <sup>(6)</sup>	<b>11.95%</b>	12.03%	13.55%
Return on total assets <sup>(7)</sup>	<b>7.02%</b>	6.76%	7.46%
Gearing ratio <sup>(8)</sup>	<b>41.28%</b>	43.79%	44.95%
Turnover period of trade receivables <sup>(9)</sup>	<b>81</b>	86	74
Inventory turnover period <sup>(10)</sup>	<b>92</b>	94	86

*Notes:* (1) Revenue growth=(revenue for the period÷revenue for the previous period-1)×100%; (2) Growth in annual profit=(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) Interest and profit before tax margin=(sum of interest and profit before tax for the period÷revenue)×100%; (5) Annual profit margin=(annual profit for the period÷revenue)×100%; (6) Return on equity=(annual profit attributable to owners of the Company for the period÷equity attributable to 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 receivables and notes receivable (including notes receivable measured 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 in 2021 increased by 18.57% year-on-year; the annual profit increased by 20.96% year-on-year. The Company's gearing ratio as at December 31, 2021 was 41.28%, showing its solvency remained strong. The turnover period of trade receivables and inventories of the Company were 81 days and 92 days respectively in 2021, maintaining the normal and inventories of the Company. The Company constantly strengthens its operation management, enhances its comprehensive competitiveness, and continuously creates value for its shareholders.

For details of other information, please refer to "Section V Management Discussion and Analysis".



## Section IV Report of the Board of Directors

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

#### (I) The 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 2021 represented year-on-year increases, which ended the decline for consecutive three years since 2018. China's automobile production volume and sales volume in 2021 amounted to 26.082 million units and 26.275 million units, representing year-on-year increases of 3.4% and 3.8%, respectively, among which China's production volume and sales volume of passenger vehicles amounted to 21.408 million units and 21.482 million units, representing year-on-year increases of 7.1% and 6.5%, respectively. As of 2021, China has ranked first in the world for thirteen consecutive years in terms of automobile production volume and sales volume.

For the automobile industry, in the short term, the automobile market is recovering, but on an unstable foundation. On the one hand, although various countries are implementing Pandemic prevention measures, the repeated outbreaks of the Pandemic have resulted in the increasing instabilities in the global automobile supply chain, and the lurk of uncertainties in the automotive market; on the other hand, with the gradual growth of residents' income amid gradual improvement of the domestic Pandemic prevention and control situation, the national and local governments have introduced and implemented various policies to promote automobile consumption, such as optimising purchase restriction policies and conducting a new round of automobile subsidies for rural areas and trade-ins to speed up the recovery of the 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 2021, the automobile ownership per 100 population reached over 50 units in developed countries including US, Europe and Japan, while in China, it was only approximately 21 units, much lower than that in major developed countries. In terms of China's population, the percentage of middle-income groups and GDP per capita, 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 is developing towards the trend of "being electric, connecting to network, being intelligent, and sharing with others" (new four modernizations) and the automobile industry has now entered a new stage of development characterized by diversified demands and an optimized structure. The penetration rate of new energy vehicles is increasing and smart vehicles have been made available in everyday use. Vehicles have transformed from simple transportation tools to "intelligent mobile terminal". Due to the development of new four modernizations, 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. Accordingly, automotive glass has developed towards "safety and comfort, energy conservation and environmental friendliness, beautiful appearance, and intelligence and integration" with growing share of the added value products such as smart and panoramic skylight glass, dimmable glass, head-up display glass and ultra-inoculation glass. 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 IV Report of the Board of Directors

### (II) 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 glass intelligence and 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 continue to play the leading role of sales, and improve sales management mechanism, continuously expand new market and new clients and promote the development of Fuyao.
3. To continuously promote the operating management mode of “combining moral standing, product, quality and taste on the driving forces of humanity and innovation” to achieve the quality goal of “advanced capabilities, high robustness and excellent performance” and promote the development of the Company.
4. To deepen comprehensive lean management from different aspects, advance automatic informatization and improve quality and efficiency, save energy and reduce costs, to enhance the anti-risk capacity of the enterprise.
5. To improve the process and incentive mechanism of management innovation and technological innovation with a customer-oriented, market-oriented and product-oriented approach to achieve development driven by technology.
6. To further comprehensively strengthen management system combining intensive capital with budget, so as to ensure the maximization of capital efficiency.
7. To operate globally. The Company is undergoing transformation and upgrading in respect of organizational structure, corporate culture, investment and talent recruitment to improve its ability to provide services and create value for customers worldwide.
8. To carry forward the core values of “diligence, simplicity, learning and innovation”, maintain a stable team, develop and introduce talents, pursue coordinated development, establish an international and high-quality talent team with emphasizing mission, responsibilities and performance, laying human resources foundation for the transformation and upgrading and high-quality development of Fuyao.
9. To continue to build green factories and promote “green supply chain, clean production, waste reclamation and energy low-carbonization” in an orderly manner, so as to make Fuyao a benchmark enterprise with high quality development characterized by “innovative, green and steady”.





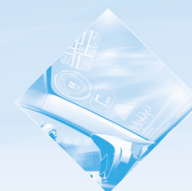
## Section IV Report of the Board of Directors

### 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. Its strong research and development capabilities and flexible production capacity enable the Company to make quick response to the high requirements of design, development and mass production under the new four modernizations of vehicles.
4. Its reasonable overseas presence and relocation of production and operation bases to serve international customers can provide faster and more valuable services for the Company's development in overseas markets and constantly enhance the ability of customer services.
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 complex world's economic and political situations, ongoing risks and uncertainties, the virus variations and rising prices of bulk commodities, etc., will bring challenges to the Company's operations.
2. 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.
3. 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.
4. 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 IV Report of the Board of Directors

### (III) Business plan

In 2022, the global economic situation remains gloomy and full of uncertainties, the Company shall follow the national transformation and upgrading, focus on national and social demand, and promote transformation and upgrading according to the situation with careful consideration and make strategies of the Company objectively and take every step discreetly:

1. To continue to play the leading role of sales, and improve sales management mechanism, to maintain market sensitivity and capture market demand, continuously expand new market and new clients and promote the development of Fuyao.
2. To continue to be customer-oriented, market-oriented and product-oriented approach and enhance the efforts in developing high value-added products with independent intellectual property, so as to achieve development driven by technology.
3. To continue to build green factories, orderly promote "green supply chain, clean production, wastes reclamation and energy low-carbonization", and achieve the sustainable development of the Company.
4. To enhance organizational effectiveness, strengthen internal control, continuously improve quality and efficiency, implement various measures of comprehensive cost control, offset the impact of the increasing price of bulk materials and the high cost of ocean freight and other adverse factors with more efficient organization and more effective and comprehensive budget management and control.
5. To maintain a stable team, develop and introduce talents, pursue coordinated development, rebuild organizational discipline, establish an international and high-quality talent team with emphasizing mission, responsibilities and performance.
6. To make full use of all kinds of advanced management tools and means, summarize and analyze the historical achievements and experiences obtained, foster strengths and avoid weaknesses, improve oneself, and ensure the high-quality development of Fuyao.

In order to accomplish its business plan and goals for the year of 2022, the Company expects its funding needs throughout 2022 will be RMB29,118 million, of which operating expenditure, capital expenditure and payments of cash dividends will be RMB23,500 million, RMB3,008 million and RMB2,610 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, borrowings from financial institutions or issuance of debentures. In 2022, 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 IV Report of the Board of Directors

### (IV) Potential risks

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

About 50% of the Company's revenue is derived from the operations in the PRC and another 50% from overseas operations. Therefore, the operating results, financial status and prospects of the Company are susceptible to changes in, among others, the economy, politics, policies, laws and wars. As the Chinese economy is in the stage of transformation and upgrading, the operations of the Company in the PRC might be affected. In addition, geopolitical conflicts, wars and the repeated 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. 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 smart and panoramic skylight glass, dimmable glass, head-up display glass and ultra-insulation 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 IV 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 IV 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 where its customers operate

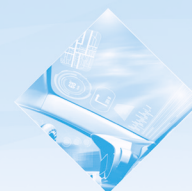
The Company focuses on developing proprietary technologies and new automotive glass products. A long time may be required for the new product development process, potentially leading to mounting expenses. Substantial investment of capital and resources may be necessary before new products contribute 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 and internet penetration 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, enhance the cyber security consciousness of the entire staff and regulate their online behaviors, establish information security management system and operational specifications, so as to 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 IV 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. Therefore, the Company first 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, 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; third, 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, 2021. 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 2021 as proposed by the Company is as follows: to distribute cash dividends of RMB10 per 10 shares (tax inclusive) based on the total share capital of 2,609,743,532 shares of the Company as at December 31, 2021 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 2021, with total dividends to be distributed amounting to RMB2,609,743,532 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 2021. 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.

Subject to the approval of the 2021 profit distribution plan of the Company 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 27, 2022. 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 "22. Profit Distribution Plan for Ordinary Shares or Plan to Convert Capital Reserve into Share Capital" of "Section VI Company Governance and Corporate Governance Report".



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### Holders of A shares

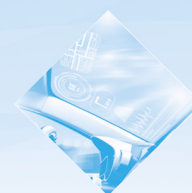
In accordance with the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101) (《財政部、國家稅務總局、中國證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), for 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.



## Section IV Report of the Board of Directors

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.

### 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, 2021 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.





## Section IV Report of the Board of Directors

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.

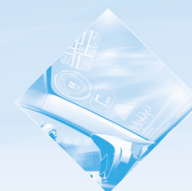
The shareholders of the Company shall pay the relevant tax and/or are entitled to tax reliefs in accordance with the above requirements.

### V. UTILIZATION OF THE PROCEEDS FROM H SHARE OFFERING

Upon approval by the CSRC, as evidenced by the Reply on the Approval for the Issuance of Additional Overseas Listed Foreign Shares by Fuyao Glass Industry Group Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1495) (《關於核准福耀玻璃工業集團股份有限公司增發境外上市外資股的批覆》(證監許可[2021]1495號)), the Company completed the issuance of 101,126,000 additional overseas listed foreign shares (H shares) at a placing price of HKD42.90 per share on May 10, 2021. After deducting underwriting fees and other issuance expenses (translated based on the exchange rate announced by the People's Bank of China on May 10, 2021 (stock delivery date)), the net proceeds from the placing received by the Company amounted to HKD4,312.78 million. As at December 31, 2021, the utilization of proceeds from H share offering of the Company is as follows:

Unit: HKD million

Proposed use of the proceeds	Planned use of the net proceeds	Utilized net proceeds	Unutilized net proceeds as at 31 December, 2021	Expected timeline of use of the proceeds
Replenishment of working capital and optimization of the capital structure of the Group	2,587.67	1,085.72	1,501.95	From 2022 to 2023
Repayment of interest-bearing debts	646.92	545.53	101.39	2022
Investment in R&D projects	646.92	646.92	–	
Expansion of photovoltaic glass market and general corporate use	431.27	–	431.27	From 2022 to 2023
<b>Total</b>	<b>4,312.78</b>	<b>2,278.17</b>	<b>2,034.61</b>	



## Section IV Report of the Board of Directors

### VI. CONNECTED TRANSACTIONS

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

### VII. DONATION

During the Reporting Period, the total external donations of the Group amounted to RMB1,293,400.

### VIII. 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.

### IX. 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, 2021.

### X. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to “V. Directors, Supervisors and Senior Management” of “Section VI Company Governance and Corporate Governance Report” for details.

### XI. PERMITTED INDEMNITY PROVISION

As at December 31, 2021, the Company maintained directors’, supervisors’ and senior management members’ liability insurance for all of its directors, supervisors and senior management members.

### XII. 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.

### XIII. DISCLOSURE OF INTERESTS

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



## Section IV Report of the Board of Directors

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

In order to broaden the investor base of H shares and optimize the capital structure of the Company, 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, and considered and approved the Resolution on the Issue of H Shares of the Company. On April 29, 2021, the Company received the Reply on the Approval for the Issuance of Additional Overseas Listed Foreign Shares by Fuyao Glass Industry Group Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1495) (《關於核准福耀玻璃工業集團股份有限公司增發境外上市外資股的批覆》(證監許可[2021]1495號)) issued by the CSRC, which approved the issuance of no more than 101,126,240 overseas listed foreign shares (H shares) by the Company. On May 10, 2021, the Company successfully allotted and issued 101,126,000 H shares. Upon completion of the placing, the total number of shares of the Company changed from 2,508,617,532 shares to 2,609,743,532 shares.

### XV. 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.

### XVI. ISSUANCE OF SHARES

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

### XVII. RESERVES AND DISTRIBUTABLE RESERVE

Pursuant to the Company Law, 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 2021 amounted to RMB6,826 million.

### XVIII. 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.

### XIX. 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.

### XX. 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 VI Company Governance and Corporate Governance Report” for the details of the corporate governance of the Company.



## Section IV Report of the Board of Directors

### XXI. FULFILMENT OF SOCIAL RESPONSIBILITY

During the Reporting Period, the Company has prepared and disclosed the 2021 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. pursuant to the relevant requirements of the SSE. Meanwhile, the 2021 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, 2022.

### XXII. 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 “XXI. Employees of the Company and Its Major Subsidiaries at the end of the Reporting Period” of “Section VI Company Governance and Corporate Governance Report” 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 2021, the top five customers of the Group, all of which are independent third-party automotive glass customers, accounted for 14.17% of the revenue of the Group, and the largest customer of the Group accounted for 4.14% 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 2021, the top five suppliers of the Group accounted for 13.95% of the purchases of the Group and the largest supplier of the Group accounted for 3.98% 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.



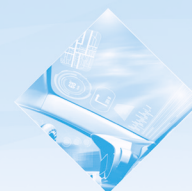
## Section IV Report of the Board of Directors

### XXIII. 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 on the basis of meeting the compliance conditions, the Group has considered the application of environmental protection materials, equipment, 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 data comparison on a regular basis as required to ensure the authenticity and validity of the uploaded data; (8) online monitoring of non-methane hydrocarbons and wastewater for automotive glass pollutants is 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 IV Report of the Board of Directors

### XXIV. 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 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 a variety of trainings 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 (Material Safety Data Sheet) according to job requirements; (5) each subsidiary regularly conducting occupational hazard factor detection and publicity on site, and regularly organizing employee occupational health examinations; (6) each subsidiary setting up safety protection facilities according to the hazardous characteristics and corresponding standards of the equipment; (7) each subsidiary providing sufficient, reasonable and effective labor protection appliances for its employees; (8) the Group formulating the Management Regulations on Safety Inspection and Potential Hazard Rectification, regularly issuing notices and requirements for special inspections, and each subsidiary formulating safety inspection standards and plans to implement potential hazard rectification; (9) 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; (10) the Group formulating the Safety Accident Management Regulations, and each subsidiary implementing accident reporting, investigation and rectification to avoid recurrence of accidents; (11) 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, 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.

### XXV. 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.

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

Financial statements of the Company for the year ended December 31, 2021 have been reviewed by the audit committee of the Company.



# Section V Management Discussion and Analysis

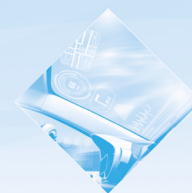
## I. DISCUSSION AND ANALYSIS ON OPERATION RESULTS

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 the wisdom and care of the Fuyao staff 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 2021, the global economy recovered from the Pandemic, but the foundation of the recovery is not stable. Amid the mutation of the virus, automobile chip shortage, bulk commodity price hitting record highs, rising ocean shipping costs, and the ongoing geopolitical tensions, the global supply chain system is undergoing restructuring and it will take time for the global economy to recover. Facing the severe environment, we have worked hard to turn crises into opportunities, lay a solid foundation and build up our internal strength, and further improved the comprehensive competitiveness of our Company.

According to the statistics released by the OICA, in 2021, global automobile production volume amounted to 80,155,000 units, representing a year-on-year increases of 3.1%, among which, China's automobile production volume amounted to 26,082,000 units, representing a year-on-year increases of 3.4% , and automobile production volume of countries other than China increased by 3.0% year-on-year. For the Reporting Period, the Company, on a consolidated basis, realized revenue of RMB23,603,063,000 representing an increase of 18.57% as compared with the corresponding period last, far exceeding the industry average growth level; realized a profit before tax of RMB3,818,327,000, representing an increase of 22.81% as compared with the corresponding period last year; realized annual profit attributable to the owners of the Company of RMB3,145,652,000, representing an increase of 20.98% as compared with the corresponding period last year; and realized earnings per share of RMB1.23, representing an increase of 18.27% as compared with the corresponding period last year.

1. The profit before tax for the Reporting Period increased by 22.81% as compared with the corresponding period last year, while foreign exchange loss for the Reporting Period amounted to RMB528,006,000 as compared with foreign exchange loss of RMB422,468,000 for the corresponding period last year. Eliminating the effects of foreign exchange gains or losses, the profit before tax for the Reporting Period increased by 23.07% as compared with the corresponding period last year.
2. During the Reporting Period, the Company reclassified certain transportation costs (which are contract performance costs incurred prior to the transfer of control to the customer) from distribution costs and selling expenses to cost of sales; and also reclassified certain maintenance costs related to the manufacturing department from administrative expenses to cost of sales (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"). During the same period, the Company made retrospective adjustments to years 2019 and 2020. Upon changing of the above accounting policy, the gross profit margin for the Reporting Period was 34.95%, as compared with 35.35% for the corresponding period last year, representing a decrease of 0.40 percentage point year-on-year, mainly due to the impact of the increase in ocean freight and price of soda ash, among which the ocean freight increased by RMB231 million year-on-year, which resulted in a decrease in the gross profit margin of 0.98 percentage points year-on-year; the price of soda ash increased by RMB107 million year-on-year, which resulted in a decrease in the gross profit margin of 0.45 percentage point.



## Section V 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 proactive marketing strategy of customer orientation and perfect user experience; established an all-round sales management mechanism; maintained its market sensitivity, actively expanded its customer base and developed new markets, so as to play a leading role in sales. Thanks to the above measures, the operating revenue of automotive glass segment was better than that of automobile industry segment; the market share has reached new height in the industry and total sales have achieved new level and our ability to resist market risks has been enhanced.
2. Advanced operating management model of "combining moral standing, product, quality and taste on the driving forces of humanity and innovation": insisting on the core concept of "combination of moral standing, product, quality and taste" and relying on "Fuyao Excellent Management System", the Company created values on the strength of "demand creation, stable R&D, collaborative supply, smart manufacturing and agile service". While humanity drives for lifelong improvement of moral standing and innovation drives for continuous iteration of products, the Company will achieve the quality goal of "advanced capabilities, high robustness and excellent performance" and promote the development of the Company. As a reward, we won the fourth Enterprises with Outstanding Quality Award, the highest honor in China's manufacturing industry.
3. 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, fashionable and intelligent integration". The proportion of high value-added products, such as smart and panoramic skylight glass, dimmable glass, head-up display glass, ultra-insulation glass, lightweight ultra-thin glass, coated heatable glass continued to increase, representing an increase of 3.31 percentage points as compared with same period last year, reflecting their value.
4. Strengthened and expanded the efforts in improving quality and efficiency: the Company continued to improve production flexibility with smart manufacturing, promoted the procedures, standardization and normalization of production to increase the one-time rate of finished products, and realized the scale benefit of high production efficiency and low costs; meanwhile, the Company continued to promote the process of lean operation and automatic informatization, implemented measures for comprehensive cost control, promoted the improvement of quality and efficiency of the whole industry chain, so as to save energy, reduce costs and enhance the anti-risk capacity of the enterprise.
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. The Company adhered to the market- and product-oriented R&D mechanism, focusing on green, intelligent, functional integration and other elements, and increased the efforts to develop high-value-added products with independent intellectual property rights. The Company rebuilt the R&D team and management mechanism, formed one technical team for R&D, design and development to ensure the success of new technology products, and Fuyao's scientific and the transformation of technological achievements into productivity.
6. Enhanced the foundation for the development: the Company carried forward the core values of "diligence, simplicity, learning, innovation"; implemented the "happiness project" for its employees, maintain a stable team, develop and introduce talents, and ensure their coordinated development and implementation of the strategy; improved organizational efficiency and value creation capabilities to enhance the Company's development foundation.





## Section V Management Discussion and Analysis

### II. INDUSTRY IN WHICH THE COMPANY IS OPERATING DURING THE REPORTING PERIOD

The automotive industry is still facing uncertainties in the short term; however, as a supporting industry of the automobile industry, there is still stable room for development of the industry in which the Company is operating 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 IV Report of the Board of Directors".

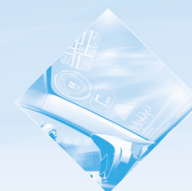
### III. BUSINESS CARRIED OUT BY THE COMPANY DURING THE REPORTING PERIOD

For detailed information, please refer to "I. BUSINESS REVIEW" in "Section IV Report of the Board of Directors"

### IV. 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 Management Discussion and Analysis

## V. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

As at December 31, 2021, the total assets of the Company amounted to RMB44,796,085,000, representing an increase of 16.55% as compared with the beginning of the year; the total liabilities amounted to RMB18,490,789,000, representing an increase of 9.85% as compared with the beginning of the year; equity attributable to the owners of the Company amounted to RMB26,317,208,000, representing an increase of 21.80% as compared with the beginning of the year.

During the Reporting Period, the Company realized revenue of RMB23,603,063,000, representing a year-on-year increase of 18.57%; realized annual profit attributable to the owners of the Company of RMB3,145,652,000, representing a year-on-year increase of 20.98%; 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 RMB2,815,936,000, representing a year-on-year increase of 22.22%; and realized earnings per share of RMB1.23, representing a year-on-year increase of 18.27%.

### (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>23,603,063</b>	19,906,593	18.57
Cost of sales	<b>15,352,658</b>	12,870,070	19.29
Distribution costs and selling expenses	<b>1,150,992</b>	1,051,202	9.49
Administrative expenses	<b>1,953,523</b>	1,908,980	2.33
Finance costs – net	<b>150,103</b>	64,462	132.86
Research and development expenses	<b>997,203</b>	815,579	22.27
Other income	<b>242,338</b>	352,821	-31.31
Income tax expense	<b>675,861</b>	511,144	32.23
Net cash generated from operating activities	<b>5,490,396</b>	4,849,518	13.22
Net cash used in investing activities	<b>-1,676,064</b>	-738,378	126.99
Net cash flow generated from/ (used in) financing activities	<b>1,951,817</b>	-3,279,519	N/A



## Section V Management Discussion and Analysis

Reason for the change in revenue: the increase in revenue was mainly due to the recovery of the automobile market and the Company's increased marketing efforts.

Reason for the change in cost of sales: the increase in cost of sales was mainly due to the increase in revenue and the impact of the rise in sea freight.

Reason for the change in distribution costs and selling expenses: the increase in distribution costs and selling expenses was mainly due to the increase in revenue and the corresponding increase in expenses such as packaging expenses.

Reason for the change in administrative expenses: the change in administrative expenses was mainly due to the increase in staff salaries.

Reason for the change in finance costs – net: the increase in finance costs – net was mainly due to the decrease in finance income during the Reporting Period.

Reason for the change in research and development expenses: the increase in research and development expenses was mainly due to the Company's further strengthening of R&D project management, continuous R&D innovation, and promotion of technology upgrading and the increase of product added value.

Reason for the change in other income: the decrease in other income was due to the decrease in government grants received during the Reporting Period.

Reason for the change in income tax expense: the increase in income tax expense was mainly due to the increase in profit before tax during the Reporting Period.

Reason for the change in net cash generated from operating activities: the increase in net cash generated from operating activities was mainly due to the year-on-year increase in revenue and profits.

Reason for the change in net cash used in investing activities: the increase in net cash flow used in investing activities was mainly due to the increase in capital expenditure during the Reporting Period.

Reason for change in net cash generated from/(used in) financing activities: the change in net cash used in financing activities was mainly due to the net proceeds from the placement of additional H shares during the Reporting Period, which was equivalent to RMB3,579 million.



## Section V Management Discussion and Analysis

### 2. Analysis of revenue and costs

During the Reporting Period, sales revenue of automotive glass of the Company increased by RMB3,437,590,000, representing a year-on-year increase of 19.16%, and cost of sales of automotive glass of the Company increased by RMB2,665,576,000, representing a year-on-year increase of 21.69%. 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

Principal 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	21,379,623	14,955,709	30.05	19.16	21.69	decrease by 1.45 percentage points
Float glass	4,029,400	2,619,016	35.00	15.40	12.06	increase by 1.94 percentage points
Others	1,954,830	1,538,723				
Less: Intragroup elimination	-3,760,790	-3,760,790				
<b>Total</b>	<b>23,603,063</b>	<b>15,352,658</b>	<b>34.95</b>	<b>18.57</b>	<b>19.29</b>	decrease by 0.40 percentage point

Principal 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	12,484,386	7,223,468	42.14	14.69	11.61	increase by 1.60 percentage points
Other countries	11,118,677	8,129,190	26.89	23.25	27.06	decrease by 2.19 percentage points
<b>Total</b>	<b>23,603,063</b>	<b>15,352,658</b>	<b>34.95</b>	<b>18.57</b>	<b>19.29</b>	decrease by 0.40 percentage point



## Section V 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 (%)
Automotive glass	million square meters	122.46	118.46	14.26	17.24	14.78	28.66
Float glass	'0,000 tons	142.24	142.86	24.56	10.27	11.28	-11.18

Note to production and sales volumes

Production volume refers to that of finished goods.

### (3) Costs analysis

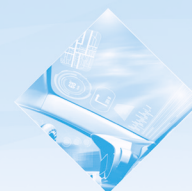
Unit: '000 Currency: RMB

By products	Cost structure	By products		Amount for the corresponding period last year (Adjusted)	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	9,296,832	62.16	7,532,721	61.29	23.42
Automotive glass	Costs of energy	871,258	5.83	754,034	6.14	15.55
Automotive glass	Costs of labor	2,152,684	14.39	1,813,962	14.76	18.67
Automotive glass	Others (Note)	2,634,935	17.62	2,189,416	17.81	20.35
Float glass	Raw and auxiliary materials	867,263	33.11	678,096	29.01	27.90
Float glass	Costs of energy	809,482	30.91	758,709	32.46	6.69
Float glass	Costs of labor	216,820	8.28	195,941	8.38	10.66
Float glass	Others (Note)	725,451	27.70	704,443	30.15	2.98

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

### (4) Changes in equity of major subsidiaries during the Reporting Period resulting in changes in the scope of merger

For details, see "37 SUBSIDIARIES" in "Section XI Financial Report".



## Section V Management Discussion and Analysis

### (5) Major customers and suppliers

#### A. Major customers of the Company

Sales to the top five customers amounted to RMB3,346,509,800, accounting for 14.17% 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.

Circumstances where the percentage of sales to a single customer exceeded 50% of the total amount, a new customer became one of the top five customers or the Company significantly relied on a few customers during the Reporting Period

#### Top Five Customers of the Company

Unit: '0,000 Currency: RMB

No.	Name of customers	Sales amount	Percentage of total sales for the year (%)
1	No. 1	97,775.29	4.14
2	No. 2	64,575.57	2.74
3	No. 3	62,342.86	2.64
4	No. 4	61,225.64	2.59
5	No. 5	48,731.62	2.06

Note: the Company did not rely significantly on a few customers. The No. 3 and No. 5 customers, who were among the top ten customers last year, became the top five customers during the Reporting Period due to the increase in sales.

#### B. Major suppliers of the Company

Purchases from the top five suppliers amounted to RMB1,324,905,300, accounting for 13.95% of the total purchases for the year; of which related-party purchases amounted to RMB264,759,700, accounting for 2.79% of the total purchases for the year.

Circumstances where the percentage of purchases from a single supplier exceeded 50% of the total amount, a new supplier became one of the top five suppliers or the Company significantly relied on a few suppliers during the Reporting Period

#### Top Five Suppliers of the Company

Unit: '0,000 Currency: RMB

No.	Name of suppliers	Purchases	Percentage of total purchases for the year (%)
1	No. 1	37,832.66	3.98
2	No. 2	26,475.97	2.79
3	No. 3	24,358.54	2.56
4	No. 4	23,333.26	2.46
5	No. 5	20,490.10	2.16

Note: the Company did not rely significantly on a few suppliers. The No. 3, No. 4 and No. 5 suppliers, who were among the top ten suppliers last year, became the top five suppliers during the Reporting Period due to the increase in purchases.



## Section V Management Discussion and Analysis

### 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".

### 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	997,203
R&D costs capitalized for the Reporting Period	0
Total R&D costs	997,203
Total R&D costs as a percentage of income (%)	4.22
Capitalization percentage of R&D costs (%)	0

#### (2) Analysis of R&D staff

Number of R&D staff of the Company	3,847
Number of R&D staff as a percentage of the total number of staff of the Company (%)	14.50

##### Educational structure of R&D staff

Educational level	Number of staff
Doctoral candidate	6
Postgraduate	166
Undergraduate	1,987
Junior college	1,059
High school and below	629

##### Age structure of R&D staff

Age level	Number of staff
Under 30 years old (excluding 30 years old)	1,243
30-40 years old (including 30 years old and excluding 40 years old)	1,717
40-50 years old (including 40 years old and excluding 50 years old)	654
50-60 years old (including 50 years old and excluding 60 years old)	224
60 years old and above	9

### 5. Details of charge on assets

As at December 31, 2021, Yung Tak Investment Limited, a subsidiary of the Group, pledged a land and buildings erected thereon with a carrying amount of RMB17,767,000 as security for a credit line of HKD30 million.



## Section V Management Discussion and Analysis

### 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>5,490,396</b>	4,849,518
Net cash used in investing activities	<b>-1,676,064</b>	-738,378
Net cash generated from/(used in) financing activities	<b>1,951,817</b>	-3,279,519
Net increase in cash and cash equivalents	<b>5,766,149</b>	831,621

- (1) During the Reporting Period, net cash generated from operating activities amounted to RMB5,490 million. In particular, cash received from sale of goods and provision of labor services amounted to RMB24,733 million; cash paid for purchase of goods and acceptance of labor services amounted to RMB13,313 million, cash paid to and paid on behalf of employees amounted to RMB4,456 million, and payment for various taxes amounted to RMB1,924 million.

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

- (2) During the Reporting Period, net cash used in investing activities amounted to RMB1,676 million. In particular, cash paid for the construction of properties, plants and facilities and other long-term assets amounted to RMB2,329 million.
- (3) During the Reporting Period, net cash from financing activities amounted to RMB1,952 million, of which, net proceeds from the placing of additional H shares amounted to RMB3,579 million, cash received from borrowings amounted to RMB10,743 million, cash used for repayment of debts amounted to RMB9,976 million; cash payment of dividend distribution and interest amounted to RMB2,278 million.
- (4) The Company will further strengthen and promote management system with intensive capital and budget, strictly control the exchange risks and optimize the capital structure to enhance the security and effectiveness of capital management and ensure the maximization of capital efficiency.





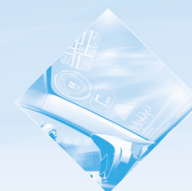
# Section V Management Discussion and Analysis

## 6.2 Cash flow

During the Reporting Period, changes in cash flow statement and explanations thereof are as follows:

Unit: '000 Currency: RMB

Items	Amount for the Reporting Period	Amount for the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Explanations
Proceeds from disposal of properties, plants and facilities	122,876	28,913	93,963	324.99	Increase in proceeds received from disposal of properties, plants and facilities was mainly due to the receipt of the transfer price of plant in the old plant area from Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司), a subsidiary of the Company, during the Reporting Period.
Proceeds from disposal of intangible assets and land use rights	14,952	4,356	10,596	243.25	Increase in proceeds received from disposal of intangible assets and land use rights was mainly due to the receipt of the transfer price of the land in the old plant area from Chongqing Wansheng Fuyao Glass Co., Ltd (重慶萬盛福耀玻璃有限公司), a subsidiary of the Company, during the Reporting Period.
Purchase of properties, plants and facilities	2,290,122	1,751,512	538,610	30.75	Increase in the purchase of properties, plants and facilities was due to the increase in capital expenditures during the Reporting Period.
Purchases of intangible assets	38,390	21,031	17,359	82.54	Increase in the purchase of intangible assets was mainly due to the increase in the purchase of computer software during the Reporting Period.
Disposal of financial assets measured at fair value through profit or loss – net	300,000	550,000	-250,000	-45.45	Decrease in the disposal of measured at fair value through profit or loss – net was mainly due to the recovery of principal due on more principal-guaranteed structured deposits in the same period last year.



## Section V Management Discussion and Analysis

Items	Amount for the Reporting Period	Amount for the corresponding period last year	Increase/decrease in amount	Percentage of increase/decrease (%)	Explanations
Purchase of financial assets measured at fair value through other comprehensive income – net	11,321	58,000	-46,679	-80.48	The net amount of the purchase of financial assets measured at fair value through other comprehensive income is the consultancy fee paid for the purchase of the 4.55% equity interest in China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. during the Reporting Period.
Interest received	203,264	366,044	-162,780	-44.47	Decrease in interest received is mainly due to the decrease in interest income from time deposits during the Reporting Period.
Government grants received relating to properties, plants and facilities	17,777	136,501	-118,724	-86.98	Decrease in government grants received relating to property, plant and equipment was mainly due to the decrease in asset-related grants received during the Reporting Period.
Net proceeds from the additional issuance of H shares	3,578,964	–	3,578,964	100	The net proceeds from the placement of additional H shares represent the net amount from the allotment and issuance of 101,126,000 H shares upon deducting underwriting fees and other issuance fees during the Reporting Period.
Proceeds from borrowings	10,742,823	16,666,509	-5,923,686	-35.54	Decrease in proceeds from borrowings was mainly due to the year-on-year increase in net cash flow from operations and the decrease in external borrowings during the Reporting Period.
Repayments of borrowings	9,976,147	17,636,509	-7,660,362	-43.43	Decrease in repayment of borrowings was mainly due to the decrease in the borrowings due for repayment during the Reporting Period.
Acquisition of equity of minority shareholders	5,137	–	5,137	100	Acquisition of equity of minority shareholders represented the expenditure for the acquisition of 40% of equity of minority shareholders of the non-wholly owned controlling subsidiary Triplex Automobile Service Co., Ltd. (now renamed as Fujian Fuyao Automobile Glass Sales Co., Ltd. ) during the Reporting Period.



## Section V Management Discussion and Analysis

### 6.3 Capital expenditure

Capital expenditure of the Company was mainly used for continuous contribution to new projects and other transformation and upgrading. During the Reporting Period, RMB2,329 million in cash was paid to acquire properties, plants and facilities and other long-term assets. In particular, capital expenditures of Guangzhou automotive glass project and the float glass project of the Company amounted to approximately RMB289 million and RMB242 million, respectively.

### 6.4 Borrowings

During the Reporting Period, the newly-added bank borrowings amounted to RMB8,945 million; ultra-short term financing bills amounted to RMB1,800 million; repayment of bank borrowings amounted to RMB8,676 million and ultra-short term financing bills amounted to RMB1,300 million. The Company did not utilize any financial instrument for hedging. As at December 31, 2021, interest-bearing debts are set out as follows:

*Unit: '00 million Currency: RMB*

Type	Amount
Short-term borrowings with fixed interest rates	59.21
Long-term borrowings with fixed interest rates due within one year	14.88
Long-term borrowings with fixed interest rates	8.39
Long-term borrowings with floating interest rates	3.00
Medium-term notes	12.00
Ultra-short term financing bills	8.00
Total	<u>105.48</u>

*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). To this end, 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. 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 RMB528 million as compared with foreign exchange loss of RMB422 million for the corresponding period last year.



## Section V Management Discussion and Analysis

### 8. Capital efficiency

Inventory turnover period during the Reporting Period was 92 days as compared with 94 days of the corresponding period last year, representing a year-on-year decrease of 2 days, among which, inventory turnover period for automotive glass was 64 days as compared with 65 days of the corresponding period last year; inventory turnover period for float glass was 128 days as compared with 138 days of the corresponding period last year.

The turnover period of the trade receivables during the Reporting Period was 81 days as compared with 86 days of the corresponding period last year.

The return on equity during the Reporting Period was 11.95% as compared with 12.03% of the corresponding period last year.

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

*Unit: '000 Currency: RMB*

	December 31, 2021	December 31, 2020
Total borrowings	<b>10,588,440</b>	9,829,723
Lease liabilities	<b>612,480</b>	600,277
Long-term payables	<b>74,150</b>	79,485
Less: Cash and cash equivalents	<b>-14,325,322</b>	-8,807,952
Net debts	<b>-3,050,252</b>	1,701,533
Total equity	<b>26,305,296</b>	21,602,614
Total capital	<b>23,255,044</b>	23,304,147
Gearing ratio (%)	<b>-13.12%</b>	7.30%

### 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".



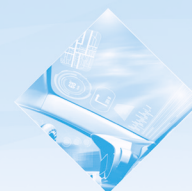
# Section V Management Discussion and Analysis

## (II) Analysis on assets and liabilities

### 1. Analysis on assets and liabilities

Unit: '000 Currency: RMB

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
Inventories	4,327,048	9.66	3,280,990	8.54	31.88	The increase in inventories was mainly due to the increase in sales, the increase in the balance of finished goods and the increase in the corresponding reserves of raw and auxiliary materials.
Financial assets at fair value through profit or loss	6,320	0.01	300,288	0.78	-97.90	The decrease in financial assets at fair value through profit or loss was mainly due to the fact that the structured deposits with principal guaranteed held as at the end of the previous year were due for settlement in the Reporting Period.
Cash and cash equivalents	14,325,322	31.98	8,807,952	22.92	62.64	The increase in cash and cash equivalents was mainly due to the net proceeds from the placing of additional H shares of RMB3,579 million and the increase in net cash flow from operating activities in the Reporting Period.
Share premium	9,680,392	21.61	6,202,553	16.14	56.07	The increase in share premium was due to the premiums resulting from the issuance of additional H shares in the Reporting Period.
Non-controlling interests	-11,912	-0.03	-3,610	-0.01	229.97	The decrease in non-controlling interests was mainly attributable to the acquisition of 40% equity interest in the non-wholly owned controlling subsidiary Triplex Automobile Service Co., Ltd. (now renamed as Fujian Fuyao Automobile Glass Sales Co.,Ltd.) during the Reporting Period.



## Section V Management Discussion and Analysis

### 2. Overseas Assets

#### (1) Size of assets

Including: overseas assets of RMB170.61 (unit: '00 million, currency: RMB), accounting for 38.09% of the total assets.

#### (2) Details of the higher percentage of overseas assets

The overseas assets are the assets in the account of the overseas subsidiaries (for details, please refer to “37 Subsidiaries” in the “Section XI Financial Report”) which are established by the Company and the deposits of the parent company which are deposited in Hong Kong and denominated in foreign currencies. In particular, the total assets of Fuyao Glass America Inc., an overseas subsidiary (including 100%-controlled Fuyao Glass Illinois Inc. and Fuyao Asset Management C, LLC), amounted to RMB5,443 million as at December 31, 2021, with the operating revenue amounting to RMB3,896 million and net profit amounting to RMB273 million in 2021.

### (III) Analysis on industry operating information

The automobile industry will still face uncertainties in the short term, but as a supporting industry of the automobile industry, the industry in which we are operating has a stable room for development 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 IV “Report of the Board of Directors”.

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

##### 1. Production volume and sales 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	118.46	103.21	14.78	122.46	104.45	17.24



# Section V Management Discussion and Analysis

By classification of markets

Unit: million square meters (other than percentage)

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	96.69	85.67	12.86	21.77	17.54	24.12

## (IV) Analysis on investments

Overall analysis on external equity investment

1. Fuyao Tongliao Silicon Industry Co., Ltd. (福耀通遼硅業有限公司) was established by the Company on March 31, 2021 with a registered capital of RMB100 million. The Company holds 100% equity interest in Fuyao Tongliao Silicon Industry Co., Ltd., which is principally engaged in the mining, processing and distribution of silica sand, and the production and sale of glass sand, casting materials, water filtering materials, refractory raw materials and others.
2. On August 17, 2021, Fujian Triplex Automobile Service Co., Ltd.(福建三鋒汽車服務有限公司), a controlling subsidiary of the Company(renamed as “Fujian Fuyao Automobile Glass Sales Co., Ltd.” in August 2021, the same below) held a shareholders’ meeting and approved that the shareholder Fujian Huijin Investment Co., Ltd. (福建暉錦投資有限公司) transferred its 40% equity in Fujian Triplex Automobile Service Co., Ltd. to Fujian Triplex Group Holdings Co., Ltd., a wholly-owned subsidiary of the Company, at a consideration of RMB5,136,749.49. The transfer was completed on August 24, 2021. Fujian Triplex Group Holdings Co., Ltd. holds 100% equity of Fujian Triplex Automobile Service Co., Ltd.
3. Fuyao High Performance Glass Technology (Fujian) Co., Ltd. (福耀高性能玻璃科技(福建)有限公司) was established by the Company on August 23, 2021 with a registered capital of RMB10 million. The Company holds 100% equity interest in Fuyao High Performance Glass Technology (Fujian) Co., Ltd., which is principally engaged in the research and development of new material technology; glass manufacturing; manufacturing of auto parts and accessories; additive manufacturing; manufacturing of high-speed railway equipment and accessories; sales of functional glass and new optical materials.

The Company’s external investments in 2020: (1) the Company invested additional €65 million in Fuyao (Hong Kong) Co., Ltd. to replenish the working capital of FYSAM Auto Decorative GmbH (FYSAM汽車飾件有限公司) ; (2) 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; (3) the Company acquired 4.55% equity interests in China Intelligent and Connected Vehicles (Beijing) Research Institute Co., Ltd. at a consideration of RMB58 million.



## Section V Management Discussion and Analysis

### 1. 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
Trading equity instruments	-	<b>6,320,181</b>	6,320,181	899,355
Currency swap contracts	-795,244	-	795,244	30,781,395
Short call on foreign exchange				4,625,000
Structured deposits	300,287,671	-	-300,287,671	4,947,945
Equity in unlisted companies at fair value through other comprehensive income	58,000,000	<b>69,320,755</b>	11,320,755	-
Notes receivable at fair value through other comprehensive income	1,301,612,117	<b>1,114,012,365</b>	-187,599,752	-14,677,491
Total	<u>1,659,104,544</u>	<u><b>1,189,653,301</b></u>	<u>-469,451,243</u>	<u>26,576,204</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.
- Trading equity instruments represent the shares obtained by subsidiaries from clients' debt restructuring and allocation.

### (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 (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. 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.



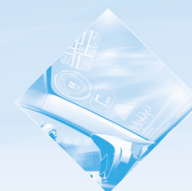


## Section V Management Discussion and Analysis

Taiyuan Jinnuo has made many requests to the Company for deferred payments. On May 28, 2021, the Company received the application for deferred payments and interest rate reduction from Taiyuan Jinnuo. Taiyuan Jinnuo applied to extend the payment date of the transfer payment for the remaining 24% equity interest in Beijing Futong for three years due to its financial strain. Meanwhile, it applied to adjust the annual interest rate of interest on the transfer payment of equity interest to 3.85% with effect from 1 July 2021. As considered and approved at the fifth meeting of the tenth session of the Board of Directors of the Company on June 17, 2021, 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, 2024. Meanwhile, it was agreed that Taiyuan Jinnuo paid interest to the Company at 3.85% per annum of the loan prime rate (LPR) authorized by the People's Bank of China from July 1, 2021, based on the remaining 24% equity interest in Beijing Futong.

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 RMB18,162,100.

Please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on the Disposal of 75% Equity Interests in Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated June 29, 2018, the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated December 25, 2018, the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement (II) to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated August 29, 2019, 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 and the Announcement of Fuyao Glass Industry Group Co., Ltd. on Entering into the Supplementary Agreement (IV) to the Equity Transfer Agreement in respect of Fuyao Group Beijing Futong Safety Glass Co., Ltd. dated June 18, 2021 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, Discloseable Transaction – Entering into the Supplemental Agreement (III) on the Disposal of 75% Equity Interest in Beijing Futong dated June 6, 2020 and Discloseable Transaction – Entering into the Supplemental Agreement (IV) on the Disposal of 75% Equity Interest in Beijing Futong dated June 18, 2021 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) for details.



## Section V 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	274,823.04	157,274.41	246,800.11	46,322.72	42,431.32
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	129,727.91	103,101.25	109,451.05	53,335.99	45,929.22
Fuyao Group Changchun Co., Ltd. (福耀集團長春有限公司)	Manufacturing enterprise	Production and sale of automotive glass products	60,000	160,741.17	82,376.30	197,444.38	36,615.75	32,028.80
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	210,580.76	84,298.87	197,096.70	39,328.55	34,023.60
Fuyao Glass America Inc.	Manufacturing enterprise	Production and sale of automotive glass products	33,000	544,301.70	88,891.77	389,633.86	35,960.41	27,291.07

*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.



# Section VI 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 Corporate Governance Code 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 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 and the Rules of Procedure for General Meetings. During the Reporting Period, the Company held the 2021 first extraordinary general meeting, 2021 second extraordinary general meeting, 2021 first A share class meeting and 2021 first H share class meeting and 2020 annual general meeting, at which online voting was available to shareholders during the consideration of the relevant resolutions to protect their legal rights and interests. 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 that 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 Shareholder 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 shareholder exercised rights and assumed responsibilities as a capital contributor 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 shareholder and the Company, no direct or indirect interference in the decision-making and operation activities of the Company by the controlling shareholder, no non-operational use of funds of the Company, and no request of providing any guarantee for or by the controlling shareholder. The Board of Directors, the Board of Supervisors and internal organizations all operated independently. The Company has established a long-term mechanism to avoid the controlling shareholder 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, 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.
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.



## Section VI Company Governance and Corporate Governance Report

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 Policy 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 policy, 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.
8. **Anti-corruption, Anti-fraud, Whistleblowing System and Policy:** In accordance with Internal Control Norms for Enterprises and other relevant laws and regulations, the Company has formulated the Anti-Fraud Management Policy in light of its actual situation to safeguard the legitimate rights and interests of the Company and its shareholders and to reduce the risks of the Company. The Company has set up a special reporting telephone number (0591-85363456) and a reporting email address (GM@fuyaogroup.com) to provide a means for employees and external parties to report and to ensure that whistleblowers are properly protected. Under the supervision of the Board of Directors, the Board of Supervisors and the Audit Committee, the Audit Department carries out anti-fraud prevention and publicity activities, receives reports of fraud and organises investigations into fraud cases, so as to encourage relevant personnel to strictly comply with relevant laws and regulations, professional ethics and the Company's rules and regulations, and prevent acts that are detrimental to the interests of the Company and its shareholders.

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 "Section IV Report of the Board of Directors", this section and relevant parts in other sections.



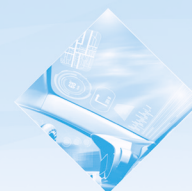
## Section VI Company Governance and Corporate Governance Report

### 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

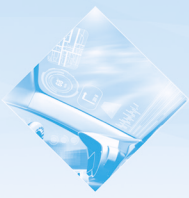
<b>General meeting</b>	<b>Date of convention</b>	<b>Directory to designated site of publication of resolution(s)</b>	<b>Date of publication of resolution(s)</b>	<b>Meeting resolution(s)</b>
2021 First Extraordinary General Meeting	January 15, 2021	The website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ), the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> )	January 16, 2021	For details, please refer to the Announcement on Resolutions of the 2021 First Extraordinary General Meeting of Fuyao Glass dated January 16, 2021 as published on the website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
2021 Second Extraordinary General Meeting, 2021 First A Share Class Meeting and 2021 First H Share Class Meeting	February 26, 2021	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> )	February 27, 2021	For details, please refer to the Announcement on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting dated February 27, 2021 as published on the website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
2020 Annual General Meeting	June 17, 2021	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 18, 2021	For details, please refer to the Announcement on Resolutions of the 2020 Annual General Meeting of Fuyao Glass dated June 18, 2021 as published on the website of the SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and the website of the Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).



# Section VI Company Governance and Corporate Governance Report

## Information on the general meeting

1. The 2021 first extraordinary general meeting was held on January 15, 2021 by way of physical meeting in combination with online voting. The general meeting was convened by the Board of Directors, and as Mr. Cho Tak Wong, the chairman of the Board of Directors, 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 of Directors. A total of 172 shareholders, either in person or by proxy, attended the onsite meeting or voted online. Resolution on the Remuneration of the Directors of the Tenth Session of the Board of Directors, Resolution on the Remuneration of the Supervisors of the Tenth Session of the Board of Supervisors and Resolution on the Election of Non-independent Directors of the Tenth Session of the Board of Directors, etc. were considered and approved at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated January 16, 2021 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).
2. The 2021 second extraordinary general meeting, 2021 first A share class meeting and 2021 first H share class meeting were held on February 26, 2021 by way of physical meeting in combination with online voting. The general meetings were convened by the Board of Directors, and were chaired by Mr. Cho Tak Wong, the chairman of the Board of Directors,. A total of 311 shareholders, either in person or by proxy, attended the onsite meeting or voted online. Resolution on the Plan for the Issuance of H Shares by the Company, Resolution on the Grant of Mandate to the Board of Directors of the Company and its Authorized Persons by the General Meeting to Handle Matters, at their Full Discretion, regarding the Issuance of H Shares, and Resolution on the Amendments to the Articles of Association of the Company, etc. were considered and approved at the meetings. For the announcement related to the resolutions, please refer to relevant announcement dated February 27, 2021 as published by the Company on the China Securities Journal, the Shanghai Securities News, the Securities Times, and the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).
3. The 2020 annual general meeting was held on June 17, 2021 by way of physical meeting in combination with online voting. The general meeting was convened by the Board of Directors, and was chaired by Mr. Cho Tak Wong, the chairman of the Board of Directors. A total of 367 shareholders, either in person or by proxy, attended the onsite meeting or voted online. Work Report of the Board of Directors for the Year 2020, Work Report of the Board of Supervisors for the Year 2020, and Profit Distribution Plan for the Year 2020, etc. were considered and approved at the meeting. For the announcement related to the resolutions, please refer to relevant announcement dated June 18, 2021 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>).



# Section VI Company Governance and Corporate Governance Report

## IV. THE RIGHTS OF SHAREHOLDERS

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

According to the Articles of Association, the shareholders individually 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 subject to agreement 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 individually 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 subject to agreement 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 individually 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.

### (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.



## Section VI Company Governance and Corporate Governance Report

### **(III) Procedures for Putting Forward Enquiries to the Board of Directors**

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.

### **(IV) Procedures for Proposing a Resolution to the General Meeting**

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 disclose particulars of the provisional proposals. The proposals shall be within the scope of power of the general 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 a 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 for eligibility for shareholders to attend the general meeting, and the names and telephone numbers of contact persons for the affairs of the meeting.

### **(V) Investor Exchange and Related Contact Information**

The Company has formulated the Shareholder Communication Policy, the Investor Relations Management Policy and other related systems to maintain close contact with investors. During the Reporting Period, by way of holding general meetings, organising result presentation meetings, accepting visits from investors for research, communicating through one-to-one or one-to-many telephone conferences, receiving enquiries by phone or replying by email, etc., the Company aimed to strengthen communication with investors and potential investors, enhance investors' understanding and recognition of the Company and improve corporate governance in order to maximise the overall interests of the Company and protect the legitimate rights and interests of investors. During the Reporting Period, the Company has effectively implemented the above policies and systems.

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.





# Section VI Company Governance and Corporate Governance Report

## V. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT

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

Unit: Share

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	Number of shares held at the end of the year	Changes in shares held for the year	Reason for changes	Total remuneration before tax received from the Company during the Reporting Period <i>(RMB'0,000)</i>	Whether they received remuneration from connected parties of the Company
Cho Tak Wong	Executive Director, Chairman of the Board of Directors	Male	75	January 15, 2021	January 14, 2024	314,828	314,828	0		692.33	No
Tso Fai	Executive Director, Vice Chairman of the Board of Directors	Male	51	January 15, 2021	January 14, 2024					189.85	No
Ye Shu	Executive Director, President	Male	49	January 15, 2021	January 14, 2024					227.37	No
Chen Xiangming	Executive Director, Chief Financial Officer Joint Company Secretary	Male	51	January 15, 2021	January 14, 2024					191.65	No
Wu Shinong	Non-executive Director	Male	65	January 15, 2021	January 14, 2024					9.00	No
Zhu Dezhen	Non-executive Director	Female	63	January 15, 2021	January 14, 2024					9.00	No
Cheung Kit Man Alison	Independent Non-executive Director	Female	64	January 15, 2021	January 14, 2024					24.94	No
Liu Jing	Independent Non-executive Director	Male	61	January 15, 2021	January 14, 2024					15.00	No
Qu Wenzhou	Independent Non-executive Director	Male	49	January 15, 2021	January 14, 2024					15.00	No
Bai Zhaohua	Chairman of the Board of Supervisors	Male	70	January 15, 2021	January 14, 2024					183.16	No
Chen Mingsen	Supervisor	Male	74	January 15, 2021	January 14, 2024					15.00	No
Ma Weihua	Supervisor	Male	73	January 15, 2021	January 14, 2024					15.00	No
He Shimeng	Vice President	Male	63	January 15, 2021	January 14, 2024	33,633	33,633	0		200.61	No
Chen Juli	Vice President	Male	55	January 15, 2021	January 14, 2024					516.01	No
Huang Xianqian	Vice President	Male	52	January 15, 2021	January 14, 2024					85.63	No
Lin Yong	Vice President	Male	51	January 15, 2021	January 14, 2024					146.50	No
Wu Lide	Vice President	Male	46	January 15, 2021	January 14, 2024					191.68	No
Li Xiaoxi	Secretary to the Board of Directors	Female	37	January 15, 2021	January 14, 2024	365,600	365,600	0		28.77	No
Total	/	/	/	/	/	714,061	714,061	0	/	2,756.50	/

Notes: 1. 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 Controller” of “Section IX Changes in Shares and Information of Shareholders”.

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



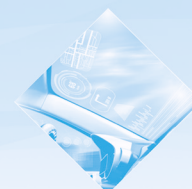
## Section VI Company Governance and Corporate Governance Report

<b>Name</b>	<b>Major working experience</b>
Cho Tak Wong	<p>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 member of the Advisory Committee of All-China Federation of Industry and Commerce, 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 and the first chairman of Heren Charitable Foundation. 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), Fujian Triplex Auto Parts Development Co., Ltd. (福建三鋒汽配開發有限公司) and Fujian Juhong Baina Technology Co., Ltd. (福建鉅鴻百納科技有限公司) 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>



## Section VI Company Governance and Corporate Governance Report

Name	Major working experience
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 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>
Chen Xiangming	<p>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.</p>
Wu Shinong	<p>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 vice president 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), 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), Fujian Longking Co., Ltd. (福建龍淨環保股份有限公司) (a company listed on the SSE, stock code: 600388) and Guangdong Baoli Hua New Energy Stock Co., Ltd. (廣東寶麗華新能源股份有限公司) (a company listed on the Shenzhen Stock Exchange (the "SZE"), stock code: 000690). 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.</p>



## Section VI Company Governance and Corporate Governance Report

### **Name**      **Major working experience**

**Zhu Dezhen** Ms. Zhu Dezhen has served as a non-executive director 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.

**Liu Jing** Mr. Liu Jing has served as an independent non-executive director of the Company since October 2019. Mr. Liu Jing is currently the head of China Philanthropy Times and the dean of the Faculty of Social Works of the Open University of China. Mr. Liu Jing served as the vice president and general secretary of China Federation of Social Workers from March 2007 to December 2021. 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.



## Section VI Company Governance and Corporate Governance Report

### **Name**            **Major working experience**

**Qu Wenzhou** 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 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 & 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 degree of science 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.

**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 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.



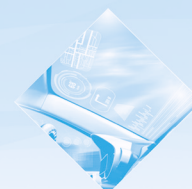
## Section VI Company Governance and Corporate Governance Report

<b>Name</b>	<b>Major working experience</b>
Ma Weihua	<p>Mr. Ma Weihua has served as a supervisor of the Company since October 2019. Mr. Ma Weihua is currently 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), Haidilao International Holding Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 6862) and Guangdong Qunxing Toys Joint Stock Co., Ltd. (a company listed on the SZE, stock code: 002575), the chairman and a non-executive director of Bison Finance Group Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 0888) and an independent non-executive director of China Gas Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0384). 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.</p>
He Shimeng	<p>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.</p>
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>



## Section VI Company Governance and Corporate Governance Report

Name	Major working experience
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>
Lin Yong	<p>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.</p>
Li Xiaoxi	<p>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.</p>



## Section VI Company Governance and Corporate Governance Report

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

#### 1. Positions in shareholder entities

Name	Name of shareholder entities	Position held in shareholder entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Heren Charitable Foundation	First Chairman	April 28, 2021	Present
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

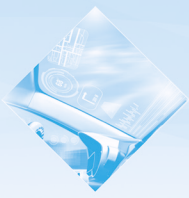
Details of positions in shareholder entities

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.

#### 2. Positions in other entities

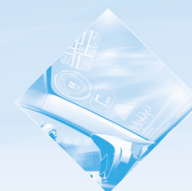
Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Cho Tak Wong	Trade Commerce Limited	Director	December 28, 1995	Present
Cho Tak Wong	Global Cosmos German Limited	Director	December 10, 2015	Present
Tso Fai	Chopline Limited	Director	May 25, 1993	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
Tso Fai	Fujian Triplex Auto Parts Development Co., Ltd.	Executive Director and President	November 15, 2021	Present
Tso Fai	Fujian Juhong Baina Technology Co., Ltd.	Executive Director and President	November 15, 2021	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





## Section VI Company Governance and Corporate Governance Report

Name	Name of other entities	Position held in other entities	Commencement date of term	Cessation date of term
Wu Shinong	Fujian Longking Co., Ltd.	Independent non-executive Director	December 30, 2020	Present
Wu Shinong	Guangdong Baolihua New Energy Stock Co., Ltd.	Independent non-executive Director	April 23, 2021	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	China Philanthropy Times	President	June 1, 2001	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	Guangdong Qunxing Toys Joint Stock Co., Ltd.	Independent non-executive Director	August 4, 2020	Present
Ma Weihua	Legend Holding Corporation	Independent non-executive Director	March 15, 2015	Present
Ma Weihua	Haidilao International Holding Ltd.	Independent non-executive Director	August 24, 2021	Present
Ma Weihua	China Gas Holdings Limited	Independent non-executive Director	February 1, 2022	Present
Ma Weihua	Bison Finance Group Limited	Chairman and non-executive Director	May 29, 2018	Present



## Section VI Company Governance and Corporate Governance Report

### (III) REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

<p>Decision-making process of remuneration of directors, supervisors and senior management</p>	<p>The implementation is subject to the approval of the Board of Directors and the general meeting of the Company.</p>
<p>Basis for determination of remuneration of directors, supervisors and senior management</p>	<p>A combination of fixed emoluments and allowances, basic salaries and year-end performance bonus.</p>
<p>Actual amount of remuneration paid to directors, supervisors and senior management</p>	<p>The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB27,565,000 (before tax). Please refer to "Changes in shareholding of current directors, supervisors and senior management and those resigned during the Reporting Period and their remuneration" in this section for details.</p>
<p>Total remuneration actually received by all directors, supervisors and senior management at the end of the Reporting Period</p>	<p>The total remuneration payable to directors, supervisors and senior management of the Company for the year amounted to RMB27,565,000 (before tax). Please refer to "Changes in shareholding of current directors, supervisors and senior management and those resigned during the Reporting Period and their remuneration" in this section for details.</p>

### (IV) CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

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

1. Mr. Tso Fai, an executive director and the vice chairman of the Company, has served as an executive director and the general manager of Fujian Triplex Auto Parts Development Co., Ltd. (福建三鋒汽配開發有限公司) and Fujian Juhong Baina Technology Co., Ltd. (福建鉅鴻百納科技有限公司) since November 15, 2021.
2. Mr. Wu Shinong, a non-executive director of the Company, has served as an independent non-executive director of Fujian Longking Co., Ltd. (福建龍淨環保股份有限公司) (a company listed on the SSE, stock code: 600388) since December 30, 2020, and Guangdong Baolihua New Energy Stock Co., Ltd. (廣東寶麗華新能源股份有限公司) (a company listed on the SZE, stock code: 000690) since April 23, 2021, respectively.
3. Mr. Qu Wenzhou, an independent non-executive director of the Company, resigned as an independent non-executive director of Guangdong Baolihua New Energy Stock Co., Ltd. (廣東寶麗華新能源股份有限公司) (a company listed on the SZE, stock code: 000690) on April 23, 2021.
4. Mr. Liu Jing, an independent non-executive director of the Company, resigned as an independent non-executive director of CITIC Guoan Information Industry Co., Ltd. (中信國安信息產業股份有限公司) (a company listed on the SZE, stock code: 000839) on March 24, 2021.
5. Mr. Ma Weihua, a supervisor of the Company, resigned as an independent non-executive director of Hwabao Investment Co., Ltd. on March 26, 2021 and has served as an independent non-executive director of Haidilao International Holding Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 6862) since August 24, 2021, and China Gas Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0384) since February 1, 2022, respectively.

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



## Section VI Company Governance and Corporate Governance Report

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

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

### VII. 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 re-election of all the existing directors as members of the tenth session of the Board of Directors of the Company was considered and approved. 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 set out in Appendix 14 to the Hong Kong Listing Rules; and ensure full disclosure of corporate governance in accordance with relevant regulatory requirements in the annual report.

Each of the directors also acknowledged their responsibilities for the preparation of financial statements of the Company for the year ended December 31, 2021.



## Section VI Company Governance and Corporate Governance Report

The Board of Directors has established the nomination committee, the strategy and development committee, the remuneration and assessment committee and the audit committee. The committees have respective terms of reference, report to the Board of Directors, and provide suggestions and consultations to the Board of Directors 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.

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 held eight meetings, of which all resolutions were considered and approved, and no directors voted against or abstained from voting on the resolutions considered and approved thereat.

### (II) The Management

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

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; executing 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 VI Company Governance and Corporate Governance Report

## VIII. MEETINGS OF THE BOARD OF DIRECTORS HELD DURING THE REPORTING PERIOD

Session of meeting	Date of meeting	Meeting resolution(s)
The eighteenth meeting of the ninth session of the Board of Directors	January 8, 2021	For details, please refer to the Announcement on the Resolutions of the Eighteenth Meeting of the Ninth Session of the Board of Directors of Fuyao Glass dated January 9, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The first meeting of the tenth session of the Board of Directors	January 15, 2021	For details, please refer to the Announcement on the Resolutions of the First Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated January 16, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The second meeting of the tenth session of the Board of Directors	March 29, 2021	For details, please refer to the Announcement on the Resolutions of the Second Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated March 30, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The third meeting of the tenth session of the Board of Directors	April 15, 2021	For details, please refer to the Announcement on the Resolutions of the Third Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated April 16, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The fourth meeting of the tenth session of the Board of Directors	May 7, 2021	For details, please refer to the Announcement on the Resolutions of the Fourth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated May 7, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The fifth meeting of the tenth session of the Board of Directors	June 17, 2021	For details, please refer to the Announcement on the Resolutions of the Fifth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated June 18, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The sixth meeting of the tenth session of the Board of Directors	August 5, 2021	For details, please refer to the Announcement on the Resolutions of the Sixth Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated August 6, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).
The seventh meeting of the tenth session of the Board of Directors	October 28, 2021	For details, please refer to the Announcement on the Resolutions of the Seventh Meeting of the Tenth Session of the Board of Directors of Fuyao Glass dated October 29, 2021 on the websites of SSE ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) and Hong Kong Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ).



# Section VI Company Governance and Corporate Governance Report

## IX. 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	8	8	4	100	0	0	No	2	67
Tso Fai	No	8	8	2	100	0	0	No	2	67
Chen Xiangming	No	8	8	1	100	0	0	No	3	100
Ye Shu	No	8	8	3	100	0	0	No	2	67
Wu Shinong	No	8	8	6	100	0	0	No	2	67
Zhu Dezhen	No	8	8	6	100	0	0	No	2	67
Cheung Kit Man Alison	Yes	8	8	8	100	0	0	No	0	0
Liu Jing	Yes	8	8	8	100	0	0	No	0	0
Qu Wenzhou	Yes	8	8	6	100	0	0	No	3	100

*Note:* Mr. Liu Jing, being an independent director of the Company, was unable to attend the three general meetings held in 2021 due to business trip or work-related reasons, and Ms. Cheung Kit Man Alison, being an independent director of the Company, was unable to attend the meetings due to temporary travel restrictions imposed by the government in response to the spread of the COVID-19 pandemic.

Number of meetings of the Board of Directors held during the year	8
Among them: Physical meetings held	0
Meetings held through communications	1
Meetings held through a combination of physical meetings and meetings through communications	7



## Section VI 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, 2021, 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, 2021 are as follows:

Director	Duration of training (Hours)	
	A	H
<b>Executive directors</b>		
Cho Tak Wong	26.5	13
Tso Fai	26.5	13
Ye Shu	26.5	13
Chen Xiangming	26.5	28
<b>Non-executive directors</b>		
Wu Shinong	26.5	13
Zhu Dezhen	53.85	13
<b>Independent non-executive directors</b>		
Cheung Kit Man Alison	54.5	13
Liu Jing	26.5	13
Qu Wenzhou	54.5	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 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 in Appendix 14 to the Hong Kong Listing Rules and its disclosure in the Corporate Governance Report. The Board of Directors required the Company to stringently follow the requirements 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 VI Company Governance and Corporate Governance Report

### X. 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.

### XI. 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 held the 2021 first meeting between the chairman and independent non-executive directors.





## Section VI Company Governance and Corporate Governance Report

### XII. SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

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.

1. 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 terms of reference of the strategy and development committee was published on the websites of the Company and the SSE.
2. 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 terms of reference of the audit committee was published on the websites of the Company and the SSE.

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, and conducted analysis and review of the financial reports of the Company in accordance with the requirements of various laws, regulations and rules, and other relevant information of the Company in order to ensure the completeness, fairness and accuracy of the financial statements, reports and other relevant information of the Company; 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, the Securities Law, 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. The committee considers that the risk management system and internal control operations of the Company are in compliance with the requirements of the relevant corporate governance regulations on listed companies issued by the CSRC.

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



## Section VI Company Governance and Corporate Governance Report

3. 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 terms of reference of the nomination committee was published on the websites of the Company, the SSE and Hong Kong Stock Exchange.

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	2	22%
	Aged 51–60	2	22%
	Aged 61–70	4	44%
	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	3	33%
	4–6 years	1	11%
	7–9 years	0	0
	10 years or more	5	56%
Disciplines in finance and accounting		7	78%
Directorships in other listed companies (number of companies)	2 or less	7	78%
	3 or more	2	22%

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.



## Section VI Company Governance and Corporate Governance Report

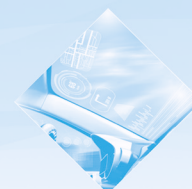
4. The Company has established a remuneration and assessment committee in accordance with Rules 3.25 and 3.26 of the Hong Kong Listing Rules, as well as the requirements of the CSRC and the SSE. The remuneration and assessment committee is mainly responsible for the formulation, management and assessment 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 terms of reference of the remuneration and assessment committee was published on the websites of the Company, the SSE and Hong Kong Stock Exchange.

During the Reporting Period, after carefully examining the actual completed production and operating results in 2020, the remuneration and assessment committee reviewed the remuneration of the Company's directors and senior management disclosed in the 2020 annual report, and considered that all the directors, supervisors and senior management performed well with diligence and dedication in 2020. The remuneration for 2020 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 and the service contract signed with the Company. In 2020, the Company did not implement any equity incentive scheme.

5. During the Reporting Period, the members of and meetings held by the strategy and development committee, the audit committee, the nomination committee and the remuneration and assessment committee of the Company are as follows:

(1) *Members of the committees established by the Board of Directors*

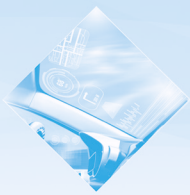
Type of the committees	Name of members
Strategy and development committee	Chairman: Mr. Cho Tak Wong, an executive director and the chairman of the Board of Directors; Members: Mr. Tso Fai, an executive director and the vice chairman of the Board of Directors, and Ms. Cheung Kit Man Alison, an independent non-executive director.
Audit committee	Chairman: Mr. Qu Wenzhou, an independent non-executive director; Members: Ms. Cheung Kit Man Alison, an independent non-executive director, and Ms. Zhu Dezhen, a non-executive director.
Nomination Committee	Chairman: Ms. Cheung Kit Man Alison, an independent non-executive director; Members: Mr. Liu Jing, an independent non-executive director, and Mr. Tso Fai, an executive director and the vice chairman of the Board of Directors.
Remuneration and Assessment Committee	Chairman: Mr. Liu Jing, an independent non-executive director; Members: Mr. Qu Wenzhou, an independent non-executive director, and Mr. Cho Tak Wong, an executive director and the chairman of the Board of Directors.



## Section VI Company Governance and Corporate Governance Report

(2) *The strategy and development committee held 4 meetings during the Reporting Period*

<b>Date</b>	<b>Topic</b>	<b>Key opinions and proposals</b>	<b>Other performance of duties</b>
January 8, 2021	The ninth meeting of the ninth session of strategy and development committee (meeting through communications): Consideration of the Resolution on the Plan for the Issuance of H Shares by the Company; and the Resolution to Request the General Meeting to Authorize the Board of Directors of the Company and Its Authorized Persons to Deal with the Specific Matters in relation to the Issuance of H shares with Full Powers.	All resolutions were approved unanimously	All members of the strategy and development committee attended the meeting
March 29, 2021	The first meeting of the tenth session of strategy and development committee (meeting through communications): Consideration of the Resolution in Relation to the Company's Development Strategy; and the Resolution in Relation to the Company's 2021 Development Plan.	All resolutions were approved unanimously	All members of the strategy and development committee attended the meeting
June 17, 2021	The second meeting of the tenth session of strategy and development committee (meeting through communications): Consideration of the Resolution in Relation to the Entering into of the Supplemental Agreement between the Company and Taiyuan Jinnuo Industry Co., Ltd..	All resolutions were approved unanimously	All members of the strategy and development committee attended the meeting
August 5, 2021	The third meeting of the tenth session of strategy and development committee (meeting through communications): Consideration of the Resolution in Relation to the Absorption and Merger of FYSAM Auto Decorative Germany GmbH (a Subsidiary Indirectly Held 100% by the Company) by FYSAM Auto Decorative GmbH (a Subsidiary Indirectly Held 100% by the Company); and the Resolution in Relation to the Cancellation of Fuyao Group International Holdings Co., Ltd..	All resolutions were approved unanimously	All members of the strategy and development committee attended the meeting



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(3) The audit committee held 5 meetings during the Reporting Period

Date	Topic	Key opinions and proposals	Other performance of duties
January 15, 2021	The first meeting of the tenth session of audit committee (meeting through communications): Consideration of the Resolution in Relation to the Election of the Chairman of the Tenth Session of Audit Committee of the Board of Directors; and the Resolution in Relation to the Appointment of Director of the Audit Department of the Company.	All resolutions were approved unanimously	All members of the audit committee attended the meeting
March 29, 2021	The second meeting of the tenth session of audit committee (physical meeting combined with communications): Consideration of the 2020 Final Financial Accounts; the 2020 Annual Report and Summary of Annual Report; the 2020 Annual Audit Work Summary Report of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) and PricewaterhouseCoopers; the Resolution in Relation to the Re-appointment of PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) as the Domestic Audit Institution and Audit Institution of the Internal Control of the Company for 2021; the Resolution in Relation to the Re-appointment of PricewaterhouseCoopers as the Overseas Audit Institution of the Company for 2021; the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2020; the Duty Performance Report of the Audit Committee under the Board of Directors of Fuyao Glass Industry Group Co., Ltd. for 2020; and the Work Summary of the Audit Department for 2020.	All resolutions were approved unanimously	All members of the audit committee attended the meeting
April 15, 2021	The third meeting of the tenth session of audit committee (meeting through communications): Consideration of the Resolution in Relation to the 2021 First Quarterly Report.	All resolutions were approved unanimously	All members of the audit committee attended the meeting



## Section VI Company Governance and Corporate Governance Report

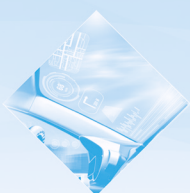
Date	Topic	Key opinions and proposals	Other performance of duties
August 5, 2021	The fourth meeting of the tenth session of audit committee (meeting through communications): Consideration of the Resolution in Relation to the 2021 Interim Report and Summary of the Company.	All resolutions were approved unanimously	All members of the audit committee attended the meeting
October 28, 2021	The fifth meeting of the tenth session of audit committee (meeting through communications): Consideration of the Resolution in Relation to the 2021 Third Quarterly Report.	All resolutions were approved unanimously	All members of the audit committee attended the meeting

(4) *The nomination committee held 1 meeting during the Reporting Period*

Date	Topic	Key opinions and proposals	Other performance of duties
January 15, 2021	The first meeting of the tenth session of nomination committee (meeting through communications): Consideration of the Resolution in Relation to the Election of Chairman of the Nomination Committee under the Tenth Session of Board of Directors and the Resolution in Relation to the Nomination of Candidates for the Senior Management of the Company.	All resolutions were approved unanimously	All members of the nomination committee attended the meeting

(5) *The remuneration and assessment committee held 2 meetings during the Reporting Period*

Date	Topic	Key opinions and proposals	Other performance of duties
January 15, 2021	The first meeting of the tenth session of remuneration and assessment committee (meeting through communications): Consideration of the Resolution in Relation to the Election of the Chairman of the Tenth Session of Remuneration and Assessment Committee of the Board of Directors.	All resolutions were approved unanimously	All members of the remuneration and assessment committee attended the meeting
March 29, 2021	The second meeting of the tenth session of remuneration and assessment committee (meeting through communications): Consideration of the Summary Report of Duty Performance of the Remuneration and Assessment Committee of the Board of Directors for the Year of 2020.	All resolutions were approved unanimously	All members of the remuneration and assessment committee attended the meeting



# Section VI Company Governance and Corporate Governance Report

## XIII. 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. Seven meetings were held and all resolutions were approved unanimously. The details are as follows:

Session of meeting	Date	Topic	Attendance
The fifteenth meeting of the ninth session of Board of Supervisors (meeting through communications)	January 8, 2021	Consideration of the Resolution in Relation to the Company's Plan of the Issue of H Shares	All members of the Board of Supervisors attended the meeting
The first meeting of the tenth session of Board of Supervisors (meeting through communications)	January 15, 2021	Consideration of the Resolution in Relation to the Election of the Chairman of the Tenth Session of Board of Supervisors of the Company.	All members of the Board of Supervisors attended the meeting
The second meeting of the tenth session of Board of Supervisors (meeting through communications)	March 29, 2021	Consideration of the Work Report of the Board of Supervisors for 2020; the 2020 Final Financial Accounts; the 2020 Annual Report and Annual Report Summary; and the Annual Internal Control Evaluation Report of Fuyao Glass Industry Group Co., Ltd. for 2020.	All members of the Board of Supervisors attended the meeting



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Session of meeting	Date	Topic	Attendance
The third meeting of the tenth session of Board of Supervisors (meeting through communications)	April 15, 2021	Consideration of the Resolution in Relation to the Full Text and Main Body of the 2021 First Quarterly Report;	All members of the Board of Supervisors attended the meeting
The fourth meeting of the tenth session of Board of Supervisors (meeting through communications)	June 17, 2021	Consideration of the Resolution in Relation to the extension of the loan term of Jinken Glass Industry Shuangliao Co., Ltd..	All members of the Board of Supervisors attended the meeting
The fifth meeting of the tenth session of Board of Supervisors (meeting through communications)	August 5, 2021	Consideration of the Resolution in Relation to the 2021 Interim Report and Summary of the Company.	All members of the Board of Supervisors attended the meeting
The sixth meeting of the tenth session of Board of Supervisors (meeting through communications)	October 28, 2021	Consideration of the Resolution in Relation to the 2021 Third Quarterly Report; the Resolution in Relation to the Lease of Properties by the Company from Fujian Yaohua Industrial Village Development Co., Ltd.; the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year of 2022; the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd for the Year 2022; and 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 2022;	All members of the Board of Supervisors attended the meeting





## Section VI Company Governance and Corporate Governance Report

### XIV. 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.

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

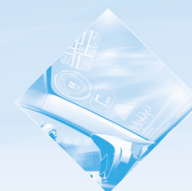
During the Reporting Period and as at the end of the Reporting Period, except those already disclosed in relevant announcements or this report, no directors, supervisors (and connected entities) possess, directly or indirectly, substantial interest in the transactions, arrangements or contracts which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

### XVI. 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.

### XVII. INFORMATION DISCLOSURE AND INVESTOR RELATIONSHIP

The Company regards information disclosure and investor relationship as very important work. In 2021, 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. The Company held general meetings, reviewed the interim report and the annual report, and used webcasting (disclosed on the Hong Kong Stock Exchange, the SSE and the Company's website) combined with written materials (sent notice of the convening of the general meeting, the interim report and the annual report) to make investors fully aware of the meeting and the operation of the Company. 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, performance description, 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. During the Reporting Period, the Company effectively implemented the above system.



## Section VI Company Governance and Corporate Governance Report

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

During the Reporting Period, the Articles of Association changed as below:

On January 8, 2021, the Board of Directors resolved to propose amendments to certain provisions of the Articles of Association of the Company. 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, the Securities Law, 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 of 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.

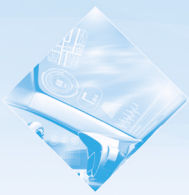
### XIX. REMUNERATION OF THE AUDITORS

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

### XX. 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 Chartered Governance Institute (formerly “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 (an executive director, a joint company secretary and the chief financial officer).

In 2021, 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.



## Section VI Company Governance and Corporate Governance Report

### XXI. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

#### (I) Employees

Number of in-service employees of the Company	1,717
Number of in-service employees of the major subsidiaries	24,815
Total number of in-service employees	26,532
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	18,755
Sales staff	774
Technical staff	4,007
Finance staff	298
Administrative staff	947
Other staff	1,751
	<hr/>
Total	26,532
	<hr/>



## Section VI Company Governance and Corporate Governance Report

### Education level

Type of education level	Number of persons
University or above	4,175
Junior college	5,029
Specialized secondary school and high school	11,475
Below high school	5,853
	<hr/>
Total	26,532
	<hr/>

### (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 VI Company Governance and Corporate Governance Report

### XXII. PROFIT DISTRIBUTION PLAN 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 (2021-2023)" dated June 18, 2021 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 for 2020: cash dividends of RMB7.50 per 10 shares (tax inclusive) were distributed based on the total issued share capital of 2,609,743,532 shares of the Company with the total dividends amounting to RMB1,957,307,649. The distribution date of cash dividends of A shares was July 1, 2021, and the distribution date of cash dividends of H shares was August 2, 2021.



## Section VI Company Governance and Corporate Governance Report

### (II) Special explanation of cash dividend distribution policies

Whether the provisions of the Articles of Association or the requirements of the resolutions of general meetings are complied with	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether the standard and proportion of dividends are explicit and clear	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether relevant decision making procedures and mechanisms are adequate	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether the independent directors have performed their duties and played their due roles	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Whether small and medium shareholders have the opportunity to fully express their opinions and appeals, and whether their legal rights and interests have been fully protected	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

### XXIII. 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 2021, 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.

### XXIV. THE ESTABLISHMENT AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

#### (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, the Securities Law, 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 2021, 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 the rules in the risks and control activities of its operation and management, standardize operation, risk prevention, assets security, and true, accurate and complete disclosure of financial reports and information, so as to facilitate the Company's achievement of its development strategy.



## Section VI Company Governance and Corporate Governance Report

### (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 an internal control management system of risk management under regulatory requirements, and keeps optimizing the internal control system. 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 of 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. During the Reporting Period, the Board of Directors has evaluated and confirmed that the internal control system is effective and adequate.



## Section VI 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 share 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 Policy, the Sensitive Information Verification Management Policy, the Registration and Management of Persons with Inside Information and other policies to prevent any improper use and circulation of 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.





## Section VI Company Governance and Corporate Governance Report

### XXV. MANAGEMENT AND CONTROL ON SUBSIDIARIES DURING THE REPORTING PERIOD

During the Reporting Period, the Group continued to strengthen the management of its subsidiaries, it controlled risks in the organizational structure, resource utilization, asset management and investment operation of the subsidiaries by establishing effective control mechanisms; and provided guidance, supervision and service for the operation of subsidiaries by means of system and process formulation, authorization and approval, and performance assessment. Under the general policy and strategic planning of the Group, the subsidiaries conducted independent operation, independent accounting, autonomous management, and operation that in compliance with laws and regulations. The Board of Directors and the audit committee were of the view that the Group's risk management on its subsidiaries and the actual operation of the Group's risk management and internal control was in line with the requirements in relation to governance practices of listed companies issued by the CSRC.

### XXVI. RELEVANT INFORMATION ON THE INTERNAL CONTROL AUDIT REPORT

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.

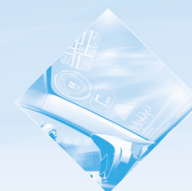
Whether to disclose the internal control audit report: Yes

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

### XXVII. RECTIFICATION OF SELF-CHECK PROBLEMS IN THE SPECIAL ACTION ON GOVERNANCE OF LISTED COMPANIES

In accordance with the Notice on Launching the Special Action on Governance of Listed Companies under Fujian Jurisdiction issued by Fujian Regulatory Bureau of CSRC and combined with the actual situation of the Company, the Company organized relevant departments to inspect the following aspects of the Company's governance in March 2021: 1. Protecting rights and interests of shareholders according to laws; 2. Improving operation mechanism of the Board of Directors; 3. Prompting the controlling shareholder and its related parties to regulate relevant behaviors; 4. Encouraging institutional investors to participate in corporate governance; 5. Regulating information disclosure and improving transparency; and 6. Implementing new development philosophy actively.

There is no non-operational occupation of funds; no illegal guarantee; and no failure to perform corresponding approval and decision-making procedures and information disclosure obligations in the Company. In strict accordance with relevant laws, regulations and rules, the Company strictly regulates its behaviors, continuously improves the corporate governance structure and improves the internal control system. The Company effectively prevents non-operational occupation of funds of the listed company by major shareholders, eliminates illegal guarantee, and fully and actively performs information disclosure obligations to ensure the healthy and sustainable development of the Company and safeguard the legitimate rights and interests of all shareholders (especially minority shareholders).



## Section VII Environmental and Social Responsibility

### I. ENVIRONMENTAL INFORMATION

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

##### 1. 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 was shut down in 2019 due to cold repair, and resumed normal production in November 2021. As at the end of the Reporting Period, Chongqing Float Glass had a total of two automotive grade float glass production line, both of which were under normal production and used clean energy, natural gas as fuel. The exhaust gas produced in the natural gas burning is discharged through 100m 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 discharged through two high chimneys, of which the average emission concentration of special pollutants of No. DA012 waste gas discharge outlet was 5.3mg/m<sup>3</sup> and total emission was 0.2 tons; the average emission concentration of SO<sub>2</sub> was 188.7mg/m<sup>3</sup> and total emission was 6.2 tons; and the average emission concentration of NO<sub>x</sub> was 325.05mg/m<sup>3</sup> and total emission was 10.7 tons. The average emission concentration of special pollutants of No. DA001 waste gas discharge outlet was 10.72mg/m<sup>3</sup> and total emission was 3.02 tons; the average emission concentration of SO<sub>2</sub> was 245.51mg/m<sup>3</sup> and total emission was 74.11 tons; and the average emission concentration of NO<sub>x</sub> was 405.16mg/m<sup>3</sup> and total emission was 114.6 tons. Total permitted emission quantities per discharge outlet per year: 40.664 tons/year, 325.311 tons/year and 569.295 tons/year. 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 corporate development and environment. In order to improve air quality 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. One of the facilities has been technologically upgraded to an integrated flue gas treatment facility for desulfurization, dust removal and denitrification (ceramic catalyst cartridge filter) in 2021. 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 and an online flue monitoring system, which are connected to the environmental protection authority for real-time data transmission. All facilities are under normal operation.



## Section VII Environmental and Social Responsibility

### 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 System 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 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 Environmental and Social Responsibility

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

#### 1. Reference to other environmental information disclosed by 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 was shut down in 2019 for water discharge and resumed in September 2021. Tongliao Float and Benxi Float each has two automotive grade float glass production lines under production. All the three companies take the natural gas as the production fuel. The exhaust gas produced in the natural gas burning is discharged through 100m chimneys to the upper air after the dust removal and denitration treatment, and the specific pollutants are smoke, SO<sub>2</sub> and NOx. Fuqing Float implements the emission standard in the Chart 2 of GB26453-2011 Emission Standard of Air Pollutants for the Flat Glass Industry.

Fuqing Float has constructed three sets of dust removal and denitration facilities, one of which has been upgraded to an integrated facility for desulfurization, denitrification and dust removal (ceramic catalyst cartridge filter) in 2021. 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 facility 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 m<sup>3</sup>/hour to 80,000 m<sup>3</sup>/hour.



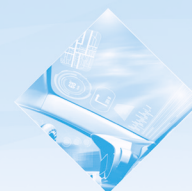
## Section VII Environmental and Social Responsibility

### (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; production wastewater, mainly including COD, BOD<sub>5</sub>, ammonia nitrogen and SS; domestic sewage; hazardous wastes including fluorescent tube, waste engine oil, waste screen fluid, empty silver paste box, empty ink box, empty Rubstick barrels and cloth with ink oil and silver paste; general industrial solid waste including glass leftover materials, waste rubber rings and sludge from the waste water treatment station; 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. Production wastewater 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. The wastewater after being treated by the reclaimed water reuse treatment system shall satisfy the emission standard and be led to the municipal sewer network. Domestic sewage shall be emitted to the municipal sewer network after being treated in the septic tank of each business division. Hazardous wastes in solid 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, waste rubber rings are recycled by manufacturers, and the glass leftover materials are recycled by Fuyao Group for production in float glass production lines. Sludge and domestic waste from the waste water treatment station is entrusted to the environmental sanitation department for daily centralized clean, transportation and treatment. 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.

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. Hazardous wastes are all treated in compliance with the requirements. Workshop noise is lower than that stipulated by the environmental protection authority.



## Section VII Environmental and Social Responsibility

### (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 xylene and non-methane hydrocarbon, smoke, SO<sub>2</sub> and NO<sub>x</sub>; production wastewater mainly including COD, ammonia nitrogen, SS, petroleum, LAS, aluminum, nickel, total phosphorus, fluoride; domestic sewage; hazardous wastes: waste aluminum chips, waste electrolytic polishing liquid, waste degreasing fluid, waste packing barrel, waste activated carbon, waste resin, etc.; general industrial solid wastes: domestic waste, and sludge from the biochemical sedimentation tank; and noise.

For the above-mentioned pollutants, the Company mainly adopts the following methods for treatment: waste gases and polishing dust are treated with a vertical cyclone water film dust collector, and acidic exhaust gas is treated with the acid mist treatment method featuring a combination of the covering method and the absorption method. Paint and mist from the gas spray room is treated by a water curtain paint & mist removal device, activated carbon and a catalytic combustion device and then discharged outside through a 15m high exhaust funnel after satisfying the standard. Organic waste gas from the paint spray room, the paint mixing room and the curing system is treated by an activated carbon and a desorption catalytic combustion device and discharged outside through a 15m high exhaust funnel after satisfying the 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. Hazardous waste from each business division shall be collected by their production department according to different classes, managed by the production planning division on a unified basis, and disposed of in a reasonable and compliant manner by the qualified units entrusted in accordance with the hazardous waste disposal plan. General industrial solid domestic waste and sludge from the biochemical sedimentation tank are entrusted and transported to the environmental sanitation department for clean, transportation and treatment. 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 aluminum accessories 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. Hazardous wastes are all treated in compliance with the requirements. Workshop noise is lower than that stipulated by the environmental protection authority.



## Section VII Environmental and Social Responsibility

### (III) Information on efforts conducive to ecological protection, pollution prevention and control and environmental responsibility fulfillment

1. Through smart energy platform, the core system of the Fuyao energy system, various functions can be achieved including online monitoring of power data, maximum demand management and energy optimization and management, which is conducive to optimization of resource allocation, reasonable utilization of energy, environment improvement, construction of a resource-saving enterprise and implementation of clean production.
2. Since 2015, the Company has carried out a comprehensive evaluation and technical demonstration on the technology and application of photovoltaic power generation system, and finally determined the use of plant roof resources to install a distributed photovoltaic power generation system, using the photovoltaic power generation application mode of "self-generate, self-use, and surplus electricity goes to the grid". Such mode follows the principles of adapting measures to local conditions, clean and efficient, decentralized distribution and nearby consumption and utilization, and makes full use of local solar energy resources to replace and reduce fossil energy consumption as a supplement to regional load development power supply. Since 2017, the Company has successively and respectively built distributed photovoltaic power generation systems in eight subsidiaries including Fuqing Float, Zhengzhou Fuyao Glass Co., Ltd., Tianjin Hongde Auto Glass Co., Ltd. and Fuyao Glass (Suzhou) Co., Ltd., with a total installed capacity of 93MW, providing reliable, green and clean electricity for the companies where the projects are located.
3. The Company advocates green production. The float glass business divisions in China have obtained the green factory certification. In the production process, the float glass business division uses natural gas as production fuel and has adopted an integrated desulfurization and denitrification technology for reducing pollutant emissions. It also fully utilizes the waste heat in the smoke generated during production to generate electricity or for the use of thermal insulation warehouses in the plants, office buildings and living areas.
4. The Company constantly optimizes its production techniques, focuses on process details, identifies improvement opportunities, improves production efficiency and finished product rate, and reduce energy consumption per unit. The main measures are: upgrading energy-saving fan to reduce the tempering power; optimizing the high pressure parameters of laminated glass to reduce the time of high pressure; upgrading the heat preservation system for encapsulated injection screws to reduce the temperature loss of the screw units; optimizing production time and increasing output per unit time; increasing process monitoring and reducing reject rate, etc.
5. The Company practices green development philosophy and builds a resource-saving and environment-friendly enterprise. By innovative means such as equipment upgrading, technique improvement and green R&D, the Company continuously optimizes green indicators such as energy use and waste treatment throughout the whole process, chain and cycle. It has been certified as a green supply chain management enterprise and a green factory by the Ministry of Industry and Information Technology. The Company has set up an intelligent innovation center and an intelligent network innovation team to speed up research and development and tackling of key problems. It has achieved breakthroughs in core technology fields of automotive glass such as key molding technique and equipment, glass antenna, coating and photoelectric. Lightweight ultra-thin glass, heatable coated glass, head-up display glass, ultra-insulating glass, ETC RFID 5G glass with network antenna, intelligent panoramic ceiling glass and other glasses have been developed, to bring users a brand new green, intelligent, energy saving, environment-friendly, safe and comfortable driving experience. Also, in response to national requirements of "carbon neutral", "carbon peak", Fuyao actively introduces highly automated production lines in innovative product manufacturing, which greatly improves product production efficiency and product quality, and further reduces energy consumption in production.



## Section VII Environmental and Social Responsibility

### (IV) Measures taken to reduce its carbon emissions during the Reporting Period and its effects

1. In terms of Fuyao Group's rooftop distributed photovoltaic power generation, it has generated a total of 75.224 million kWh in 2021, reducing energy consumption by 9,245 tons of standard coal and reducing carbon dioxide emissions by 53.2 thousand tons.
2. In the tempering plant of Fuyao Glass (Suzhou) Co., Ltd. (hereinafter referred to as "Suzhou Automotive Glass"), the first-level tempering is adopted during the outer furnace classification tempering process, and the second-level lower tempering fan actually only plays the role of blowing the glass out of the air grid area, so there is a waste of power consumption in the production process. In order to respond to the requirements of Fuyao Group for energy saving and efficiency improvement, Suzhou Automotive Glass has added a mechanically jacked cylinder structure in the second-level tempering area outside the furnace, which is fixed on the base of the original secondary tempering downwind grille to replace glass blowing, and at the same time, it is convenient to disassemble and retain the second-level tempering function, so that the second-level tempering fan can be turned off to reduce the power consumption. In this project, a total of three external furnaces have been reconstructed, which will save 3 million kWh of electricity every year, equivalent to saving 368.7 tons of standard coal and reducing 2,110.5 tons of carbon dioxide emissions.
3. The pretreatment flat washer and bending washer in lamination workshops in G3 factory of Fujian Wanda Automobile Glass Industry Co., Ltd. (hereinafter referred to as "Fuqing Automotive Glass") suffered from many problems such as serious rust and corrosion of frame, poor glass cleaning effect, residual water stains on the edges due to long service life, and as high energy consumption fans are used, there is waste of power consumption. In response to the requirements of Fuyao Group for energy saving and efficiency improvement, Fuqing Automotive Glass adopts the method of reducing the number of fans and replacing the original washing machine with efficient and energy-saving fans according to the requirements of flat and bent washing for glass cleaning, so as to improve the glass cleaning effect, increase production efficiency and reduce energy consumption. A total of five washing machines have been reconstructed in this project, which will save 1.03 million kWh of electricity every year, equivalent to saving 126 tons of standard coal and reducing 724.6 tons of carbon dioxide emissions.
4. In responds to the energy saving and efficiency improvement requirements of Fuyao Group, Fuyao Group (Shanghai) Automobile Glass Co., Ltd. (hereinafter referred to as "Shanghai Automotive Glass") aimed to improve tempering GT furnace process with large power consumption, tackle and optimize the glass varieties with long carding time and combine the process, equipment and technicians to study and implement the production frequency optimization scheme on site. In addition, the power consumption is reduced by peak avoidance production, rapid mold change and waiting time reduction. Upon the completion of this project, 3.227 million kWh of electricity will be saved every year, equivalent to saving 396.6 tons of standard coal and reducing 2,270.2 tons of carbon dioxide emissions.
5. Float Glass Business Division strictly follows the implementation requirements of the energy management system, does a good job in energy conservation and emission reduction, and enhances thermal insulation performance by binding bricks in melting furnaces, thus reducing natural gas consumption; Eliminate backward motors, turn on batching lighting system in sections, realize linkage between hydrogen production framework and lye pump equipment, reduce power consumption and other measures to reduce carbon dioxide emissions.





## Section VII Environmental and Social Responsibility

### II. SOCIAL RESPONSIBILITY

For details, please refer to the 2021 Social Responsibility Report of Fuyao Glass Industry Group Co., Ltd. prepared pursuant to the relevant requirements of the SSE and separately published on the websites of the SSE (<http://www.sse.com.cn>) and the Hong Kong Stock Exchange (<http://www.hkexnews.hk>). The 2021 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, 2022.

### III. DETAILS OF CONSOLIDATING AND EXPANDING THE ACHIEVEMENTS OF POVERTY ALLEVIATION AND RURAL REVITALIZATION

According to the information provided by Heren Charitable Foundation, during the Reporting Period, Heren Charitable Foundation, which was established via 300 million shares of Fuyao Glass held by Mr. Cho Tak Wong, has made a donation outlay of RMB348.5364 million, all of which was utilized in the targeted poverty alleviation projects, comprising:

- Poverty alleviation on health: the expenditure of RMB167.0818 million, including the funds for the projects in respect of the poverty alleviation on health in the “Three Regions and Three Prefectures (Gansu, Yunnan, Qinghai, Sichuan)”.
- Poverty alleviation on education: the expenditure of RMB68.25 million, including the funds for the financial assistance projects for needy students in Fujian Medical University and Northwest A&F University, and for the construction of Fuyao Technology University (temporary name).
- Poverty alleviation: the expenditure of RMB112.5 million, which was mainly used for flood control and disaster relief in Henan Province and relief for poor households in Fujian.
- Poverty alleviation on ecological protection: the expenditure of RMB54.6 thousand, which was mainly used to carry out pilot and research projects on Spartina alterniflora control.
- Other poverty alleviation: the expenditure of RMB650 thousand, which was mainly used to fund cultural heritage projects such as ancient building protection.

*Note:* 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.



## Section VIII Significant Events

### I. 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
Undertakings related to refinancing	Shares restriction	Mr. Cho Tak Wong and Sanyi Development Limited	During the period from the execution date of the agreement for additional issuance and placing of H shares (i.e. April 30, 2021) up to 90 days after the closing date (i.e. May 10, 2021), Mr. Cho Tak Wong and Sanyi Development Limited will not sell, transfer, dispose of, lend, pledge, or offer to sell, transfer, dispose of, lend, pledge, grant any option, right or warrant to purchase (either conditionally or unconditionally, or directly or indirectly, or otherwise) any shares or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any shares or interest therein. For the avoidance of doubt, the above undertaking shall not apply to the A shares held by Fujian Yaohua Industrial Village Development Co., Ltd.	Time of the undertaking: April 30, 2021, Term of performance of the undertaking: April 30, 2021 to August 8, 2021	Yes	Yes
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 (2021-2023)" dated June 18, 2021 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: June 18, 2021, term of performance of the undertaking: January 1, 2021 to December 31, 2023	Yes	Yes



## Section VIII Significant Events

### 1. Non-competition

In order to eliminate any future competition with the Company, each of Mr. Cho Tak Wong, Ms. Chan Fung Ying (Mr. Cho Tak Wong's spouse and the controlling shareholder of Yaohua), Sanyi Development Ltd. ("Sanyi"), Home Bridge Overseas Limited (which has been renamed as "Homekiu Overseas Holdings Limited", hereinafter referred to as "Homekiu") and Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua") undertook to the Company on February 8, 2002 that, so long as they remain substantial shareholders of the Company, they will not, and will procure all companies they control not to engage in or develop any business competing or potentially competing with the main business or key products of the Company, including investment in, mergers and acquisitions of any companies, entities or economic organizations engaged in the same or similar main business or primarily manufacturing the same or similar products (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 2021, 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, 2021; (2) no new competing business was reported by such substantial shareholders in 2021; (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, 2021.

## II. 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".



## Section VIII Significant Events

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

Unit: '0,000 Currency: RMB

	<b>Current appointment</b>
Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
Remuneration of the domestic accounting firm	458
Term of audit of the domestic accounting firm	20
Name of the overseas accounting firm	PricewaterhouseCoopers
Remuneration of the overseas accounting firm	107
Term of audit of the overseas accounting firm	7

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

*Note:* Save for the above, in 2021, the Company did not incur non-audit business expenses such as consulting fees and due diligence fees paid to auditors PricewaterhouseCoopers. 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.

### IV. MATERIAL LITIGATION AND ARBITRATION

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

### V. THE CREDIT STANDING OF THE COMPANY, ITS CONTROLLING SHAREHOLDER 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 shareholder and de facto controller.



## Section VIII Significant Events

### VI. 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 (as defined in the Hong Kong Listing Rules) with Global Cosmos German Limited and Fujian Yaohua Industrial Village Development Co., Ltd., or entered into agreements in respect of relevant transactions :

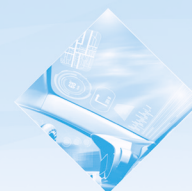
- (1) On October 25, 2017, in order to satisfy the production needs of Fuyao Europe GmbH, a wholly-owned subsidiary of the Company, and to secure the long-term stability of the lease, Fuyao Europe GmbH entered into a lease agreement with Global Cosmos German Limited on October 25, 2017, pursuant to which Fuyao Europe GmbH shall lease the standard production plant located at OhmStrasse 1, 74211 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, 2021, 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 2021	Consolidated transaction amount in 2021
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	€3.13 million	€2.6244 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 2021 was exclusive of tax of €0.4986 million.



## Section VIII 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, 2021, 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 2021	Consolidated transaction amount in 2021
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 million	RMB28.5091 million

*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.

The independent non-executive directors of the Company have reviewed the above two non-exempt continuing connected transactions conducted in 2021 and confirmed that the connected transactions were:

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



## Section VIII Significant Events

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 2021 from PricewaterhouseCoopers, the auditor of the Company, confirming with respect to the continuing connected transactions as at December 31, 2021 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.

### (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.

#### 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>).



## Section VIII Significant Events

### Description of the matter

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2021, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2021 and 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 were considered and approved at the seventeenth meeting of the ninth session of the Board of Directors of the Company convened on October 29, 2020.

The Resolution in Relation to the Projected Daily Connected Transactions between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. for the Year 2022, the Resolution in Relation to the Projected Daily Connected Transactions between the Company and Jinken Glass Industry Shuangliao Co., Ltd. for the Year 2022 and 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 2022 were considered and approved at the seventh meeting of the tenth session of the Board of Directors of the Company convened on October 28, 2021.

### Inquiry index

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 30, 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>).

For details, please refer to the Announcement on the Daily Connected Transactions of Fuyao Glass Industry Group Co., Ltd. dated October 29, 2021 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>).



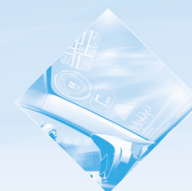


## Section VIII Significant Events

### 2. Matters disclosed in provisional announcements with subsequent development or changes during implementation

The Resolution in Relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company was considered and approved at the seventh meeting of the ninth session of the Board of Directors of the Company convened on October 25, 2018. The Company has leased the warehouse on underground floor 1, staff cafeteria and clubs and staff dormitory of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 150,140.54 square meters from Yaohua Industrial Village Development Co., Ltd. at a monthly rent of RMB2,402,248.64, amounting to an annual rent of RMB28,826,983.68. The term of the lease is three years from January 1, 2019 to December 31, 2021. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Leasing of Property by the Company dated October 26, 2018 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and on the website of the SSE (<http://www.sse.com.cn>), and the Announcement on Renewal of the Continuing Connected Transaction under the Lease Contract dated October 26, 2018 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).

In view of the fact that the original lease contract would expire on December 31, 2021, the Resolution in Relation to the Lease of Properties from Fujian Yaohua Industrial Village Development Co., Ltd. by the Company was considered and approved at the seventh meeting of the tenth session of the Board of Directors of the Company convened on October 28, 2021. The Company has leased the logistics facilities such as staff dormitory and staff cafeteria and training centers of Districts I and II of Fuyao Industrial Zone and the standard manufacturing plant of District I of Fuyao Industrial Zone located at Honglu Town, Fuqing, Fujian Province with a total area of 158,325.65 square meters from Yaohua Industrial Village Development Co., Ltd. at a monthly rent of RMB2,770,698.88, amounting to an annual rent of RMB33,248,386.50. The term of the lease is three years from January 1, 2022 to December 31, 2024. For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. on Connected Transaction in Relation to Leasing of Property by the Company dated October 29, 2021 as published on the Shanghai Securities News, the China Securities Journal, the Securities Times, Securities Daily and on the website of the SSE (<http://www.sse.com.cn>), and the Announcement on Renewal of the Continuing Connected Transaction under the Lease Contract dated October 29, 2021 as published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>).



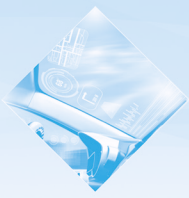
## Section VIII Significant Events

Connected transactions in relation to the daily operations in 2021 are as below (disclosed in the interim announcements):

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 2021	Actual amounts in 2021	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	Procurement of raw and auxiliary materials	Market price	12,000.00	8,097.43	23.42	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Purchase of goods	Procurement of raw and auxiliary materials	Market price	25,000.00	26,475.97	76.58	60 days upon the invoice date
Tri-Wall Packaging (Fuzhou) Co., Ltd.	Joint venture	Sale of goods	Sale of raw and auxiliary materials	Market price	20.00	0	0	
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of raw and auxiliary materials	Market price	500.00	215.76	100	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	131.89	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	257.92	84.02	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	49.07	15.98	30 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 reasonable profits	600.00	512.01	99.88	Settled in the month following invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Acceptance of labor services from connected persons	Acceptance of labor services	Market price	5.00	0.61	0.12	30 days upon the invoice date
Jinken Glass Industry Shuangliao Co., Ltd.	Associate	Other inflows	Revenue from iron frame leasing	Market price	50.00	6.54	100	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	56.31	Payment before June 30
Global Cosmos German Limited	Others	Other outflows	Leasehold property	Market price	2,385.80	2,000.38	39.51	Payment before June 30
Total					<u>43,953.50</u>	<u>40,598.49</u>		

*Note:* The actual amounts for the purchase of raw and auxiliary materials incurred between the Company and Jinken Glass Industry Shuangliao Co., Ltd. and sale of water and electricity incurred between the Company and Tri-Wall Packaging (Fuzhou) Co., Ltd. in 2021 exceed the estimated amount of the whole year, but since the exceeded amounts are relatively small, such excess amounts 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 Articles of Association.



## Section VIII Significant Events

### 3. Events not disclosed in interim announcements

Unit: '0,000 Currency: RMB

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Amounts of the connected transaction	Percentage of amount of the same type of transactions (%)	Settlement method of connected transaction
Jinke Glass Industry Shuangliao Co., Ltd.	Associate	Sale of goods	Sale of equipment	Market price	69.82	100	30 days upon the invoice date
Jinke Glass Industry Shuangliao Co., Ltd.	Associate	Other outflows	Expenditure on leasing of iron frame	Market price	8.10	100	30 days upon the invoice date
Fujian Triplex Auto Parts Development Co., Ltd.	Others	Renting in and renting out	Leasehold property	Market price	212.00	4.18	settled the rent of the current month on the 1st day of each month
Total				/	<u>289.92</u>	/	

Note to the connected transaction: As the amounts of the transactions conducted between the Company, Jinken Glass Industry Shuangliao Co., Ltd., and Fujian Triplex Auto Parts Development 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; these transactions will constitute de minimis transactions under Rule 14A.76 of the Hong Kong Listing Rules and are fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

Note: The Group leased part of its factory buildings located in Xilou Village, Yinxi Street, Fuqing City, Fujian Province from Fujian Triplex Auto Parts Development Co., Ltd. controlled by Mr. Tso Fai, the vice chairman of the Company. The total leased area is 20,000 square meters with five-year lease term from July 1, 2021 to June 30, 2026, with a two-month rent-free period. The monthly rent excluding VAT in the first three years is RMB500,000, and the monthly rent increases by 4% from the fourth year. The property management fee (including sanitation management fee) is RMB1.50/month per square meter.

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

#### 1. Matters disclosed in interim 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



## Section VIII Significant Events

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. 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 Term 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>).

In the first half of 2021, 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, on June 17, 2021, the Board of Directors of the Company agreed to extend the loan term of the above-mentioned related loans to August 31, 2023 after being considered and approved by the fifth meeting of the tenth session of the Board of Directors of the Company. Meanwhile, the loan interest rate is fixed at 3.85% of the loan market quoted interest rate (LPR) announced by the National Interbank Funding Center authorized by the People's Bank of China.

For details, please refer to the Announcement of Fuyao Glass Industry Group Co., Ltd. in Relation to Extension of Related Loan Repayment Term dated June 18, 2021 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 RMB145.10 million.



## Section VIII Significant Events

### VII. MATERIAL CONTRACTS AND THE IMPLEMENTATION THEREOF

#### (I) Guarantee

Unit: '0,000 Currency: RMB

<b>External guarantees of the Company (excluding guarantees to subsidiaries)</b>	
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
<b>Guarantees of the Company and its subsidiaries to subsidiaries</b>	
Total amount of the guarantees to subsidiaries during the Reporting Period	35,066.35
Balance of the total amount of the guarantees to subsidiaries at the end of the Reporting Period (B)	41,442.05
<b>Total amount of guarantees of the Company (including guarantees to subsidiaries)</b>	
Total amount of guarantees (A+B)	41,442.05
Total amount of guarantees as a percentage of the net assets of the Company (%)	1.58
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 exchange rate announced by the People's Bank of China on December 31, 2021

#### (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 wealth-management products	Self-owned resources	30,000	0	0



# Section IX Changes in Shares and Information of Shareholders

## I. CHANGES IN SHARE CAPITAL

### (I) Changes in shares

#### 1. Changes in shares

Unit : Share

	Before this change		New shares issued	Increase/decrease after this change (+, -)				After this change	
	Number	Percentage (%)		Bonus shares	Shares converted from reserves	Others	Sub-total	Number	Percentage (%)
I. Shares held with selling restrictions									
1. State-owned shares									
2. State-owned legal person shares									
3. Other shares held by domestic investors									
Including: Shares held by domestic non-state-owned legal person									
Shares held by domestic natural person									
4. Shares held by foreign investors									
Including: Shares held by overseas legal person									
Shares held by overseas natural person									
II. Tradable shares held without selling restrictions	2,508,617,532	100	101,126,000				101,126,000	2,609,743,532	100
1. RMB ordinary shares	2,002,986,332	79.84						2,002,986,332	76.75
2. Domestic listed foreign shares									
3. Overseas listed foreign shares	505,631,200	20.16	101,126,000				101,126,000	606,757,200	23.25
4. Others									
III. Total number of shares	2,508,617,532	100	101,126,000				101,126,000	2,609,743,532	100



## Section IX Changes in Shares and Information of Shareholders

### 2. Explanations on changes in shares

In order to expand the investor base of H shares of the Company and optimize its capital structure, etc., on February 26, 2021, the Company held the 2021 second extraordinary general meeting, the 2021 first A share class meeting and the 2021 first H share class meeting, at which the Resolution on the Plan for the Issuance of H Shares by the Company was considered and approved. On April 29, 2021, the Company received the Reply on the Approval for the Issuance of Additional Overseas Listed Foreign Shares by Fuyao Glass Industry Group Co., Ltd. (Zheng Jian Xu Ke [2021] No. 1495), approving the issuance of not more than 101,126,240 additional overseas listed foreign shares (H shares) by the Company. On May 10, 2021, 101,126,000 H shares were successfully allotted and issued by the Company with a par value of RMB1 each and at the placing price of HKD42.90 per share, representing a discount of approximately 4.98% to the closing price of HKD45.15 per share as quoted on the Hong Kong Stock Exchange on April 30, 2021, being the last trading day immediately prior to the date of the placing agreement. After deducting underwriting fees and other issuance expenses (translated based on the exchange rate announced by the People's Bank of China on May 10, 2021 (stock delivery date)), the net proceeds from the placing were HKD4,312.78 million, and the net issue price per placing share was approximately HKD42.65. Upon completion of the placing, the total number of shares of the Company changed from 2,508,617,532 to 2,609,743,532.

For details, please refer to the Announcement on Resolutions of the 2021 Second Extraordinary General Meeting, the 2021 First A Share Class Meeting and the 2021 First H Share Class Meeting of Fuyao Glass Industry Group Co., Ltd., the Announcement in relation to Approval from the CSRC of the Application for the Issuance of Additional Overseas Listed Foreign Shares (H Shares) of Fuyao Glass Industry Group Co., Ltd., the Announcement on Completion of Placing of Overseas Listed Foreign Shares (H Shares) of Fuyao Glass Industry Group Co., Ltd. dated February 27, 2021, April 30, 2021 and May 11, 2021, respectively, published on the Shanghai Securities News, the China Securities Journal, the Securities Times, and the website of the SSE (<http://www.sse.com.cn>) and the Poll Results of the 2021 Second Extraordinary General Meeting and the 2021 First A Share and H Share Class Meetings, the Approval by the CSRC of the Application for the Proposed Issuance of Additional H Shares under Specific Mandate, the Placing of New H Shares under Specific Mandate, the Completion of Placing of New H Shares under Specific Mandate dated February 27, 2021, April 30, 2021, May 2, 2021 and May 10, 2021, respectively, published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) by the Company.

### 3. Impact of share changes on financial indicators such as earnings per share and net assets per share in the latest year and period (If any)

During the Reporting Period, the Company successfully allotted and issued 101,126,000 H Shares, representing an increase in the total share capital of the Company from 2,508,617,532 shares to 2,609,743,532 shares. As a result of the above changes in share capital, the earnings per share and net assets per share attributable to the owners of the Company for 2021 were diluted. If the calculation is based on the total share capital of 2,508,617,532 shares before changes in share capital, the earnings per share and the net assets per share are RMB1.25 and RMB10.49 respectively for 2021, and if the calculation is based on the new share capital of 2,609,743,532 shares after changes in share capital, the earnings per share and the net assets per share are RMB1.21 and RMB10.08, respectively for 2021.



## Section IX Changes in Shares and Information of Shareholders

### II. ISSUE AND LISTING OF SECURITIES

#### (I) Issue of securities during the Reporting Period

Unit : Share Currency: HK \$

Class of shares and their derivative securities	Issue date	Issue price (or Interest rate)	number of shares issued	Listing date	Number of shares permitted to be listed and traded	Transaction termination date
Class of ordinary shares Overseas listed foreign shares (H shares)	April 30, 2021	42.90	101,126,000	May 10, 2021	101,126,000	

Explanations on the issue of securities during the Reporting Period (for the bonds with different interest rates in the duration period, please explain separately):

Details of the H shares before and after the issue and allotment are set out in "2. Explanations on Changes in Shares" in "I. Changes in Share Capital".

#### (II) CHANGES IN THE TOTAL NUMBER OF SHARES AND SHAREHOLDER STRUCTURE OF THE COMPANY AND CHANGES IN THE STRUCTURE OF ASSETS AND LIABILITIES OF THE COMPANY

There has been no change in the de facto controller of the Company before and after the issue and allotment of H shares. The changes in the total number of share capital, assets and liabilities structure of the Company before and after the allotment of H Shares are as follows:

- Changes in indicators before and after the issue and allotment of H shares on May 10, 2021:

Indicators	Before the allotment (April 30, 2021)	After the allotment (May 31, 2021)	Changes	Change ratio (%)
Total share capital (share)	2,508,617,532	2,609,743,532	101,126,000	4.03
Total assets (RMB'00 million)	403.08	439.44	36.36	9.02
Net assets attributable to shareholders of the listed company (RMB'00 million)	226.64	263.95	37.31	16.46
Gearing ratio (%)	43.79	39.95	-3.84	-8.76

### III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

#### (I) Total number of shareholders

As at December 31, 2021, the total number of shareholders of the Company was 176,469, of which, 176,425 were holders of A shares and 44 were holders of H shares.

Total number of shareholders of ordinary shares as at the end of the Reporting Period	176,469
Total number of shareholders of ordinary shares as at the end of the month preceding the day when the annual report was disclosed	178,493
Total number of shareholders of preference shares with voting rights restored as at the end of the Reporting Period	0
Total number of shareholders of preference shares with voting rights restored as at the end of the month preceding the day when the annual report was disclosed	0



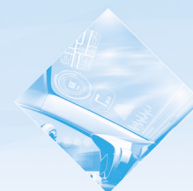


## Section IX Changes in Shares and Information of Shareholders

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

Unit: Share

Name of shareholder (Full name)	Increase/ decrease during the Reporting Period	Particulars of top 10 shareholders			Pledged, tagged or moratorium Status of shares		Nature of shareholders
		Shareholding at the end of the Reporting Period	Percentage (%)	Number of shares held with selling restrictions	Number		
HKSCC NOMINEES LIMITED (Note)	104,127,600	595,874,359	22.83		Unknown	Unknown Overseas legal person	
Sanyi Development Limited	0	390,578,816	14.97		Nil		
Hong Kong Securities Clearing Company Limited	35,163,600	204,962,859	7.85		Unknown	Unknown Domestic non- state-owned legal person	
Heren Charitable Foundation	-31,800,196	189,288,888	7.25		Nil		
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)	18,050,488	45,104,281	1.73		Unknown	Unknown	
Bai Yongli	0	34,653,315	1.33		Unknown	Unknown	
China Securities Finance Corporation Limited	-10	28,095,485	1.08		Unknown	Unknown Domestic non- state-owned legal person	
Fujian Yaohua Industrial Village Development Co., Ltd.	-10,199,942	24,077,800	0.92		Nil		
Li Haiqing	-10,100	21,922,059	0.84		Unknown	Unknown	
Li Fuqing	0	20,561,966	0.79		Unknown	Unknown	



## Section IX Changes in Shares and Information of Shareholders

Name of shareholder	Shareholding of the top ten shareholders not subject to selling restrictions	
	Number of tradable shares held without selling restrictions	Type and number of shares
		Type Number
HKSCC NOMINEES LIMITED (Note)	595,874,359	Overseas listed foreign shares 595,874,359
Sanyi Development Limited	390,578,816	Ordinary shares denominated in RMB 390,578,816
Hong Kong Securities Clearing Company Limited	204,962,859	Ordinary shares denominated in RMB 204,962,859
Heren Charitable Foundation	189,288,888	Ordinary shares denominated in RMB 189,288,888
Agricultural Bank of China Co., Ltd. – E Fund Consumer Industry Equity Securities Investment Fund (易方達消費行業股票型證券投資基金)	45,104,281	Ordinary shares denominated in RMB 45,104,281
Bai Yongli	34,653,315	Ordinary shares denominated in RMB 34,653,315
China Securities Finance Corporation Limited	28,095,485	Ordinary shares denominated in RMB 28,095,485
Fujian Yaohua Industrial Village Development Co., Ltd.	24,077,800	Ordinary shares denominated in RMB 24,077,800
Li Haiqing	21,922,059	Ordinary shares denominated in RMB 21,922,059
Li Fuqing	20,561,966	Ordinary shares denominated in RMB 20,561,966
Explanations on the repurchase special account among top 10 shareholders		Nil
Explanations on the voting rights entrusted by or to or waived by the above shareholders		Nil

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 Governing Acquisitions by 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 IX Changes in 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, 2021, 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>(5)</sup> (%)	Percentage of total issued share capital of the Company <sup>(5)</sup> (%)	Class of shares
Cho Tak Wong (an executive director and the chairman) <sup>(1)</sup>	Beneficial owner/spouse interest/ interest of controlled corporation	414,971,444(L)	20.72(L)	15.90(L)	A share
Tso Fai (an executive director and the vice chairman) <sup>(2)</sup>	Interest of controlled corporation	12,086,605(L)	0.60(L)	0.46(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 24,077,800 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, 2021.
- (4) (L) – long position.

Save as disclosed above, as at December 31, 2021, 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 IX Changes in Shares and Information of Shareholders

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

As at December 31, 2021, 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	414,971,444(L)	20.72(L)	15.90(L)	A share
Sanyi Development Limited	Beneficial owner	390,578,816(L)	19.50(L)	14.97(L)	A share
Heren Charitable Foundation	Beneficial owner	189,288,888(L)	9.45(L)	7.25(L)	A share
BlackRock, Inc. <sup>(2)</sup>	Interest of controlled corporation	31,455,033(L)	5.18(L)	1.20(L)	H share
Citigroup Inc. <sup>(3)</sup>	Secured equity holders/interest of controlled corporation/ approved lending agents	1,283,600(S)	0.21(S)	0.05(S)	H share
		52,192,505(L)	8.60(L)	2.00(L)	
		1,568,600(S)	0.25(S)	0.06(S)	
48,626,207(P)	8.01(P)	1.86(P)			
Harding Loevner LP	Investment manager	36,075,100(L)	5.95(L)	1.38(L)	H share
JPMorgan Chase & Co. <sup>(4)</sup>	Interest of controlled corporation/ investment manager/secured equity holders/approved lending agent	66,798,022(L)	11.00(L)	2.56(L)	H share
		2,479,016(S)	0.40(S)	0.09(S)	
		9,386,183(P)	1.54(P)	0.36(P)	

*Notes:*

- (1) Ms. Chan Fung Ying indirectly holds 24,077,800 A shares (L) through Fujian Yaohua Industrial Village Development Co., Ltd. ("Yaohua"). In addition, she was deemed to be interested in 390,893,644 A shares (L) held by her spouse, Mr. Cho Tak Wong.
- (2) BlackRock, Inc. holds 31,455,033 H shares (L) and 1,283,600 H shares (S) of the Company through several controlled entities, of which, 495,600 H shares (L) and 604,400 H shares (S) were related to the listed derivatives – cash settled.
- (3) Citibank, N.A., Citigroup Global Markets Limited and Citibank (Switzerland) AG, the entities controlled by Citigroup Inc., held 52,192,505 H shares (L), 1,568,600 H shares (S) and 48,626,207 H shares (P) of the Company in aggregate.
- (4) JPMorgan Chase & Co. holds 66,798,022 H shares (L), 2,479,016 H shares (S) and 9,386,183 H shares (P) of the Company through several controlled entities, of which, 560,369 H shares (S) were related to the listed derivatives – entity settled, and 572,400 H shares (L) and 1,293,011 H shares (S) were related to the listed derivatives – cash settled.
- (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, 2021.
- (6) (L)—long position, (S)—short position, (P)—lending pool.

Save as disclosed above, as at December 31, 2021, 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 IX Changes in Shares and Information of Shareholders

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

#### (I) Controlling Shareholder

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

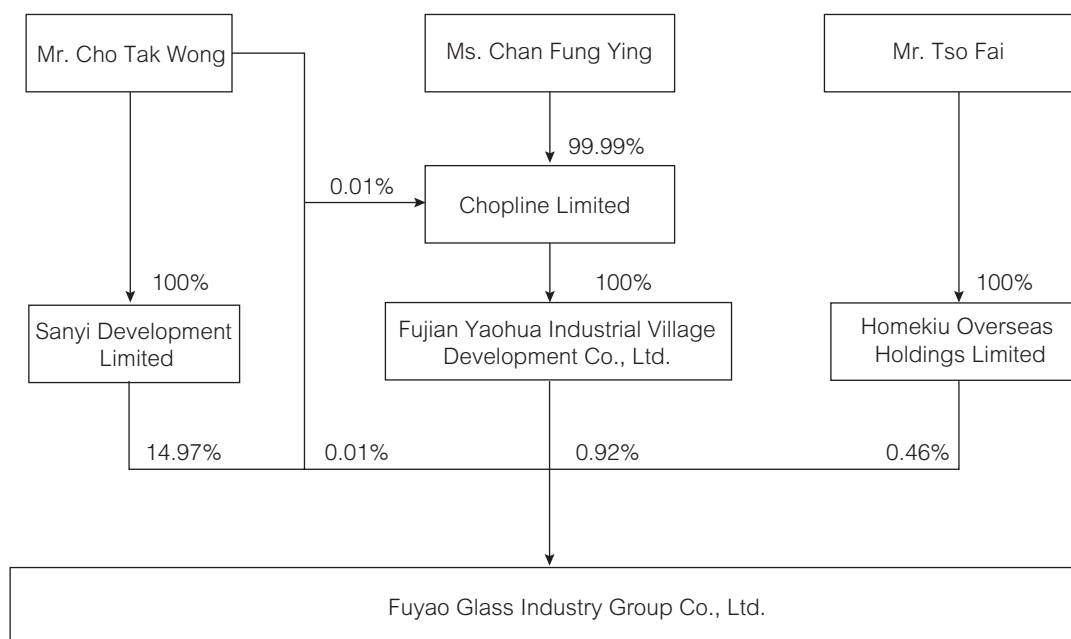
#### (II) De facto controller

1	Natural person	
	Name	Cho Tak Wong
	Nationality	Hong Kong, China
	Having acquired rights of residence in other countries or areas or not	No
	Principal job and position	Mr. Cho Tak Wong has served as an executive director and the chairman of the Board of Directors since August 1999. Mr. Cho Tak Wong is also one of the major founders, operators and investors of the Company. Mr. Cho Tak Wong currently also serves as a director of a majority of subsidiaries of the Company and holds certain positions in many organizations, including as an honorary president of the China Federation of Overseas Chinese Entrepreneurs, an honorary president and a member 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 and serves as the first president of Heren Charitable Foundation.
	Shareholding in companies listed domestically or overseas in the past 10 years	Nil



## Section IX Changes in Shares and Information of Shareholders

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



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

Unit: Yuan Currency: RMB

Name of legal person shareholder	Person-in-charge or legal representative	Date of establishment	Code of organization	Registered capital	Principal operations or management activities, etc
HKSCC NOMINEES LIMITED	N/A	May 14, 1991	N/A	N/A	Acting as a share agent in the CCASS Securities Depository

Explanation 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 X Relevant Information on Bonds

## I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

### (I) Debt Financing Instruments of Non-financial Enterprises in Inter-bank Bond Market

#### 1. Basic information of debt financing instruments of non-financial enterprises

Unit: '0,000 Currency: RMB

Name of bonds	Short name	Code	Issue date	Value date	Maturity date	Balance of bonds	Interest rate (%)	Payment of Principal and interest	Trading place	Trading mechanism	Whether there is a risk of termination of listing for trading
First tranche of 2020 medium-term notes of Fuyao Glass Industry Group Co., Ltd. (pandemic prevention and control bonds)	20 Fuyao (pandemic prevention and control bonds) MTN001	102000118	February 13, 2020	February 17, 2020	February 17, 2023	60,000	3.19	Interest will be payable annually and the principal will be repaid in a lump sum upon maturity	Inter-bank bond market Listing for trading	Listing for trading	No
Second tranche of 2020 medium-term notes of Fuyao Glass Industry Group Co., Ltd.	20 Fuyao Glass MTN002	102000763	April 20, 2020	April 22, 2020	April 22, 2023	60,000	2.75	Interest will be payable annually and the principal will be repaid in a lump sum upon maturity	Inter-bank bond market Listing for trading	Listing for trading	No
First tranche of 2020 super & short-term commercial papers of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP001	012280609	February 17, 2022	February 21, 2022	August 20, 2022	40,000	2.35	One-off principal and interest payment at maturity	Inter-bank bond market	Listed and traded	No
Second tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP002	012280774	March 1, 2022	March 3, 2022	August 26, 2022	30,000	2.27	One-off principal and interest payment at maturity	The inter-bank bond market	Listing for trading	No
Third tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	22 Fuyao Glass SCP003	012280849	March 4, 2022	March 7, 2022	September 2, 2022	29,300	2.25	One-off principal and interest payment at maturity	The inter-bank bond market	Listing for trading	No



## Section X Relevant Information on Bonds

Payment of interest of bonds during the Reporting Period

Name of bonds	Explanations of the payment of interest
Fifth tranche of 2020 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
First tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd. (high-growth bonds)	Completed payment of interest
Second tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Third tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Fourth tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Fifth tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest
Sixth tranche of 2021 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	Completed payment of interest

### 2. Intermediaries providing services for bond issuance and business in duration period

Name of intermediaries	Office address	Name of signing auditors	Contact persons	Telephone no.
China Chengxin International Credit Rating Co.,Ltd.	Building 5, Galaxy SOHO, No.2 Nanzhuganhutong,Chaoyangmennei Avenue, Dongcheng District,Beijing, 100010, the PRC	N/A	Yang Longxiang (楊龍翔)	010-66428877
ZENITH LAW FIRM	25/F, Block A Zhongshan Building, No. 152 Hudong Road, Fuzhou,the PRC	N/A	Jiang Hao (蔣浩)	0591-88065558





## Section X Relevant Information on Bonds

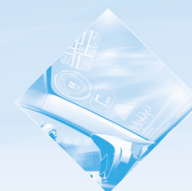
### 3. Use of Proceeds at the end of the Reporting Period

Unit: '0,000 Currency: RMB

Name of bonds	Total proceeds	Amount utilized	Unutilized amount	The operating condition of the special account for the proceeds (if any)	Rectification of use of Proceeds (if any)	Whether the use of proceeds is in compliance with the use, plan and other undertakings made in the prospectus
First tranche of 2020 medium-term notes of Fuyao Glass Industry Group Co., Ltd. (pandemic prevention and control bonds)	60,000	60,000	0	Nil	Nil	Yes
Second tranche of 2020 medium-term notes of Fuyao Glass Industry Group Co., Ltd.	60,000	60,000	0	Nil	Nil	Yes
First tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	40,000	40,000	0	Nil	Nil	Yes
Second tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	30,000	30,000	0	Nil	Nil	Yes
Third tranche of 2022 ultra short-term financing bonds of Fuyao Glass Industry Group Co., Ltd.	29,300	29,300	0	Nil	Nil	Yes

### 4. Note to credit rating results

For details of relevant follow-up rating report, please refer to the 2021 Follow-up Rating Report of Fuyao Glass Industry Group Co., Ltd. dated June 29, 2021 as published on the websites of China Money (<http://www.chinamoney.com.cn>) and Shanghai Clearing House (<http://www.shclearing.com>).



## Section X Relevant Information on Bonds

### 5. Implementation of and changes in guarantee, debt repayment plan and other repayment assurance measures during the Reporting Period and their impacts

#### (1) Guarantee

There was no guarantee involved in the debt financing instruments issued by the Company in the inter-bank bond market.

#### (2) Implementation of debt repayment plan of debt financing instruments

After the issuance of the debt financing instruments by the Company in the inter-bank bond market, the Company further strengthened the operation management and fund management according to the debt structure, and guaranteed sufficient funds were prepared promptly for the payment of annual interest and matured principal, so as to fully protect the interests of qualified investors.

During the Reporting Period, the Company, on a consolidated basis, realized operating revenue of RMB23,603.063 million, representing an increase of 18.57% as compared with the corresponding period last year; realized profit before income tax of RMB3,818.327 million, representing an increase of 22.81% as compared with the corresponding period last year; realized profit attributable to owners of the Company of RMB3,145.652 million, representing an increase of 20.98% as compared with the corresponding period last year; and realized earnings per share of RMB1.23, representing an increase of 18.27% as compared with the corresponding period last year.

Profit before tax for the Reporting Period increased by 22.81% as compared with the corresponding period last year. In particular, foreign exchange loss for the Reporting Period amounted to RMB528.006 million, as compared with foreign exchange loss of RMB422.468 million for the corresponding period last year. Eliminating the effects of exchange gains and losses, profit before income tax for the Reporting Period increased by 23.07% as compared with the corresponding period last year.

During the Reporting Period, the net cash generated from operating activities of the Company amounted to RMB5,490.396 million, representing a year-on-year increase of 13.22%.

#### (3) Implementation of repayment assurance measures

The Company formulated the following four repayment assurance measures for the debt financing instruments: strictly using the proceeds raised for the purpose of fundraising, designating special persons for the repayment of the debt financing instruments, formulating rules for the bondholders' meeting, and making strict information disclosure.



## Section X Relevant Information on Bonds

### (II) Accounting data and financial indicators for the last two years as at the end of the Reporting Period (prepared in accordance with the China Accounting Standards for Business Enterprises)

Unit: Yuan Currency: RMB

Main indicators	2021	2020	Increase/ decrease for the Reporting Period as compared with the corresponding period last year	Reason for changes
Annual profit after deducting non-recurring profit or loss	<b>2,815,935,759</b>	2,303,990,333	22.22	It was mainly due to the increase in profit before tax during the Reporting Period.
Current ratio <sup>(1)</sup>	<b>1.68</b>	1.53	9.80	
Quick ratio <sup>(2)</sup>	<b>1.38</b>	1.26	9.52	
Gearing ratio (%) <sup>(3)</sup>	<b>41.29</b>	43.81	-2.52	
Total debt to EBITDA ratio <sup>(4)</sup>	<b>0.50</b>	0.49	2.04	
Interest coverage ratio <sup>(5)</sup>	<b>12.72</b>	9.42	35.03	
Cash interest coverage ratio <sup>(6)</sup>	<b>20.43</b>	18.20	12.25	
EBITDA interest coverage ratio <sup>(7)</sup>	<b>19.65</b>	15.52	26.61	
Loan repayment ratio (%) <sup>(8)</sup>	<b>100</b>	100	0	
Interest repayment ratio (%) <sup>(9)</sup>	<b>100</b>	100	0	

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets – inventories)/current liabilities

(3) Gearing ratio = (total liabilities/total assets) × 100%

(4) Total debt to EBITDA ratio = EBITDA/total debts, in particular, total debts = long-term borrowings + bonds payable + short-term borrowings + financial liabilities at fair value through profit or loss + notes payable + short-term bonds payable (other current liabilities) + non-current liabilities due within one year + lease liabilities + long-term payables

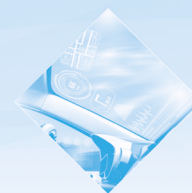
(5) Interest coverage ratio = profit before interest and tax/(interest expenses recognized in finance costs + capitalized interest expenses)

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

(7) EBITDA interest coverage ratio = EBITDA/(interest expenses recognized in finance costs + capitalized interest expenses)

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

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



# 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"), which are set out on pages 126 to 222, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

#### 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 2021, 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 2021, revenue from sales to China and overseas OEM customers amounted to RMB17,250 million, which represented approximately 73% 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 overseas OEM customers is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance. Revenue from sales to other customers, including 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.

The focus on the revenue from sales to China and overseas OEM customers is due to its large volume, large number of customers involved with goods distributed to many different areas. The amount of sales to China and overseas OEM customers recognised has a significant impact on the consolidated financial statements. Therefore, we need to deploy significant audit resources to execute the necessary audit procedures.

#### 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.

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.

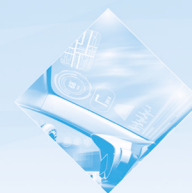
We conducted testing of revenue related to sales to China OEM customers, using sampling techniques, by examining the relevant supporting documents including terms of control transfer in the sales contracts and customers' acceptance documents.

We conducted testing of revenue related to sales to overseas OEM customers, using sampling techniques, by examining the relevant supporting documents including sales orders, receipts and customs declaration forms.

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 considered that the revenue recognition of sales to China and overseas OEM customers can be supported by the audit evidence we have obtained.



## 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, 17 March 2022



# Section XI Financial Report

## CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		As at 31 December	
	Note	2021 RMB'000	2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	16,990,990	17,114,921
Right-of-use assets	7	595,393	607,069
Land use rights	8	995,398	1,020,870
Intangible assets	9	338,612	347,475
Investments in a joint venture	10	43,478	42,205
Investments in associates	10	185,346	164,544
Financial assets at fair value through other comprehensive income	16	69,321	58,000
Deferred income tax assets	11	432,929	520,610
Other non-current assets	13	461,516	–
		<b>20,112,983</b>	19,875,694
<b>Current assets</b>			
Inventories	12	4,327,048	3,280,990
Trade and other receivables	13	4,908,366	4,866,762
Financial assets at fair value through profit or loss	16	6,320	300,288
Financial assets at fair value through other comprehensive income	16	1,114,012	1,301,612
Restricted cash	14	2,034	2,034
Cash and cash equivalents	14	14,325,322	8,807,952
		<b>24,683,102</b>	18,559,638
<b>Total assets</b>		<b>44,796,085</b>	38,435,332
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	17	2,609,744	2,508,618
Share premium	18	9,680,392	6,202,553
Other reserves	18	2,770,394	2,577,798
Retained earnings	18	11,256,678	10,317,255
		<b>26,317,208</b>	21,606,224
<b>Non-controlling interests</b>		<b>(11,912)</b>	(3,610)
<b>Total equity</b>		<b>26,305,296</b>	21,602,614





# Section XI Financial Report

## CONSOLIDATED BALANCE SHEET

As at 31 December 2021

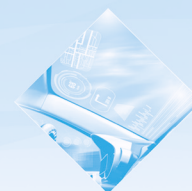
		As at 31 December	
	Note	2021 RMB'000	2020 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	19	2,337,718	3,183,785
Lease liabilities	7	507,683	510,511
Long-term payables	20	69,424	75,695
Deferred income tax liabilities	11	179,500	195,685
Deferred income on government grants	21	677,683	735,790
		<b>3,772,008</b>	4,701,466
<b>Current liabilities</b>			
Trade and other payables	22	5,248,131	4,421,923
Contract liabilities	23	863,737	756,282
Current income tax liabilities		246,668	212,758
Borrowings	19	8,250,722	6,645,938
Derivative financial instruments	16	–	795
Current portion of lease liabilities	7	104,797	89,766
Current portion of long-term payables	20	4,726	3,790
		<b>14,718,781</b>	12,131,252
<b>Total liabilities</b>		<b>18,490,789</b>	16,832,718
<b>Total equity and liabilities</b>		<b>44,796,085</b>	38,435,332

The notes on pages 132 to 222 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 126 to 222 were approved by the Board of Directors on 17 March 2022 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 2021

		Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
		(Restated, note 2.2)	
Note			
	<b>Revenue</b>	24	23,603,063
	Cost of sales	24,27	(15,352,658)
	<b>Gross profit</b>		8,250,405
	Selling expenses	27	(1,150,992)
	Administrative expenses	27	(1,953,523)
	Research and development expenses	27	(997,203)
	Net impairment losses on financial assets	3.1	(5,436)
	Other income	25	242,338
	Other losses – net	26	(444,134)
	<b>Operating profit</b>		3,941,455
	Finance income	29	168,838
	Finance costs	29	(318,941)
	<b>Finance costs – net</b>		(150,103)
	Share of net profit of joint venture and associate accounted for using the equity method	10	26,975
	<b>Profit before income tax</b>		3,818,327
	Income tax expense	30	(675,861)
	<b>Profit for the year</b>		3,142,466
	<b>Profit is attributable to:</b>		
	Owners of the Company		3,145,652
	Non-controlling interests		(3,186)
	<b>Profit for the year</b>		3,142,466
	<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	1.23
			1.04

The notes on pages 132 to 222 are an integral part of these consolidated financial statements.



## Section XI Financial Report

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
		<b>3,142,466</b>	2,597,920
<b>Profit for the year</b>			
<b>Other comprehensive loss:</b>			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	18	(56,325)	(494,995)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(56,325)</b>	(494,995)
<b>Total comprehensive income for the year</b>		<b>3,086,141</b>	2,102,925
<b>Total comprehensive income is attributable to:</b>			
Owners of the Company		3,089,327	2,105,250
Non-controlling interests		(3,186)	(2,325)
<b>Total comprehensive income for the year</b>		<b>3,086,141</b>	2,102,925

The notes on pages 132 to 222 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 2021

Note	Attributable to owners of the Company				Total RMB'000	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)			
<b>Total equity at 1 January 2020</b>	2,508,618	6,202,553	2,830,500	9,840,932	21,382,603	(1,285)	21,381,318
<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>
<b>Total equity at 1 January 2021</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>
<b>Comprehensive income:</b>							
Profit for the year	-	-	-	3,145,652	3,145,652	(3,186)	3,142,466
<b>Other comprehensive income:</b>							
Currency translation differences	-	-	(56,325)	-	(56,325)	-	(56,325)
<b>Total comprehensive income</b>	-	-	(56,325)	3,145,652	3,089,327	(3,186)	3,086,141
<b>Investment and reduction of capital by shareholders</b>							
Issuance of ordinary shares	17,18	101,126	3,477,839	-	3,578,965	-	3,578,965
<b>Total transaction with equity holders:</b>							
Dividends relating to 2020	32	-	-	(1,957,308)	(1,957,308)	-	(1,957,308)
<b>Total transaction with equity holders, recognised directly in equity</b>							
		-	-	(1,957,308)	(1,957,308)	-	(1,957,308)
Appropriation to statutory reserve	18	-	-	248,921	(248,921)	-	-
Others		-	-	-	-	(5,116)	(5,116)
<b>Balance at 31 December 2021</b>	<u>2,609,744</u>	<u>9,680,392</u>	<u>2,770,394</u>	<u>11,256,678</u>	<u>26,317,208</u>	<u>(11,912)</u>	<u>26,305,296</u>

The notes on pages 132 to 222 are an integral part of these consolidated financial statements.



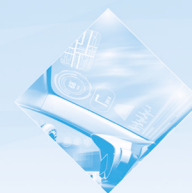
# Section XI Financial Report

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

		Year ended 31 December	
Note	2021 RMB'000	2020 RMB'000	
<b>Cash flow from operating activities</b>			
Cash generated from operations	33(a) 6,042,015	5,380,322	
Income tax paid	(551,619)	(530,804)	
	<b>5,490,396</b>	4,849,518	
<b>Net cash generated from operating activities</b>			
<b>Cash flow from investing activities</b>			
Proceeds from disposal of property, plant and equipment	33(b) 122,876	28,913	
Proceeds from disposal of intangible assets and land use rights	33(b) 14,952	4,356	
Purchases of property, plant and equipment	(2,290,122)	(1,751,512)	
Purchases of intangible assets	(38,390)	(21,031)	
Proceeds from disposal of financial assets at fair value through profit or loss – net	300,000	550,000	
Purchase of financial assets at fair value through other comprehensive income – net	(11,321)	(58,000)	
Interest received	203,264	366,044	
Dividends received from investment in a joint venture	4,900	4,900	
Decrease in restricted cash	–	1,451	
Government grants received relating to property, plant and equipments	21 17,777	136,501	
	<b>(1,676,064)</b>	(738,378)	
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Net proceeds from the additional issuance of H shares	3,578,964	–	
Proceeds from borrowings	10,742,823	16,666,509	
Repayments of borrowings	(9,976,147)	(17,636,509)	
Dividends paid to Company's shareholders	18 (1,957,308)	(1,881,463)	
Interest paid	(320,494)	(337,751)	
Payment of lease liabilities	(110,884)	(90,305)	
Purchase of non-controlling shareholders' equity	(5,137)	–	
	<b>1,951,817</b>	(3,279,519)	
<b>Net cash generated from/(used in) financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year	5,766,149	831,621	
Exchange differences on cash and cash equivalents	8,807,952	8,352,669	
	<b>(248,779)</b>	(376,338)	
<b>Cash and cash equivalents at end of the year</b>	<b>14,325,322</b>	8,807,952	

The notes on pages 132 to 222 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 2021

### 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”). On May 10, 2021, the Company successfully placed 101,126,000 H shares with a par value of RMB1 each. As at 31 December 2021, the Company had 2,002,986,332 A shares and 606,757,200 H shares in total, among which, Mr. Cho Tak Wong(曹德旺) and his spouse held 15.90% 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 the disclosure 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 2021*

### 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:

- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS16

The group also elected to adopt the following amendments:

- Covid-19-Related Rent Concessions beyond 30 June 2021.

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.

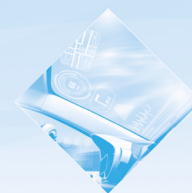
##### (b) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations 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

The Group reclassified certain transportation costs, which are part of the contract fulfilment costs incurred before the control of the goods transferred to the customers, from "selling expenses" into "cost of sales". The Group also reclassified certain repairment costs, which related to manufacturing department, from "administrative expenses" into "cost of sales". The Group considered that the changes would result in a more appropriate presentation of the Group's transactions in the financial statements and provide more relevant information.

The changes in accounting policy has been applied retrospectively and comparative figures have been reclassified accordingly. It leads to the reclassification of RMB671,962,000 from "selling expenses", RMB198,226,000 from "administrative expenses" into "cost of sales" in the reporting period and of RMB423,164,000 from "selling expenses", RMB175,532,000 from "administrative expenses" into "cost of sales" in 2020 annual financial report disclosed.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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

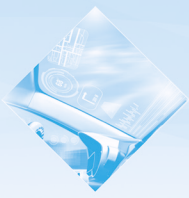
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- 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 2021*

### 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.

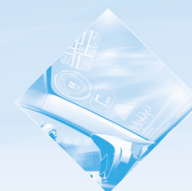
Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an 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 2021*

### 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 2021*

### 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.

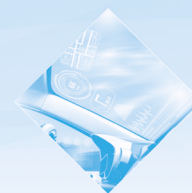
Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the 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 2021

### 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 2021

### 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.

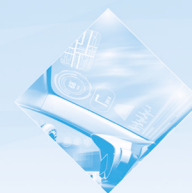
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 2021

### 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 2021*

### 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

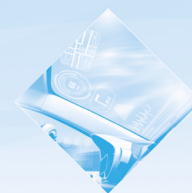
Non-current assets (or disposal groups) are classified as held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such 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 2021

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 INVESTMENTS AND 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 2021*

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 INVESTMENTS AND FINANCIAL ASSETS (Continued)

##### 2.13.3 Measurement (Continued)

###### Debt instruments

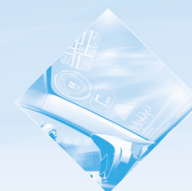
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **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 2021

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.13 INVESTMENTS AND 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 2021*

### 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

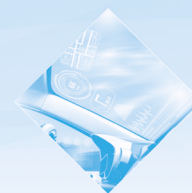
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the 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 removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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 2021

### 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 2021*

### 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 and does not give rise to equal taxable and deductible temporary differences. 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**

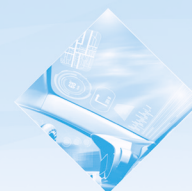
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity 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 2021

### 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.

##### Germany

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 2021*

### 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 overseas OEM customers is recognised when the products are shipped to the agreed delivery locations in accordance with the contracts and the customers confirm the acceptance. Revenue from sales to other customers, including 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 2021

### 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 2021*

### 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 payments 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.

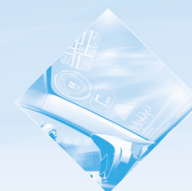
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds 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, eg 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 2021

### 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.

The Group has adopted Amendment to IFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021, which extended the practical expedient to lease payments that were due on or before 30 June 2022. The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

#### 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 2021*

### 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, Europ 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 2021

#### 3 FINANCIAL RISK MANAGEMENT (Continued)

##### 3.1 FINANCIAL RISK FACTORS (Continued)

###### (a) Market risk (continued)

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

As at 31 December 2021 and 2020, 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	
	2021 RMB'000	2020 RMB'000
Net profit increase/(decrease)		
USD		
– Strengthened 10%	(312,553)	(402,975)
– Weakened 10%	312,553	402,975

###### (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 2021 and 2020, 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	
	2021 RMB'000	2020 RMB'000
Net profit increase/(decrease)		
– risen 50 basis points	(1,125)	(1,875)
– fallen 50 basis points	1,125	1,875



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*For the year ended 31 December 2021*

### 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

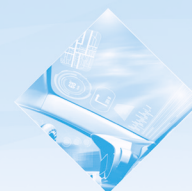
Credit risk is managed on a group basis. Cash and cash equivalents, including restricted cash, were deposited in the major financial institutions. For derivative financial instruments and financial assets at fair value through profit or loss and fair value through other comprehensive income, the Group 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 Chinese and global GDP for the goods it sells and services it provides as the most important 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 2021

#### 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 2021 (on adoption of IFRS 9) was determined as follows for trade receivables:

At 31 December 2021	Current	1 to 2 years	2 to 3 years	Total
Expected loss rate	0.04%	12.45%	78.67%	–
Gross carrying amount				
– trade receivables	4,306,907	5,560	4,559	4,317,026
Loss allowance – IFRS 9	1,614	692	3,587	5,893
Individually impaired receivables	4,688	1,381	–	6,069
<b>Total loss allowance</b>	<b>6,302</b>	<b>2,073</b>	<b>3,587</b>	<b>11,962</b>

The closing loss allowances for trade receivables and other receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	Trade receivables		Other receivables		Long term receivables	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
<b>At 1 January</b>	4,865	4,688	46,101	41,346	–	–
Increase in loss allowance recognised in the income statement during the year	7,179	2,340	(1,615)	3,647	–	–
Currency translation difference	(34)	44	(2,193)	1,108	–	–
Write-off against uncollectible receivables	(48)	(2,207)	(36,184)	–	–	–
Others	–	–	(4,984)	–	4,984	–
<b>At 31 December</b>	<b>11,962</b>	<b>4,865</b>	<b>1,125</b>	<b>46,101</b>	<b>4,984</b>	<b>–</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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:

	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment losses		
– Movement in loss allowance for trade receivables and other receivables	<b>9,267</b>	8,312
– Reversal of previous impairment losses	<b>(3,831)</b>	(2,325)
Net impairment losses on financial assets	<b>5,436</b>	5,987

##### (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 RMB1,189,653,000 (2020: RMB1,659,900,000).

##### (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 2021

#### 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 2021 and 2020:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Bank credit		
Expiring within one year	<b>24,786,404</b>	25,999,086
Expiring beyond one year	<b>14,640,420</b>	6,328,604
	<b>39,426,824</b>	32,327,690

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)

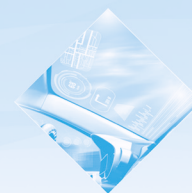
For the year ended 31 December 2021

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 FINANCIAL RISK FACTORS (Continued)

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2021</b>					
Borrowings, including interest payables	8,333,460	2,383,786	955	-	10,718,201
Long term payables	8,026	8,026	24,079	56,183	96,314
Lease Liabilities	121,749	110,985	246,296	179,966	658,996
Financial liabilities included in trade and other payables	4,644,772	-	-	-	4,644,772
	<b>13,108,007</b>	<b>2,502,797</b>	<b>271,330</b>	<b>236,149</b>	<b>16,118,283</b>
<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 (Note 16)	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>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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 2021 and 2020 are as follows:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Total borrowings (Note 19)	<b>10,588,440</b>	9,829,723
Total lease liabilities (Note 7)	<b>612,480</b>	600,277
Total long-term payables (Note 20)	<b>74,150</b>	79,485
Less: Cash and cash equivalents (Note 14)	<b>(14,325,322)</b>	(8,807,952)
Net liability	<b>(3,050,252)</b>	1,701,533
Total equity	<b>26,305,296</b>	21,602,614
Total capital	<b>23,255,044</b>	23,304,147
<b>Net liability to equity ratio</b>	<b>-13.12%</b>	7.30%



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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 2021 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 2021</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– equity instrument investment – held for trading (Note 16)	6,320	–	–	6,320
Financial assets at fair value through other comprehensive income				
– notes receivable at fair value	–	–	1,114,012	1,114,012
– unlisted equity securities	–	–	69,321	69,321
	<u>6,320</u>	<u>–</u>	<u>1,183,333</u>	<u>1,189,653</u>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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 2020</b>				
<b>Assets</b>				
Financial assets at fair value through profit or loss				
– structure deposits	–	–	300,288	300,288
Financial assets at fair value through other comprehensive income				
– notes receivable at fair value	–	–	1,301,612	1,301,612
– unlisted equity securities	–	–	58,000	58,000
	<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>

(i) As at 31 December 2020, the Group and the bank signed foreign currency swap contract with a total nominal amount of USD 75,976,000 in exchange for RMB into USD. The contract agreed that the exchange rate was 6.682 and has matured on 10 May 2021.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 FAIR VALUE ESTIMATION(Continued)

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

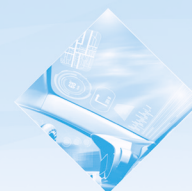
The following table presents the changes in level 3 items for the periods ended 31 December 2021 and 31 December 2020:

	Structure deposits 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 2020</b>	300,288	(795)	-	1,301,612	58,000	1,659,105
Acquisitions	-	(3,259)	(4,625)	4,915,195	11,321	4,918,632
Disposals	(305,236)	(26,727)	-	(5,088,118)	-	(5,420,081)
Recognised in gains/(losses)- net	4,948	30,781	4,625	(14,677)	-	25,677
<b>Closing balance as at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,114,012</b>	<b>69,321</b>	<b>1,183,333</b>

##### (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 2021

### 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 2021*

#### 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 and intangible assets 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 2021

#### 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>At 1 January 2020</b>	5,355,439	7,554,388	1,609,354	617,331	2,901,033	18,037,545
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>
<b>At 1 January 2021</b>	<b>5,238,634</b>	<b>7,477,475</b>	<b>1,537,097</b>	<b>507,417</b>	<b>2,354,298</b>	<b>17,114,921</b>
Currency translation difference	(63,307)	(108,597)	(12,431)	(405)	(22,992)	(207,732)
Transfer	297,976	1,134,127	425,131	6,341	(1,863,575)	–
Other additions	104,466	207,945	186,789	302,792	1,509,086	2,311,078
Disposals ( <i>Note 33(b)</i> )	(16,556)	(71,184)	(48,754)	(32,135)	–	(168,629)
Depreciation ( <i>Note 27</i> )	(353,557)	(984,783)	(456,146)	(264,162)	–	(2,058,648)
Closing net book amount	<u>5,207,656</u>	<u>7,654,983</u>	<u>1,631,686</u>	<u>519,848</u>	<u>1,976,817</u>	<u>16,990,990</u>
<b>At 31 December 2021</b>						
Cost	7,635,164	14,214,199	3,826,100	1,995,820	1,976,817	29,648,100
Accumulated depreciation	(2,427,508)	(6,559,216)	(2,194,414)	(1,475,972)	–	(12,657,110)
Net book amount	<u>5,207,656</u>	<u>7,654,983</u>	<u>1,631,686</u>	<u>519,848</u>	<u>1,976,817</u>	<u>16,990,990</u>





## Section XI Financial Report

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

For the year ended 31 December 2021

#### 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) As at 31 December 2021, the Group was still in the process of applying for the ownership certificates of certain buildings with aggregated carrying amounts of approximately RMB375,739,000 (31 December 2020: RMB568,877,000). 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 RMB6,257,000 (2020: RMB13,017,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of 2.78% (2020: 2.90%).
- (c) At 31 December 2021, the Group's land and above-ground buildings with the carrying amount RMB17,767,000 (31 December 2020: RMB19,283,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2020: HKD30,000,000).

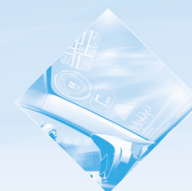
#### 7 LEASES

- (a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	<b>31 December 2021</b> <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>
<b>Right-of-use assets</b>		
Buildings	<b>555,259</b>	553,128
Equipment	<b>9,159</b>	4,672
Vehicles	<b>18,305</b>	28,634
Others	<b>12,670</b>	20,635
	<b>595,393</b>	607,069
<b>Lease liabilities</b>		
Current	<b>104,797</b>	89,766
Non-current	<b>507,683</b>	510,511
	<b>612,480</b>	600,277

Additions to the right-of-use assets during the year ended at 31 December 2021 financial year were RMB159,055,000 (31 December 2020: RMB19,386,000).



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 7 LEASES(Continued)

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
<b>Depreciation charge of right-of-use assets</b>			
Buildings		<b>95,099</b>	93,146
Equipment		<b>3,075</b>	698
Vehicles		<b>13,170</b>	16,190
Others		<b>11,694</b>	8,456
		<b>123,038</b>	118,490
Interest expense (included in finance cost)	29	<b>12,662</b>	13,932
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	27	<b>46,059</b>	38,933
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses, etc)	27	<b>2,076</b>	1,070
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 2021 was RMB159,019,000 (2020: RMB130,308,000).

(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 buildings 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 both by the Group and the respective lessor.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 8 LAND USE RIGHTS

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Opening net book value	1,020,870	1,050,928
Currency translation difference	(398)	(901)
Disposals (Note 33(b))	–	(3,973)
Amortisation charges (Note 27)	(25,074)	(25,184)
Closing net book value	995,398	1,020,870

- (a) At December 31, 2021, the Group's land and above-ground buildings with the carrying amount RMB17,767,000 (31 December 2020: RMB19,283,000) were pledged as security for bank credit of HKD30,000,000 (31 December 2020: HKD30,000,000).
- (b) As at 31 December 2021, the Group has no land use rights still in the process of applying for the ownership certificates (31 December 2020: nil).



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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 2020</b>							
Opening net book amount	154,941	3,245	27,600	60,317	120,566	9,373	376,042
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>154,941</u>	<u>1,587</u>	<u>22,551</u>	<u>46,013</u>	<u>113,651</u>	<u>8,732</u>	<u>347,475</u>
<b>At 31 December 2020</b>							
Cost	154,941	32,902	68,658	175,444	138,729	25,999	596,673
Accumulated amortisation	–	(31,315)	(46,107)	(129,431)	(25,078)	(17,267)	(249,198)
Net book amount	<u>154,941</u>	<u>1,587</u>	<u>22,551</u>	<u>46,013</u>	<u>113,651</u>	<u>8,732</u>	<u>347,475</u>
<b>Year ended 31 December 2021</b>							
Opening net book amount	<b>154,941</b>	<b>1,587</b>	<b>22,551</b>	<b>46,013</b>	<b>113,651</b>	<b>8,732</b>	<b>347,475</b>
Currency translation difference	–	–	(473)	(282)	–	(10)	(765)
Additions	–	–	–	27,847	10,112	431	38,390
Disposal (Note 33(b))	–	–	–	(224)	(858)	–	(1,082)
Amortisation (Note 27)	–	(1,587)	(3,243)	(32,044)	(7,364)	(1,168)	(45,406)
Closing net book amount	<u>154,941</u>	<u>–</u>	<u>18,835</u>	<u>41,310</u>	<u>115,541</u>	<u>7,985</u>	<u>338,612</u>
<b>At 31 December 2021</b>							
Cost	<b>154,941</b>	<b>32,902</b>	<b>67,763</b>	<b>200,995</b>	<b>147,983</b>	<b>26,303</b>	<b>630,887</b>
Accumulated amortisation	–	(32,902)	(48,928)	(159,685)	(32,442)	(18,318)	(292,275)
Net book amount	<u>154,941</u>	<u>–</u>	<u>18,835</u>	<u>41,310</u>	<u>115,541</u>	<u>7,985</u>	<u>338,612</u>

During the year, the Group had research and development cost amounted to RMB997,203,000 which was all expensed (2020: RMB815,579,000).



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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	
	2021 RMB'000	2020 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>

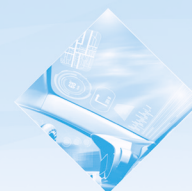
For the purpose of impairment test, goodwill has been allocated to the smallest individual of CGU identified. The recoverable amount of a CGU is determined based on value-in-use calculations. The calculation uses cash flow projections based on the financial budget made by managements, with reference 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 model are as follows:

(i) Fuyao (Xiamen) Precision Corp.

	Year ended 31 December	
	2021	2020
Gross profit margin	16%-24%	21%-24%
Discount rate	16%	16%
budgeted growth rate	16%-22%	21%-29%
Long-term growth rate	2%	2%

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

	Year ended 31 December	
	2021	2020
Gross profit margin	32%	36%
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 2021

### 9 INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill (Continued)

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

	Year ended 31 December	
	2021	2020
Gross profit margin	53%	67%
Discount rate	17%	17%
budgeted growth rate	5%	5%
Long-term growth rate	2%	2%

The gross profit margin used for value-in-use in 2020 is restated according to the changes in accounting policies of reclassification of transportation costs and the repairment costs related to manufacturing department to cost of sales(note 2.2).

As at 31 December 2021 and 2020, 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 2021

#### 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Share of net assets, unlisted		
– Joint venture	43,478	42,205
– Associates	185,346	164,544
	<b>228,824</b>	206,749
Associates and joint venture		
Beginning of the year	206,749	199,805
– Dividends received	(4,900)	(4,900)
– Share of results	26,975	11,844
End of the year	<b>228,824</b>	206,749



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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
			2021 RMB'000	2020 RMB'000	
Tri-Wall Packaging (Fuzhou) Co., Ltd. (特耐王包装(福州)有限公司)	Fuzhou, the PRC, 2005	49%	43,478	42,205	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
<b>Year ended 31 December 2021</b>	<b>51,554</b>	<b>8,076</b>	<b>83,999</b>	<b>6,173</b>	<b>43,478</b>
Year ended 31 December 2020	49,693	7,488	52,500	3,158	42,205





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

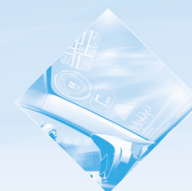
(b) Associates

(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
			2021 RMB'000	2020 RMB'000	
Jinken Glass Industry Shuangliao Co., Ltd. (金墾玻璃工業雙遼有限公司)	Shuangliao, the PRC, 2003	25%	76,191	54,600	Production and sales of float glass
Fuyao Group Beijing Futong Safety Glass Co., Beijing, the PRC, 2003 Ltd. (福耀集團北京福通安全玻璃有限公司)		25%	109,155	109,944	Holding of the land and plant

(ii) The Group's share of the results of its associates, and the aggregated assets and liabilities, are as follows:

	Assets RMB'000	Liabilities RMB'000	Revenues RMB'000	Profit/ (Loss) RMB'000	Net assets RMB'000
<b>Year ended 31 December 2021</b>					
Jinken Glass Industry Shuangliao Co., Ltd.	123,246	51,714	90,092	21,591	71,532
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	112,958	3,803	1,418	(789)	109,155
	<b>236,204</b>	<b>55,517</b>	<b>91,510</b>	<b>20,802</b>	<b>180,687</b>
<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>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 11 DEFERRED INCOME TAX ASSETS AND LIABILITIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deferred income tax assets:	934,628	1,010,658
Offset against deferred income tax liabilities	<u>(501,699)</u>	<u>(490,048)</u>
Net deferred income tax assets	<u>432,929</u>	<u>520,610</u>
Deferred income tax liabilities:	681,199	685,733
Offset against deferred income tax assets	<u>(501,699)</u>	<u>(490,048)</u>
Net deferred income tax liabilities	<u>179,500</u>	<u>195,685</u>

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 2020</b>	609,620	5,606	57,159	231,650	67,660	38,963	1,010,658
Recognised in the consolidated income statements	(93,174)	(3,766)	15,365	33,206	(7,957)	(8,232)	(64,558)
Impact in exchange rate change	<u>(9,029)</u>	<u>(11)</u>	<u>(1,328)</u>	<u>(260)</u>	<u>(79)</u>	<u>(765)</u>	<u>(11,472)</u>
<b>At 31 December 2021</b>	<u>507,417</u>	<u>1,829</u>	<u>71,196</u>	<u>264,596</u>	<u>59,624</u>	<u>29,966</u>	<u>934,628</u>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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 2021, the Group did not recognise deferred income tax assets of RMB705,900,000 (2020: RMB531,421,000) in respect of the accumulated losses of RMB2,781,140,000 (2020: RMB2,122,327,000), loss amounting to RMB934,800,000 will be expired during the year 2022 to year 2026, loss amounting to RMB1,846,340,000 will be continued to be deducted after the year 2026.
- (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 2020</b>	93,497	502,222	90,014	685,733
Recognised in the consolidated income statements	(5,804)	8,371	4,371	6,938
Impact in exchange rate change	—	(11,362)	(110)	(11,472)
<b>At 31 December 2021</b>	<b>87,693</b>	<b>499,231</b>	<b>94,275</b>	<b>681,199</b>



## Section XI Financial Report

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

#### 12 INVENTORIES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Raw materials	1,797,261	1,273,630
Work in process	339,844	318,855
Finished goods	2,139,606	1,717,409
Costs of fulfilling contracts	77,427	–
Low value consumables	20,633	17,719
	<b>4,374,771</b>	3,327,613
Less: write-down to net realisable value	<b>(47,723)</b>	(46,623)
	<b>4,327,048</b>	3,280,990

The cost of inventory recognised as expense and included in 'cost of sales' amounted to RMB7,474,561,000 for the year ended 31 December 2021 (2020: RMB5,956,179,000) (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	
	2021 RMB'000	2020 RMB'000
<b>At beginning of the year</b>	<b>46,623</b>	20,981
Write-down to net realisable value (Note 27)	<b>18,976</b>	30,974
Impact in exchange rate change	<b>(3,833)</b>	357
Write-off of inventory provision	<b>(14,043)</b>	(5,689)
	<b>47,723</b>	46,623
<b>At end of the year</b>	<b>47,723</b>	46,623



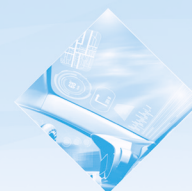
# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 13 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
<b>Trade receivables due from third parties (a):</b>		
Notes receivables	38,888	19,430
Accounts receivables	4,323,196	3,739,360
Less: loss allowance	(11,962)	(4,865)
	4,350,122	3,753,925
<b>Other receivables due from third parties (b):</b>		
Other receivables	476,364	567,717
Less: loss allowance	(6,109)	(46,101)
	470,255	521,616
<b>Amount due from related parties (Note 36(c)):</b>		
Other receivables (Note 36(c) (i))	146,728	160,894
Prepayments (Note 36(c) (ii))	10	10,769
	146,738	171,663
<b>Others:</b>		
Prepayments to suppliers	238,950	162,758
Prepaid income tax and value-added tax recoverable and refundable	163,817	256,800
	402,767	419,558
<b>Trade and other receivables</b>	5,369,882	4,866,762
Less: non-current portion of amount due from the third parties (i)	(316,416)	–
non-current portion of amount due from related parties (ii)	(145,100)	–
<b>Trade and other receivables – net</b>	4,908,366	4,866,762



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 13 TRADE AND OTHER RECEIVABLES (Continued)

- (i) The non-current portion of amount due from the third parties 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 RMB1,004 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 extended to 30 June 2021. On 17 June 2021, as reviewed and approved by the board of directors of the company, the due date was further extended to 30 June 2024. Therefore, at the end of the reporting period, its book value was listed in "other non-current assets".

According to the Equity transfer Agreement, Taiyuan Jinnuo shall pay interest to the Company quarterly at an annual interest rate of 3.85% based on the remaining 24% equity transfer price of Beijing Futong.

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. As at 31 December 2021, the Company recognised the corresponding loss allowance of RMB4,984,000 according to the expected credit loss rate within lifetime.

- (ii) The non-current portion of other receivables due from related party includes a loan provided by the Group to its associate, Jinken Glass Industry Shuangliao Co., Ltd. The loan will be due in August 2023. The interest rate is at 3.85% per annum. The loan to associate is secured by 75% of share of the associate held by third parties and all assets, plants and equipments (including but not limited to buildings, land use rights, etc owned by the associate are unconditionally pledged to the Group as security for the loan. As at 31 December 2021, the book value of the pledged assets is RMB224,971,000.

As at 31 December 2021 and 2020, the carrying amounts of accounts receivables, notes receivables and other receivables are denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
RMB	<b>3,221,929</b>	2,980,041
USD	<b>1,328,088</b>	1,016,574
EUR	<b>373,424</b>	415,930
Others	<b>61,735</b>	74,856
	<b>4,985,176</b>	4,487,401



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 13 TRADE AND OTHER RECEIVABLES (Continued)

- (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 2021 and 2020 was as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables – gross		
Within 3 months	4,092,663	3,550,526
3 to 6 months	220,990	180,637
6 to 12 months	36,839	19,723
Over 1 year	11,592	7,904
	<b>4,362,084</b>	<b>3,758,790</b>

- (b) Details of other receivables are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Consideration receivable from disposal of a subsidiary (i)	321,400	321,400
Receivables from disposal of assets	46,176	117,297
Payments on behalf of others	27,520	24,577
Deposits and guarantees	20,639	14,671
Interest receivables	12,098	6,199
Compensation receivable	8,239	49,300
Others	40,292	34,273
	<b>476,364</b>	<b>567,717</b>

- (i) For details, please refer to the description of the non-current portion of the amount due from the third parties.



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 13 TRADE AND OTHER RECEIVABLES (Continued)

- (c) As at 31 December 2021 and 2020, 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

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.

#### 14 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash at bank and on hand	14,327,356	8,809,986
Less: restricted cash (b)	(2,034)	(2,034)
Cash and cash equivalents(a)	<u>14,325,322</u>	<u>8,807,952</u>

- (a) Cash and cash equivalents are denominated in:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	4,319,736	1,802,216
USD	8,330,347	6,570,124
EUR	537,536	400,132
HKD	1,078,387	192
JPY	49,031	18,531
KRW	2,695	2,248
RBL	7,590	14,509
	<u>14,325,322</u>	<u>8,807,952</u>





## Section XI Financial Report

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

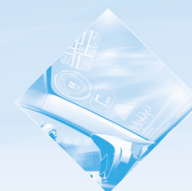
For the year ended 31 December 2021

#### 14 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

(b) Details of restricted cash are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Security deposit for civil air defense projects	<b>2,034</b>	2,034

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Restricted cash is denominated in:		
RMB	<b>2,012</b>	2,006
USD	<b>22</b>	23
EUR	<b>—</b>	5
	<b>2,034</b>	2,034



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 15 Financial instruments by category

The group holds the following financial instruments:

		As at 31 December	
Financial assets	Notes	2021 RMB'000	2020 RMB'000
Financial assets at amortised cost			
Trade and other receivables	13	4,908,366	4,866,762
Other non-current assets	13(i) (ii)	461,516	–
Cash and cash equivalents	14	14,325,322	8,807,952
Restricted cash	14	2,034	2,034
Financial assets at fair value through other comprehensive income (FVOCI)	16	1,183,333	1,359,612
Financial assets at fair value through profit or loss (FVPL)	16	6,320	300,288
		<b>20,886,891</b>	15,336,648

		As at 31 December	
Financial liabilities	Notes	2021 RMB'000	2020 RMB'000
Liabilities at amortised cost			
Trade and other payables	22	5,248,131	4,421,923
Borrowings	19	10,588,440	9,829,723
Lease liabilities	7	612,480	600,277
Long-term payables	20	74,150	79,485
Derivative financial instruments	16	–	795
		<b>16,523,201</b>	14,932,203

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 2021

### 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	
	2021 RMB'000	2020 RMB'000
<b>Financial assets at fair value through profit or loss</b>		
<b>Current assets</b>		
– Equity instrument investment – held for trading (a)	6,320	–
– Structure deposits (b)	–	300,288
	<b>6,320</b>	<b>300,288</b>
<b>Derivative financial instruments</b>		
<b>Current Liabilities</b>		
– Foreign currency swap contracts (c)	–	795
	<b>69,321</b>	<b>58,000</b>
<b>Financial assets at fair value through other comprehensive income</b>		
<b>Non-current assets</b>		
– Unlisted equity securities(d)	–	–
	<b>1,114,012</b>	<b>1,301,612</b>
<b>Current assets</b>		
– Note Receivable(e)	–	–

(a) The held-for-trading equity instrument investment shares are the distribution of customer debt restructuring obtained by subsidiaries. As at 31 December 2021, the fair value of the held-for-trading equity instrument investment was determined based on the closing price of the Stock Exchange on the last trading day of the year.

In 2021, fair value gains on equity investments at FVPL recognised in other gains was RMB899,000 (2020: Nil).

(b) 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 matured on 21 June 2021.

In 2021, fair value losses on debt investments at FVPL recognised in other losses was RMB288,000 (2020: 10,607,000).



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

- (c) As of December 31, 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 have been settled on 10 May 2021.

In 2021, its loss from changes in fair value was RMB10,009,000 recognised in other losses (2020: gain of RMB10,009,000 was recognised in other gains).

- (d) The unlisted equity securities is the Group's subscription of 4.55% of the equity of China National Automobile (Beijing) Intelligent Connected Vehicle Research Institute Co., Ltd., which has no significant influence on China National Automobile (Beijing) Intelligent Connected Vehicle Research Institute Co., Ltd. The equity is a non-trading equity instrument, and it is designated and accounted as "a financial assets at fair value through other comprehensive income".

- (e) In 2021, the Group discounted and endorsed part of bank acceptance notes and terminated their recognition 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 1 January 2021	2,002,986	505,632	2,002,986	505,632	2,508,618
Issuance of H Shares (a)	–	101,126	–	101,126	101,126
At 31 December 2021	<u>2,002,986</u>	<u>606,758</u>	<u>2,002,986</u>	<u>606,758</u>	<u>2,609,744</u>
At 31 December 2020 and 1 January 2020	<u>2,002,986</u>	<u>505,632</u>	<u>2,002,986</u>	<u>505,632</u>	<u>2,508,618</u>

- (a) On 10 May 2021, the Company issued 101,126,000 new ordinary H shares of RMB1 each at HKD42.90 per share and raised gross proceeds of approximately HKD4,338,305,000 (equivalent to approximately RMB3,599,015,000).

The proceeds to the Company from issuing new ordinary H shares, net off issuing expenses were approximately RMB3,578,965,000 resulting in the increase in issued share capital of the Company by RMB101,126,000 and the share premium by RMB3,477,839,000.



# Section XI Financial Report

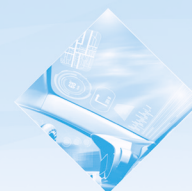
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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 2020</b>	6,202,553	9,840,932	2,688,960	121,015	20,525	2,830,500
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>
<b>Balance at 1 January 2021</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>
Issuance of H shares	<b>3,477,839</b>	-	-	-	-	-
Appropriate to statutory reserves (a)	-	<b>(248,921)</b>	<b>248,921</b>	-	-	<b>248,921</b>
Profit for the year	-	<b>3,145,652</b>	-	-	-	-
Dividends	-	<b>(1,957,308)</b>	-	-	-	-
Currency translation differences	-	-	-	<b>(56,325)</b>	-	<b>(56,325)</b>
<b>At 31 December 2021</b>	<b>9,680,392</b>	<b>11,256,678</b>	<b>3,180,340</b>	<b>(430,305)</b>	<b>20,359</b>	<b>2,770,394</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 2021

### 19 BORROWINGS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
<b>Non-current:</b>		
– Bank borrowings – unsecured	2,629,126	2,133,792
– Medium-term note (a)	1,226,988	1,226,995
Less: current portion of non-current borrowings	<b>(1,518,396)</b>	(177,002)
	<b>2,337,718</b>	3,183,785
<b>Current:</b>		
– Bank borrowings – unsecured	5,925,551	6,165,804
– Commercial papers (b)	806,775	303,132
Add: current portion of non-current borrowings	<b>1,518,396</b>	177,002
	<b>8,250,722</b>	6,645,938
<b>Total borrowings</b>	<b>10,588,440</b>	9,829,723

(a) 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



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 19 BORROWINGS (Continued)

#### (b) Commercial papers

In the year 2021, 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
Note-21 Fuyao Glass SCP001 (High growth bonds)	19 April 2021	91 days	2.68%	300,000
Note-21 Fuyao Glass SCP002	7 June 2021	180 days	2.67%	300,000
Note-21 Fuyao Glass SCP003	13 July 2021	177 days	2.65%	200,000
Note-21 Fuyao Glass SCP004	15 July 2021	151 days	2.60%	400,000
Note-21 Fuyao Glass SCP005	25 August 2021	180 days	2.47%	300,000
Note-21 Fuyao Glass SCP006	29 September 2021	150 days	2.52%	300,000

#### (c) The borrowings are denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Borrowings:		
RMB	10,588,440	9,685,807
USD	—	143,916
	<b>10,588,440</b>	<b>9,829,723</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 19 BORROWINGS (Continued)

- (d) The exposure of the borrowings to interest rate changes and the contractual repricing dates or maturity date whichever is earlier are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 6 months	5,071,944	1,096,902
Between 6 months and 1 year	3,478,778	6,019,601
Over 1 year	2,037,718	2,713,220
	<b>10,588,440</b>	<b>9,829,723</b>

- (e) The maturity of borrowings is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	8,250,722	6,645,938
Between 1 and 2 years	2,336,778	1,484,000
Between 2 and 5 years	940	1,699,785
	<b>10,588,440</b>	<b>9,829,723</b>

- (f) The weighted average effective interest rates per annum for the year ended 31 December 2021 were as follows:

	As at 31 December	
	2021	2020
Borrowings:		
RMB	2.78%	2.87%
USD	0.64%	1.20%
EUR	—	0.48%

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.





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 19 BORROWINGS (Continued)

- (g) The fair values of current borrowings approximate their carrying amounts as the impact of discounting and market price 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			
	2021		2020	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Bank loans	1,138,940	1,108,426	1,985,000	1,931,769
Medium-term note	1,198,785	1,228,709	1,198,785	1,207,207

The fair values of non-current bank loans 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.

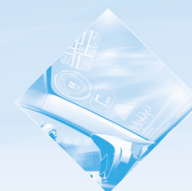
The fair values of Medium-term note are estimated based on the full price of the end-of-day valuation of Shanghai Clearing House.

- (h) The Group has complied with the financial covenants of its borrowing during the year ended 31 December 2021 and 31 December 2020.

### 20 Long-term payables

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Payables for proceeds from transfer of mining rights	74,150	79,485
Less: Current portion of long-term payables	(4,726)	(3,790)
	<b>69,424</b>	<b>75,695</b>

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 received the payment notice and paid RMB7,842,000 from the transfer of mining right in 2021 (2020: Nil).



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 21 DEFERRED INCOME ON GOVERNMENT GRANTS

	For the year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of the year	735,790	673,449
Government grants received during the year (a)	17,777	136,501
Credited to the consolidated income statements (Note 25)	(75,573)	(73,018)
Currency translation difference	(311)	(1,142)
	677,683	735,790
At end of the year	677,683	735,790

- (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 2021

### 22 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Notes payable	1,623,268	1,166,210
Trade payables to third parties	1,474,466	1,281,028
Staff salaries and welfare payables	530,495	489,357
Payables for purchasing of property, plant and equipment	406,111	408,134
Accrual of freight fee	232,273	165,643
Accrued taxes other than income tax	72,865	89,564
Amount due to related parties (Note 36(c))	83,782	40,236
Other payables and accruals	824,871	781,751
	<b>5,248,131</b>	<b>4,421,923</b>

As at 31 December 2021 and 2020, 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	
	2021 RMB'000	2020 RMB'000
RMB	3,806,381	3,097,949
USD	603,908	497,583
EUR	186,557	208,755
RBL	28,253	28,449
Others	19,672	10,266
	<b>4,644,771</b>	<b>3,843,002</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 22 TRADE AND OTHER PAYABLES (Continued)

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 3 months	2,343,019	1,963,384
3 to 6 months	731,778	459,128
6 to 12 months	14,981	10,173
Over 1 year	7,956	14,553
	<b>3,097,734</b>	<b>2,447,238</b>

#### 23 CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contract liabilities – Automotive glasses sales contracts	<b>863,737</b>	<b>756,282</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 2021	Year ended 31 December 2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the period- automotive glasses sales contracts	352,572	277,010
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 2021

### 24 REVENUE AND COST OF SALES

(a) Revenue and cost of sales by product

	Year ended 31 December			
	2021		2020	
	Revenue RMB'000	Cost of sales RMB'000	Revenue RMB'000	Cost of sales RMB'000 (Restated)
Automobile glasses	21,379,623	14,955,709	17,942,033	12,290,133
Float glasses	4,029,400	2,619,016	3,491,542	2,337,189
Others	1,954,830	1,538,723	1,798,226	1,567,956
	<b>27,363,853</b>	<b>19,113,448</b>	23,231,801	16,195,278
Less: Intra-Group sales	<b>(3,760,790)</b>	<b>(3,760,790)</b>	(3,325,208)	(3,325,208)
	<b>23,603,063</b>	<b>15,352,658</b>	19,906,593	12,870,070

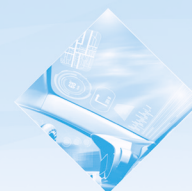
(b) Revenue by geographical areas

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
The PRC	12,484,386	10,885,111
– Domestic OEM	11,222,982	9,806,236
Other countries	11,118,677	9,021,482
– Overseas OEM	6,027,494	4,883,700
	<b>23,603,063</b>	19,906,593

(c) The group has recognised an asset in relation to costs to fulfil contracts, This is presented within inventory in the balance sheet.

Asset recognised from costs incurred to fulfil contracts at 31 December 2021 is RMB77,427,000 (As at 31 December 2020: Nil) (Note 12).

(d) During the year ended 31 December 2021, in addition to RMB22,277,000 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 2021

#### 25 OTHER INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants		
– relating to income and expense (a)	166,765	279,803
– relating to assets (Note 21)	75,573	73,018
	<b>242,338</b>	<b>352,821</b>

- (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 – NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Foreign exchange losses -net	528,006	422,468
Gains on disposal of land use rights (Note 33(a))	–	(12,356)
Gains on financial assets at fair value through profit or loss and derivative financial instruments	(50,651)	(68,911)
Loss on disposals of notes receivable at fair value through other comprehensive income	14,677	9,923
Changes in fair value of financial assets at fair value through profit or loss and derivative financial instruments	9,397	680
Loss on disposal of property, plant and equipment and intangible assets (Note 33(a))	103,004	79,510
Donation	1,293	3,328
Net gain on claims	(204,115)	(43,092)
Abnormal losses due to flood	43,746	63,356
Others	(1,223)	(8,992)
	<b>444,134</b>	<b>445,914</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 27 EXPENSES BY NATURE

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Raw materials and consumables used	7,995,174	5,977,122
Changes in inventories of finished goods and work in progress	(520,613)	(20,943)
Employee benefit expenses (Note 28)	4,497,363	4,024,351
Depreciation of property, plant and equipment (Note 6)	2,058,648	2,051,406
Utilities	1,812,530	1,636,435
Transportation and storage expenses	909,766	623,903
Packing expenses	474,204	396,820
Repair and maintenance fee	241,842	233,727
Taxes and levies	210,336	207,617
Depreciation of rights-of-use assets (Note 7)	123,038	118,490
Insurance expenses	118,787	109,841
Fire safety and environmental protection expenses	93,720	86,267
After-sale service expenses	81,490	85,105
Inventory scrap loss	57,518	77,874
Lease expenses (Note 7)	48,135	40,003
Amortisation of intangible assets (Note 9)	45,406	47,454
Travel expenses	41,888	49,689
Amortisation of land use rights (Note 8)	25,074	25,184
Write-down of inventories to the net realisable value (Note 12)	18,976	30,974
Auditor's remuneration		
– Audit services	6,038	5,736
– Non-audit services	–	242
Others	1,115,056	838,534
	<b>19,454,376</b>	<b>16,645,831</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 28 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, wages and bonuses	3,805,402	3,299,210
Pension, social security costs and housing benefits	573,756	535,928
Other welfare for employee	118,205	189,213
	<b>4,497,363</b>	<b>4,024,351</b>

(a) Pensions – defined contribution plans

There is no material forfeited contribution of the Group utilised during the year and no material forfeited contribution was left available at the year-end to reduce future contributions.

Contributions totalling RMB1,046,000 (2020: RMB28,535,000) were payable to the fund at the year-end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three directors (2020: two directors) whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining two (2020: three) individuals during the year are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Basic salaries and allowances	2,507	4,310
Bonuses	4,457	5,555
Contribution to pension scheme	194	232
Others	8	98
	<b>7,166</b>	<b>10,195</b>





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 28 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Five highest paid individuals (Continued)

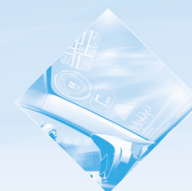
The emoluments fell within the following bands:

Emoluments bands (in HK dollar)	Year ended 31 December	
	2021	2020
HKD2,000,001 to HKD2,500,000	1	–
HKD2,500,001 to HKD3,000,000	–	1
HKD3,000,001 to HKD3,500,000	–	1
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>2</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	
	2021 RMB'000	2020 RMB'000
<b>Finance income:</b>		
Interest income	(168,838)	(290,290)
<b>Finance cost:</b>		
Interest on borrowings	310,857	352,622
Interest on lease liabilities (Note 7(b))	12,662	13,932
Less: borrowing costs capitalised (Note 6)	(6,257)	(13,017)
Interest expense on borrowings	317,262	353,537
Amortisation of transaction costs in respect of issuance of medium note and commercial papers	1,679	1,215
	<b>318,941</b>	<b>354,752</b>
<b>Finance costs – net</b>	<b>150,103</b>	<b>64,462</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 30 INCOME TAX EXPENSE

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current income tax	604,365	478,644
Deferred income tax (Note 11)	71,496	32,500
Income tax expense	<b>675,861</b>	511,144

##### (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 25.67% and 27% for different subsidiaries respectively. Fuyao North America Glass Industry Co., Ltd. calculates profits tax at a rate of 27% (2020: 27%) on the estimated assessable profits during the year ended 31 December 2021. Besides, Fuyao Glass America Co., Ltd., Fuyao Glass Illinois Co., Ltd. and Fuyao America C Assets Co., Ltd. jointly reported that the deductible losses of previous years were used in the current year, so state tax was only paid in some states based on the taxable profits after making up the losses (2020: Nil). Other subsidiaries has provided no profit tax due to the unutilised tax losses (2020: Nil).

##### (d) Russia profits tax

Applicable profit tax rate of Russia is 20%. During the year ended 31 December 2021, 50% of the estimated taxable profit for the current year is used to make up the accumulated losses, and the remaining 50% is subject to profit tax at the applicable profit tax rate. (2020: Nil).



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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 2021, no profit tax has been provided due to accumulated losses (2020: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	
	2021 RMB'000	2020 RMB'000
Profit for the year before income tax	3,818,327	3,109,064
Tax calculated at the applicable income tax rate	937,928	718,317
Tax effect of:		
Preferential income tax rate	(400,452)	(371,092)
Expenses not deductible for tax purpose	29,342	7,348
Income not subject to income tax	(6,744)	(2,961)
Unrecognised tax losses carried forward	195,234	185,123
Utilisation of previously unrecognised tax losses	(17,969)	(7,159)
Utilisation of previously unrecognised deductible temporary differences	(2,627)	(330)
Withholding taxation on unremitted earnings of certain subsidiaries	(5,804)	29,521
Others	(53,047)	(47,623)
Income tax expense	675,861	511,144



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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	
	2021	2020
Net profit attributable to the equity holders of the Company ( <i>RMB'000</i> )	3,145,652	2,600,245
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	2,567,608	2,508,618
Basic earnings per share ( <i>RMB</i> )	<u>1.23</u>	<u>1.04</u>

- (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 2021 and 2020 were RMB1,957,308,000 (2020 annual dividend) and RMB1,881,463,000 (2019 annual dividend) respectively. On 17 March 2022, the board of directors of the the Company proposed to distribute a dividend of RMB2,609,744,000 at a retained earnings of RMB10 per 10 shares (tax inclusive) as at 31 December 2021. 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.

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend of RMB7.5 (2020: RMB7.5) per 10 ordinary shares (tax inclusive)	<u>1,957,308</u>	<u>1,881,463</u>



# Section XI Financial Report

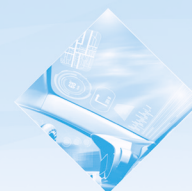
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 33 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit for the year before income tax	3,818,327	3,109,064
Adjustments for:		
Depreciation of property, plant and equipment (Note 6)	2,058,648	2,051,406
Depreciation of right-of-use assets (Note 7)	123,038	118,490
Amortisation of land use rights (Note 8)	25,074	25,184
Amortisation of intangible assets (Note 9)	45,406	47,454
Losses on disposals of property, plant and equipment and intangible assets (Note 26)	103,004	79,510
Gains on financial assets at fair value through profit or loss and derivative financial instruments (Note 26)	(50,651)	(68,911)
Gains on disposals of land use right (Note 26)	-	(12,356)
Amortisation of deferred income on government grants (Note 21 and 25)	(75,573)	(73,018)
Interest income (Note 29)	(168,838)	(290,290)
Interest expenses (Note 29)	318,941	354,752
Exchange losses on cash and cash equivalents	248,779	376,338
Share of results of a joint venture and an associate (Note 10)	(26,975)	(11,844)
Loss allowance for trade and other receivables (Note 3.1)	5,436	5,987
Write-down to net realisable value (Note 12)	18,976	30,974
Change in fair value of financial assets (Note 26)	9,397	680
	<b>6,452,989</b>	5,743,420
Changes in working capital:		
Increase in inventories	(1,065,035)	(31,498)
Increase in trade and other receivables	(261,733)	(724,250)
Increase in trade and other payables	915,794	392,650
Cash generated from operations	<b>6,042,015</b>	5,380,322



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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	
	2021 RMB'000	2020 RMB'000
Net book amount (Note 6, 8 and 9)	169,711	217,720
Receivables from disposal of assets (Note 13(b))	71,121	(117,297)
Loss on disposal (Note 26)	<b>(103,004)</b>	(67,154)
Proceeds from disposal	<b>137,828</b>	33,269

- (c) Net debt reconciliation

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	14,325,322	8,807,952
Financial assets at fair value through profit or loss	6,320	300,288
Lease liabilities	<b>(612,480)</b>	(600,277)
Long-term payables	<b>(74,150)</b>	(79,485)
Borrowings – repayable within one year	<b>(8,250,722)</b>	(6,645,938)
Borrowings – repayable after one year	<b>(2,337,718)</b>	(3,183,785)
Net debt	<b>3,056,572</b>	(1,401,245)
Cash and cash equivalents	14,325,322	8,807,952
Financial assets at fair value through profit or loss	6,320	300,288
Gross debt – fixed interest rates	<b>(10,974,804)</b>	(9,863,920)
Gross debt – variable interest rates	<b>(300,266)</b>	(645,565)
Net debt	<b>3,056,572</b>	(1,401,245)



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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>	Borrowings due within one year <i>RMB'000</i>	Borrowings 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 2021	8,807,952	300,288	(6,645,938)	(3,183,785)	(600,278)	(79,484)	(1,401,245)
Cash flows	5,766,149	(300,000)	(94,741)	(671,935)	110,884	7,842	4,818,199
New leases and long-term payables	-	-	-	-	(153,827)	857	(152,970)
Changes in fair values	-	40,458	-	-	-	-	40,458
Reclassification	-	-	(1,518,396)	1,518,396	-	-	-
Other changes	-	-	(202,154)	(107,017)	(12,662)	(3,365)	(325,198)
- Interest expense	-	-	(202,154)	(107,017)	(12,662)	(3,365)	(325,198)
- Interest payments (presented as operating cash flows)	-	(34,426)	213,871	106,623	-	-	286,068
Foreign exchange adjustments	(248,779)	-	(3,364)	-	43,403	-	(208,740)
Net debt as at 31 December 2021	<u>14,325,322</u>	<u>6,320</u>	<u>(8,250,722)</u>	<u>(2,337,718)</u>	<u>(612,480)</u>	<u>(74,150)</u>	<u>3,056,572</u>

### 34 CONTINGENCIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

### 35 COMMITMENTS

(a) Capital commitments

As at 31 December 2021, capital expenditure contracted for, but not yet incurred is as follows:

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Authorised and contracted for:		
- Property, plant and equipment	<u>1,079,745</u>	<u>1,220,604</u>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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 USD 220 million to establish the float glass project. As at 31 December 2021, Fuyao Rus Float Glass Co., Ltd. has not been established.

#### 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 2021 and 2020, and balances arising from related party transactions as at 31 December 2021 and 2020.

##### (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
Fujian Fuyao Automotive Glass Distribution Co., Ltd. (福建三鋒汽配開發有限公司)	Controlled by the directors of the company





# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 36 RELATED PARTY TRANSACTIONS (Continued)

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

(i) Sales of goods and provision of services

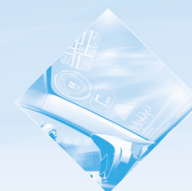
	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Tri-Wall Packaging (Fuzhou) Co., Ltd.	3,898	2,421
Jinken Glass Industry Shuangliao Co., Ltd.	3,346	7,267
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	—	3
	<b>7,244</b>	<b>9,691</b>

(ii) Purchase of goods and services

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	264,766	176,678
Tri-Wall Packaging (Fuzhou) Co., Ltd.	80,974	61,125
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	5,120	4,744
	<b>350,860</b>	<b>242,547</b>

(iii) Rental income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	65	181
	—	9
Tri-Wall Packaging (Fuzhou) Co.,Ltd.	<b>65</b>	<b>190</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 36 RELATED PARTY TRANSACTIONS (Continued)

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

(iv) Rent payment

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Fujian Yaohua Industrial Village Development Co., Ltd.*	28,509	28,509
Global Cosmos German Co., Ltd. *	20,004	20,279
Fujian Fuyao Automotive Glass Distribution Co., Ltd. *	2,120	–
Jinken Glass Industry Shuangliao Co., Ltd.	81	–
	<b>50,714</b>	<b>48,788</b>

(v) Increased interest on lease liabilities as a lessee

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Global Cosmos German Co., Ltd. *	2,513	2,573
Fujian Fuyao Automotive Glass Distribution Co., Ltd.*	418	–
Fujian Yaohua Industrial Village Development Co., Ltd.*	–	1,293
	<b>2,931</b>	<b>3,866</b>

(vi) Key management compensation

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries, wages and short-term employee benefits	27,180	29,598
Post-employment benefits	385	355
	<b>27,565</b>	<b>29,953</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.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 36 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

Amount due from related parties

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Other receivables (i)	146,728	160,894
Prepayments (ii)	10	10,769
	<b>146,738</b>	<b>171,663</b>

(i) Other receivables:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	145,115	160,020
Tri-Wall Packaging (Fuzhou) Co., Ltd.	339	267
Global Cosmos German Co., Ltd.	330	607
Fuyao Group Beijing Futong Safety Glass Co., Ltd	944	-
	<b>146,728</b>	<b>160,894</b>

(ii) Prepayment:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	10	10,769
	<b>10</b>	<b>10,769</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 36 RELATED PARTY TRANSACTIONS (Continued)

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

Amount due to related parties

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables (iii)	50,489	18,767
Other payables (iv)	33,293	21,469
Lease liabilities (v)	282,420	204,632
	<b>366,202</b>	<b>244,868</b>

##### (iii) Trade payables:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Jinken Glass Industry Shuangliao Co., Ltd.	42,632	11,242
Tri-Wall Packaging (Fuzhou) Co., Ltd.	7,857	7,525
	<b>50,489</b>	<b>18,767</b>

Ageing analysis of trade payables due to related parties are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
– Within 3 months	50,461	18,744
– From 3 months to 6 months	28	23
	<b>50,489</b>	<b>18,767</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 36 RELATED PARTY TRANSACTIONS (Continued)

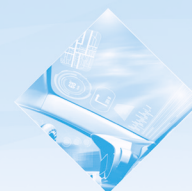
(c) Balances with related parties (Continued)

(iv) Other payables to related parties:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Fuyao Group Beijing Futong Safety Glass Co., Ltd.	33,293	21,469

(v) Lease liabilities to related parties:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Global Cosmos German Co., Ltd.	161,087	176,123
Fujian Fuyao Automotive Glass Distribution Co., Ltd.	26,425	–
Fujian Yaohua Industrial Village Development Co., Ltd.	94,908	28,509
	282,420	204,632



# Section XI Financial Report

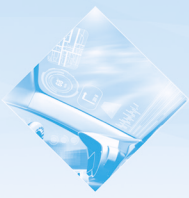
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

### 37 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below:

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/Registered capital ('000)	Effective 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	USD219,656	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 2021

### 37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below (Continued):

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Shanghai Fuyao Bus Glass Co., Ltd. (上海福耀客車玻璃有限公司)	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
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



## Section XI Financial Report

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

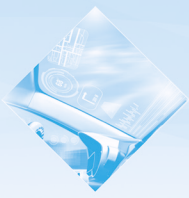
For the year ended 31 December 2021

#### 37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below (Continued):

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuzhou Fuyao 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
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 Fuyao Automotive Glass Distribution Co., Ltd. (福建福耀汽車玻璃銷售有限公司)	Limited liability	PRC, February 2016	RMB100,000	100%	Indirect	Sales of automobile glass and 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. (溱浦福耀砂砂有限公司)	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
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. (煙台福耀玻璃有限公司)	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. (本溪福耀砂砂有限公司)	Limited liability	PRC, May 2014	RM60,000	100%	Indirect	Exploitation and sales of mineral





# Section XI Financial Report

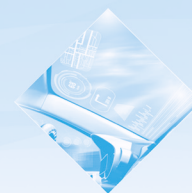
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 37 SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below (Continued):

Company name	Legal Form	Country/Place of incorporation and principle activities, date of incorporation	Issued and paid up capital/Registered capital ('000)	Effective interests held by the Group %	Direct or Indirect	Principle activities
Fuyao Glass America Inc. (福耀玻璃美國有限公司)	-	U.S.A., March 2014	USD330,000	100%	Direct	Production and sales of automobile glass
Fuyao Asset Management A, LLC (福耀美國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)	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)(b)	Limited liability	PRC, August 2019	RMB50,000	100%	Indirect	R & D, technology transfer, technical services and technology promotion
Fuyao Tongliao Silica Sand Co., Ltd. 福耀通遼硅業有限公司(c)	Limited liability	PRC, March 2021	RMB100,000	100%	Direct	Exploitation and sales of mineral
Fuyao High Performance Glass Technology (Fujian) Co., Ltd. 福耀高性能玻璃科技(福建)有限公司(d)	Limited liability	PRC, August 2021	RMB10,000	100%	Direct	R & D, Production and sales of automotive glass and automotive parts



## Section XI Financial Report

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

*For the year ended 31 December 2021*

#### **37 SUBSIDIARIES (Continued)**

Particulars of the subsidiaries of the Group as at 31 December 2021 are set out below: (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 2021, the registered capital has not been fully paid.
- (b) 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 2021, the registered capital has not been fully paid.
- (c) On 31 March 2021, the parent company established Fuyao Tongliao Silica Sand Co.,Ltd. with registered capital of RMB100,000,000. As of 31 December 2021, the registered capital has not been fully paid.
- (d) On 23 August 2021, the parent company established Fuyao High Performance Glass Technology (Fujian) Co., Ltd. with registered capital of RMB10,000,000. As of 31 December 2021, the registered capital has not been fully paid.



## Section XI Financial Report

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

*For the year ended 31 December 2021*

#### 38 EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) According to the tenth board resolution of the eighth session on 17 March 2022, the "2021 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 RMB10 (including tax) for every 10 shares, and a total dividend of RMB2,609,744,000. 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.
- (b) On 17 February 2022, the company publicly issued the first phase of 2022 ultra short-term financing bonds (referred to as "22 Fuyao Glass SCP001") in the national inter-bank market and the ultra short-term financing bonds code is 012280609. The total issuance is RMB400,000,000, the term is 180 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.35% (annual interest rate), the main underwriter is Bank of China Co., Ltd. (中國銀行股份有限公司), and the value date is 21 February 2022, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay maturing debt financing instruments and borrowings from financial institutions.
- (c) On 1 March 2022, the company publicly issued the second phase of 2022 ultra short-term financing bonds (referred to as "22 Fuyao Glass SCP002") in the national inter-bank market and the ultra short-term financing bonds code is 012280774. The total issuance is RMB300,000,000, the term is 176 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.27% (annual interest rate), the main underwriter is Industrial Bank Co., Ltd. (興業銀行股份有限公司), and the value date is 3 March 2022, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay the debt financing instruments that are about to expire.
- (d) On 4 March 2022, the company publicly issued the third phase of 2022 ultra short-term financing bonds (referred to as "22 Fuyao Glass SCP003") in the national inter-bank market and the ultra short-term financing bonds code is 012280849. The total issuance is RMB293,000,000, the term is 179 days, the issue price is 100 yuan (100 yuan face value), the issue interest rate is 2.25% (annual interest rate), the main underwriter is China CITIC Bank Co., Ltd. (中信銀行股份有限公司), and the value date is 7 March 2022, the payment method was one-off principal and interest payment at maturity. The funds raised this time are mainly used to repay borrowings from financial institutions.



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance Sheet of the Company

	As at 31 December	
Note	2021 RMB'000	2020 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	923,603	726,663
Right-of-use assets	96,232	29,896
Land use rights	31,998	33,016
Intangible assets	90,699	92,337
Investments in subsidiaries	8,051,383	7,865,678
Financial assets at fair value through other comprehensive income	69,321	58,000
Investments in a joint venture	26,189	26,189
Long-term receivables	4,280,192	4,130,914
Deferred income tax assets	–	34,064
	<b>13,569,617</b>	12,996,757
<b>Current assets</b>		
Inventories	513,660	340,645
Trade and other receivables	17,348,347	13,966,045
Financial assets at fair value through profit or loss	–	300,288
Financial assets at fair value through other comprehensive income	879,912	1,161,324
Cash and cash equivalents	9,545,452	7,338,353
	<b>28,287,371</b>	23,106,655
<b>Total assets</b>	<b>41,856,988</b>	36,103,412



# Section XI Financial Report

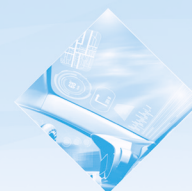
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Balance Sheet of the Company (Continued)

		As at 31 December	
	Note	2021 RMB'000	2020 RMB'000
<b>EQUITY</b>			
Share capital		2,609,744	2,508,618
Share premium		9,680,391	6,202,553
Other reserves	(Note(b))	3,180,340	2,931,419
Retained earnings	(Note(b))	6,825,715	6,544,007
<b>Total equity</b>		<b>22,296,190</b>	<b>18,186,597</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		2,337,718	3,183,785
Lease liabilities		65,121	2,181
Deferred income tax liabilities		122,881	133,939
Deferred income on government grants		13,259	12,478
		<b>2,538,979</b>	<b>3,332,383</b>
<b>Current liabilities</b>			
Trade and other payables		13,130,518	11,882,623
Contract liabilities		52,477	38,140
Borrowings		3,806,674	2,632,805
Derivative financial instruments		-	795
Current portion of Lease liabilities		32,150	30,069
		<b>17,021,819</b>	<b>14,584,432</b>
<b>Total liabilities</b>		<b>19,560,798</b>	<b>17,916,815</b>
<b>Total equity and liabilities</b>		<b>41,856,988</b>	<b>36,103,412</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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 2020</b>	6,241,590	2,688,960
Profit for the year	2,426,339	–
Appropriation to statutory reserve	(242,459)	242,459
Dividends relating to 2019	(1,881,463)	–
<b>At 31 December 2020</b>	<b>6,544,007</b>	<b>2,931,419</b>
<b>Balance at 1 January 2021</b>	<b>6,544,007</b>	<b>2,931,419</b>
Profit for the year	<b>2,487,937</b>	–
Appropriation to statutory reserve	<b>(248,921)</b>	<b>248,921</b>
Dividends relating to 2020	<b>(1,957,308)</b>	–
<b>At 31 December 2021</b>	<b>6,825,715</b>	<b>3,180,340</b>



# Section XI Financial Report

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021

### 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 2021 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	-	6,923	-	-	6,923
Mr. Tso Fai	-	1,845	53	-	1,898
Mr. Ye Shu	-	2,171	103	-	2,274
Mr. Chen Xiangming	-	1,843	74	-	1,917
<b>Non-executive directors</b>					
Mr. Wu Shinong	90	-	-	-	90
Ms. Zhu Dezhen	90	-	-	-	90
<b>Independent non-executive directors</b>					
Ms. Cheung Kit Man Alison	249	-	-	-	249
Mr. Liu Jing	150	-	-	-	150
Mr. Qu Wenzhou	150	-	-	-	150
<b>Supervisors</b>					
Mr. Bai Zhaohua	-	1,832	-	-	1,832
Mr. Chen Mingsen	150	-	-	-	150
Mr. Ma Weihua	150	-	-	-	150
	<b>1,029</b>	<b>14,614</b>	<b>230</b>	<b>-</b>	<b>15,873</b>



## Section XI Financial Report

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

For the year ended 31 December 2021

#### 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 2020 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	–	7,289	–	95	7,384
Mr. Tso Fai	–	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. Cheung Kit Man Alison	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
	<u>1,048</u>	<u>14,631</u>	<u>207</u>	<u>99</u>	<u>15,985</u>



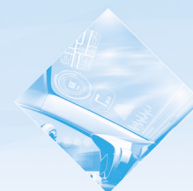


# Section XII Business Performance Highlights for the Previous Five Years

## CONSOLIDATED INCOME STATEMENT:

Unit: '000 Currency: RMB

Items	2021	For the year ended December 31			
		2020	2019	2018	2017
<b>Revenue</b>	<b>23,603,063</b>	19,906,593	21,103,878	20,224,986	18,715,609
Cost of sales	<b>15,352,658</b>	12,870,070	14,009,882	11,828,463	10,917,999
Gross profit	<b>8,250,405</b>	7,036,523	7,093,996	8,396,523	7,797,610
Distribution costs and selling expenses	<b>1,150,992</b>	1,051,202	1,064,953	1,467,671	1,274,309
Administrative expenses	<b>1,953,523</b>	1,908,980	2,000,266	2,071,318	1,803,411
Research and development expenses	<b>997,203</b>	815,579	813,130	887,722	803,441
Other income	<b>242,338</b>	352,821	181,754	146,750	188,117
Other gains/(loss) – net	<b>-444,134</b>	-445,914	7,875	1,009,830	-393,640
Net impairment losses on financial assets	<b>5,436</b>	5,987	20,512	28,132	0
<b>Operating profit</b>	<b>3,941,455</b>	3,161,682	3,384,764	5,098,260	3,710,926
Finance income	<b>168,838</b>	290,290	284,421	236,034	156,659
Finance costs	<b>318,941</b>	354,752	432,680	376,230	182,373
Finance costs – net	<b>150,103</b>	64,462	148,259	140,196	25,714
Share of profit (net of tax) of joint ventures and associates accounted for using the equity method	<b>26,975</b>	11,844	-5,932	3,744	-6,017
<b>Profit before tax</b>	<b>3,818,327</b>	3,109,064	3,230,573	4,961,808	3,679,195
Income tax expense	<b>675,861</b>	511,144	332,956	855,188	531,479
<b>Profit for the year</b>	<b>3,142,466</b>	2,597,920	2,897,617	4,106,620	3,147,716
<b>Profit is attributable to:</b>					
Owners of the Company	<b>3,145,652</b>	2,600,245	2,897,868	4,119,935	3,148,221
Non-controlling interests	<b>-3,186</b>	-2,325	-251	-13,315	-505
<b>Profit for the year</b>	<b>3,142,466</b>	2,597,920	2,897,617	4,106,620	3,147,716
Basic earnings per share	<b>1.23</b>	1.04	1.16	1.64	1.25
Diluted earnings per share	<b>1.23</b>	1.04	1.16	1.64	1.25



## Section XII Business Performance Highlights for the Previous Five Years

### CONSOLIDATED BALANCE SHEET:

Unit: '000 Currency: RMB

Items	As at December 31				
	2021	2020	2019	2018	2017
Total assets	<b>44,796,085</b>	38,435,332	38,838,517	34,503,241	31,717,365
Total liabilities	<b>18,490,789</b>	16,832,718	17,457,199	14,300,567	12,698,751
Total equity	<b>26,305,296</b>	21,602,614	21,381,318	20,202,674	19,018,614